



A better
deal for
farmers



Vietnam – © Michiel Crijns

Annual Report 2016

Content Table

0	Introduction	3
1	2016 Highlights	4
2	Sustainability reporting within VECO	6
3	VECO's strategic choices	7
4	The VECO network	9
5	Our programme	10
6	Planning, Learning and Accountability	17
7	Governance: Vredeseilanden/VECO on the move	18
8	People and Organisation	23
9	Ecological sustainability in our offices	28
10	Ecological sustainability in our programmes	30
11	Fundraising	31
12	Financial Report – Vredeseilanden vzw	33

0 - Introduction

The world has been shaken to its core in recent decades. VECO likewise evolved a great deal while our global organisation structure had largely remained the same. Over the past years it had become evident that we needed to adapt our methods of cooperation between our colleagues worldwide and our partner organisations, in order to increase flexibility, increase our impact and become more international in our outlook.

That's why our organisational structure underwent a total makeover in 2016 to become an international network organisation. This move is being done in order for us to be better prepared and able to deal with the many challenges facing the food and agriculture sector, now and in the future.

As VECO's organisational structure shifted, our funding model needed to follow. A two-year capacity-building programme with the support of the King Baudouin Foundation's Venture Philanthropy Fund, has allowed us to work towards an increasingly diversified funding portfolio.

2016 was also the last year of the three-year programme 2014-2016 funded by DGD, the Belgian Directorate-General for Development Cooperation. We are proud of our programme results, and together with our partners we have elaborated a programme for the years ahead.

We thank all our stakeholders for their support and feedback during this crucial year for VECO.
Enjoy reading!

Madeleine Tsimi and Chris Claes
Executive Directors

Scope of the report

This annual and sustainability report covers the calendar year 2016 and is published on our website after approval by the General Assembly on 17 June 2017. We report on all 15 countries where VECO is active (in Belgium and in Africa, Latin America and Asia).

1 - 2016 Highlights

In 2016, VECO directly supported 83 organisations in 14 countries in Africa, Latin America and Asia. Over 55,000 men and 27,000 women received our support.

Since 2010, **VECO Vietnam** has supported the establishment of Participatory Guarantee Systems (PGS) for safe, organic vegetables. PGS is a participatory and affordable quality assurance mechanism that brings together different stakeholders to certify the quality and safety of the vegetables grown by farmers. The impact assessments we carried out in 2016 clearly showed that farmers can more easily access markets and earn a better income from their farming activities.

In December 2016, the first **Building Trust Seminar** was organised in Brussels, **Belgium**: 92 capacity builders, representatives from 33 farmers' organisations, 16 representatives from financial institutions and 31 delegates from the food industry and retail came together to discuss the professionalisation of farmers' organisations.

In **Tanzania**, MUVIKIHO has transformed into a strong organisation. It has influenced the way companies engage with farmers, and in 2016 the price paid for peas and French beans by export companies went up 20% due to strong competition between the companies to win contracts with MUVIKIHO. More farmers are now seeking membership.

VECO facilitated discussions among **Ugandan** rice sector actors that were challenging the decision by the Ugandan government to lower import taxes for two Pakistani rice manufacturers, which would have had an adverse effect on the local rice industry. The discussions led to the annulment of the decision.

As every year, more than 8,000 volunteers took to the streets of **Belgium** to sell small gadgets to raise funds for Vredeseilanden/VECO. They also sent out this campaign message: "OOPS! We're almost out of farmers." Farmer populations are ageing rapidly. Few rural young people see a future for themselves in agriculture.

A new generation is standing up in the cocoa sector in Central America. Through the project "Yes, Youth Can", 300 young people from Matiguás and Río Blanco are being trained and empowered in **Nicaragua**.

In **Senegal**, banana farmers gradually move away from bulk selling. They now sell their bananas according to quality standards.

At a regional rice fair in Ouagadougou, **Burkina Faso**, farmers and traders discussed qualities and volumes of white rice, parboiled rice and rice seeds available. A total of 28 sales contracts were eventually concluded, worth over 5 million US dollars.

Taktik, a cinnamon farmers' organisation partner in **Indonesia**, and its long-time buyer Agripro Tridaya Nusantara recently made a major breakthrough by establishing a 5-year joint partnership. Taktik has also obtained a loan to establish a proper warehouse through this partnership.

In Sulawesi, **Indonesia**, farmers from Burau are successfully growing organic cocoa, free from all chemicals. During the second half of 2016, representatives from the Dutch company De Ruijter visited the village and are interested in buying its cocoa.

The four coffee cooperatives in the **Democratic Republic of Congo** are receiving more and more attention from traders in the speciality markets. New farmer groups keep joining the cooperatives. The cooperative Kawa Kabuya had its first business deal with Colruyt Group.

In **Ecuador**, VECO published a Quality Coffee Production Manual together with CONQUITO, the Metropolitan Economic Promotion Agency of Quito, based on research on (post)harvest practices. Farmers were able to improve the quality of their coffee produced in the Northwest of Quito, in Galapagos Islands and in the South of Ecuador.

In **Peru**, the Mobile Cupping has been a success story: young and old coffee farmers managed to significantly improve the quality of their coffee and cocoa and the approach is currently being replicated by other institutions such as municipalities, associations and cooperatives.

In the last quarter of 2016, we initiated a co-creation process with retail professionals and consumers in **Belgium**. Our common goal was to come up with tools and processes to mainstream sustainable food consumption.

VECO's organisational and governance structure has undergone a total makeover (effective as of 1 January 2017) and we have become an international network organisation.

2 - Sustainability reporting within VECO

“VECO decided some years back to report according to the sustainability framework of the Global Reporting Initiative. Because we expect from the companies we work with that their actions and impact will become more sustainable, and we therefore firmly believe that we should walk the talk. Our actions and operations also have to become more sustainable. GRI presents a framework that helps us to improve and that shows the outside world how we perform.”
Chris Claes, executive co-director

In Belgium, VECO was one of the NGO pioneers to draft its annual report in accordance with GRI, Global Reporting Initiative, criteria. An increasing number of large companies and organisations worldwide commit to reporting within this sustainability framework and to describing their economic, social and environmental impact. Our 2013 Annual Report even won an award for the best Belgian Sustainability Report in the NGO category, presented by the Belgian Institute of Company Auditors.

In our reporting, we follow the tailored guidelines of the GRI Sector Supplement for NGOs, which are based on the INGO Accountability Charter. Since 2014 we have reported according to the G4 standard, “in accordance – core” option. In GRI language, this means that we will only report on core indicators, and that we will cover at least one indicator per “material” (that is: most relevant and impactful) aspect. The complete overview of all GRI indicators is included at the end of this report (annex 5).

The G4 standard strongly emphasises stakeholder involvement to determine the most relevant and impactful aspects for VECO’s reporting. We did this exercise during the General Assembly in June 2015, as our main Belgian stakeholder groups are represented in our General Assembly. As we have since switched to an international network organisation structure, we will have to check whether the current list of material indicators is still valid. The international management team drafted a list of sustainability KPIs related to GRI; these will be revised periodically by our international board.

3 - VECO's strategic choices

3.1 Developing our global focus

How can we guarantee that coming generations retain access to affordable quality food? Ensuring global food security will be the defining challenge of our lifetime.

The challenge is critical:

- By 2050, the global population is projected to exceed 9.6 billion. Global food production will need to increase by 50 percent to meet this challenge, which will be particularly acute in rapidly expanding urban areas.
- Soil quality and water resources are already depleting and the impact of climate change is further aggravating this development.
- Low prices and poverty are forcing farmers from the land and young people are turning their backs on a future in agriculture.

At the moment, small-scale farmers produce 70% of all the food in the world. If we do not appropriately include them in food markets and as such improve their social and economic position, it will be impossible to achieve global change. Change on a global scale demands that food systems become more inclusive and offer value to all actors in the food chain.

VECO is ready to meet this challenge, and fully subscribes to the global Sustainable Development Goals.

In March 2016, we developed our global Theory of Change, focused on three strategic priorities:

- We empower farmers' groups to become solid business partners and implement climate-friendly practices.
- We connect farmers with innovators in the food industry to explore new ways of doing business and effecting change.
- We develop new mechanisms to encourage trust and transparency throughout the food chain, enabling consumers to make future-proof choices.

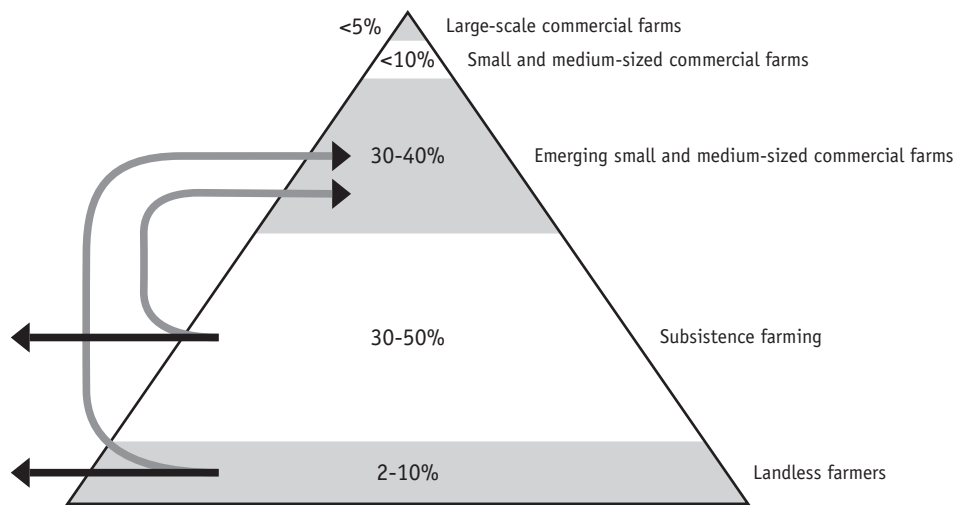
In our programmes, we bring together stakeholders from private companies, public administrations, banks and research institutions and create the collaborative space for them to develop answers to the challenges facing the future of our food. The challenges under discussion include: how do we share risk within food production more evenly so that everyone gets a fair share? How do we provide farmers and their organisations with loans to start their businesses? How do we establish proper monitoring systems to track quality and food safety standards? What are the most sustainable models for companies sourcing from small-scale farmers?

We apply our experience to engage with decision-makers, encouraging them to mainstream successful business practices and policies. We want farmers to have a voice in these networks, and a stake in enhancing change in the agriculture and food sectors.

3.2 Who are the farmers we work with?

VECO works with smallholder farmers that can build a living from farming in the long run. These are often not the most vulnerable poor farmers or landless farm labourers. This group has other needs: a proper social security system and access to decent labour. The expertise of VECO relies on bringing farmers, through their organisations, towards a higher level of professionalism in order to build sustainable livelihoods based on farming activities.

Average scale of agricultural companies in low income countries (DfID, 2015)



3.3 What commodities do we focus on?

VECO decided to concentrate on only a few commodities: coffee, cocoa, rice and fresh fruit & vegetables. Our main area of expertise lies in methodologies and approaches to strengthen farmers' organisations as businesses and support them in building long-term relationships with other stakeholders inside and outside value chains. Yet these methodologies and approaches often have specific and different characteristics for each commodity, depending on the specifics of the market systems (stock markets, market players, etc.), production systems and policy environments for these commodities. If we want to remain relevant for farmer's organisations and private actors, we need to develop our expertise in the specific context of the commodities to enhance learning between regions so as to have impact at local and international level.

In some cases, we still work with specific commodities other than those that we focus on (cinnamon in Indonesia, tea in Vietnam) for historical reasons or because of very specific opportunities.

Coffee and cocoa are two commodities that in large parts of the world are still smallholder crops offering good opportunities for farmers' livelihoods. Although these traditional export crops have had a lot of attention in the past (as forerunners of the Fairtrade movement), there are still huge challenges in terms of sustainability (uncertainty of stock markets, which makes it difficult for smallholders to invest) and even survival of crops in times of climate change.

Rice is one of the biggest food commodities globally and, although it has low margins for smallholders, it is governed by numerous laws and regulations imposed by local to international governments/bodies because of its strategic importance in feeding a growing and increasingly urban world. For smallholder farmers, it is the basis for food and income in major parts of the world, mainly Africa and Asia.

Fresh fruit and vegetables as a group of products have become a major source of income for a significant number of smallholders. Because of their characteristics (fresh and perishable), in many cases they need to be produced close to the markets and sometimes offer opportunities as export crops. They generally also offer high margins for smallholders, but on the downside they present huge challenges: high risks (perishable) and high investments.

4 - The VECO network

“Many NGOs connect farmers with the private sector. We go further and deeper than most. We work in a few specific value chains, showing what works and what doesn’t, and try to change corporate sourcing policies. We seek structural change. It requires an open attitude from our staff. We want to work together with many stakeholders and jointly advocate and influence others. Our joint, multi-stakeholder approach is unique.”

Karen Janssens, VECO Mesoamérica

Our stakeholders

Constant consultation and dialogue with our stakeholders is part of VECO’s DNA. These are the key stakeholders to achieve our mission together in the years ahead:

1. Farmers’ organisations, their members and communities
2. Donors
3. Private companies
4. Governments
5. Knowledge centres
6. Young people
7. Volunteers and social base in Belgium
8. NGOs and networks
9. Journalists
10. VECO staff

And extensive overview of all our stakeholders can be found on our website: www.veco-ngo.org/stakeholders.

5 - Our programme

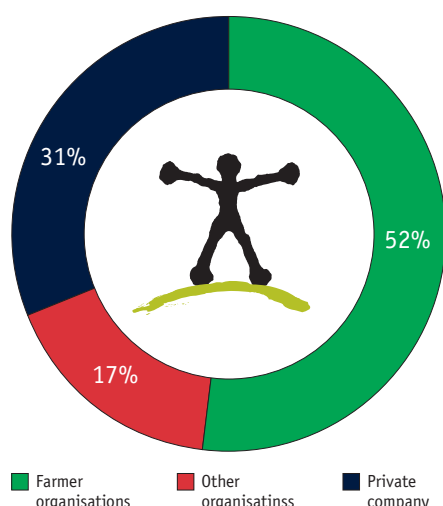
5.1 Partner organisations in 2016

The graphs below give a general overview of all the partner organisations that we worked with in specific food chains in 2016. The interventions directly target the members of the farmers' organisations. This in turn allows us to indicate precisely how many men and women are benefiting. None of the private companies with which VECO works receives funding. 90% of the organisations funded by VECO are farmers' organisations. The other 10% being local NGOs.

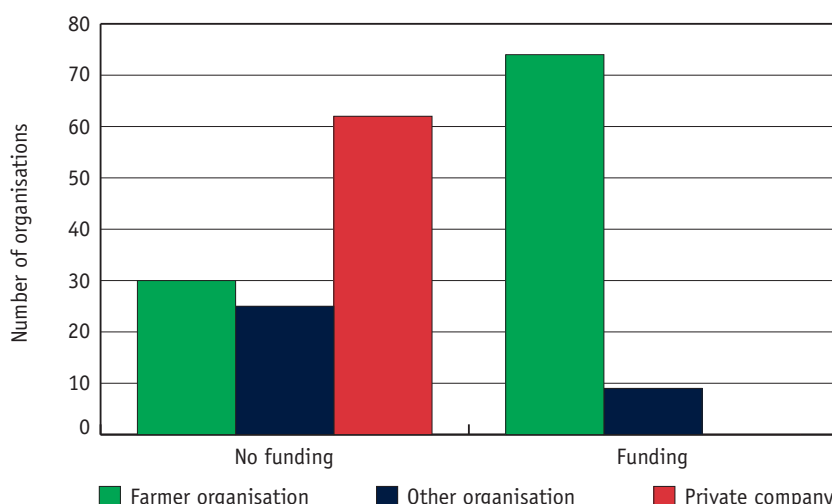
In 2016, VECO directly supported 83 organisations in 14 countries in Africa, Latin America and Asia. Over 55,000 men and 27,000 women received VECO's support.

Nevertheless, this is only half the story. It is an inherent part of our strategy to encourage other organisations and governments to replicate successful experiences on a much larger scale, and to achieve structural changes in policies of private companies and governments, so that multiple farming families benefit from our interventions.

Type of partner organisations



What type of organisations get funding from VECO?

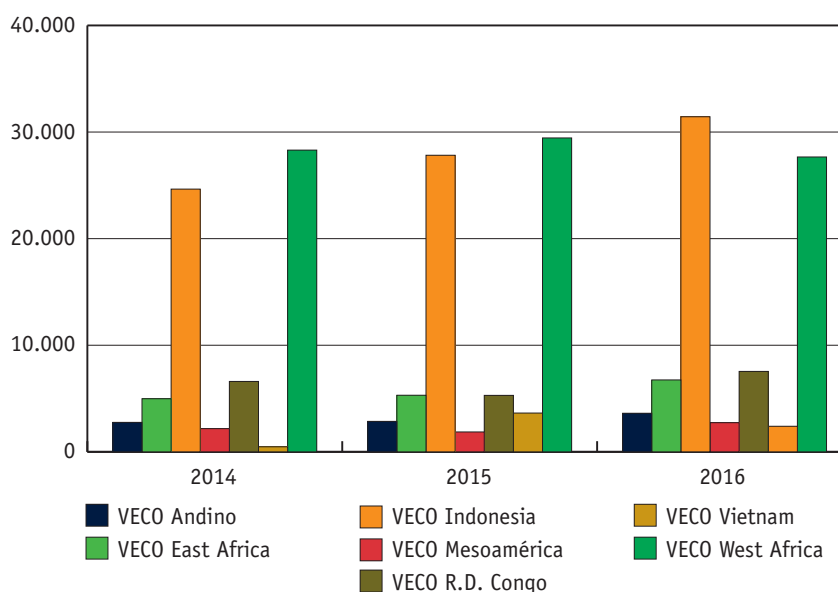


5.2 Membership of farmers' organisations

Over the past three years, we have reached an increasing number of farmers (see graph below). In some regions, we started working with new (and bigger) farmers' organisations and/or cooperatives. Furthermore, most of the organisations have grown in terms of membership, because of the commercial opportunities this brings for the farmers.

In Indonesia, the number of farmers we reach is significantly higher because we work with many more partner organisations (18) compared to the other regions (average of 8). In West Africa, farmers started organising themselves according to product chains since many years, resulting in very big farmer organisations.

Members of farmer organisations directly reached by VECO's actions



Evolution per region

VECO Indonesia

An increasing number of farmers have joined commercial farmers' organisations over the last few years, attracted by both the technical services that are available via membership of an organisation, and the economic opportunities through collective marketing. The farmers' organisations managed to link up with interesting buyers, and the transparent and good pricing encouraged many more farmers to join. Farmers understood and felt the benefits.

VECO Andino

Membership in the Andes region is also rising. In particular, the coffee cooperatives in Peru (in the Junín and San Martín regions) reported many new young members. These organisations also started working with cocoa (since coffee is very vulnerable to the effects of climate change in this region), which attracted new members. Moreover, VECO started working in a new area in Ecuador, focusing on organic bananas, which also accounts for part of the increase.

VECO East Africa

VECO experimented with new service provision models and new horticultural groups were set up.

VECO Vietnam

Activities in 2014 and 2015 were delayed due to government red tape hindering expansion to new provinces, explaining the lower numbers in 2014. It took seven months to receive a work permit for Hoa Binh and Ha Nam provinces.

In a first project funded by Rainforest Alliance, VECO Vietnam trained a total of 395 lead farmers for a total of 17 companies. These lead farmers then went on to train at least 4,080 smallholder farmers. In the current Rainforest Alliance project, 20 lead farmers were trained in 2016, who in turn trained 2,273 tea farmers on sustainable land management practices.

VECO West Africa

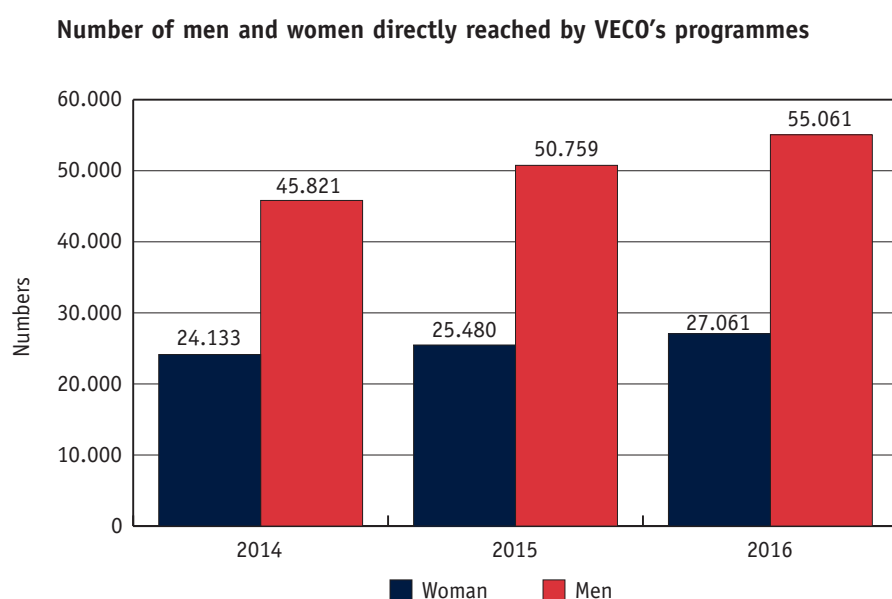
In West Africa the increase in membership in 2015 is related to banana producers affected by the floods getting back in business after losing their plantations.

VECO DR Congo

The number of washing stations set up by coffee farmers rapidly increased over a period of three years, resulting in higher membership of the four coffee cooperatives.

5.3 Membership and gender

There is still a big gender gap when we look at the farmers we directly support via their organisations (see graph below). Almost three-quarters of the members of the farmers' organisations are men. Women still have less access to resources, including land, finance and technology, which means that they do not have the same starting opportunities. In addition, women do not receive equitable benefits in terms of training, information and knowledge. However, research shows that if women had the same access to resources and services, they would produce 20-30% more food. VECO will carry out better gender-based analyses when starting to develop new programmes. This will enable us to target interventions for women more effectively.



5.4 Programme highlights

Global

We initiated a training process with SCOPEinsight, a Dutch organisation that developed two tools to assess the business capacities of farmers' organisations. SCOPEinsight assesses the professionalism and management maturity of farmers' organisations using its widely tested and robust assessment methodology, called SCOPE. SCOPE Pro was designed to facilitate access to finance, markets and inputs. This tool is best applied to more professional producers' organisations. SCOPE Basic is designed to provide input for training and capacity-building services as well as to facilitate supply chain linkages. Our aim with this project is to stress and streamline these efforts in the different VECO regions. In the end, we conducted 44 basic and 35 pro assessments.

With support of the Bill & Melinda Gates Foundation VECO has developed the Inclusive Business Scan (powered by SenseMaker) to organize real-time feedback on inclusive business in smallholder supply chains. SenseMaker is an innovative approach based on the collection of large amounts of micro-narratives that are self-signified (interpreted) by the storyteller. Over the past three years, VECO rolled out this SenseMaker application in four different value chains around the world, capturing the voice of more than 2000 farmers in Nicaragua (Cacao), Senegal (Rice), Congo (Coffee) and Indonesia (Cacao).

Belgium

In Belgium, we continued to work with front-running business leaders, civil society organisations and governments, with catering services across the country, and with volunteers and inspiring people who reflect on the future of agriculture and food supply in a global context.

In 2016 we launched a new project called “Food for the Future”, a unique partnership between us as an NGO, a university (KU Leuven), a retailer (Colruyt Group) and the Vlaams-Brabant provincial administration. These four partners are engaged in a co-creation process to tackle some crucial sustainability issues related to the food sector. Together they work on the development of three tangible food chains: Andes crops (e.g. quinoa), seaweed from Indonesia and pulses from East Africa.

Also, we initiated a co-creation process with retail professionals and consumers. Our common goal was to come up with tools and processes to mainstream sustainable food consumption. The five biggest retailers in Belgium participated in four co-creation sessions: Carrefour, Colruyt Group, Delhaize, Lidl and Aldi (North). The selected consumer panel (starting with 100 members and ending with 40) broadly represents the diversity of the Belgian consumer community: from convinced consumers (who regularly buy Fair Trade, organic, etc.) to “willing but not doing” consumers – which is estimated to be the largest group in Belgium (70%). Together, they developed tools that could make these middle groups move towards more sustainable purchases because this would have the highest impact. Seven ideas are now ready to be tested: Pay-what-you-want Pricing; Good Food Score; Green Card; Farmer looks for consumer looks for farmer; Easy Pick; and Easy Click for online sales.

One of the keys to a sustainable food system is to help farmers develop a sound level of professionalism that enhances trust with other participants in the food chain, such as food processors, middlemen, traders and retailers, but also with service and finance providers. VECO therefore organised the first **Building Trust Seminar** in December in Brussels, Belgium. The delegates consisted of 92 capacity builders, representatives from 33 farmers’ organisations, 16 representatives from financial institutions and 31 delegates from the food industry and retail. The event also marked the official launch of the AMEA network, of which VECO is a founding member.

DR Congo

VECO’s work in the coffee sector, linking four newly established coffee cooperatives with speciality markets, was well documented throughout the year. Besides this, VECO supported eight small cooperatives of rice farmers in the Ruzizi Plain, a vast area on the border with Rwanda and Burundi, ideal for growing rice. Together they want to conquer the local market, especially big markets like the city of Bukavu. In the past three years, one of the rice cooperatives, ADPA, has supplied 400, 650 and 700 metric tons of rice, respectively, to the Bralima brewery. This amounts to 32.5% of the total quantity purchased by the brewery. ADPA persuaded a financial partner to give a working capital loan to buy and collect its members’ rice, and gained experience in negotiating prices, concluding contracts, etc. ADPA also inspired the other cooperatives and the lessons learned from the VECO programme were taken up in a major new programme that was formulated by the World Bank (Programme intégré de croissance agricole dans les Grands-Lacs). However, due to the political problems in DRC, this programme did not get under way in 2016 (as planned).

Ecuador

In Ecuador, our partner organisation APECAP attracted young people to the coffee business, via practical training sessions on a variety of aspects: how to nurture the coffee plants, how to manage crop diseases like “roya”, how to make compost, how to harvest, what to do after the harvest and how to do coffee cupping (tasting). Each youngster was given a quarter to a full hectare of land to put the learning into practice. The experience was shared in multi-actor platforms like the Rural Dialogue Group, the Advisory Board on coffee and cacao, and the technical commission of the provinces of Imbabura and Loja. It inspired the national strategy on fair trade.

The resilience of the members of coffee farmers’ organisation AACRI has clearly improved. Through planting trees, introducing new techniques to improve soil quality and protecting water sources, they can better adapt to the consequences of climate change. Furthermore, their sources of income have diversified: they now also sell fruit and wood.

VECO published a Quality Coffee Production Manual together with CONQUITO, the Metropolitan Economic Promotion Agency of Quito, based on research on (post)harvest practices. Farmers were able to improve the quality of their coffee produced in the Northwest of Quito, in Galapagos Islands with denomination of origin and an approach of conservation of the islands; and in the South of Ecuador, in farms managed by young producers.

Smallholder producers' organisations Chuya Mikuna and PACAT established commercial relationships with small and medium-sized businesses such as specialised shops, hotels and local supermarkets. It was an interesting start to diversifying their client base and managing their risks more effectively, while in the meantime increasing their capacities and volumes to also comply with large supermarkets' requirements in the future.

Honduras

Consortio Agrocomercial in Honduras is a commercial association of eight farmer enterprises that produce and sell fresh vegetables. They managed to substantially increase total selling volumes and varieties (up to 35 different products). 100% of what the Consortium collects from the farmers is actually sold. They currently have contracts with four supermarkets: La Colonia (Consortio provided 70% to 80% of their demand for vegetables), Antorcha, Los Andes and El Colonial. They have a constant supply and the acceptance rate of the produce is high (94%). Prices paid to the farmers are more stable than before Consortio started implementing its new business model. This business model also includes the promotion of equal opportunities for women, which has led to a more than 100% increase in women's participation in the business.

VECO Mesoamerica also started alliance-building between cooperatives of vegetable farmers and the transnational fast food chain "Subway", following inclusive business principles. Nowadays, more than 33 small farmers provide healthy, high-quality vegetables to stores in the country.

Nicaragua

In Nicaragua the farmers' organisation La Campesina clearly demonstrates what commercial skills are needed to be successful in the cocoa business. La Campesina's leadership outclasses other organisations in transparency and good communication, thus leading to trusting relationships with its buyers. Moreover, they succeeded in accessing new markets because they actively participate in many networks. At local level, they interact with the government and the cooperatives' union, while at national level, they lead the round table network Canicacao. Even up to Central American level (Amacacao) and international level (ICCO), they are present in the leading cacao sector organisations. As a result, La Campesina extended its client portfolio: they sold 30 metric tons of UTZ and organic-certified cocoa to Ritter Sport and 31 metric tons to Ethiquable, and they signed a sales contract with Daanhouwer (the Netherlands).

Besides supporting specific cooperatives, VECO was also active at sector level, linking its partner organisations with public and private decision-makers to analyse the current state of the sector and to formulate strategies to boost its competitiveness. We would particularly like to promote the region as an important producer and exporter of fine flavour cocoa. VECO's partner AMACACAO, Asociación Mesoamericana de Cacao y Chocolate Finos, started defining standards for Central American fine chocolate, with the aim of opening up the niche market of fine flavour cocoa and chocolate for the small cocoa producers in the region.

By the end of 2016, a regional forum was held with all stakeholders with whom VECO Mesoamerica has been working in Nicaragua and Honduras for three years seeking improvement in the cocoa sector. This event was an opportunity to analyse and review new challenges and alliances focused on improving the inclusion of small producers in new markets such as fine and aroma cocoa.

Indonesia

VECO has invested a great deal in linking farmers' organisations to private companies i.e. Bloom Agro, PT PMA, Javara, Organic Land, Gassol Organik, Tama Jaya Sejahtera, MTC, Indokom, Mars, UD Glory, Suryaning Galang Kangin, Comextra Mayora and Pod Bali. This means that an increasing number of long-term partnerships between private actors and farmers' organisations are now based on inclusive business practices. Product promotion at fairs and business meetings (both directly with individual buyers and through the commodity platforms) played a major role in this progress. Inclusive business practices included: clear contract deals, technical support from the company to the farmers, communicating quality requirements and price information, providing advance payment, engaging in tripartite agreements with financial institutions and providing equipment.

Peru

Together with the Universidad del Pacífico in Lima, the Belgian embassy in Peru and APCI (the Peruvian agency for international cooperation), VECO designed and organised a contest (call for proposals) on inclusive business models. The private company Grupo Hualtaco and the banana producers' organisation CENBANOR came out as the winner. They started a process towards more inclusivity of their commercial relationship. The LINK methodology was used for structuring in a participatory manner the new inclusive business model between Hualtaco and CENBANOR and developing a pathway for its implementation. As of the end of 2016, the producers' organisation has a 30% share in the export company, which means that it can participate in decision-making. The business model also includes ecological practices, for example more efficient water use and waste management. The success of the contest and the winning business model was used in a training programme for future company managers at the University of Lima and other regional universities on inclusivity of purchasing policies and its impact on the income of smallholder farmers.

In the cooperatives CAC Pangoa and CAC Satipo (Peru) youngsters and women take now part in the decision taking of their local committees. The percentage of youngsters in leadership positions was doubled, due their participation in leadership schools.

West Africa

During his visit to the banana plantations in Tambacounda on 19 October 2016, the President of Senegal announced financial support of FCFA 2.5 billion for the rehabilitation of 500 hectares of banana fields. The aim is to achieve a production level of 20,000 metric tons, which would help Senegal to become self-sufficient in bananas. This support is part of the national programme for the development of the banana chain, which was officially validated in January 2016 after active lobbying by VECO and its partner UNAFIBS, the national union of banana chain actors.

In the rice sector, FEPOBRA – the rice producers' organisation in the Senegalese Anambé basin – has successfully supported groups of women in improving their parboiling techniques and helping them to procure a rice hulling machine, which should improve quality and reduce waste. In an interview in the newspaper "le Quotidien", Dr Pape Abdoulaye Seck, the Senegalese Agriculture Minister, highlighted the importance of good product quality: "The best way to convince people to buy something is by ensuring that the quality is good. We have already seen significant improvement in the quality of the local rice in Senegal. Once people have tried this good-quality local rice, they no longer want imported rice. Local rice has better organoleptic qualities, aroma, better digestibility and freshness."

In the other West African countries where VECO works, we have also focused a great deal on improving the quality of local rice. In Benin, for example, white rice and parboiled rice are clearly of better quality than at the start of the programme: low percentage of broken rice grains (<3%), absence of impurities and uniform shape of the rice grains. In Burkina Faso, the plant model of the processing centre in Douna (with strict separation of raw and processed products) was replicated in other rice processing centres around the country. In Niger, VECO also supported the women's rice parboiling organisation with processing equipment, technical training, recruitment of a qualified manager, etc., which helped them to produce quality rice (no smell, little impurities, 100% head rice).

Tanzania

In Tanzania, VECO's activities are inevitably linked to provision and better management of water resources, since it is a country that suffers considerably from climate change effects. In the rice sector, 30 demonstration plots under the System of Rice Intensification (SRI) were established in the villages of Oria and Chekereni, for the purpose of helping farmers to adopt the technology as one way of improving water efficiency. In addition, three irrigation schemes were set up in the villages of Uchira, Kiruani and Oria with the objective of piloting innovative irrigation practices that provide better livelihoods while reducing environmental impact through integrated water and land management. These schemes were completed towards the end of 2016 and will provide evidence of how irrigation can be promoted for smallholders.

MUVIKIHO started in 2012 with 125 members from three primary groups. It was founded with the objective of strengthening their voice in bargaining with export companies, but the members soon found that they were no match for the companies.

They had to adhere to the terms of these companies in contracting, prices and the volumes to sell. They had no choice as to who they were to sell to because once an export company had their name on their Global GAP certification they were locked into that company for good. In 2014 MUVIKIHO became VECO's partner and two years on, MUVIKIHO has transformed into a strong apex organisation that has been able to attract 10 more primary groups with 485 members. It has influenced the way companies engage with farmers and in 2016 the price paid for peas and French beans by the export companies went up 20% due to strong competition between the companies to win contracts with MUVIKIHO. More farmers are now seeking membership. MUVIKIHO has also inspired other NGOs and FFV farmers: in November 2016, MUVIKIHO was invited by the Aga Khan Foundation to advise farmers in Lindi and Mtwara (over 1000 km away) on how to build a similar model for their fruit and vegetable businesses.

Comparing the current situation with figures from three years ago, we can see that agriculture is still the main source of income. However, the percentage of income from agriculture fell from 94.8% in 2013 to 73.4% in 2016, suggesting that farmers are gradually relying less on farming. They now have other sources of income, such as running a small shop or stall, and are aware of the drawbacks of depending too much on one source of income.

Uganda

In 2016, VECO facilitated discussions among Ugandan rice sector actors who were challenging the decision by the Ugandan government to lower import taxes for two Pakistani rice manufacturers from US\$ 345 (normal external tariff in the EAC zone) to US\$ 250 per metric ton. The discussions led to the annulment of the decision. This is a positive move by the government, as allowing cheap imports would have had an adverse effect on the local rice industry.

Introducing a new crop like chillies to the fruit & vegetable farmers in Uganda succeeded in attracting more women and young people to the business. Four hundred more women and an additional 860 youngsters took up farming, since chilli is a crop that can flourish well on a small plot of land, enabling this vulnerable group to have control of land and enjoy post-sales benefits. The crop requires minimal start-up capital, has a short growing cycle and is more drought-tolerant than other produce. There is also high demand for it from local supermarkets. This has not only improved their livelihoods, but also reduced the incidence of domestic violence.

6 - Planning, Learning and Accountability

6.1 Monitoring of our programmes

VECO engages comprehensively in **Planning, Learning and Accountability (PLA)** through a monitoring and evaluation system that mainly aims to learn from successes and failures. The PLA system provides a framework for the systematic collection of data and the use of this data for continuous programme adjustments. Moreover, PLA also seeks to stimulate critical reflection internally, among colleagues working in similar interventions across the globe and with external stakeholders.

To facilitate learning across regional offices and to provide VECO's international management team with the information needed for decision-making, a **programmatic database** captures the essential M&E information of the whole organisation. A dashboard functionality presents the overview of the main data (disaggregated by gender/role/commodity), such as number of partner organisations, beneficiaries, expenditure, etc.

Read more about our PLA system on our website: www.veco-ngo.org/pla.

6.2 The impact of VECO's work

Every three to five years, VECO assesses the impact of its programmes, to check whether our interventions have the desired effect, and to learn where we fail and need to adapt our approach. These impact assessments consist of an intensive process of data collection and interviews with members of the farmers' organisations.

The following topics are covered in our 2016 impact assessments:

- Has the income of farming families in the pilot projects increased? Are the living conditions of the supported farming families improving?
- Have farmers and their organisations achieved more influence in the agricultural chain? Are their organisations stronger?
- Have farmers and their organisations become more resilient in order to cope with setbacks and changing circumstances?
- Do farmers' organisations use natural resources in a sustainable way?
- What position do women have in the agricultural chain and within their organisations? Does their income increase and can they decide for themselves what they spend their money on?
- And what about the position of young people in agriculture?
- What changes did VECO contribute to at sector level?

In each VECO region, one impact assessment was carried out by an external evaluator in 2016. The focus was on rice, coffee and cocoa, in order to increase global comparison. The other value chains were evaluated by VECO staff. The results were discussed with our partner organisations and during regional VECO staff meetings at the start of a new programme cycle.

Gradually, the outcomes of those impact assessments will be published on our website: www.veco-ngo.org/impact.

7 - Governance: Vredeseilanden/VECO on the move

In 2016 the Vredeseilanden/VECO house was under renovation. Effective as of 1 January 2017, our organisational and governance structure has undergone a total makeover and we have become an international network organisation. This move has been made to help us to be better prepared and better able to deal with the many challenges facing the food and agriculture sectors, now and in the future.

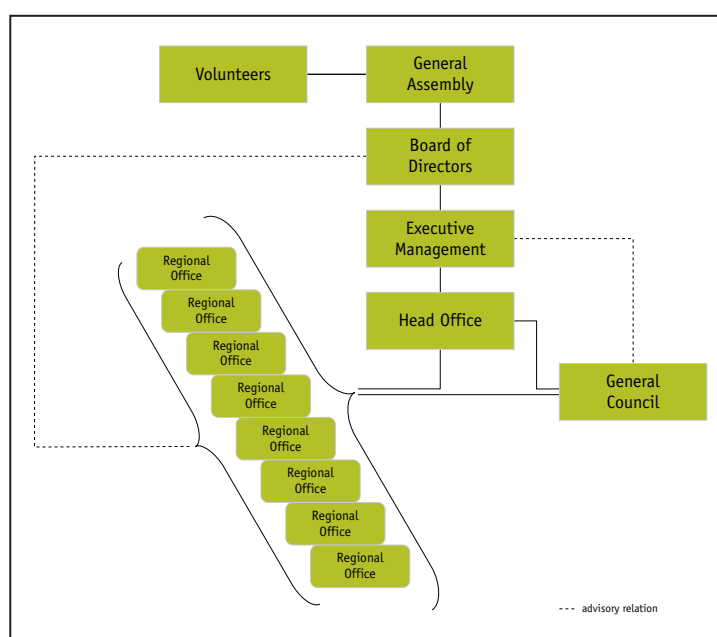
7.1 Organisational structure

While VECO always gave scope for a great deal of participation and input from staff and partner organisations, we wanted to go one step further. VECO's organisation was very centralised, with the senior governance bodies (General Assembly, Board of Directors and Head Office) dominated by Belgians. Under this model, standards and general programme objectives for the entire organisation were developed centrally and later translated into regional programmes. We wanted to evolve towards a truly international way of steering the organisation.

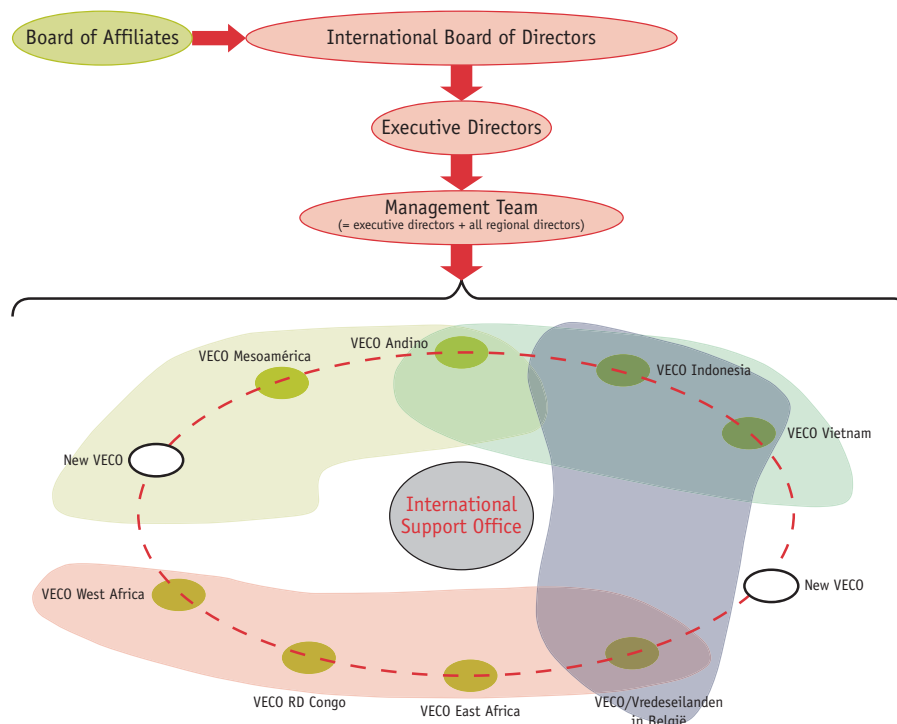
With this goal in mind, alongside the non-profit organisation (Vredeseilanden vzw), we established a Belgian Public Interest Foundation (VECO International), which from 2017 onwards will be managed by an International Board of Directors and an International Management Team composed of the directors of the VECO programmes in the different regions. International project teams (clusters) will focus on specific topics to work on common goals and share expertise, and the international office will take on the support functions (finance, communications, programme support, etc.). For the time being, this office will be based in Belgium, but this may change, as it will gradually be staffed by colleagues from the different VECO regions. Our programme in Belgium has become one of the VECO regions, at the same level as VECO in the Andes region, West Africa, Indonesia and so on. Over time, new organisations can become members of the VECO network organisation.

In the second half of 2017, a Board of Affiliates will be established, in which our regional offices will be represented by local stakeholders.

Previous organisational structure:



Organisational structure from 2017 onwards:



New VECO in a nutshell

- A truly global organisation with international management/governance.
- Eight regional offices, which will work more independently while sharing a common DNA, values and strategies of the network organisation. We will remain one organisation.
- A flatter organisational structure, with international projects coordinated from different regions.
- More active collaboration and exchange between colleagues worldwide.
- An organisation that is less dependent on funding from the Belgian government.

7.2 VREDESEILANDEN vzw

General Assembly

The General Assembly consists of 86 members representing our key stakeholders. They are volunteers, experts from various organisations or private companies, people working for governmental institutions, members of the Board of Directors and former staff members. In total, our GA comprises 35 women and 51 men (31/12/2016).

Membership is valid for an indefinite period. Anyone can apply to become a member of our General Assembly. His/her application is presented at the next General Assembly. The Articles of Association stipulate that current staff of Vredeseilanden/VECO cannot be a member of the General Assembly.

The General Assembly is the supreme body of Vredeseilanden vzw (non-profit organisation). It appoints the Board of Directors and ratifies the annual accounts and the annual report. Within the General Assembly there is a Financial Committee that thoroughly studies the financial reports in preparation of each General Assembly.

In 2016, apart from its formal obligations, the GA discussed and approved the last phase of the transition towards an international network organisation. An extra meeting was held in February 2016, specifically on this issue.

Shaping our sustainability policy

We are sometimes asked who our sustainability manager is. We then humbly have to admit that within VECO, nobody has this job title. Indeed, it is a task, a role, a competence and a responsibility of each and every one of us. We work to improve our sustainability scores at many levels. We have developed sustainability tools to screen our agricultural chains for social, ecological and economic sustainability. Executive management puts sustainability into practice when renovating our office space in Belgium. In Belgium, we book meeting venues near a train station and serve sustainable catering; the Board of Directors proposes sustainability as a criterion against which it checks its decisions. Our procurement policy has sustainability criteria and we opt for sustainable human resources management. But no, we don't have a sustainability manager. We all work on sustainability.

Board of Directors

Members: Fons Vaes, Hilde Van Ongeval, Roosmarijn Smits, Annelies Van Raemdonck, Marc Bosmans, Marleen Bas, André Van Melkebeek, Kristof Debrabandere, Koen Dolphen, Winanda Nuytens and Arnout Desmet.

In the course of 2016 Fons Vaes, Annelies Van Raemdonck, Arnold Desmet and Marleen Bas stepped down from the Board of Directors. The Board welcomed Karel Bolckmans and Marnix Somers as new directors.

Chairman of the Board of Directors: Kristof Debrabandere replaced Fons Vaes in November 2016.

The directors are appointed for a maximum period of four years with a one-time renewal. The Board of Directors is responsible for general management, and determines the strategy of the organisation. In its choices, it takes the values of VECO as its starting point: inclusive thinking, dialogue, participation and sustainability. The Board monitors the organisation's sustainability performance. This concerns practical decisions as well as choices within the programme.

The Board delegates operational responsibilities to the Executive Management of the organisation. The Chairman and all other Board members are volunteers. They receive no payment for their services, nor do they have an executive function within the organisation.

The Board has incorporated the principles of good governance into its Articles of Association and Rules and Regulations, based on the "Good Practices and Recommendations for the Management of Social Profit Organisations" of the Belgian King Baudouin Foundation (Goede praktijken en aanbevelingen voor het besturen van Social Profit organisaties). Clauses are included with regard to the necessary competencies, procedures for avoiding conflicts of interests, decision-making methods, evaluation procedures, etc.

Within the Board there is an Audit Committee. Two financial audits took place in 2016, in West Africa and Central America (see chapter 12: financial report).

In 2016 the Board spent most of its time establishing a new governance structure for the international network organisation. A Cooperation Agreement between the new Public Interest Foundation (VECO International) and Vredeseilanden vzw was signed. This cooperation agreement explains and specifies the division of equity, division of movables, division of internal resources originating from private funding in Belgium, accountability, etc. On 5 October 2016, the two Boards of Directors (international and Belgian) had their first joint meeting.

As for the Belgian programme within the new structure, new statutes and internal regulations were developed and discussed during the General Assembly. The new Board of Directors also approved the new 2017-2021 programme, which was submitted to the Belgian government (DGD) for funding.

Executive Management

Executive management consisted of Marianne Vergeyle (Head Office) and Rogier Eijkens (programme director). In 2016, the executive management was assisted during the entire year by Stef Steyaert (as change manager). As adviser, Stef ensured compatibility of all decisions taken with the evolution towards a network organisation. Jan Wyckaert was appointed as the new Executive Director of the Vredeseilanden/VECO programme in Belgium as from 1 January 2017. Until December 2016, he was one of the two strategic advisors of Vredeseilanden/VECO.

Regional VECO managers

In 2016 these were the regional managers of the different VECO offices:

- Mark Blackett in East Africa
- Peter Sprang (until 31/8/2016) and Dominique Vanderhaeghen (from 1/9/2016) in Indonesia
- Karen Janssens in Central America
- Johanna Renckens in Latin America
- Hoang Van Tu in Vietnam (22/2/2016-21/11/2016)
- Madeleine Tsimi (from 08/01/2016) in West Africa
- Ivan Godfroid in DR Congo

7.3 VECO International (PUBLIC INTEREST FOUNDATION)

For two years we worked on the design of a new network organisation. The new Public Interest Foundation VECO International was founded in June 2016. The legal form was chosen based on a comparative analysis of different forms (association, cooperative and foundation). A public interest foundation presented the most interesting characteristics to build up an equal international exchange between the different actors/offices involved without a heavy governance burden.

These are the governance bodies of the Public Interest Foundation VECO International:

Board of Directors

In October 2016, a new International Board of Directors was formed, based on the members' complementary individual expertise (finance, HR, mission-related content) and background/stakeholder representation (civil society, public sector, private sector), their knowledge of VECO and a geographical distribution over the VECO regions.

The VECO Board of Directors – based on proposals from the management team – defines the general policies and strategies of the organisation. The Board follows up on the implementation of these and on the results and impact achieved. In this context, through our monitoring and evaluation system, on a yearly basis, stakeholders and partners are invited by our staff at regional level to give their input on the planning of our actions as well as on their evaluation. Social, economic and environmental concerns form the core of these strategic conversations. The results of these exercises are compiled and presented to the Board as input for the decisions it has to take.

Board of Affiliates

As determined in the new statutes, the International Board of Directors will seek advice from the International Board of Affiliates. The members of this Board of Affiliates will be delegated by the national (or regional) advisory boards. We will work on establishing this new Board in the second half of 2017.

International Management Team and international office

As of 1 January 2017, the regional VECO managers became the executive directors of their regional programmes and at the same time members of the International Management Team, which steers the daily operations of the whole network organisation. At the moment, we only have one VECO director working in the region where she was born, but this will change in the coming years.

Global financial reporting standards and quality control will continue to be the responsibility of the Finance department of the international office. This international office will also take on many support functions to increase our global impact and improve our way of working, e.g. communications, fundraising, designing tools for planning, learning and accountability, etc. On our website, the members of the International Management Team and International Office staff are presented.

Executive Directors

The new international Board has appointed two executive directors, Chris Claes and Madeleine Tsimi, to lead VECO on its journey towards becoming an effective network organisation.

7.4 Quality improvement

How does VECO rate in terms of management and efficiency, compared with other organisations? How do we set out our strategy? Are our partner organisations sufficiently involved? How do we score in terms of leadership? There are various ways and tools to gain insight into these questions. In 2011, the Belgian NGOs agreed to adopt **EFQM** as a model for quality care. This is a model that stimulates organisations to constantly question and improve themselves. The focus is on achieving good, balanced results that meet the expectations of all stakeholders: the target groups (partner organisations and farmers worldwide), staff, society and the core stakeholders (Members of the General Assembly and Board of Directors, volunteers, private and institutional donors). In 2015, we received the EFQM “Recognised for Excellence” label.

Additionally, in 2016 the **Belgian government** (through the consultancy agency Deloitte) screened all Belgian NGOs on their governance and management. VECO achieved an excellent result and is now **recognised as “programme NGO”** for the next ten years, allowing us to apply for long-term funding from the government.

8 - People and Organisation

In 2016, VECO had 163 employees worldwide. Over the years, the male-female ratio has become more balanced, which is a positive trend.

In our office in Belgium, the average length of service is 10.5 years. Some people have been loyal to the organisation for over 30 years, yet the global staff turnover still a bit high.

Employees of VECO worldwide have already indicated on previous occasions that they consider it very important to be able and allowed to invest in training and development. However, the supply and/or opportunities are not always up to the expectations. Now and in the future, it is a challenge to respond (even) better to needs, requirements and expectations.

8.1 Vision on people and organisation

One of VECO's core values has always been our belief in people, whether they are our staff or the many stakeholders we work with to achieve our programme goals. "VECO = it's people" remains a core value in the new network organisation. Nevertheless, in 2016, we wanted to make this more explicit by formulating a strategy text focusing on our staff in the new network organisation. This text explains the principles that VECO considers important in its relations with its employees. As we value and respect everyone's input, we therefore involved all VECO staff in determining the values and principles that define us as an employer. This resulted in six principles and values that are shared and understood by everyone in the organisation:

- We are the power of change
- We are an open and connected organisation
- Staff development is essential
- Fair rewards
- Assessing performance
- Global policy and transparent HR systems

8.2 Salary policy

One of the principles formulated in the strategy is "fair rewards". VECO strives to give fair remuneration to all employees for their contribution to the organisation's mission, taking into account their qualities and relevant work experience, and comparable with similar organisations. Apart from salary and contributing to VECO's mission, other elements also have a part to play in employee motivation: flexible working conditions, development of new skills, potential for new responsibilities and opportunities to work with colleagues on other continents.

In terms of salary and fringe benefits, there is complete equality between men and women, and between employees with open-ended and fixed-term contracts in all VECO offices. No performance reward or other bonus system is in place.

The salary system in Belgium is based on Belgian government pay scales. Eight pay scale categories are used, in which every employee is placed based on his/her function and the number of years of relevant work experience. There is a "healthy" wage gap of 1 to 3; in other words: the highest wage is three times more than the lowest. The union standard for a good wage gap is 1 to 4. Every employee also receives meal vouchers, group insurance, hospitalisation insurance and reimbursement of travel to and from work. Nobody receives a company car. One car is available that can be used by everyone who needs it for work purposes.

In the VECO offices, every region has its own salary system, based on the local context. However, every salary system is built according to the same principle of scaling according to function and based on relevant work experience. Salary scales are established through a comparative study with similar organisations. VECO wishes to position itself right above the average, aiming at being able to recruit competent employees. In the VECO offices there are also fringe benefits provided. This can translate into hospitalisation or life insurance, pension fund, 13th month, additional leave, commuting expenses, etc.

In 2017, we plan to update our global salary policy. We need to define principles and standards that we all agree on and that are adapted to and reflect the current modern labour market.

8.3 Training and capacity building

The second of the organisation's principles formulated in the people and organisation strategy is "staff development is essential".

Throughout every employee's career at VECO we pay constant attention to their personal development. VECO provides permanent development opportunities to its employees at all levels, both individually and collectively. VECO seeks to be a flexible organisation, where people adapt to the new strategies and long-term objectives of the organisation and where mutual learning is encouraged. "Learning" is therefore explicitly included as an objective in VECO's strategic plan.

Every year there is a training budget earmarked per person. If a particular, more expensive training course looks worthwhile, this can be budgeted in addition. Joint training initiatives are also included in the budget. The training initiatives are followed up in every VECO office separately. In Belgium, we invested in training on sustainable food, self-organising teams, communication, etc., amounting to an average of 31 hours per person.

The development of our staff is a constant process. It therefore requires continuous attention. Employees of VECO worldwide have already indicated on previous occasions, for instance in satisfaction surveys, that they consider it very important to be able and allowed to invest in training and development. However, the supply and/or opportunities are not always up to the expectations. Now and in the future it is a challenge to respond (even) better to needs, requirements and expectations.

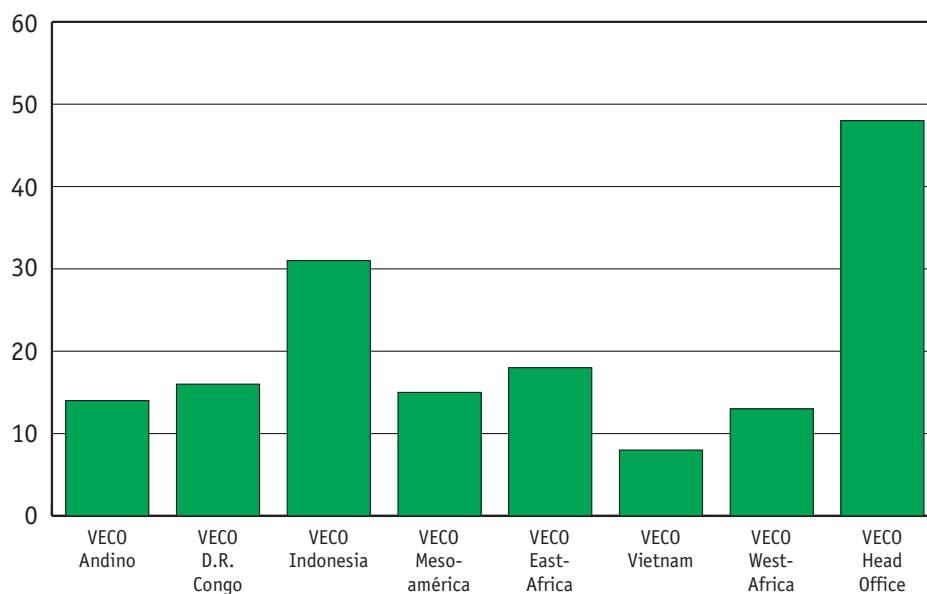
Apart from formal training, regular staff briefings are organised during the year. In 2016 there were special briefings on the evolution towards a network organisation. This was the case in all VECO offices worldwide.

8.4 Reporting concerns

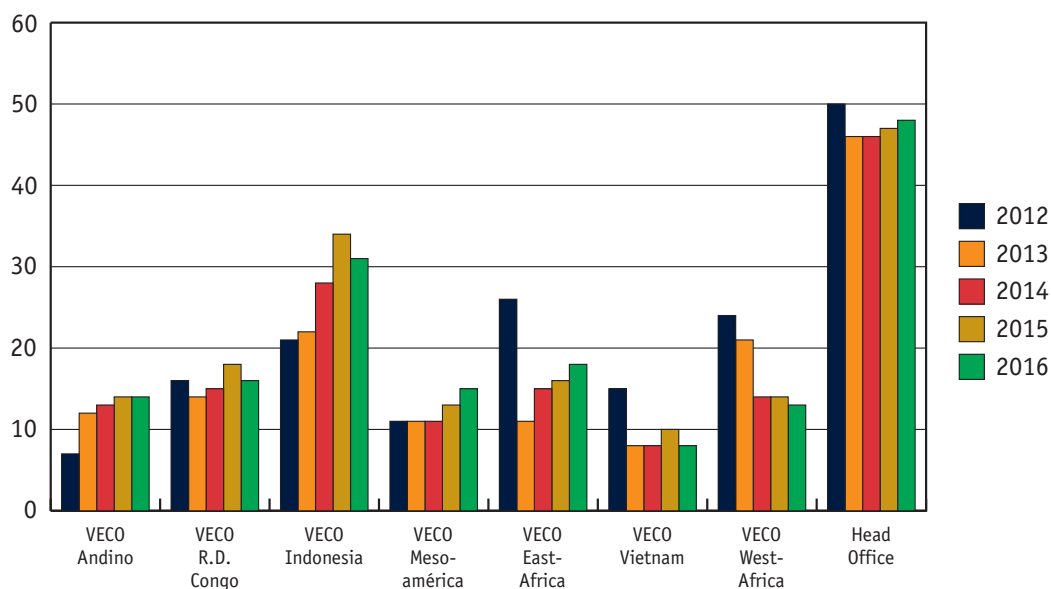
If a staff member encounters unwanted, unethical or unlawful behaviour, or has other serious problems with one of his/her colleagues, the confidential contact person (one in every office) can be contacted. If an adviser receives a complaint, he/she tries to mediate. If mediation is not successful, a formal complaints procedure can be initiated. The confidential contact person in Belgium received two complaints in the past year.

8.5 Workforce

In 2016, VECO had 163 employees worldwide. The graph below visualises the number of staff per region in 2016.

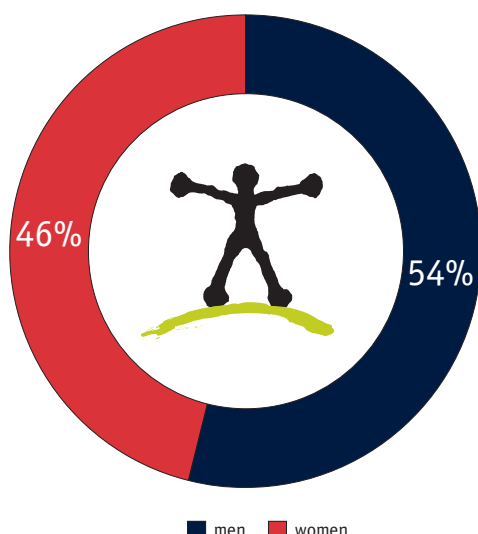


Evolution of workforce per region 2012-2016



In 2013 the offices in West Africa and East Africa evolved towards regional teams, causing a fall in the number of employees. Since 2014 the trend has once again been upwards, specifically in regions that received additional resources to expand their programmes.

In Belgium, all staff are hired under a permanent employment contract. Only in exceptional cases, for a specific temporary assignment or a clearly specified task, is a fixed-term contract issued. In the other VECOs it is customary to issue fixed-term contracts, which can be renewed.



8.6 Gender

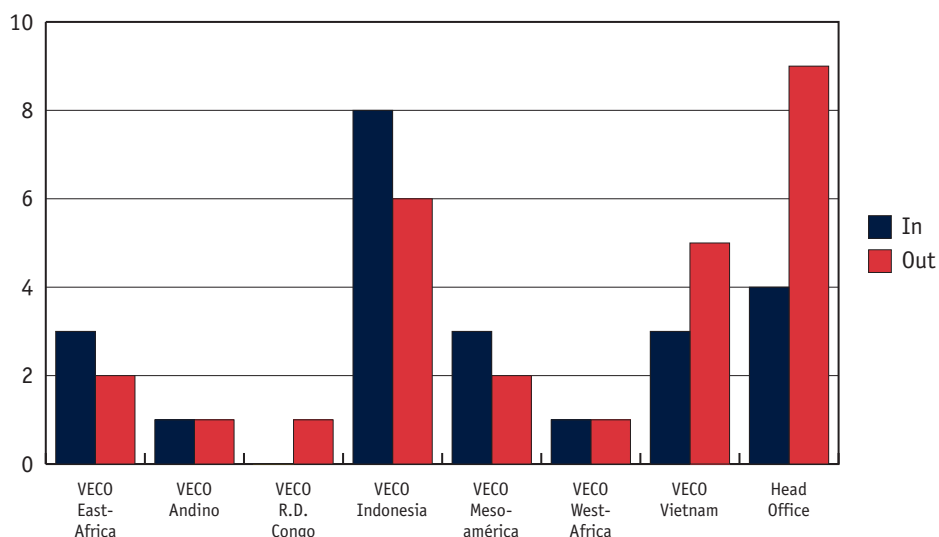
Several years ago, men were clearly in the majority in the organisation, but over the years, the male-female ratio has become more balanced, which is a positive trend.

If we look at the entire organisation, the male-female ratio in 2016 seems reasonably balanced: 54% men and 46% women. However, there is an interesting difference between the office in Belgium and the other offices. In the latter, proportionately many more men are employed, whereas there are more women employed in Belgium.

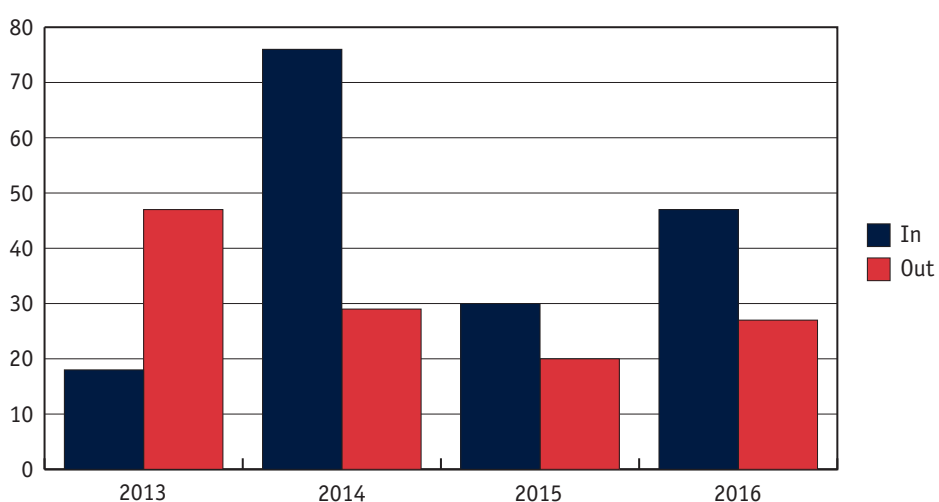
8.7 Staff turnover

In 2016, slightly more people were recruited than left service in most VECO programmes. In Belgium this is explained by the fact that a number of individuals were hired for a temporary assignment, or work for us as students.

Staff turnover 2016



Evolution staff turnover 2013-2016



In 2013 our regional offices in West and East Africa underwent restructuring, which led to a higher number of staff leaving the organisation. In 2014, in both regions, people were hired for the new regional office. After 2014, the global staff turnover stabilised somewhat, but is still a bit high. Head Office had a rather high turnover, which can be explained by several short-term appointments. The aim is to achieve a lower staff turnover in future.

8.8 Length of service

In our office in Belgium, we have always tried to achieve a healthy mix of young and more experienced staff. In 2016, this resulted in an average length of service of 10.5 years. Some people have been loyal to the organisation for over 30 years.

9 - Ecological sustainability in our offices

9.1 Ecological footprint of our office building in Leuven, Belgium

In the past few years, VECO in Belgium has strongly focused on some aspects of its environmental policy: reducing the consumption of water, gas and electricity, strongly encouraging the use of public transport, using eco-friendly cleaning products and increasing the share of Fair Trade and organic products in our catering. In 2011, we renovated the whole office building and turned it into a sustainable workplace.

Working sustainably also includes **commuting**, although it is, of course, possible to work from home. A total of 94% of our employees use public transport or the bicycle to come to work. Our office is close to the railway station (a ten-minute walk) and there is a shower for perspiring cyclists. Two service bicycles are available for employees. We have a Blue Bike subscription, with which employees can easily combine public transport and a Blue Bike for work trips.

The mailings sent to private donors and volunteers account for most of our **paper use**. Since 2015 the use of paper has dropped spectacularly because we stopped placing fundraising inserts in newspapers and magazines. However, we printed more in-house for events, so more paper was purchased.

For our **office coffee and snacks**, we buy products with the organic or Fair Trade label, unless there is no labelled alternative for a specific product. If we provide lunches or snacks during meetings, we also look for caterers that serve organic, Fair Trade and/or local products.

Office and maintenance products: all maintenance products purchased are from an ecological brand, except for some products for which it is hard to find an ecological alternative. We continuously monitor if we can replace certain products with an ecological alternative.

Waste production remains steady and we try to recycle as much as possible. The amount of paper waste is a lot lower than it was a couple of years ago, since e-mails and documents are printed on paper much less often.

(Invoices of water, gas and electricity not available yet at time of writing – end of May 2017)

9.2 Ecological footprint of VECO offices outside Belgium

Since 2012, we have been reporting on the environmental achievements of our offices in Africa, Asia and Latin America. In doing so, we confine ourselves to a number of relevant key indicators that are easy to follow for all offices. You can find the detailed figures on our website: www.veco-ngo.org/footprint.

We have not noticed any significant shifts compared with last year, except in the field of mobility. In most regions (Mesoamérica, West Africa, East Africa, Indonesia, Vietnam), the number of air miles and/or kilometres per car has significantly increased due to the start of new programmes. In one regions (Andino) the number of flights has slightly gone down, because a new programme area is easily accessible by car.

The use of public transport from the office to programme areas continues to be unfeasible in practice in most regions, due to the poor state of the roads, limited service and safety issues. Moreover, cars are often used to commute to and from work, while cycling or walking are not really considered. This can be due to safety reasons or because it takes more time, but sometimes this is also a cultural issue, linked to social status.

In terms of use of paper, not a great deal has changed. Recycled paper is not available in most regions, or the paper is very expensive. However, staff are motivated to share documents via e-mail as much as possible. In Nicaragua, our colleagues will start working with an NGO called Los Pipitos, which has a recycling program. They install disposal points in different organisations for people to leave any kind of paper in order to be recycled without costs.

The use of energy-efficient lamps is now commonplace everywhere. For 2017, VECO Mesoamérica has a major plan to change office in Managua and look for a place that provides more sunlight and possibilities to share working spaces to reduce energy consumption (airco and light).

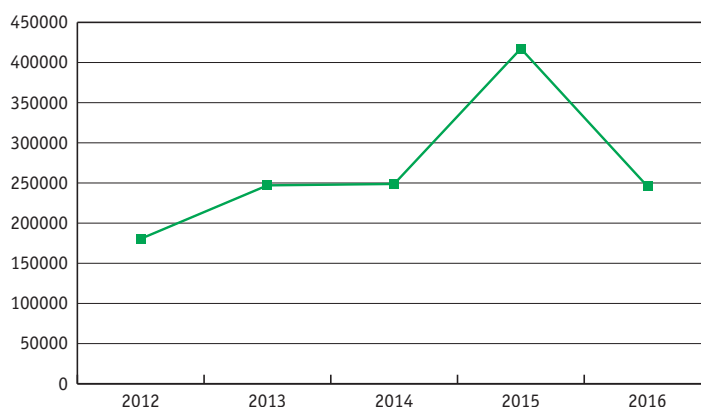
In a number of offices, our colleagues have started separate collection of organic waste, but sorting separated waste is not feasible yet in most regions. In Indonesia, our colleagues moved into a new office with more space to separate waste. They also apply this waste management system in the field antennae in the different programme areas.

As all our office buildings outside Belgium are rented, renovation is impossible. However, the VECO office in Butembo, DRC, has installed a solar panel array next to the office building, which supplies 100% of its electricity. Also in our office in Ouagadougou, 8 solar panels and 8 batteries have been installed, which supply about 20% of the electricity.

9.3. Air travel

Travelling by air is still necessary for our operations. It is essential for an international organisation to have regular contacts with colleagues on various continents. We use Skype or Zoom as much as possible to exchange information, but on the other hand we see that face-to-face exchanges are so much more valuable. Travelling from Belgium to the VECO countries and between VECO offices is therefore necessary. We are aware of the fact that this considerably increases our ecological footprint and we try to combine as many assignments on one trip.

CO₂ emission from flights booked through our office in Belgium (kg per year)



Air travel from Belgium rose substantially in 2015, but fell again in 2016. The start-up and shaping of the international network organisation involved additional international travel in 2015 and the beginning of 2016. Also, the success of the Vredeseilanden Classics (fundraising mountain bike trips in Indonesia, Nicaragua and Tanzania) increased the number of tickets for staff and volunteers accompanying the different groups of bikers. We are committed to carbon offsetting all air travel that is booked through our office in Leuven, Belgium (by staff and volunteers). We use the offset formula and calculation of www.treecological.be. The money goes to a project in Benin on testing the standards of the Sustainable Rice Platform in an African context.

Our major priority for the coming years will be to fully focus on high-quality, efficient ICT infrastructure to reduce physical meetings. The slow internet connections in some regions (especially in Africa) remain the biggest obstacle to fluent communications, e.g. through videoconferences.

10 - Ecological sustainability in our programmes

Ecological sustainability as an integral part of the sustainability policy in all VECO programmes

Our interventions and activities in Africa, Asia and Latin America not only have an impact on the living conditions of farming families; they also have consequences for soil fertility, the use of water, emission of certain greenhouse gases, etc.

In 2015 a small group in Belgium translated VECO's strategy on ecological sustainability into different aspects of ecological sustainability. More specifically: climate change, natural resource management, agrobiodiversity, valuable ecosystems, genetically modified organisms (GMOs) and agro-ecology.

In 2016 these documents were reviewed with a representative of all the regions, revised and enriched with good practices from VECO's programmes. They can be consulted on the VECO website: www.veco-ngo.org/ecologicalsustainability.

This sustainability working group also contributed to a further elaboration of scoring tools per commodity (rice, cocoa, coffee and fruit & vegetables). These tools were used for the impact assessment at the end of the 2014-2016 programme. The outcomes of the assessment clearly indicate for each VECO region whether it is moving towards a more environmentally sustainable approach and what it should change in order to improve the situation.

11 - Fundraising

"We might be small, but we are trusted by a wide range of international donors including the Belgian government, the European Union, the Bill and Melinda Gates Foundation, the Common Fund for Commodities, IFAD, the FAO, and many committed individual donors and volunteers in Belgium. We are valued for being an open, learning organisation, dedicated to honest dialogue and delivering truthful, quality reports that map our impact, our success stories and the challenges we face in our work."

Heleen Verlinden, fundraiser

11.1 Towards more diversified funding

Since 2015, VECO has been working towards a more diversified funding portfolio and more fundraising via our different VECO offices. Prior to that date, VECO was predominantly dependent on subsidies from the Belgian government. The vast majority of funding was secured through VECO's Head Office, and the local offices focused more on programme strategy than on finding the funding to implement their programmes.

The list of donors can be consulted in annex 3.

As VECO's organisational structure was about to shift towards an international network organisation, it was only right for our funding model to follow. A two-year capacity-building programme, supervised by international fundraising expert Griet Dehandschutter, with the support of the King Baudouin Foundation's Venture Philanthropy Fund, has allowed us to take steps towards:

1. Reduced dependency on our main donor, the Belgian government: in 2015, DGD accounted for 69% of our funding. Our goal is to reach 58% by the end of 2017; in 2016, we were at 60%.
2. More local fundraising: in 2015, only 5% of all funding was secured directly by VECO offices. This increased to 12% in 2016, our goal for 2017 is to reach 15%.
3. A more diversified funders' portfolio: since 2015, every VECO office has partnered with an average of two new funders; we would like to see an average of three by the end of 2017.

This means that our funding model also corresponds to international funding realities. Why, for example, would an Australian foundation wanting to fund our programme in Indonesia transfer money to a Belgian bank account, and not directly to our Indonesian office? As accountability, transparency and qualitative reporting are key to VECO, global financial reporting standards and quality control will continue to be the responsibility of the international office's Finance department.

11.2 Private fundraising in Belgium

Private fundraising is an important source of income for VECO: thousands of individuals in Belgium support Vredeseilanden and in doing so, they also show that we are widely endorsed. We aim to raise about 2 million euros on a yearly basis through three main sources: our annual fundraising campaign in January, donations and events such as the Vredeseilanden Classics (mountain bike tours) and the "20 km of Brussels" run.

In 2016...

- 9,990 volunteers hit the Belgian streets in January to ask for support; 95 schools participated.
- 1,108 people took part in a VECO event and were sponsored by friends and family.
- 7,882 private donors supported VECO in 2016.

As our organisational structure has changed, the allocation of the money from private fundraising will also change. Vredeseilanden/VECO in Belgium will receive 35% of the revenue to cover the cost of private fundraising. Each VECO region will receive 5% of the revenue. The International Office and VECO Belgium will each receive 10%. An additional 10% is intended for innovative initiatives in fundraising. Earmarked subsidies and donations will be transferred directly to the region.

11.3 Transparency

VECO is dedicated to clearly and transparently communicating to all its donors what happens with the funds we receive, and to leveraging these funds to maximise our impact. Accountability and transparency are key to us: our Planning, Learning and Accountability (PLA) system was designed to encompass all our programmes and services, allowing us to correctly map our impact. Throughout the year, you can follow the results of our work on the VECO website www.veco-ngo.org (go to the 'discover and invest' section). Our financial report explains clearly how our money is spent (see following chapter).

Apart from that, VECO endorses the Donor Bill of Rights, and we work with the following initiatives on transparency and accountability in Belgium: Association for Ethical Fundraising, Donorinfo.be, NGO-Openboek.be.

11.4 Privacy of our donors

VECO uses personal data for administrative purposes and in order to inform people about our activities. In 2016 we received one complaint for having shared addresses with a cultural organisation. Although this sharing had nothing to do with fundraising, we learned from this incident and take it seriously. It is our intention to never again share contact details, and to be 100% transparent about what we do with this data. To be able to give these guarantees in the future, we will formalise our internal processes and ethical codes, and ask specialists to check these processes. In this way, we aim to be ready when the new Belgian privacy legislation comes into force in 2018.

11.5 Partnering with companies for fundraising: our policy

Private companies are important stakeholders in the accomplishment of VECO's mission. If we wish to reorganise food systems, we must involve companies in our activities. We believe that companies are a driving force for society and that, as such, they can contribute to achieving the global sustainable development goals. We work with Agrofair and the Colruyt Group in Belgium, Mars in Indonesia, Pacari in Ecuador, Ritter Sport and Chocolats Halba, and even with Walmart in Central America.

Companies support VECO's work in many ways:

- Companies support specific programme activities (e.g. training courses) or invest in specific equipment.
- In Belgium, company teams participate in the "20 km of Brussels" run and are sponsored by their employer. Some Vredeseilanden Classic bike teams also receive sponsorship from companies.
- Entrepreneurs for Entrepreneurs: we work with this organisation, which looks for Belgian companies that are willing to support or invest in specific VECO projects.

In 2015 the fundraising team in Belgium started drafting an internal code on how to decide whether or not to accept funding from companies. Willem Elbers inspired our thinking with his article "Doing business with business: NGO's interacting with the corporate sector", Nijmegen CIDIN 2004. This internal code will be adapted and finalised by the new international management team by the second half of 2017.

12 - Financial Report – Vredeseilanden vzw

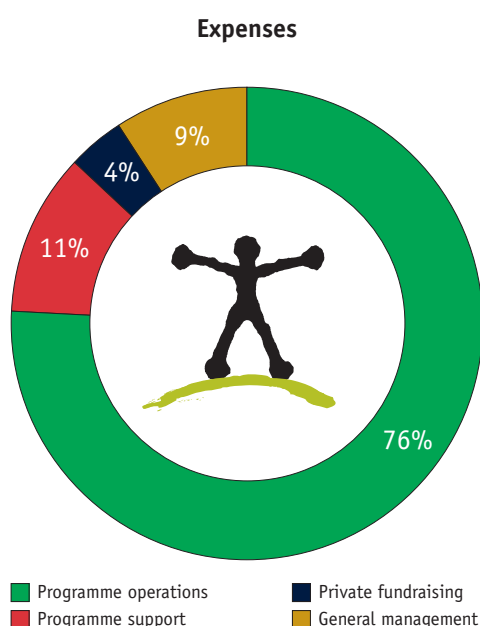
12.1 Introduction

This report covers the financial activities of the entire VECO/Vredeseilanden group in 2016. The main focus is on the analytical representation of the integrated financial statements, i.e. following the future setting of international network organisation and no longer those of the old structure. Presenting this report with a focus on the future setting provides information on the transition to an international network organisation, and will also simplify comparisons in the future.

2016 was also the last year of the three-year programme 2014-2016 funded by DGD, the Belgian Directorate-general for Development Cooperation and Humanitarian Aid. Late start-up led to a spending backlog in 2014. Progress was made in eliminating this backlog in 2015, but it was not removed entirely. A deep dive financial analysis of the programme was carried out in 2016 to ensure that expenses and income were in line with DGD budgets, and programme managers were asked to speed up implementation of the programme and of the expenses.

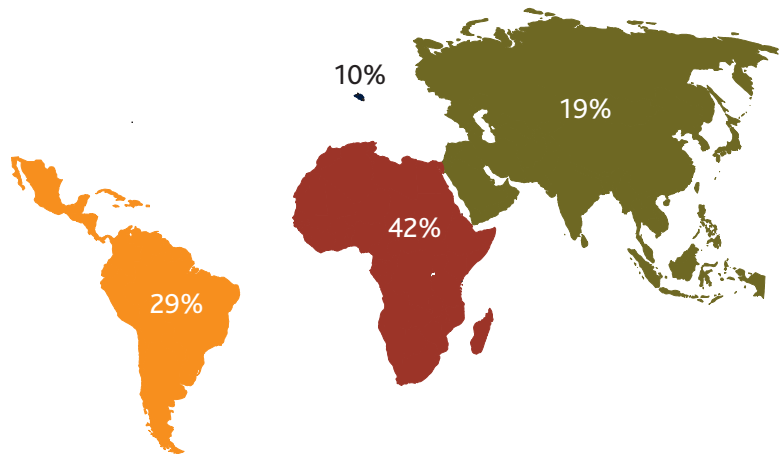
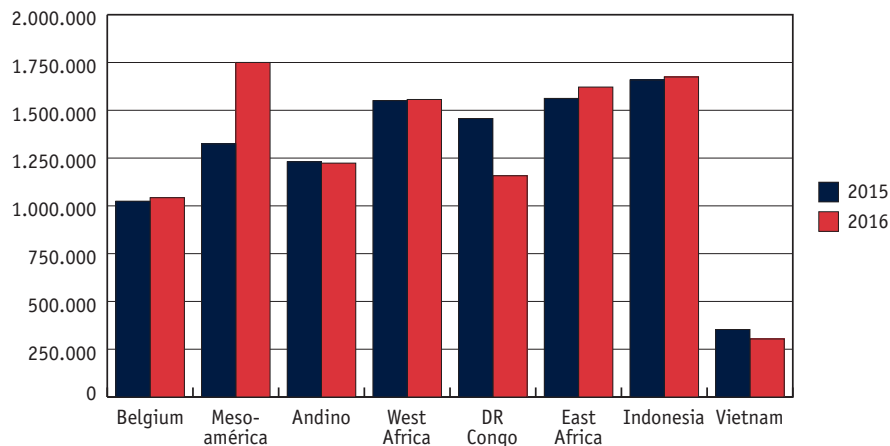
Looking back on the year, we can be pleased that we successfully completed the DGD programme, that we introduced a new five-year DGD financing programme, and that the financial structure of the renewed organisation is ready to be put into practice.

12.2 Overview of our budget: expenses



12.2.1 Regional overview programme operations

The Vredeseilanden group conducts its operations in eight regions: Belgium, Mesoamerica, Andes, West Africa, DR Congo, East Africa, Vietnam and Indonesia. Globally, the operations in 2016 were in line with 2015. Expenses in most regions remained at the same level or increased slightly in 2016. There were only two exceptions to this: DR Congo, where the budget reduced due to lower expenses in the programme funded by the Common Fund for Commodities, and Mesoamerica, where a diversification of funds led to a budget increase.



Belgium

Programme spending in Belgium, remained stable compared with 2015. Operations are spread across four programmes, three of which are funded by DGD: Out of Home, Inclusive Modern Markets and Campaigning. Only the last programme showed lower spending than foreseen, but with the permission of DGD, the available budget was transferred to programme support activities. Co-financing of this programme was mainly assured by funds originating from private fundraising efforts in Belgium. The fourth programme, Food for the Future, is funded by the Belgian province of Flemish Brabant and implemented in collaboration with the University of Leuven (KU Leuven) and the retailer Colruyt Group.

Mesoamérica

As already noted, Mesoamérica accounts for the biggest increase in expenses in 2016, at around €400,000 more than the previous year. Up to 87% of the income received in 2016 was spent. Part of the unspent balance was due to major interventions in areas such as cocoa and youth projects, funded by the Swiss Agency for Development and Cooperation and YOUCA (formerly Zuiddag), respectively, which go on beyond 2016. Almost 100% of the agreements with local and strategic partners were implemented during the period.

VECO Mesoamérica was able to diversify its funding enormously in 2016, with new funding mainly focusing on the cocoa sector and some on the vegetables sector. As in most regions, the DGD programme had to be completed, accounting for half of this increase. In addition, there was an increase in the variety of locally generated funding¹. Around 25% of the total budget came from seven different donors, the largest being Fundación Progreso (€88,164) and Cosude (€144,756).

¹ By 'local funding' we mean the result of fundraising carried out by the VECO office, not by the fundraisers in Leuven, Belgium.

Andes

VECO Andino programme 2014-2016 had a budget of €2,800,000, 100% of which had been spent by the end of 2016. The focus of the programme was Inclusive Modern Markets for fruit and vegetables, as well as the coffee subsector in Ecuador and Peru. While DGD remains the most important donor, significant funding was also received from HIVOS (€140,000 and Peru Opportunity Fund (\$120,000), both locally sourced donors, as well as from YOUCA (€250,000). In the same period, VECO Andino also implemented two synergy projects funded by DGD, one in Ecuador involving cocoa, and a youth project in Peru, both of which were fully executed.

West Africa

As in most regions, the majority of the budget in West Africa comprised the DGD-funded programme. Co-financed by 11.11.11 and private funding from Belgium, it accounted for almost 80% of the total budget. As 2016 was the last year of the programme, expenses were higher than in 2015 because of the impact evaluation, SCOPEinsight workshops and several studies conducted on behalf of partners. Another important programme in the region is the rice programme, funded by the EU. The expenses, amounting to almost €280,000, were mainly spent by partners and were lower than in the previous year. This programme has been extended until August 2017.

DR Congo

Expenses in DR Congo decreased in comparison with 2015. This was mainly due to a reduction in CFC budgets from €441,228 in 2015 to €245,637 in 2016. On the other hand, interesting new funding opportunities were found via UNDP, the World Bank and IFAD. It is also worth noting that Congo is the only VECO whose 2017-2021 programme was accepted in its entirety by DGD.

East Africa

Despite a funding gap of €189,000 at the start of the year, East Africa saw a slight increase in spending compared with 2015. The signing of the UK-AID Food Trade contract led to an additional €323,000 in 2016, while €600,000 will be received in 2017. This led to an increase in staff costs but lower partner transfers because the Food Trade contract did not allow funds to be transferred to farmer groups. The DGD synergy programmes in Tanzania and Uganda were successfully finalised in 2016; however, work will continue within the new DGD programme to ensure that these irrigation projects realise their full benefits.

Vietnam

For the third year in a row, VECO Vietnam was dependent entirely on funding raised through private fundraising in Belgium to bridge the absence of DGD funds, with a total of €187,000 being transferred to the region. Vietnam also received €52,750 from 11.11.11 to support operations in the region. Locally, funds were received through the Rainforest Alliance to support training for tea farmers. Considerable time was spent on reintegrating the Vietnam programme within the new five-year programme funded by DGD. We succeeded in securing DGD funding for our actions on rice and vegetables starting from 2017.

Indonesia

Expenses in Indonesia in 2016 were in line with the previous year and on budget. Of the total budget of €1,674,304, 58% came from Belgian Public Funds (DGD), while 32% was raised locally. MCA Indonesia, for instance, provided support totalling €218,899 for good agricultural practices by cocoa farmers in Flores. Another important donor, AIP PRISMA, provided funding of €159,704. The activities were concentrated mainly on the production of specialty coffee in Flores. In 2016 alone more than 10,000 farmers received training, and six cooperatives were linked to (and do business with) the coffee exporter Indokom.

12.2.2 Programme support and communication

The expenses in relation to programme support can be divided into two categories. The first category mainly comprises the general operational costs of the programme support team and the costs of providing management support to the VECO offices. This included supporting the VECO Vietnam team's participation in internal capacity workshops (travel), and building the internal fundraising capacity – a special project for which we received funding from the King Baudouin Foundation (see previous chapter). The management support for the various VECO offices and the costs of the programme impact evaluations were financed from DGD management funds.

The second category covers the costs of programme activities developed on an international level. On the one hand, we set up learning programmes (for example strengthening farmer organisations, sustainability, etc.) and developed global methodologies (SCOPEinsight, Inclusive Business Scan, Impact Measurement framework) that have led to global sharing of evidence and knowledge. Expenses in this category are mainly related to the organisation of workshops to develop and share these methodologies. On the other hand, we have invested in increasing our impact as a relatively small organisation by expanding our international professional networks, mainly by attending high-level conferences. Vredeseilanden organised a trend-setting seminar (Building Trust) which was attended by key players from the banking and private sector together with representatives of farmer organisations to seek solutions for financing small-scale farming enterprises. DGD was the main funder of the international programme activities, but we also received funds from the Bill & Melinda Gates Foundation for the roll-out of Inclusive Business Scan and from the Belgian province of West Flanders for a knowledge exchange initiative between Flemish and Nicaraguan vegetable farmers.

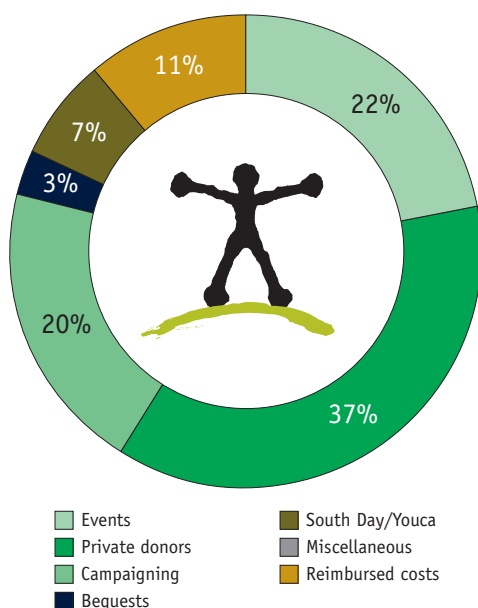
In general, expenses in 2016 were in line with budget, although spending in the second category was higher in relative terms than in the first, ahead of our transformation to an international network organisation.

Communication mainly involves creating and disseminating good content through a range of external communication channels. Accordingly, we spent the majority of our budget on hosting and maintaining our international website, software subscriptions (e.g. for design), translations, and the production of e-newsletters and printed publications (design, print, direct mail). We also invested in media coverage in Belgium, mainly through a radio campaign in January. And for the first time in the history of VECO, we organised an international communications workshop, to facilitate peer exchange and to develop global communication policies and agreements for our work in the new international network organisation setting.

12.2.3 Private fundraising

Private fundraising in Belgium is important for VECO/Vredeseilanden: thousands of volunteers, donors, sponsors, etc. support VECO, and while doing so they also demonstrate that many people endorse our organisation. We aim to raise about 2 million euros annually from three main sources: campaigning, donations and events.

Fundraising expenses for 2016 were budgeted in line with the 2015 result. However, by the end of the year we had underspent by €120,017 due to several reasons. We did not organise the first edition of a new event, the 'Inca Food Trail', so there were no costs for a preparatory trip, nor for the first edition itself. Also, a major sponsoring event, the '20 km of Brussels' race, cost less than foreseen. In addition, we applied for membership of 'testament.be', an organisation encouraging people to include a good cause in their will, to enable us to present our activities to potential legators. However, after registering we had to wait until 2017 before we could actually become a member and therefore did not have to pay the 2016 membership fee of €25,000.



On the income side, we performed better than budgeted, although our annual campaign in January had to cope with bad weather on the Saturday, our 'key' day. Despite the best efforts of our excellent volunteers to mitigate this bad luck, we ended with a 21.5% reduction in income compared with 2015. However, this reduction was offset by the income from events (+7.8%), in which one of our Vredeseilanden Classics performed better than expected. We also received an extra donation from one of our major donors. A number of people also supported Vredeseilanden with bequests in 2016 (€55,019). The final result was €78,354 higher than foreseen, namely €1,458,370 rather than the budgeted €1,259,999, an improvement of €41,284 on the 2015 result. The cost/income ratio stood at 1 to 4.03 at year-end, which is better than the legally accepted ratio of 1 to 3.

Looking to the future, an ambitious fundraising plan was developed to tackle the above challenges.

12.2.4 General Management

The General Management budget increased in 2016 by 14%, or €143,306. The reason for this increase lay mainly in the preparation of a smooth transition to an international organisation. The Finance Desk budget was 37% higher, reflecting the fact that since 2015 an extra Finance Advisor has been engaged in Internal Quality Control (see below – chapter 12.10). At the end of 2016, an extra person was hired to take responsibility for Finance at VECO Belgium from 2017. In addition, a finance workshop was organised to bring together the finance managers from all regions to ensure they were all 'on the same page' regarding the new financial structure of the network.

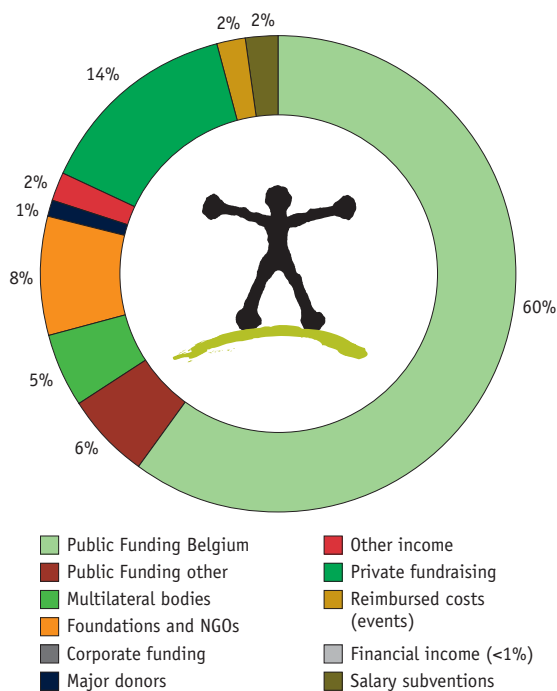
At direction committee level, an amount of €131,479 was spent directly on activities in preparation for becoming an international organisation, including legal advice, management and board meetings, etc. Costs for Human Resources (People and Organisation) were at the same level as in 2015. The increase shown in this report is due to a change in the reporting format: previously, operating costs relating to cooperants were reported under 'costs of cooperants', a category which no longer exists as a separate budget item in the new format.

General management costs account for only 10% of the total budget, well below the permitted maximum of 20% to be in compliance with the Belgian law on the right to issue tax certificates to donors.

12.3 General result

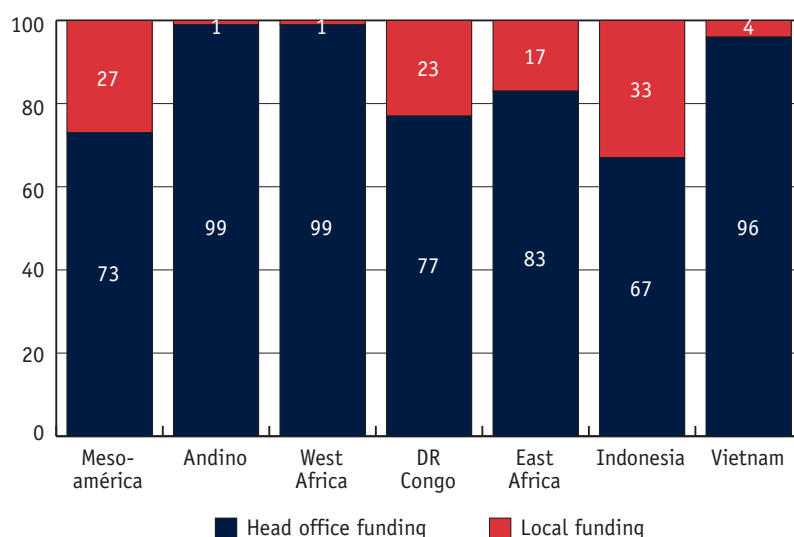
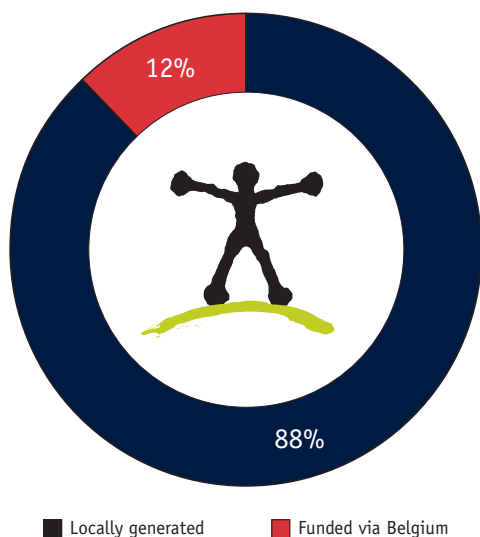
12.3.1 Income sources

Since 2015, VECO has been working towards reducing its dependence on Belgian government funds (DGD), more donor diversification and more local fundraising. Against the target of reducing the percentage share of Belgian public funding to 58% by the end of 2017, we are pleased to report that this had already decreased to 60% at year-end 2016. Private fundraising remains important within our fundraising model, accounting for 14%, or €1,894,385 of total funding. Some 8% of funds in 2016 came from a diversity of Foundations and NGOs, including 11.11.11, YOUCA, Rainforest Alliance, Heifer, RUAF and Cordaid. Two categories received a strong boost in 2016: multilateral bodies with funds from CFC, World Bank, FAO, etc., and other Public Funding with funds from the Swiss Agency for Development and Cooperation, UKAID and MCA Indonesia.

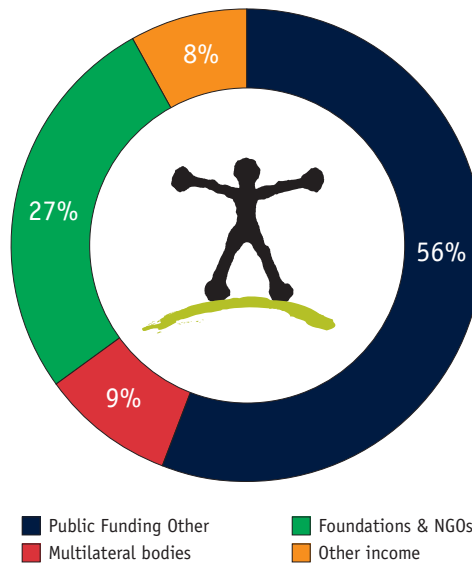


Income source	Amount in euro
Public funding Belgium	8,045,270
Public funding other countries	866,135
Funding from multilateral bodies	726,923
Foundations and NGO's	1,033,443
Corporate Funding	24,789
Major donors	89,267
Private fundraising in Belgium	1,894,385
Reimbursed costs	241,969
Financial income	7,853
Salary Subventions	207,296
Other income	218,492
Total income	13,355,821

An amount of €1,545,124, or 12% of total funding, was raised locally by VECO offices in 2016, an improvement of €909,989, or 7%, compared with 2015. Four regions are well on track, with percentages ranging from 17% to 33% of locally sourced funding; encouraging steps towards achieving our goal of 15% by the end of 2017.



Locally generated funding 2016



12.3.2 DGD Programme 2014-2016

With 2016 being the last year of the DGD programme, the stakes were high. The programme started in 2014 with a delay of several months, leading to an expense rate of only 80% of target at the end of that year. The spending backlog of €1,500,000 decreased to €1,000,000 in 2015. An extra effort needed to be made in 2016, as we would need to reimburse any unspent balances to DGD, which could hurt our reputation with our main donor.

At the end of 2016 we had spent 100% of the three-year programme budget. The programme in Belgium had a 99% spending rate. It proved more difficult in Belgium to find the necessary 20% co-financing from other donor agencies; after three years, only 10% has been found. The balance was met from private individual fundraising. Ultimately, we had an unspent balance of €28,150.93 for the North programme:

Objective	Budget 14-16	Realized 31/12/16	Extra income	% expenses	Balance
Inclusive Modern Markets	933,802.86	907,468.73	2,284.34	97%	28,618.56
Out of Home	607,044.56	665,459.65	32,499.84	104%	-25,915.25
Awareness raising	1,591,944.23	1,502,116.95		94%	89,827.38
PLA	842,254.14	906,633.91		108%	-64,379.77
Total	3,975,045.89	3,981,679.24	34,784.28	99%	28,150.93

The South programme was able to raise its required 20% co-financing. 101% of the budget was spent:

Objective	Budget 14-16	Realized 31/12/16	Extra income	% expenses	Balance
Indonesia	4,010,265.54	4,306,854.40	7,748.81	107%	-288,840.05
Nicaragua	2,197,852.18	2,427,573.73	9,938.10	110%	-219,783.45
Honduras	1,205,160.65	1,073,806.56	0.00	89%	131,354.09
Ecuador	1,454,754.65	1,550,189.62	7,877.29	106%	-87,557.68
Peru	1,401,418.89	1,283,895.58	1,749.16	91%	119,272.47
RD Congo	1,566,604.88	1,515,260.22	6,501.95	96%	57,846.61
Tanzania	2,222,408.60	2,060,385.25	6,128.37	92%	168,151.72
Uganda	771,300.50	965,429.87	117,104.68	109%	-77,024.69
Senegal	983,646.00	977,090.95	23,728.71	97%	30,283.75
West Africa	2,453,956.63	2,400,562.02	12,347.94	97%	65,739.55
Total	18,267,368.52	18,561,051.21	193,125.01	101%	-100,557.68

Almost the full management costs budget was spent (99%), leaving a small unspent balance of €18,455.49. We can thus conclude that, from a financial and fundraising perspective, we had a very successful programme in the period 2014-2016. This provides encouragement for the new programme 2017-2021. The funding requested from DGD for the next five years is at the same level as for the 2014-2016 programme, but we aim to further diversify our other funding sources with a view to achieving a 50% share of DGD funding in total programme resources by 2021.

12.3.3 General Result (see annex 1)

Despite a successful DGD programme, the financial result for 2016 is disappointing, with a negative balance of €340,653.96. To understand this better, we need to compare the 2016 result with the 2015 result².

Looking at the expenses in the DGD programme in Belgium, we see an increase in operational costs of €207,289 and in management costs of €130,878 compared with 2015. The reason for these increases was the speeding up of the implementation of the programme to eliminate the backlog caused by the slow start of the programme in 2014. Since this increase in expenses was not followed by finding new donor funds to co-finance our programme, and given that DGD only covers 80% of the programme budget, we used more private fundraising resources to cover these expenses.

In addition, of the €447,208 needed to cover the 20% co-financing for DGD expenses in Belgium, only €35,313 was raised, or just under 8%. This financial mechanism was not different to previous years. This was therefore expected, and ambitions were not set high for institutional fundraising for the Belgian programme. At the same time, however, 2016 was the preparatory year for the transition towards an international organisation, and authorisation was given to finance this transition by drawing on the innovation fund for 2016. In total, €131,479 of this funding was used in 2016, being spent mainly on consultancy and setting up the future board of the new organisation.

These costs are reported under General Management, where the budget increased by 14%, or €143,307. Aside from costs incurred directly in preparation for the international organisation, costs in the finance department also increased due to more staff and the organisation of a finance workshop, both in the context of the move towards the new structure.

The innovation fund was also used for another purpose besides the activities in relation to the transition. In Vietnam, besides the use of the bridge fund as referred to in the regional overview on page 35, an amount of €11,487 was drawn from the

² See annual report 2015: Annex a (consolidated profit and loss account) and b (balance).

innovation fund for the development of the Safe and Organic Food Finder website and application. We deployed €9,218 of our own resources in Tanzania for carbon offsetting activities in the context of our local Synergy programme; and finally, €3,350 was sent to APROVAG in Senegal to compensate for the unsuccessful export of a container of bananas.

Taken together, all these factors explain why we spent more funds than we received in 2016, and hence the negative result of €340,652.96.

This result is of course an important message for the future and undeniably puts extra pressure on the financing model of the international organisation. In the new structure, funds from private fundraising in Belgium will be directly allocated to the seven other regions (5% each) and the International Office of the international organisation (10%). These means should clearly be complemented by further diversification of local funding resources.

As for VECO in Belgium, the momentum has now been created to intensify the search for public and private donor funding. Funding for the activities of the International Office will also be sought from specific donors interested in methodology and organisational funding as well as via the regional offices.

12.4 Balance (see annex 2)

The balance sheet presented in the annex offers a snapshot of the financial position of Vredeseilanden vzw as at 31 December 2016. The balance total as at that date stands at €7,919,059, a decrease of around €2 million compared with 2015. There were two main reasons for this decrease.

The first reason is the ending of the three-year DGD programme. All DGD funds needed to be used at the end of 2016 and, as stated above, we came close to achieving a 100% spending rate. This meant that there were no DGD funds to be carried over to 2017, and our debts (accruals) therefore decreased by €1.2 million compared with 2015. The same decrease can be seen under Current assets, investments and cash. Since most funds were used and less funds had to be carried forward, our liquidity also automatically decreased compared with the previous year.

Secondly, the negative result of €340,652,96 has an impact on the equity of the organisation, reducing the retained earnings by nearly 30%, from €1,155,234 to €814,584. The social fund (€1,610,924), the funds to cover the fixed assets (€941,181), the additional working capital (€1,596,409), as well as the innovation fund (€200,000) and the other intended fund (€45,832) remain unchanged, taking total equity to €5,208,930.

Finally, it should be noted that this reduction in the balance sheet total is not a concern. Equity represents 66% of total liabilities, a good solvency ratio for a organisation. Put differently, Vredeseilanden has more own funds and few debts. At the same time, we have a good liquidity ratio of 1.95, meaning that we have sufficient own funds to cover our debts and commitments using at short notice. These are signs of a healthy organisation and provide a good basis for the future of the international network organisation.

12.5 Internal auditing and fraud prevention at Vredeseilanden/VECO

Since the end of 2015 the International Office has employed a Finance Advisor wholly dedicated to improving and standardising the internal financial procedures, practices and tools. One of his tasks is to perform internal financial audits at the various VECO offices, to identify weaknesses in financial management, formulate and implement improvements and prevent fraud. As this is a new role in the organisation, we focused in the first half of 2016 on training and on setting up the necessary procedures and tools for the internal audit process. This was financed partially by the Federation of Flemish NGOs (Belgium). The outcomes (working methods and tools) were shared with the finance managers of other NGOs on 24 November 2016.

A key goal of all the internal audits is to investigate whether the existing internal control system is adequate and effective (implemented as planned). In addition, there is a constant focus on improving the existing processes by formulating recommendations to mitigate identified risks and weaknesses.

The internal financial audits to be performed in a given year are planned by the International Board of Directors based on a proposal from the internal auditor and the Executive Directors on the other. The internal auditor defines the specific terms of reference for each internal audit based on input from colleagues at VECO International Office and from the VECO Director concerned. After finalising an internal audit, the internal auditor sends his report directly to the Board of Directors, as well as to the Executive Directors and to the VECO Director and Finance Manager. The local Director and his/her team are responsible for implementing the recommendations from the internal audit.

Internal audits were performed in the following regions in 2016:

- West Africa (February), together with An Vanhulle from the Federation of Flemish NGOs: regional office in Burkina Faso and local sub-office (antenna) in Benin.
- Central America (April): regional office in Nicaragua and local sub-office (antenna) in Honduras.
- East Africa (October): follow-up in the regional office in Tanzania of the recommendations from the internal audit of December 2015

The main weaknesses to emerge from these internal audits are: insufficient checks on the use of vehicles; low quality of payroll calculation files; insufficient knowledge of Excel; and the fact that the principles of analytical accounting, accrual-based accounting and budget delegation through budget-holders are inadequately implemented. These findings allow us to tailor our financial support more closely to the needs of the various VECO finance managers.

As there was one fraud case (relating to travel advances and expenses) identified by the Director of VECO Indonesia, an internal audit is planned for the beginning of 2017. Other internal audits are planned in 2017 at our offices in the Andes region and in DR Congo.

The Finance Advisor also has a role as Quality Advisor, including giving talks to new finance managers in VECO offices and supporting the implementation of recommendations from the audits. Follow-up of previous internal audits is planned on a regular basis with follow-up missions whenever needed.

Annexes

Annex 1: General Result

I Operating income

- D1. Subsidies
- D2. Membership fees, donations, bequests
- E. Other company revenues

II Operating charges

- A. Trade goods, base and auxiliary materials
 - 1. Purchases
 - 2. Increase (-); Decrease (+) of stock
- B. Services and diverse goods
- C. Remunerations, social security costs and pensions
- D. Depreciation of and other amounts written off on information expenses intangible and tangible fixed assets
- F. Increase (+); Decrease (-) in provisions for risks and charges
- G. Other operating charges

III Operating profit (+)

Operating loss (-)

IV Financial income

- B. Income from current assets
- C. Other financial income

V Financial charges

- B. Increase (+); Decrease (-) in value of other current assets than those mentioned under II.E.
- C. Other financial charges

VI Profit on ordinary activities (+)

Loss on ordinary activities (-)

VII Extraordinary income

- A. Extraordinary depreciation and other amounts written off on formation expenses, intangible and tangible assets
- B. Extraordinary amounts written off on financial fixed assets
- C. Extraordinary provisions
- D. Gain on disposal of fixed assets
- E. Other extraordinary costs

VIII Extraordinary charges

- E. Other extraordinary charges

IX Profit of the fiscal year (+)

Loss of the fiscal year (-)

CTA to be incl. in fin. result (diff. average-closing rate on current year result)

CTA to be incl. in fin. result (diff. average-closing rate on current year result)

CTA to be incl. in fin. result (diff. average-closing rate on current year result)

Profit (+) / loss (-) of the fiscal year

	INTEGRATED TOTAL	HEAD OFFICE	WEST AFRICA
	2016	2016	2016
Codes	Euro	Euro	Euro
70/74	13,474,605.52	11,451,721.35	1,448,819.65
73	11,298,882.09	9,306,140.78	1,448,819.65
73	1,804,798.92	1,804,798.92	
74	370,924.50	340,781.65	
60/64	13,846,191.18	11,806,649.80	1,461,656.62
60	55,393.00	55,393.00	
600/8	59,940.00	59,940.00	
609	-4,547.00	-4,547.00	
61	4,992,603.65	1,888,101.59	504,088.55
62	5,340,796.23	3,082,090.82	256,971.56
630	144,064.63	87,203.29	1,849.21
635/8	16,417.37	-14,077.69	-1,831.94
640/8	3,296,916.30	6,707,938.79	700,579.24
70/64			0.00
64/70	-371,585.66	-354,928.45	-12,836.97
75	22,377.06	13,690.30	0.00
751	13,609.32	13,609.32	
752/9	8,767.74	80.98	
65	9,177.23	5,441.18	0.00
651	0.00		
652/9	9,177.23	5,441.18	
70/65			
65/70	-358,385.83	-346,679.33	-12,836.97
76	22,421.44	0.00	12,836.97
760	0.00		
761	0.00		
762	0.00		
763	22,401.36		12,836.97
764/9	20.08		
66	0.00		0.00
664/8	0.00		
70/66			
66/70	-335,964.39	-346,679.33	0.00
	-21,403.87		
	6,026.36		
	10,688.94		
	-340,652.96	-346,679.33	0.00

EAST AFRICA	TANZANIA	UGANDA	DR CONGO	ANDINO	MESOAMERICA	VIETNAM	INDONESIA
2016	2016	2016	2016	2016	2016	2016	2016
Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
1,556,676.50	934,460.46	622,216.04	1,030,043.93	1,132,404.40	1,672,234.15	287,949.88	1,566,463.08
1,556,676.50	934,460.46	622,216.04	1,020,842.91	1,125,008.43	1,670,865.66	287,949.88	1,554,285.70
0.00							
0.00			9,201.02	7,395.97	1,368.49		12,177.37
1,539,581.91	923,987.66	615,594.25	1,030,410.66	1,135,152.03	1,672,444.08	287,605.13	1,584,398.37
711,844.44	283,626.39	428,218.05	314,505.16	397,385.87	447,609.32	89,804.54	639,264.18
482,410.79	336,972.73	145,438.06	284,729.32	350,314.16	356,712.33	178,835.85	348,731.40
820.33	820.33		21,156.33	6,410.85	9,880.52	604.53	16,139.57
0.00				8,856.33	-1,295.38	-1,039.34	25,805.39
344,506.35	302,568.21	41,938.14	410,019.85	372,184.82	859,537.29	19,399.55	554,457.83
17,094.59	10,472.80	6,621.79				344.75	
			-366.73	-2,747.63	-209.93		-17,935.29
0.00	0.00	0.00	55.97	2,626.23	2,991.28	1,240.98	1,772.30
0.00							
0.00			55.97	2,626.23	2,991.28	1,240.98	1,772.30
0.00	0.00	0.00	0.00	2,130.24	0.00	1,605.81	0.00
0.00				2,130.24		1,605.81	
17,094.59	10,472.80	6,621.79			2,781.35		
	0.00	0.00	-310.76	-2,251.64		-20.08	-16,162.99
0.00	0.00	0.00	0.00	0.00	0.00	20.08	9,564.39
0.00							
0.00							
0.00							
0.00							9,564.39
0.00						20.08	
				0.00			
0.00							
17,094.59	10,472.80	6,621.79			2,781.35	0.00	-6,598.60
			-310.76	-2,251.64			
-17,094.59	-10,472.80	-6,621.79	310.76	894.10	-5,426.78		-87.36
51.73	51.73		276.41	429.23	2,333.41		2,935.58
0.00				1,357.55	2,645.43		6,685.96
51.73	51.73	0.00	276.41	429.24	2,333.41	0.00	2,935.58

Annex 2: Balance

FIXED ASSETS

- I Preliminary initial expenses**
- II Intangible fixed assets**
- III Tangible fixed assets**
 - A. Land and buildings
 - 1. In full property
 - 2. Other
 - B. Plant, machinery and equipment
 - 1. In full property
 - 2. Other
 - C. Furniture and vehicles
 - 1. In full property
 - 2. Other
 - D. Leasing and similar rights
 - E. Other tangible fixed assets
 - 1. In full property
 - 2. Other
 - F. Assets under construction and advance payments
- IV Financial fixed assets**
 - A. Linked companies
 - 1. Participation
 - 2. Progress
 - B. Companies with a participation relationship
 - 1. Participation
 - 2. Progress
 - C. Other financial fixed assets
 - 1. Shares
 - 2. Receivables and guarantees in cash

CURRENT ASSETS

- V Amounts receivable after more than one year**
 - A. Receivables
 - B. Other amounts receivable
- VI Stocks and contracts in progress**
 - A. Stocks
 - 1. Raw and auxiliary materials
 - 2. Manufacturing goods
 - 3. Finished products
 - 4. Goods purchased for resale
 - 5. Real estate meant for sale
 - 6. Advance payments
 - B. Orders in execution
- VII Amounts receivable within one year**
 - A. Receivables
 - B. Other amounts receivable
- VIII Investments**
- IX Cash at bank and in hand**
- X Deferred charges and accrued income**

TOTAL ASSETS

	INTEGRATED TOTAL	HEAD OFFICE	WEST AFRICA
	2016	2016	2016
Codes	Euro	Euro	Euro
20/28	801,570.59	796,225.59	3,869.16
20			
21			
22/27	738,189.65	738,189.65	0.00
22	715,158.84	715,158.84	0.00
22/91	715,158.84	715,158.84	
22/92			
23	14,492.81	14,492.81	0.00
231	14,492.81	14,492.81	
232			
24	8,538.00	8,538.00	0.00
241	8,538.00	8,538.00	
242			
25			
26			
261			
262			
27			
28	63,380.94	58,035.94	3,869.16
280/1			
280			
281			
282/3			
282			
283			
284/8	63,380.94	58,035.94	3,869.16
284	55,630.06	55,630.06	
285/8	7,750.88	2,405.88	3,869.16
29/58	7,117,489.23	5,567,925.36	292,673.76
29	3,008.50	200.00	0.00
290			
291	3,008.50	200.00	
30	135,139.00	135,139.00	0.00
30/36	135,139.00	135,139.00	0.00
30/31			
32			
33			
34	135,139.00	135,139.00	
35			
36			
37			
40/41	111,469.36	49,231.19	19,604.82
40			
41	111,469.36	49,231.19	19,604.82
50/53	669,169.12	619,243.69	
54/58	5,714,503.57	4,505,466.41	148,858.34
490/1	484,199.68	258,645.07	124,210.60
20/58	7,919,059.83	6,364,150.95	296,542.92

EAST AFRICA	TANZANIA	UGANDA	DR CONGO	ANDINO	MESOAMERICA	VIETNAM	INDONESIA
2016	2016	2016	2016	2016	2016	2016	2016
Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
0.00	0.00	0.00	0.00	0.00	1,475.84	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00							
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00							
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00							
0.00	0.00	0.00	0.00	0.00	1,475.84	0.00	0.00
0.00	0.00	0.00	0.00	0.00	1,475.84	0.00	0.00
0.00							
0.00					1,475.84		
208,041.08	149,949.17	58,091.91	108,197.81	79,733.84	691,860.35	90,815.03	167,741.34
0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,808.50
0.00							2,808.50
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00							
5,435.88	2,000.00	3,435.88	43,696.93	238.44	44,590.73	2,413.92	35,756.79
5,435.88	2,000.00	3,435.88	43,696.93	238.44	44,590.73	2,413.92	35,756.79
0.00				49,925.43			
197,610.56	145,701.66	51,908.90	62,255.21	29,569.97	600,835.71	87,952.16	81,955.21
4,994.65	2,247.52	2,747.13	2,245.67	0.00	46,433.90	448.95	47,220.84
208,041.08	149,949.17	58,091.91	108,197.81	79,733.84	693,336.20	90,815.03	167,741.34

Annex 2: Balance

LIABILITIES

EQUITY

I Funds

A. Starting funds

IV Reserves

V Profit carried forward (+) / loss carried forward (–)

Result of the fiscal year head office

PROVISIONS

VII A. Provisions for liabilities and charges

1. Pensions and similar obligations

4. Other risks and charges

B. Provisions for recoverable donations and bequests

CREDITORS

VIII Amounts payable after more than one year

A. Financial debtors

5. Other debts

B. Trade debtors

IX Amounts payable within one year

C. Trade debtors

1. Suppliers

E. Taxes, remuneration and social security

1. Taxes

2. Remuneration and social security

F. Other amounts payable

X Accrued charges and deferred income

TOTAL OF LIABILITIES

	INTEGRATED TOTAL	HEAD OFFICE	WEST AFRICA
	2016	2016	2016
Codes	Euro	Euro	Euro
10/15	5,208,930.09	5,072,231.17	1,804.53
10		0.00	0.00
100	0.00		
13	4,394,348.09	4,348,515.25	
140	1,155,234.96	1,070,395.25	1,804.53
	–340,652.96	–346,679.33	0.00
16	657,533.45	365,630.12	0.00
160/5	657,533.45	365,630.12	0.00
160	291,903.33	0.00	
163/5	365,630.12	365,630.12	
168	0.00	0.00	
17/49	2,052,596.30	926,289.66	294,738.39
17	0.00	0.00	0.00
170/4	0.00	0.00	0.00
174	0.00		
175			
42/48	982,278.41	624,827.37	125,924.50
44	306,151.00	87,338.70	92,244.41
440/4	306,151.00	87,338.70	92,244.41
45	476,019.90	432,074.74	6,259.17
450/3	58,528.50	37,607.41	1,823.35
454/9	417,491.41	394,467.33	4,435.82
48	200,107.51	105,413.93	27,420.92
492/3	1,070,317.89	301,462.29	168,813.89
10/49	7,919,059.83	6,364,150.95	296,542.92

EAST AFRICA	TANZANIA	UGANDA	DR CONGO	ANDINO	MESOAMERICA	VIETNAM	INDONESIA
2016	2016	2016	2016	2016	2016	2016	2016
Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
-2,948.98	-2,948.98	0.00	7,540.11	11,712.14	63,670.02	1,429.31	53,491.78
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00							
20,095.49	20,095.40			12,069.78	13,667.66		
-23,096.11	-23,096.11	0.00	7,263.70	-786.88	47,668.96	1,429.31	50,556.20
51.73	51.73	0.00	276.41	429.24	2,333.41	0.00	2,935.58
0.00	0.00	0.00	0.00	38,210.89	72,524.52	52,253.37	128,914.55
0.00	0.00	0.00	0.00	38,210.89	72,524.52	52,253.37	128,914.55
0.00				38,210.89	72,524.52	52,253.37	128,914.55
0.00							
0.00							
210,990.06	152,898.15	58,091.91	100,657.70	29,810.81	557,141.66	37,132.35	-14,664.99
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00							
90,618.97	51,378.14	39,240.83	102,300.29	21,407.92	75,402.09	2,951.62	28,344.99
66,800.97	27,560.14	39,240.83	95,175.35	190.02	22,604.28	2,951.62	28,344.99
66,800.97	27,560.14	39,240.83	95,175.35	190.02	22,604.28	2,951.62	28,344.99
0.00	0.00	0.00	1,129.39	18,616.31	17,940.30	0.00	0.00
0.00			682.34	9,953.67	8,461.73		
0.00			447.05	8,662.64	9,478.57		
23,818.00	23,818.00		5,995.56	2,601.59	34,857.52		
120,371.09	101,520.01	18,851.08	-1,642.59	8,402.88	481,739.58	34,180.73	-43,009.98
208,041.08	149,949.17	58,091.91	108,197.81	79,733.84	693,336.20	90,815.03	167,741.34

Annex 3: List of donors

These lists contain all amounts we received on our accounts in the course of 2016. So the total is not the same as the totals in the results statement, as some grants are destined for a next or previous fiscal year.

Donor	Amount (euro)
DGD – Belgian government	7,224,647.24
EU PROJECTS	438,219.62
DGD synergy projects – Belgian government	437,272.01
CFC – Common fund for Commodities	366,701.63
The Australia Indonesia Partnership for Promoting Rural Income through Support for Markets in Agriculture	279,566.48
Food Trade	270,154.09
11.11.11	229,147.44
Salary subventions	202,453.84
Youca/South Day	162,900.82
Cosude	144,756.14
Millennium Challenge Account – Indonesia	126,339.53
PNUD – coffee on the Island Idjwi, DR Congo	122,095.78
WWF	95,986.10
Leysen	89,267.35
Fundacion Progreso	88,164.35
Belgian cities and towns	81,339.35
Province of Vlaams-Brabant	67,470.86
PED/IFDC	53,506.85
Belgian Fund for Food Security	52,329.80
FDOV	45,318.38
IDH	43,382.89
KBS – Koning Boudewijnstichting	40,000.00
We effect	39,553.12
BILL GATES Foundations	39,306.48
Rainforest Alliance	37,379.99
Province of West Flanders	35,608.18
TRDS	35,016.13
Heifer	34,159.67
Misereor	31,954.27
VAIS/Flemish Government	30,132.05
Belgian National Lottery	30,000.00

Donor	Amount (euro)
Entrepreneurs for Entrepreneurs	29,709.00
Kenoli	18,175.18
FAO	17,538.74
Bos+	15,423.40
Special Fruit	13,686.36
Colruyt	11,102.28
BTC	6,701.76
CI Ecuador	6,443.89
NBV – Netwerk Bewust Verbruiken	5,887.52
Niebe	5,290.48
Colibri	4,949.36
Cordaid	4,637.27
Antwerpen	4,579.86
GILLES Foundation	4,350.83
RUAF	4,000.00
FEVIA VZW	2,875.52
OXFAM NOVIB	2,416.30
Province of Limburg	1,900.27
Talitha Koum	1,286.62
SOS Faim	231.60
Global Giving	159.60
FDF/CFSI	142.88

Annex 3: Towns and cities in Belgium

These lists contain all amounts we received on our accounts in the course of 2016. Some cities or towns are listed twice, as some grants are destined for a next or previous fiscal year.

Municipality	Amount (euro)
Mortsel	8,944.00
Mortsel	8,888.00
Grimbergen	5,877.00
Antwerpen	5,000.00
Gent	5,000.00
Bonheiden	4,615.00
Schilde	2,940.00
Aalst	2,527.09
Diest	2,500.00
Heusden-Zolder	2,500.00
Merelbeke	2,500.00
Rotselaar	2,200.00
Genk	2,000.00
Bonheiden	1,868.75
Genk	1,667.60
Oud-Heverlee	1,624.00
Maasmechelen	1,406.25
Tessenderlo	1,250.00
Holsbeek	1,248.00
Grobbendonk	1,230.00
Grobbendonk via Fairtrade	1,230.00
Holsbeek	1,224.00
Lanaken	604.95
Vorselaar	550.00
Menen	400.00
Tienen	357.14
Tienen	357.14
De Pinte	249.97
Zuilenkerke	50.00

Annex 4: Statutory auditor's report

The document below is only for information purposes, and it is not a sworn translation of the original in Dutch. The apostille of the Statutory Auditor's Report can be asked for via info@veco-ngo.org.

KPMG Bedrijfsrevisoren Burg CVBA
Bourgetlaan 40
1130 Brussels

Clybouw Bedrijfsrevisoren Burg CVBA
Oosterveldlaan 246
2610 Wilrijk (Antwerp)

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF MEMBERS OF THE NOT-FOR-PROFIT ASSOCIATION VREDESEILANDEN V.Z.W. FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2016

As required by the law and the association's constitution, we hereby report to you in the context of our statutory auditor's mandate. This report includes our findings concerning the annual accounts for the financial year ended 31 December 2016, as defined below, as well as our report on other legal and regulatory requirements.

Report on the annual accounts – Unqualified opinion

We have audited the annual accounts of the not-for-profit association Vredeseilanden v.z.w. ('the Association') for the financial year ending on 31 December 2016, prepared in accordance with the financial reporting framework applicable in Belgium pursuant to the Royal Decree of 19 December 2003. These annual accounts comprise the balance sheet as at 31 December 2016, the profit and loss account for the financial year then ended and notes. The balance sheet total amounts to EUR 7,919,060 and the profit and loss account shows a loss for the year of EUR 340,653.

Board's responsibility for the preparation of the annual accounts

The Board of the Association is responsible for the preparation of annual accounts which provide a true and fair view in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the Board determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as adopted in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgement, including an assessment of the risks of material misstatement in the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control measures relevant to the Association's preparation and fair presentation of the annual accounts 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 Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of the Association, as well as evaluating the overall presentation of the annual accounts.

We have obtained from the Association's officers and the Board the explanations and information necessary for performing our audit.

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

KPMG Company Auditors Burg CVBA
Bourgetlaan 40
1130 Brussels

Clybouw Company Auditors Burg CVBA
Oosterveldlaan 246
2610 Wilrijk (Antwerp)

Unqualified opinion

In our opinion, the annual accounts give a true and fair view of the Association's capital and financial position as at 31 December 2016, and of its financial performance for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

Other matters

As part of our role as statutory auditor, we performed an audit of all activities of the NGO and will provide a detailed description in a separate report of the spending components of the DGD grants which formed the subject of special attention. However, our audit mandate does not extend to a systematic review of the spending of and accounting for grants in relation to rules on eligibility for election or other accountability criteria.

Report on other legal and regulatory requirements

The Board is responsible for the maintaining the Association's accounting records in compliance with the applicable legal and regulatory requirements, as well as for the Association's compliance with the Belgian Law of 27 June 1921 concerning not-for-profit associations, foundations and European political parties and foundations, as well as for the Association's constitution.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material aspects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statements which do not modify the scope of our opinion on the annual accounts:

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- No transactions have been undertaken or decisions taken that are in breach of the Association's constitution or the Law of 27 June 1921 concerning not-for-profit associations, foundations and European political parties and foundations.

Other matters

Although the Board has already produced an annual report, we make no pronouncement on that annual report, as this does not fall within the scope of the statutory mandate of auditors of associations and foundations.

Brussels, 15 June 2017

The college of auditors

KPMG Bedrijfsrevisoren Burg CVBA
represented by

Harry Van Donink
Auditor

Clybouw Bedrijfsrevisoren Burg CVBA
represented by

André Clybouw
Auditor

Annex 5: GRI-indicators – “core” option

General Standard Disclosures			
	Description	Page	Observations
Strategy and analysis			
G4.1	Statement from the most senior decision-maker about relevance of sustainability	6	
G4.2	Description of impact, risks and opportunities	7-8	www.veco-ngo.org/sustainability
Organisational profile			
G4.3	Organisation name	18	
G4.4	Main activities and services	7	
G4.5	Location of head office	colophon	
G4.6	Number and name of countries where the organisation is active	10-16	
G4.7	Nature of ownership and legal form	18	
G4.8	Beneficiaries and stakeholders	9-10	
G4.9	Scale of the organisation (employees, operations, finances)	25, 33, annex 1 and 2	
G4.10	Number of employees by region and gender, including volunteers	25	
G4.11	Percentage of total employees covered by collective bargaining agreements	25	
G4.13	Significant changes in structure and ownership	18-19	
G4.15	Externally developed sustainability charters, principles or initiatives that have been signed or endorsed by the organisation	32	
G4.16	Membership of coalitions, associations and functions in management bodies, including national or international advocacy organizations	9	
Material aspects and scope			
G4.17	List of all entities in the consolidated financial report	annex 1	
G4.18	Process for defining the report content and the Aspect Boundaries		The new management team in place will finish this exercise in 2017
G4.19	List all the material Aspects identified in the process for defining report content		
G4.20	Aspect boundary per material Aspect within the organisation		
G4.21	Aspect boundary per material Aspect outside the organisation		
G4.22	Effect of any restatements of information provided in previous reports		No restatements
G4.23	Important changes of scope and boundaries compared to previous reporting periods		No changes
Stakeholder engagement			
G4.24	List of stakeholder groups engaged by the organisation	9	
G4.25	Basis for identification and selection of stakeholders	9	www.veco-ngo.org/stakeholders
G4.26	Approach of stakeholder engagement, including frequency of consultation by type and stakeholder group	17	www.veco-ngo.org/pla
G4.27	Key topics and concerns that have been raised through stakeholder engagement and organisation's response	17	
Report parameters			
G4.28	Reporting period	cover	
G4.29	Date of previous report	cover	
G4.30	Reporting cycle	cover	
G4.31	Contact for questions on the report	colophon	
G4.32	'in accordance' option the organisation has chosen	6	
G4.33	Policy on seeking external assurance for the report	6	

	Description	Page	Observations
Governance			
G4.34	Governance structure of the organisation, including committees of the highest governance body	18-19	
G4.35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	20-21	
G4.36	Sustainability officer at highest level?	20	
G4.37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics	20-21	
G4.38	Composition of the highest governance body and its committees	20-21	
G4.39	Chair of the highest governance body is also an executive officer?	20-21	
G4.40	Nomination and selection processes for the highest governance body and its committees	20-21	
G4.41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	20-21	
G4.42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's sustainability statements	20-21	
G4.45	Role of highest governance body in risk management of economic, environmental and social impact	20-21	
G4.51	Report the remuneration policies for the highest governance body and senior executives	20-21	
G4.52	Process for determining remuneration	23	
G4.55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation	23	
Ethics and integrity			
G4.56	Code of conduct and Code of ethics	32	
G4.58	Mechanisms for seeking advice on ethical and lawful behavior	32	
Specific Standard Disclosures			
Material aspects	Indicators	Page	Observations
Economic performance			
EC1	Allocation of resources: annual financial report, control mechanisms, costs/income fundraising	chapter 12	
EC6	Proportion of senior management hired from local communities	21,	
NG08	Ethical fundraising – Funds per category, and the five largest donors and financial value of their contribution, policy on accepting gifts	32, annex 3	
Environment – Energy			
EN3	Energy consumption	28-29	
Environment – Water			
EN10	Water reuse	28-29	
Environment – Services			
EN12	Contribution to biodiversity	30	
EN27	Contribution to mitigation	30	

Material aspects	Indicators	Page	Observations
Social – Work			
LA9	Average number of training hours by year, by employee and by employee category	24	
LA13	Ratio of the basic salary and remuneration of women to men for each employee category	23	
Social – Human Rights			
HR3	Number of incidents of discrimination and corrective actions taken		No incidents
Social – Society			
S03	Total number and percentage of operations assessed for risks related to corruption	41-42	
S04	Communication and training on anti-corruption policy	41-42	
Social – Responsibility			
NG010	Application of specific standards on fundraising	32	
Stakeholder engagement	Processes to involve stakeholders in development, implementation, audit and evaluation of policy and programmes	17	www.veco-ngo.org/impact
Planning, Learning and Accountability	System for programme monitoring, evaluation and learning, introducing modifications in the programme and communicating these modifications	17	www.veco-ngo.org/pla
Gender and diversity	Measures to integrate gender and diversity in the development, implementation, monitoring and evaluation of programmes and the learning cycle	12	
Privacy			
PR8	Total number of substantiated complaints received concerning breaches of customer privacy	32	



VECO is an international NGO with more than 40 years of experience in partnering with farmer organisations and food chain actors across Africa, Asia, Europe and Latin America. We enable and support smallholder farmers to take up their role in rural poverty alleviation and to contribute to feeding a growing world population in a sustainable way. VECO runs tries worldwide through eight VredesEilanden Country Offices (VECOs). That is why, outside Belgium, the organisation is mainly known as VECO. In this annual report, we use both.



COLOPHON

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Vredeseilanden/VECO is an independent and pluralistic non-gouvernemental organisation that is not relied to any political party. We are a member of 11.11.11, the coordinating body of the Flemish North-South movement and the Flemish NGO-federation.



Vredeseilanden/VECO follows the EFQM quality system and obtained the 'Committed to Excellent' label, presented by BBest.



You are entitled to be informed. This means that donors, staff and personnel members will be kept up to date about what happens with the VECO funds at least once a year. This annual report responds to it.

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