



Annual report for the Financial Year 2006

The Steering Committee and the Executive Secretary of Global Water Partnership Organisation present the following annual report

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Annual Report 2006

Executive Summary

The Global Water Partnership (GWP), established in 1996, is an international network open to all organisations involved in water resources management – government institutions, agencies of the United Nations, bilateral and multilateral development banks, professional associations, research institutions, non-governmental organisations, community groups and the private sector. The GWP mission is to support countries in the sustainable management of their water resources.

Through its network, the GWP fosters improved water resources management. IWRM, or the Integrated Water Resource Management approach, aims to ensure the coordinated development and management of water, land, and related resources in order to maximize economic and social welfare – without compromising the sustainability of vital environmental systems.

The GWP provides a platform for multi-stakeholder dialogue at global, national and local levels in fourteen regions: Southern Africa, Eastern Africa, Central Africa, West Africa, the Mediterranean, Central and Eastern Europe, Caribbean, Central America, South America, Central Asia and the Caucasus, South Asia, Southeast Asia, China, and Australia. The GWP Secretariat is located in Stockholm, Sweden.

The GWP has developed into such a diverse and wide network, that it is impossible to report on all activities. Indeed, as can be expected in an energised network, the Secretariat is not always aware of activities that have been catalysed at local level. Consequently, this Annual Report does not aim at covering in detail all activities, not even in one country, but offers some specific highlights of outcomes and GWP impact.

Organisation

The GWP worldwide activities are initiated and monitored at the global level and by country water partnerships, working via the regional water partnerships. To support these partnerships the Secretariat – established as an intergovernmental agency in Sweden as the Global Water Partnership Organisation (GWPO) – has a staff of twenty-three, of which five are supported by funds provided through restricted funds. GWP is managed by an Executive Secretary who is answerable to the Steering Committee. The Steering Committee engages in policy oversight and approves the work programme and budget of the organisation. Steering Committee members serve in their personal capacity. The Steering Committee is chaired by Ms. Margaret Catley-Carlson. The Steering Committee and its Chair are appointed by the Sponsoring Partners, comprising the ten founding members of the GWPO.

Ten years on

2006 was a pivotal year for the Global Water Partnership (GWP) – not only was it the mid point of the 2004–2008 Strategy but it heralded the 10th year of its existence.

To mark this point, representatives from across the network were brought together in Stockholm in August to reflect on what GWP is and how it works, what had been achieved and consider the future challenges and directions. For the first time GWP brought together partners from around 100 countries, two – one male, one female – from each existing country water partnership and one from other countries that had expressed an interest in creating a national water partnership.

The key outcomes of the meetings highlighted that GWP had played a leading role in alerting the world to the need for a more sustainable approach to the management of its water resources. Significantly, GWP had introduced and championed the concept of integrated water resources management (IWRM) that is now widely recognized as crucial to sustainable development and to achieving the Millennium Development Goals (MDGs). And GWP had built a global network of people – spanning more than 60 countries and involving all levels of society – committed to promoting better water resource management in their countries and regions.

Many of GWP's contributions made during the first ten years of its existence towards improving water resources management – widening the consultation process, improving laws and regulations, building better institutions, promoting women's participation, improving the situation on the ground and providing intellectual resources – were documented in the book, *The Boldness of Small Steps*, published on the occasion of the 10th Anniversary. GWP has received many comments on this book's usefulness to explain what GWP stands for, with its impact extended many times by translation into Chinese, Russian, French and Spanish.

From the reflections of the GWP partners in August it appears that there is consensus for the future that:

- We must strengthen GWP's identity by promoting the network as a knowledge broker that works to share experience and learning. It is time to move on from promoting the broad concept of IWRM to focusing on the specific elements (as outlined in the ToolBox). Only then will we be able to bring about positive change on the ground. The partnership approach must remain central to the way we operate. And we must continue to provide a neutral platform for multi-stakeholder dialogue and consensus building – a platform that promotes participation and inclusiveness.
- Our primary role is one of facilitation, which means managing and encouraging negotiation, agreement and cooperation between vested interests and competing sectors on water resource issues. To be effective, we must continue to develop and strengthen our alliances and ensure that words are translated into actions that achieve goals. We need to identify and use influential champions to catalyze change at all levels, especially at the country level.
- A major strength of GWP is the diversity of interests and perspectives within our organisation and networks. While encouraging them to work together, we also need to recognize their differences. IWRM is a journey, not a destination, and people and countries are at different stages of that journey.
- Growing global awareness of water issues has created expectations for change and raised demand for our services. GWP therefore, must focus on priority areas, making strategic choices that will maximize the return on our investment and leverage additional resources. This applies to investments of money, ideas, time and other inputs. We must also become more of a learning network, using knowledge to sharpen our focus and enhance the efficiency of our operations. This includes paying more attention to measuring performance.
- Networking is fundamentally about communication. Participants stressed the value of face-to-face meetings in stimulating and maintaining contact throughout our extensive networks. We also need to improve communication with stakeholders outside the

networks and, importantly, outside the conventional water domain if water resources management is to be truly integrated in sustainable development strategies.

Country Water Partnership meeting

This meeting, which occurred just before the Annual Partners meeting and the 10th Anniversary Celebration mentioned above, represented a major step forward for GWP. For the first time partners from the national (and even sub-national) level were able to confront the reality of the partnership, share expectations and experiences on key issues such as relevance, clarity of objectives, operational "unbundling" of IWRM, sustainability, and so on.

All countries contributed to the meeting by producing a "two pager" highlighting the relevance of GWP within their national context. They also identified dialogues on IWRM gaps that would be beneficial to their country as a follow up to the target established in the 2002 World Summit for Sustainable Development (WSSD) for all countries to develop an IWRM and water efficiency plan by 2005. Based on this information, the regional water partnerships prepared a 'regional synthesis' that was used as the basis for the intra-regional and regional discussions that took place during the two-day meetings.

The outcomes of the meetings were most satisfactory, creating renewed interest and enthusiasm at country level and the momentum for the development of a more cohesive and strategic comprehensive work plan for 2007. A clear demand for further support for the translation of key GWP documents in national languages emerged at the meeting, with all Portuguese speaking countries agreeing to pool their efforts, share key documentation on water resources management and translate it into Portuguese.

GWP Partnerships

In keeping with the GWP philosophy of the importance of establishing platforms that bring in many constituencies at the country level, four Regional Technical Committees (RTACs) transformed into multi-stakeholder Regional Water Partnerships (RWPs): The GWP China in September, Central Asia and Caucasus in December 2006, Central America in August and South America in October.

The regional Central America Water Partnership established its first secretariat in Honduras while the South America Water Partnership selected Brazil as the country to host its secretariat.

Interest among countries to establish national water partnerships continues to flourish. The IWRM planning initiatives in Africa motivated the establishment of national partnerships in Cape Verde and Mozambique for example, while interest among GWP partners in Uruguay to support government processes in their initiatives towards adopting more sustainable water resources management was the driving force for creating the Uruguay Water Partnership.

The task that lies ahead for these partnerships is to learn to think in a strategic manner and create sustainable organisations and programmes. To strengthen the process for establishing partnerships and maintaining the GWP brand, each potential water partnership has to apply to GWP for 'accreditation'. All applications are considered against the *Conditions for Accreditation*, a policy that checklists the key requirements to be accepted as GWP entity. A similar process is required to enrol partners to GWP; potential partners have to apply to GWP by completing an application form that is governed by the *Policy on Partners*.

Supporting IWRM planning at country level

Anti-poverty efforts around the world directed toward the UN Millennium Development Goals increasingly recognise the importance of country-level strategies focussed on good water

resources development, management and use. But, unless national water plans are linked to problems of national development and national development plans, poverty reduction papers and social and economic goals, the plans will remain on the shelf. In all GWP-facilitated IWRM planning processes being undertaken in Africa and elsewhere, efforts to link to the national development processes are in hand.

In Zambia for example, the IWRM plan was formally integrated into the national development plan in January 2007. The Zambia Water Partnership was originally formed with a simple aim of sharing information on water activities in the country. This role was translated into a big picture of facilitating the formulation of an IWRM and Water Efficiency country plan which has been integrated into the fifth National Development Plan (NDP).

Linking the NDP and the IWRM plan is fundamental to achieving the MDGs related to social and economic development, as well as those more directly related to domestic water and sanitation services and environmental sustainability. In particular, establishing such links is likely to have a significant positive impact on sectors with potential for pro-poor development.

In Benin, the outcomes of the IWRM planning process have already led to the revision of the national Growth and Poverty Reduction Strategy in 2006. The strategic directions of the National Development Plan are to be operationalised through Benin's Growth and Poverty Reduction Strategy (SCRP), which dates from 2002 and operates via three-year action programmes. The original Strategy called for improvements in water management, sharing of water resources among various users, setting up a consultative national body, and support for integrated approaches to water resources management. However, in the context of water management, the Strategy prioritized drinking water supply and water resource monitoring and paid scarce attention to other key water issues. The national government and other authorities responsible for water management later realised that the first Growth and Poverty Reduction Strategy had too narrow a focus: They needed to develop a broader perspective through the development of IWRM and water efficiency plans. In support of this initiative, the Benin Water Partnership provided knowledge and experience arising from the IWRM planning exercises underway in other countries in West, East and Southern Africa.

As a consequence, the Strategy has been revised. It now, for example, calls for standards, regulations and other measures in the areas of water protection (against pollution) and the management of water resources such as wetlands, rivers, lakes, lagoons and artesian sources. It also calls for the provision of advice, information, technical assistance and training to various actors in the water sector, including those at the local (commune) level.

The Benin Water Partnership has been instrumental in supporting the participatory consultation processes that were held during 2003 and 2005. These consultations included technical and financial partners within Benin's water sector, together with government as one of the key stakeholders. Not only has this led to a revision of the Growth and Poverty Reduction Strategy but the process has also led to a national water policy paper and a draft water law based on IWRM principles. These two documents, currently in the adoption stages, constitute Benin's basic tools for sustainable management of its water resources.

The IWRM dialogues status

GWP's leadership in promoting IWRM and its support for achieving the MDGs and the 2002 World Summit for Sustainable Development processes has provided an excellent platform for follow-up action to achieve the Summit's IWRM target, and support institutional strengthening to ensure that those plans are implemented by the relevant authorities. In 2006, GWP launched a programme of national dialogues – consistent with the United Nation's

request that countries report on the status of their IWRM plans at CSD-16 as a follow up the WSSD 2002 national IWRM planning target – allocating funding of over USD700,000 to support national dialogue processes in more than 50 countries during 2006.

In South Asia the first round of dialogues were concluded by the end of 2006 in Bangladesh, India, Nepal, Pakistan and Sri Lanka. These are being followed up with further events that will conclude by mid-2007. The outcomes will be documented and serve to promote the incorporation of the gaps in IWRM principles in the national strategies and plans in these countries.

Similarly, in Central and Eastern Europe dialogues have been initiated in Bulgaria, Lithuania and Poland. Current outcomes point towards the incorporation of IWRM principles in river basin management plans that dovetail with the EU Water Framework Directive. Vietnam held its first dialogue in December, focusing on decentralization in water use towards multi-purpose management, The outcomes are being fed into a second larger dialogue planned for mid-2007.

Other Southeast Asian countries and countries in other GWP regions are well into in the process of preparing and conducting dialogues. The outcomes of these dialogues will be brought together and reported in detail from mid-2007.

In some cases GWP's contribution builds on previous work in relation to water governance and water financing. In other cases, GWP's support for implementation by local institutions is directed at the interface between planning and action (research into use) in relation to locally identified priorities and processes.

In the majority of cases, GWP funds are used as seed funding, leveraging local resources and strengthening local institutions in timely initiatives that are linked to higher level national and regional processes.

Water governance dialogues

The programme for Effective Water Governance aims to improve water resources management and service delivery in seven East and West African countries. The focus is on promoting dialogue and consultation between government and civil society on issues related to IWRM at local, national and regional levels. Governance dialogues were held in the target countries in East Africa (Kenya, Tanzania and Uganda); and in West Africa (Benin, Burkina Faso, Ghana and Niger).

It is anticipated that, as a result of these activities, the programme will have a direct influence on political commitment towards effective water governance. This will in turn influence government policies and allocation of adequate resources for sustainable water resources management and service delivery.

The preliminary mapping phase began in 2005 using the so-called 'Governance Scorecard'. This provided a snapshot of current arrangements within a country and indicated where there is scope for improvement. The assessments were then discussed and validated in national workshops, organized with the help of the country water partnerships in the seven nations. Workshop participants were selected carefully. The idea was to attract people able to influence governance systems and become champions of the identified follow-up actions.

The Scorecard process identified two main areas that need to be addressed: capacity (human, technical and financial) and integration. The lack of capacity was most evident at the local

level. Although the trend towards decentralization of authority provides greater opportunity for inclusiveness in decision making, it exposes the fact that local government lacks human and financial resources and operational guidelines for managing water resources. To make decentralization more effective requires a significant investment in awareness building and education – for example, in the interpretation of the new water governance structures. Since resistance to water reforms is often due to ignorance, education can help stakeholders such as engineers, lawyers, government officers and community groups to better understand policies, laws and regulations and apply them more effectively.

GWP's work so far has raised awareness and educated a wide range of stakeholders, but it is the responsibility of government to make the required governance reforms and this will take considerable time. GWP will help the target countries build on this promising start and tackle specific elements. This includes implementing the action proposals and developing cross-cutting or regional programs in support of the various themes in effective water governance. GWP will share the knowledge gained with other countries in East and West Africa and encourage them to develop similar processes.

Intellectual resources

During the year, the GWP Technical Committee published several new Policy and Technical Briefs in the Catalyzing Change series, the latest focusing on how IWRM can contribute towards achieving the MDGs. This series is designed to support countries in their efforts to prepare IWRM and water efficiency strategies or plans, as advocated by the 2002 World Summit for Sustainable Development. Translations of several of these documents have been made into Chinese, French, Russian and Spanish. These documents are being widely used in the capacity building initiatives supporting the ongoing IWRM planning programmes.

IWRM ToolBox

Over the past four years, the ToolBox focal point in Slovakia serving GWP Central and Eastern Europe (CEE) and Central Asia and Caucasus (CACENA), with support of the GWP Mediterranean, has been especially active. In CEE, the GWP ToolBox has been used extensively in academic and advanced post-graduate training. Seminars were organized to enhance knowledge of IWRM, the main objective being to help new members of the European Union to implement the EU Water Framework Directive. Participants were given the opportunity to explore the extent of congruence between IWRM principles and the new national water plans and water policies in CEE countries.

While IWRM principles are well known, their application to problem solving is more complex. This is particularly the case where sectoral rather than cross-sectoral or integrated approaches to management was reinforced by the centrally planned economies that many of these countries had until quite recently.

The experience of CEE countries is directly relevant to the eight countries that make up the two sub-regions of CACENA. Despite geographic separation, the two components of CACENA have much in common with each other and with Eastern and Central Europe.

In 2004, the CEE focal point teamed up with GWP CACENA to begin extending use of the ToolBox to the latter region. Since then several training workshops have been held throughout the region with the aim to promote the application of IWRM practices covered by ToolBox and share experience and lessons drawn from Central and Eastern Europe. Topics included public participation, negotiation of conflicts and water project development. The training events also opened the door for CACENA countries to begin contributing to the expanding international collection of ToolBox case studies.

In China three case studies for the ToolBox were prepared during 2006 while Malaysia has been continuing development of its ToolBox with its specific country focus on Malaysia.

The ToolBox Task Force met several times during the year providing valuable input to the future development strategy of the ToolBox. In addition to buttons designed as entry points to integrated approaches to environment for example, suggestions to create "how to" entry points is being explored as a mechanism to promote the use of the ToolBox by water professionals dealing with practical issues.

GWP at the global level

Linking "global with local" is a key role for the GWP. To secure participation in dialogues at the global level, GWP continues to participate in strategic initiatives that promote better water management globally as well as lead to increased knowledge and activity at the regional level. In 2006 for example, GWP was represented in the World Economic Forum (WEF) in the USA in September where senior managers of several major food and beverage companies gathered to gain greater awareness of the water challenges facing industry and what business can do to help solve water problems. As a follow up, a session on water – led by the GWP Chair – was conducted during the Annual WEF Meeting in Davos in January 2007. Contacts will be maintained with WEF for possible follow up with the private sector.

GWP also participated in the 12th International Anti-Corruption Conference held by Transparency International in Guatemala in November. Discussions were held on how GWP can help to identify actions designed to fight corruption in water worldwide and whether GWP should become a part of the Water Integrity Network (WIN) being led by Transparency International and the Stockholm International Water Management Institute (SIWI). GWP representation was also made in several other strategic events including the 1st Congress on Communications in Development in September, in the 3rd Symposium on IWRM in Bochum in Germany and the World Bank/OECD-DAC evaluation meeting in Paris in October.

A key activity has been the GWP participation in the UN Water Task Force on IWRM monitoring. This has included help in preparing an official survey on IWRM for submission to CSD16 that has built on the informal survey carried out by GWP at the end of 2005 and reported at the last FPG. GWP has strengthened its links to the Global Action Network (GAN-Net) with one of the senior managers in the Stockholm Secretariat being appointed onto their Council which links us to other global action networks.

To date GWP has worked with GAN-Net on communications issues and performance assessment. In this context, GWP hosted a two-day GAN-Net meeting on communications in early March, where e-conferencing initiatives were launched. This initiative has the potential to promote easier communications between the secretariat and the regional secretariats and save some travel by the Network Officers to the regions.

Work on water financing to share the knowledge generated by the work of Camdessus and Gurria to the regional and country level has continued. Activities are being planned in Eastern Africa, West Africa and Central Asia in 2007. A strong link has been made to the EU Water Initiative Finance Working Group to ensure synergy on this initiative.

Human Resources

The Secretariat had two fundraising positions added in 2006, while one Network Officer (French secondment), one Communication Officer and one Financial Assistant left the organisation. Two new French secondments for the Secretariat are in the pipeline together with another for West

Africa, a new Financial Assistant has been recruited and a temporary replacement for the Communication Officer has been put in place until the standard recruitment process is finalised. No other significant staff changes are foreseen during 2007. As the Secretariat is committed to retain a lean structure, GWPO will keep relying on external support to fill in gaps in resources as identified in the implementation of the comprehensive work programme 2007.

During the last year the staff has worked hard to support and deliver services to an expanding network and increasing partnership, and to monitor and meet deadlines of ongoing bilateral programmes. The agenda for 2007 continues to very busy, nevertheless a decision has been taken that time will be set aside in 2007 to focus on capacity building and training in the areas of project management, proposal writing, facilitation of multi-stakeholder groups and partnership building. These are areas where we believe we could strengthen both the Secretariat's and the regions' capacity to become more efficient and better respond to the needs.

Finance

The number of donors channelling funds through GWPO remains at 13. The donors, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Netherlands, Norway, Sweden, Switzerland, United Kingdom, and U.S.A contributed a total of USD 9.0 million in core funding and USD 4.2 million in restricted funding. The core funding through the GWPO Secretariat during the years 2003–2006 remains at a stable level of close to USD 9 million. The core contributions for 2007 are likely to remain at the same level.

The regions are encouraged to raise their own funds. During 2006, USD 1.7 million have been raised by the regions/countries, an increase of USD 0.2 million compared to 2005. Some of the donors at regional/country level were GEF-IWLEARN, DFID, Japan Water Forum, Greek Ministry for Environment, and SIDA.

The contributions reported in the Annual Report do not include funds provided in-kind from governments, organisations or individuals. The in-kind contributions are not currently captured but should be recognized as a very substantial source of funding. France, as one example, has supported GWPO Secretariat with the secondment of a senior Network Officer since 2002.

Programme (restricted funds) activities have increased during 2006. The donors Canada, European Commission, Finland, France, Greece, Netherlands, and U.S.A funded activities at regional as well as country level for USD 4.2 million during 2006.

In 2007 an additional programme funded by the European Commission, will be initiated. This will take the Programmes activities in 2007 up to an estimated USD 5 million.

GWPO received in February 2006 a claim from UNDP of USD 1,228,335. The claim is according to UNDP for expenditures paid by UNDP in 2001 on behalf of GWPO. GWPO has not acknowledged the claim as the audited Annual Reports 2001–2004 do not include a liability to UNDP of this amount. Recorded as a liability to UNDP by 31 December 2006, is an amount of USD 595,552. GWPO is making every effort to resolve this matter in consultation with all parties involved.

Hosting arrangements for International Task Force on Global Public Goods and the EU Water Initiative Finance Working Group

The International Task Force on Global Public Goods (GPG) was established in 2003 through a bilateral agreement between France and Sweden. The Secretariat for GPG consisted of five

staff members and was located in Stockholm. The Secretariat was independent, but functioned under the legal umbrella of GWPO. GWPO administered the finances and the personnel of the GPG Secretariat since 2003. The establishment of the GPG Secretariat as part of the legal entity GWPO was according to the agreement between the Government of Sweden and GWPO.

The Task Force and its Secretariat ended their activities on 31 December 2006. One staff member worked during the first quarter of 2007 to oversee the conclusion of the remaining administrative matters. GPG received contributions during 2003–2006 of Euro 5,632,800. Total expenditures, including financial items, 2003–2006 amounted to Euro 4,743,852. Total unused funds, Euro 888,948, will during 2007 be repaid to donors. There are no contingent liabilities connected to the closure of GPG. All outstanding liabilities by 31 December 2006, except for the repayment to donors, are paid by 31 March 2007.

The EU Water Initiative Finance Working Group (EUWI FWG) is hosted by GWPO in the same manner as GPG. GWPO administer the finances as agreed with DFID in May 2006. DFID has committed an amount of not exceeding GBP 500,000 for the operations of EUWI FWG 2006 to 2008 work programme. The Secretariat for EUWI FWG consists of one staff member, fully financed by DFID in addition to the committed amount of GBP 500,000.

EUWI FWG received contributions in 2006 of Euro 297,211. Expenditures, including financial items, amounted to Euro 125,101. All outstanding liabilities, Euro 68,421, by 31 December are paid by 31 March 2007.

Work programme 2007

Building on the outcomes of the Stockholm meetings mentioned above, GWP has prepared a business plan for 2007. Based on data collection, consolidation and strategic assessment a comprehensive work plan for the network was constructed. This programme was built up from details of specific activities that are linked to the budget process which have not only been prioritised but also based on realistic expectations and resource considerations. We have focused on big ticket items and clustered smaller activities. Space has been allowed to react to new opportunities, while managing expectations in terms of what we can be held accountable for in individual performance assessments.

To further promote inter-regional knowledge and experience sharing, the annual CP meeting of the GWP will not be held during 2007. Instead, four to six inter-regional partners meetings are being planned, which will concentrate on regional issues in a continental dimension.

Income Statement

All amounts in US Dollars

	Note	2006	2005
Core contributions			
Core contributions through GWP Secretariat	1	8,942,468	8,954,069
Contributions locally raised	2	1,702,498	1,502,249
Other income	3	<u>73,333</u>	<u>92,359</u>
Total Core contributions		10,718,299	10,548,677
Core contributions through GWP Secretariat transferred to 2006		1,259,363	-1,243,804
Programmes contributions	4	4,172,771	3,757,095
Total contributions		16,150,433	13,061,968
Global expenditures core			
Secretariat	5,6	-2,878,580	-2,691,247
GWP contribution to Programmes	7	-187,101	-100,662
Governance	8	-749,846	-434,103
External cooperation	9	-346,586	-568,583
Technical Committee		-660,290	-616,822
Facilitation Fund	10	<u>-144,505</u>	<u>-</u>
Total Global expenditures		-4,966,908	-4,411,417
Global expenditures programmes	11	-655,071	-800,028
Regional expenditures			
Regional expenditures core	12	-3,538,869	-3,362,064
Expenditures locally raised contributions	12	-1,702,498	-1,502,249
General regional expenditures core	13	-878,975	-151,185
Regional expenditures programmes	14	<u>-3,517,700</u>	<u>-2,957,066</u>
Total Regional expenditures		-9,638,042	-7,972,564
Financial items			
Net interest and net exchange rate differences	15	<u>-7,733</u>	<u>122,041</u>
Total Financial items		-7,733	122,041
Net result for the year		882,679	0

Balance Sheet

All amounts in US Dollars

Assets	Note	12/31/2006	12/31/2005
Current assets			
Receivables regions	16	1,243,984	872,313
Receivables donors	17	1,573,247	383,177
Other receivables	18	169,044	226,785
Prepaid expenditures and accrued income	19	119,646	68,451
		<u>3,105,921</u>	<u>1,550,725</u>
Cash and bank balances	20	4,902,938	5,748,107
Total Assets		8,008,859	7,298,832
Equity and Liabilities			
Equity			
Restricted equity			
	21		
Reserve fund		1,370,000	1,300,000
Currency rate fluctuation reserve		-	74,776
		<u>1,370,000</u>	<u>1,374,776</u>
Non-restricted equity			
	22		
Results brought forward		92,627	460,872
Translation difference		304,183	-298,245
Net result for the year		882,679	-
		<u>1,279,489</u>	<u>162,627</u>
Total Equity		2,649,489	1,537,403

Balance Sheet

All amounts in US Dollars

Current liabilities	Note	12/31/2006	12/31/2005
Advance payments from donors	23	3,432,653	3,939,365
Accounts payable		209,961	404,053
Liabilities regions/countries	24	148,124	205,598
Other liabilities	25	953,291	807,463
Accrued expenditures	26	<u>615,341</u>	<u>404,950</u>
Total current liabilities		5,359,370	5,761,429
Total Equity and Liabilities		8,008,859	7,298,832
Pledged assets		None	None
Contingent liabilities		None	None

Cash flow statement

All amounts in US Dollars

	Year ended 31 December	
	2006	2005
Net result before financial items	890,412	-122,041
Adjustment for items not included in cash flow	161,225	-136,857
Interest received	61,390	36,761
Interest paid	-941	-1,332
Net cash flow from operating activities before changes in working capital	1,112,086	-223,469
Increase receivables regions/countries	-371,671	-261,955
Increase/decrease receivables donors	-1,190,070	430,394
Decrease/increase other receivables	6,546	-57,005
Decrease/increase advance payments from donors	-506,713	2,707,438
Decrease/increase accounts payable	-194,092	369,366
Decrease/increase liabilities regions/countries	-57,474	173,571
Increase/decrease other liabilities	356,219	-667,545
Net cash flow from operating activities	-845,169	2,470,795
Net cash flow for the year	-845,169	2,470,795
Cash and bank balances at the beginning of the year	5,748,107	3,277,312
Cash and bank balances at the end of the year	4,902,938	5,748,107

Notes

Accounting principles

The Annual Report has been prepared on a going concern basis as well as an accrued basis according to the principles below.

The generally accepted accounting principles in Sweden form the basis for the GWPO accounting policy. The Swedish accounting policy is not followed for fixed assets (see below), the currency rate reserve is not in accordance with the Swedish accounting principles (see below), and the specification of salaries and other staff costs should according to Swedish principles be more detailed.

Contributions

Contributions are accounted for on an accrual basis when GWPO becomes entitled to the contribution.

Core contributions are unrestricted contributions to be used for any of GWPO's purposes within the GWP Strategy and Work Plan.

Programme contributions are restricted contributions with specific restrictions imposed by the donors.

All contributions for Programme activities above the level of expenditures for the financial year are booked as advances from Donors.

In 2005 the same principle was for the first time used for core contributions. The GWPO Steering Committee has however revert the decision and any contribution above the level of expenditures is recorded as net result for the year.

All contributions are shown at gross value.

In-kind contributions

In-kind contributions are, according to Swedish accounting principles, not to be reported in the Income Statement. GWPO has received in-kind contributions from France at an estimated value of USD 75,000 during 2006.

Fixed assets

GWPO's policy is to charge office equipment within the year in which it has been incurred.

Office equipment of USD 35,106 (2005 USD 74,838) purchased in 2006 is recorded as expenditures.

Accumulated purchase of office equipment since 1 July 2002 is USD 192,504.

Currencies

The GWPO accounting is undertaken in Swedish Kronor (SEK). For reporting purposes the currency of the United States Dollar (USD) is used. The rate of exchange SEK/USD ruling at the balance date is used for all assets and liabilities. The average exchange rate SEK/USD for the financial year is used for all contributions and expenditures.

Leased assets

All lease agreements, regardless of whether they are financial or operating in nature, are accounted for as rental agreements (operating lease agreements).

The leasing fee is expensed over the full period of the lease on a linear basis.

Currency rate fluctuation reserve

The Currency rate fluctuation reserve was introduced in 2005 as a facility to overcome distortions caused by fluctuations in the exchange rate SEK and other currencies in which GWPO holds bank accounts. The reserve includes exchange rate gains and losses on bank balances only. The reserve could never show a negative value. The reserve was fully utilised in 2006, USD 74,776.

Receivables

On the basis of individual assessment, receivables are reported at the amounts which they are anticipated to be received.

Pension costs

Pension premiums for international staff, calculated as a percentage of gross salary, are deposited semi annually at AMFIE (Association Mutualiste des Fonctionnaires des Organisations Intergouvernementales, Luxembourg) and SEB Trygg Life Assurance Company Limited (Ireland). Unpaid balance by the end of 2006 is USD 16,995, as reported under Accrued expenditures in the Balance Sheet.

Pension premiums for Swedish staff, calculated as a percentage of gross salary, are paid monthly to SEB Trygg Liv (Sweden). No unpaid balance by the end of 2006.

Liabilities

Liabilities are reported at their nominal amounts.

Cash flow statement

The statement is prepared in accordance with the indirect method. The cash flow only includes transactions which generated ingoing or outgoing payments.

Note 1 Core contributions through GWP Secretariat	2006	2005
Canada, Partnership for Africa's Water Development, overhead	180,249	206,755
Denmark	657,577	669,483
European Commission, Effective Water Governance, administration	6,728	9,877
Finland IWRM planning Central Asia and Caucasus, overhead	15,745	27,760
France, L'eau et le développement durable, indirect costs	7,465	11,232
Germany	494,484	688,337
Norway	596,861	313,751
Spain	-	125,385
Sweden	1,626,324	1,472,379
Sweden cost compensation taxes and rent	509,226	420,173
Switzerland	204,456	208,007
Netherlands	1,127,305	1,109,053
Netherlands, National IWRM and Water Efficiency Plans, facilitation and guidance	140,491	98,037
Office International de l'eau, TwinBasin	-	11,194
United Kingdom	3,276,500	2,865,183
United Kingdom restricted contribution to China	51,067	690,122
U.S Department of State, indirect costs	47,990	27,341
Sum	8,942,468	8,954,069
Unused part of contributions received 2005 transferred to 2006	-	-1,167,042
Exchange differences unused part of contributions	-	-76,762
Sum	8,942,468	7,710,265
 Note 2 Direct contributions to Regional/Country Partnerships	 2006	 2005
GWP Cacena	29,451	-
GWP Caribbean	1,313	221
GWP Central America	21,213	4,261
GWP Central and Eastern Europe	74,280	4,817
GWP China	165,343	-
GWP Eastern Africa	33	-
GWP Mediterranean	958,140	891,542
GWP South America	-	4,125
GWP South Asia	22,306	40,464
GWP South East Asia	56,794	368
GWP Southern Africa	366,718	548,449
GWP West Africa	6,907	8,002
Sum	1,702,498	1,502,249

Additional direct contributions of USD 177,126 were received by the RWP/CWP during 2006. The amount will however not be used until 2007.

Note 3 Other income	2006	2005
Ramboll Natura AB, fees for training programmes	2,439	5,622
Host fee Task Force on Global Public Goods	62,207	86,737
Host fee EUWI Finance Working Group	8,687	-
Sum	73,333	92,359
Note 4 Programmes (restricted) contributions	2006	2005
Canada, Partnership for Africa's Water Development	1,925,204	2,027,204
European Commission, Effective Water Governance	234,588	94,301
Finland, IWRM planning Central Asia and Caucasus	141,451	250,088
France, L'eau et le développement durable	62,253	96,816
Greece, for GWP Mediterranean	12,587	-
Norway, IWRM Programme	-	118,286
Netherlands, National IWRM and Water Efficiency Plans	1,363,716	942,325
U.S Department of State	432,972	228,075
Sum	4,172,771	3,757,095
Note 5 Secretariat costs	2006	2005
Salary and Payroll overhead	1,660,021	1,485,696
Travel	294,450	248,382
Rent and Office expenditures	536,759	665,430
Audit, legal and other consultancies	170,944	118,651
Communication/information expenditures	216,406	173,088
Sum	2,878,580	2,691,247
Note 6 Salary and payroll overhead	2006	2005
Salaries - Secretariat core	1,212,820	1,125,330
Insurances - Secretariat core	65,244	69,826
Pension costs - Secretariat core	273,569	215,145
Other staff costs - Secretariat core	53,822	42,668
	1,605,455	1,452,969
Cost of temporary staff	54,566	32,727
	1,660,021	1,485,696
The average number of employees calculated on a full time basis for Secretariat core;	2006	2005
Female	9.9	9.7
Male	6.0	5.6
	15.9	15.3
Staff not included in the Secretariat core;		
Average number of employees paid by in-kind contribution from	0.5	1.0
Average number of employees paid by the restricted contributions	5.0	4.1
Average number of employees paid by the Facilitation fund	1.3	0.0
Average number of employees for IWRM Survey	0.3	0.0
Note 7 GWP contribution to Programme activities	2006	2005
European Commission, Effective Water Governance	3,968	37,287
U.S Department of State	60,412	63,375
Canada, Partnership for Africa's Water Development	122,721	-
Sum	187,101	100,662
Note 8 Governance costs	2006	2005
Steering Committee	251,451	213,542
Consulting Partners meeting & 10th Anniversary event	399,390	194,955
Other governance costs	99,005	25,606
Sum	749,846	434,103

Note 9 External cooperation costs	2006	2005
Toolbox	129,577	133,319
Advisory Centers and Senior Advisors	195,000	385,843
Other external cooperation costs	22,009	49,421
Sum	346,586	568,583

Note 10 Facilitation Fund	2006	2005
Fundraiser position	144,505	-

The aim of the Facilitation Fund is to provide leverage for local fundraising by providing co-funding to initiatives taken by the Regional and Country water partnerships for programme activities. During 2006 USD 144,505 from the Facilitation Funds were utilised for one Fundraiser position at the Stockholm Secretariat. USD 192,021 were disbursed to four regions and the corresponding expenditures are reported under Regional expenditures core, Note 12

Note 11 Global expenditures programmes	2006	2005
Canada, Partnership for Africa's Water Development	141,733	233,844
European Commission, Effective Water Governance	134,046	27,359
Netherlands, National IWRM and Water Efficiency Plans	379,292	420,539
Norway, IWRM Programme	-	118,286
Sum	655,071	800,028

Note 12 Regional expenditures core	2006	2005
GWP Caribbean	105,047	83,211
GWP Central Africa	162,524	131,302
GWP Central America	260,548	322,717
GWP Central Asia & Caucasus	266,306	311,767
GWP Central & Eastern Europe	435,119	363,134
GWP China	578,905	575,590
GWP Eastern Africa	264,033	235,323
GWP Mediterranean	1,188,214	1,202,417
GWP South America	212,177	273,182
GWP South Asia	319,716	346,785
GWP South East Asia	396,227	283,415
GWP Southern Africa	646,883	614,859
GWP West Africa	266,392	244,546
GWP new regions	-1,511	-
10th Anniversary Book regional expenditures reported Note 11	-	-41,050
Regional part EC contribution East and West Africa	50,280	-
Exchange rate differences	90,507	-82,886
Sum	5,241,367	4,864,313
Regional expenditures financed by locally raised funds	-1,702,498	-1,502,249
Sum	3,538,869	3,362,064

Note 13 General regional expenditures core	2006	2005
CWP Meeting Stockholm	735,300	-
Utility Network Initiative SAS GWP/ADB - Facilitation fund	14,517	-
Regional access to TEC	2,274	22,773
Interregional meetings	78,072	82,719
10th Anniversary Book regional expenditures	48,812	41,050
GWP new regions	-	4,643
Sum	878,975	151,185

Note 14 Expenditures Programmes	2006	2005
GWP Central Africa, CIDA Programme	85,313	87,287
GWP Central Africa, French Programme	62,253	101,191
GWP Central Africa, Dutch Programme	186,879	145,957
GWP Central America, US Programme	140,201	110,893
GWP Central Asia & Caucasus, Finnish Programme	141,451	250,088
GWP Eastern Africa, EC Programme	30,796	68,536
GWP Eastern Africa, CIDA Programme	232,955	298,236
GWP Eastern Africa, US Programme	72,764	53,231
GWP Eastern Africa, Dutch Programme	150,747	112,618
GWP Mediterranean, restricted funds from Greece	12,587	-
GWP South East Asia, US Programme	220,008	65,698
GWP Southern Africa, CIDA Programme	888,177	772,621
GWP Southern Africa, Dutch Programme	315,965	133,278
GWP West Africa EC Programme	69,746	1,229
GWP West Africa, CIDA Programme	577,025	657,875
GWP West Africa, Dutch Programme	330,833	151,490
Exchange rate differences	-	-53,162
Sum	3,517,700	2,957,066
Note 15 Interest and net exchange difference	2006	2005
Interest income	61,390	36,761
Interest expense	-941	-1,332
Exchange rate difference	-68,182	86,612
Sum	-7,733	122,041
Note 16 Receivables regions/countries	12/31/2006	12/31/2005
GWP Caribbean	8,588	-
GWP Central Africa, CIDA region	-	659
GWP Central Africa, Dutch region	10,689	-
GWP Central Africa, Dutch Cameroon	74,650	51,309
GWP Central America	-	2,281
GWP Central America, US El Salvador	21,536	-
GWP Central Asia & Caucasus	2,837	-
GWP Central & Eastern Europe	-	3,295
GWP Eastern Africa	43,635	-
GWP Eastern Africa, EC region	12,464	39,287
GWP Eastern Africa, CIDA Kenya	-	8,637
GWP Eastern Africa, US Ethiopia	58,716	17,406
GWP Eastern Africa, Dutch region	15,899	-
GWP Eastern Africa, Dutch Eritrea	63,212	15,541
GWP Mediterranean	-	2,283
GWP South America	32,588	15,287
GWP South Asia	9,705	19,283
GWP South East Asia	20,066	40,588
GWP South East Asia, US Indonesia	22,622	17,117
GWP Southern Africa	186,705	111,820
GWP Southern Africa, CIDA region	42,670	19,874
GWP Southern Africa, CIDA Malawi	26,672	98,438
GWP Southern Africa, CIDA Zambia	3,611	58,855
GWP Southern Africa, Dutch region	5,901	-
GWP Southern Africa, Dutch Swaziland	73,395	15,643
GWP Southern Africa, Dutch Mozambique	33,944	23,749
GWP West Africa	25,736	-
GWP West Africa, EC region	33,023	63,140
GWP West Africa, Dutch region	44,873	6,734
GWP West Africa, Dutch Benin	102,741	82,571

Note 16 Receivables regions/countries (continued)	12/31/2006	12/31/2005
GWP West Africa, Dutch Cape Verde	84,859	20,263
GWP West Africa, CIDA region	96,319	12,391
GWP West Africa, CIDA Senegal	75,097	40,733
GWP West Africa, CIDA Mali	11,231	85,129
Sum	1,243,984	872,313

Liquid funds and balances on settlement accounts for the GWP regions/countries stated above as at 31 December 2006 (2005) amount to USD 1,196,473 (859,075)

Note 17 Receivables donors	12/31/2006	12/31/2005
DFID second instalment 2006 contribution	1,175,479	-
France, L'éau et le développement durable	68,403	-
U.S Department of State	-	120,729
Receivables Foreign Ministry cost compensation taxes 2006/2005	329,365	234,424
Receivables Norway IWRM Programme	-	28,024
Sum	1,573,247	383,177

Note 18 Other receivables	12/31/2006	12/31/2005
Accounts receivable	46,165	70,724
VAT claim	91,260	77,225
Cost reimbursement from Stockholm Vatten	290	-
Task Force on Global Public Goods	2,070	-
EUWI Finance Working Group	3,064	-
Other receivables	26,195	78,836
Sum	169,044	226,785

Note 19 Prepaid expenditures and accrued income	12/31/2006	12/31/2005
Prepaid insurances	82,993	53,017
Prepaid fee Columbia University	16,235	15,079
Accrued interest Euro bank account	19,193	-
Other prepaid expenditures	1,225	355
Sum	119,646	68,451

Note 20 Cash and Bank balances

GWP Secretariat has an option to use a credit issued by Nordea Bank Sweden AB amounting to 50% of all agreed but not yet disbursed contributions. The credit facility was unused at year end.

USD 2,909,280 of the reported bank balances relate to an advance payment from Netherlands and the amount is only available for the restricted Programme's activities.

USD 1,370,000 relate to the Reserve Fund, deposited in a restricted bank account not to be used for operational expenditures.

Note 21 Restricted equity	12/31/2006	12/31/2005
Reserve fund at the beginning of the year	1,300,000	1,300,000
Transfer to Reserve Fund according to SC decision November 2006	70,000	-
Currency rate fluctuation reserve	-	74,776
Sum	1,370,000	1,374,776

Note 22 Non-restricted equity	12/31/2006	12/31/2005
Amount at the beginning of year	162,627	760,872
Transfer to Reserve Fund according to SC decision November 2006	-70,000	-300,000
Translation difference ingoing balance equity	236,583	-298,245
Translation difference net result 2006	67,600	-
Net result for the year	882,679	-
Sum	1,279,489	162,627

Note 23 Advance payments from donors	12/31/2006	12/31/2005
Netherlands, prepaid core contribution	-	532,141
Finland, IWRM planning Central Asia and Caucasus	895	31,310
United Kingdom, restricted contribution to China	-	47,324
Canada, Partnership for Africa's Water Development	285,950	69,921
Netherlands, National IWRM and Water Efficiency Plans	2,909,280	1,913,791
European Commission, Effective Water Governance	83,021	131,324
France, L'eau et le développement durable	-	3,639
U.S Department of State	68,999	-
Advance payment Foreign Ministry rent 2007/2006	33,102	28,692
Interest earned at regional/country level Programmes	51,406	14,181
Unused part of contributions received 2005 transferred to 2006	0	1,167,042
Sum	3,432,653	3,939,365

Note 24 Liabilities regions/countries	12/31/2006	12/31/2005
GWP Caribbean	-	2,936
GWP Central Africa	34,861	60,679
GWP Central Africa, France region	28,942	24,159
GWP Central Africa, CIDA region	14,379	-
GWP Central Africa, Dutch region	-	23,148
GWP Central America	472	-
GWP Central America, US El Salvador	-	1,322
GWP Central Asia & Caucasus	-	49,020
GWP China	14,324	3,416
GWP Eastern Africa	-	6,679
GWP Eastern Africa, CIDA region	6,939	11,824
GWP Eastern Africa, Dutch region	-	10,207
GWP Eastern Africa, CIDA Kenya	48,207	-
GWP Southern Africa, Dutch region	-	8,365
GWP West Africa	-	3,843
Sum	148,124	205,598

Liquid funds and balances on settlement accounts for the GWP regions/countries stated above as at 31 December 2006 (2005) amount to USD -33 (-44,440)

Note 25 Other liabilities	12/31/2006	12/31/2005
Employee taxes	329,365	234,423
Social security costs	28,226	7,134
UNOPS	595,552	528,230
Other liabilities	148	37,676
Sum	953,291	807,463

UNDP has 3 February 2006 directed a claim of USD 1,228,335 to GWPO. The claim is according to UNDP derived from expenditures paid by UNDP in 2001. GWPO has not acknowledged the claim.

Note 26 Accrued expenditures	12/31/2006	12/31/2005
Accrued TEC and TAC fees	53,828	90,798
Accrued expenditures Advisory Centers/Senior Advisors	100,469	129,173
Accrued expenditures personnel	85,397	62,582
Accrued expenditures Toolbox NWP	31,825	9,179
Accrued expenditures Programmes	2,240	56,996
Accrued audit fees	87,544	29,828
Accrued expenditures meetings and workshops 2006	171,687	0
Other accrued expenditures	82,351	26,394
Sum	615,341	404,950

Stockholm April 2007

Emilio Gabbrielli
Executive Secretary GWPO

Margaret Catley-Carlson
Chair GWPO

Karin Krchnak
Chair GWPO Audit & Finance Subcommittee

My audit report concerning these financial statements was issued 2007

Lena Svensson
Authorised Public Accountant