



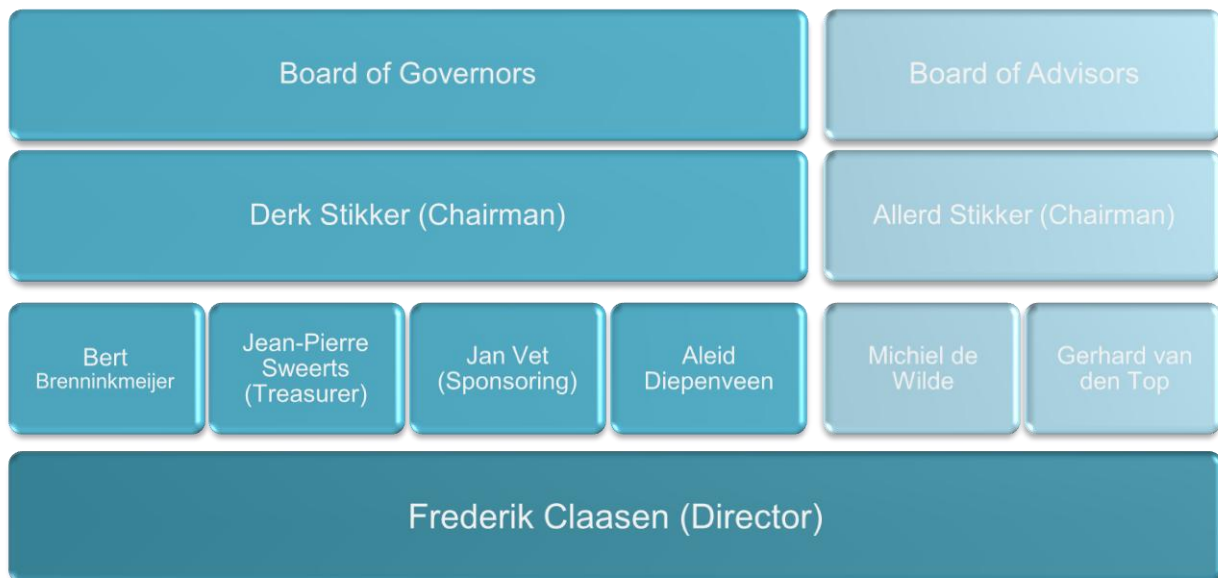
micro water facility

ANNUAL REPORT 2010

Organization

The Micro Water Facility (MWF) is an ANBI-certified, not-for-profit and not-for-loss foundation whose main objective is to deliver the know-how needed in the development of practical, small-scale but high-impact solutions to water supply issues in developing countries. Together with the Ecological Management Foundation (EMF) and RAIN – two like-minded but independent foundations – MWF is housed at Aidenvironment a sustainability consultancy and incubator. The simple reason for this arrangement is efficiency: by sharing a single office, the foundations can share costs and informally draw on Aidenvironment's well-established expertise.

The organizational hierarchy of MWF is as follows:



In achieving their common goal, EMF and MWF work closely together. In fact, as of mid-2010, the two entities share the same director, board of governors, advisory board and back offices. Yet they operate independently, are based on different revenue models, and fulfil different roles in the projects they engage in.

More specifically, EMF acts on its own initiative and relies on donor funding. It identifies, promotes and incubates projects that implement small-scale technological solutions for large numbers of people in developing countries. MWF, on the other hand, adopts a business approach and takes action in response to demand. It helps entrepreneurs and organizations launch water treatment solutions where they are needed, by developing business models and arranging appropriate funding.

In short, EMF is the somewhat rebellious pioneer whereas MWF is the respectable merchant. In collaborative efforts, EMF initiates the project by finding partners and starting the incubation process, after which MWF is hired to take charge of any business development until the pilot is self-sufficient. The experience thus obtained by MWF is used to inspire EMF with new ideas for future projects. In this fashion, the two organizations complement each other.

The history of MWF

Realizing that many water and sanitation initiatives stalled because of problems with financing and implementation, EMF and Aidenvironment established MWF in July 2007. MWF is a service provider in the water and sanitation sector that helps enterprises and project organizations to develop business plans and create partnerships with development organizations, investors and donors. MWF's ultimate objective is to contribute to the realization of the UN Millennium Development Goals, partly by involving southern partners in a sustainable and proactive manner whenever possible.

Ever since its inception, MWF has proved to provide a valuable service: a rapidly growing number of entrepreneurs and organizations have come to MWF for advice on the business and financial aspects of their ventures. With a portfolio of over fifteen projects - which have generated safe drinking water for more than 100,000 people together with a solid financial basis, MWF is here to stay.

Core activities

People should have access to clean drinking water and proper sanitation, and the solutions required to achieve this should be economically as well as ecologically sustainable. This is the vision underlying all of MWF's activities. Through the development of sound business plans and appropriate financial arrangements, MWF facilitates the implementation by small- and medium-sized enterprises of small-scale, innovative and efficient solutions that improve access to clean water and proper sanitation for large numbers of people in the poorer nations of Africa and Asia. In the next five years, MWF aims to provide one million poor people with clean drinking water and sanitation. The organization's core activities are two-fold:

Business development. In any business development stage, a business plan is essential. MWF guides the plan preparation process, gives advice and, if necessary, calls in additional expertise. As part of this service, MWF selects suitable partners by drawing on its extensive network, brings potential partners together, facilitates the get-acquainted process and lays the foundation for fruitful collaboration.

Financial engineering. Based on the business plan, MWF determines the right combination of risk capital, hard and soft loans and, where relevant, donor funds. MWF draws up loan applications, finds suitable investors, and advises the applicant during subsequent negotiations.

Overview 2010

Interview with Derk Stikker, Chairman of the Board of Governors and Frederik Claasen, Director of MWF and Director of EMF.

We met Derk Stikker and Frederik Claasen at Derk's office in Amsterdam. Derk was appointed as chairman of the Board of Governors when MWF was founded in 2007. Two years later, in 2009, he also became chairman of EMF, succeeding his father, Allerd Stikker, who in turn took up the position of chairman of the Board of Advisors. As of 2010, EMF and MWF share the same Board of Governors and Advisors. Frederik Claasen was appointed Director of MWF and of EMF in that same year, having been involved with the two foundations since mid-2007.

How did you experience the year 2010 for MWF?

Derk: *"Exciting and intense. 2010 was an important year for both MWF and EMF. The transformation from separate to identical boards made for a turbulent year. But even though my position has become more time-intensive, I am happy to have been able to support my father, Allerd Stikker, in the transformation process."*

Frederik: *"Apart from this turbulence, 2010 saw a number of very pleasant developments as well. MWF worked on some very interesting projects this year, which boosted our financial status and meant another step on the way to financial independence. A good example is Sujol, our project in Bangladesh, for which we secured all funding, and the Peepoo Initial Launch project, for which MWF raised €1.6 million. This latter achievement is the most significant in the history of MWF and attracted quite some publicity for both foundations."*

What were the goals for 2010 and have they been achieved?

Derk: *"Filling the pipeline with good and exciting projects, and securing a financially sound status for MWF. That we have achieved. MWF managed to get involved in nine different projects, which allowed us to cover all project expenses. Overhead costs are still covered by our financial buffer, which we do need, but less and less."*

How was the pipeline filled?

Derk: *"By means of good acquisition. We realize this is very, very important, so we are constantly on the lookout for interesting projects"*

What achievements are you most proud of?

Derk & Frederik: *"Of the Peepoo and Sujol projects. Securing the funds to set up these projects was an absolute breakthrough for MWF as well as for EMF, and has had a tremendous effect on both foundations."*

What could be improved in 2011?

Derk: *"We have realized that success needs to be planted long before it is harvested. We should therefore spend more time planning the activities we will undertake, say, five years from now. Moreover, board meetings and accompanying brainstorm sessions have generated very useful ideas in the past and should therefore be organized more frequently in the following years."*

Frederik: *"Within this context, it is also important for MWF that we secure a full pipeline further in advance. Our 2010 pipeline was sufficiently filled, and this is largely the case for 2011 as well, but we need to keep working on acquiring viable projects, so that the financial buffer eventually ceases to be necessary."*

What are the goals for the coming years?

Frederik: *“To strengthen EMF’s and MWF’s position within the water sector. We can do this by further defining and operating within our niche. The Dutch government has assigned a considerable part of its 2010-2015 budget to international cooperation in the water sector and pays special attention to the involvement of the private sector in this context (Public Private Partnerships [PPPs]). And this is exactly where our two foundations are experts: we know how to attract partners for PPPs and how to put together appropriate financial arrangements for such projects. One of our goals for the coming years, for instance, is to involve family foundations in these financial arrangements. If we continue to define and explore our niche then, together with support from the government, we will be able to fill our pipeline with more and more worthwhile projects.”*

Who would you want to thank on behalf of MWF?

Derk & Frederik: *Our clients, for their trust in our services.*

Activities

In the year under review, MWF joined forces with various businesses to work on a number of promising projects. Together with Solidaridad and with funding from the Adessium Foundation, we completed the Waterharmonica Project. We also successfully supported EMF in finding the funds necessary to test a new and promising technique that removes arsenic and salt from groundwater in Bangladesh. Furthermore, we refined the business plan of Peepoople and supported their application for a major grant from the National Postcode Lottery, which was awarded early this year. And finally, we started a strategic partnership with Aqua Aero Water Systems BV in order to launch water and energy shops in Indonesia.

Strategic alliance with EMF

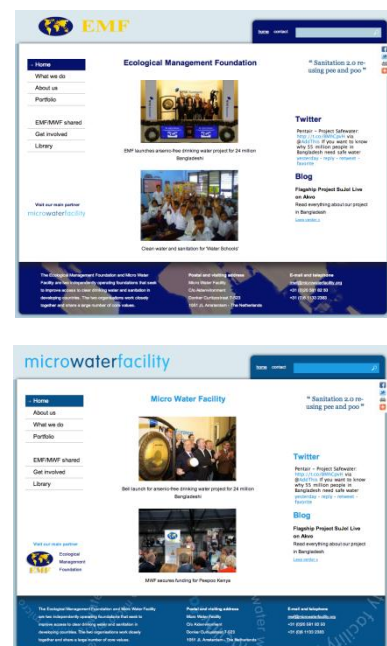
In 2010, the boards of EMF and MWF decided that some of the activities of the two foundations should be merged. As a result, they now share secretarial, administrative and accounting systems, and have identical directors, Boards of Governors, and Boards of Advisors. The two websites have also been aesthetically synchronized.

Communication

As MWF is still developing its full potential, communication played a key role in 2010. MWF published two newsletters, and our presence was prominent at various events throughout the year.

One of these events was the annual sponsor lunch organized by EMF on September 16 in Amsterdam, the Netherlands. As a strategic partner, MWF always attends EMF events, and uses these opportunities to raise awareness of their own activities as well. This year, for instance, Frederik Claasen spoke on the involvement of MWF in the Peepoo-project. MWF also presented its views and activities at various seminars.

As noted above, the formerly very different websites of EMF and MWF have now been refreshed and synchronized (see right-hand side for screenshots). Both websites now feature a weblog and staff can be followed through Twitter™. The new design more clearly reflects our partnership with EMF.

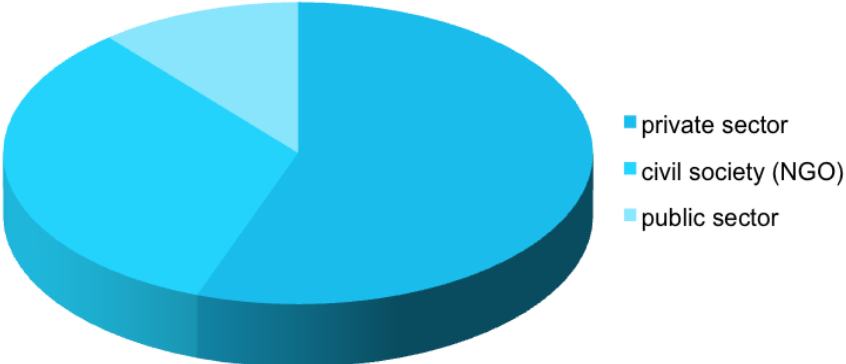


Partnerships

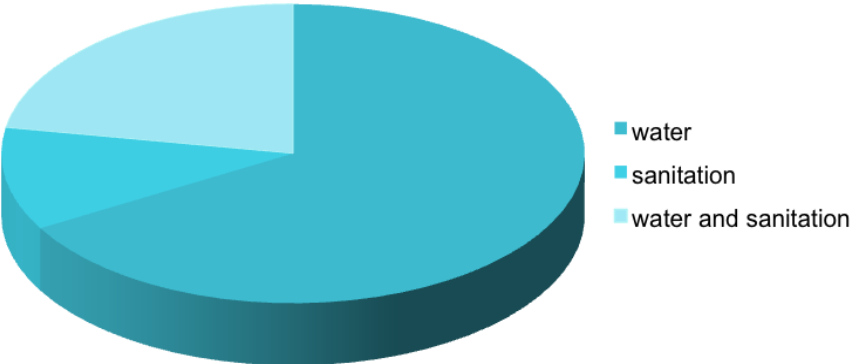
MWF does not maintain permanent strategic partnerships as any partnership always involves a specific project. Nevertheless, there are some organizations with which MWF collaborates on a regular basis such as Aqua for All, the Netherlands Water Partnership (NWP) and Aqua-Aero WaterSystems B.V. (AAWS).

Statistics 2010

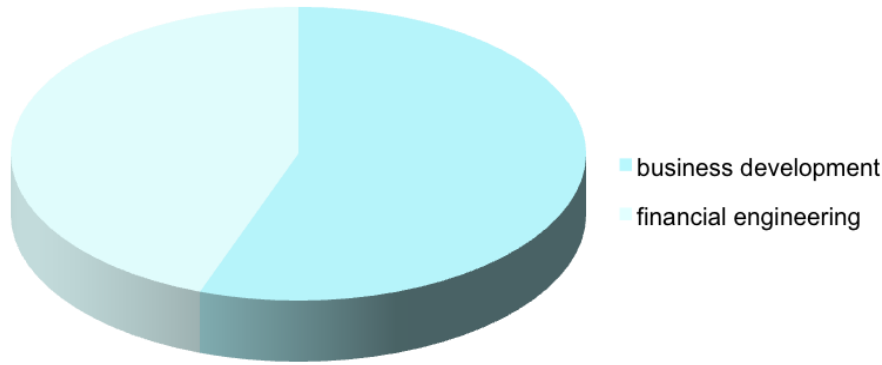
Our Clients



Project Matter



Our Responsibility



Projects 2010

Sujol (Bengali: “good water”)

This is a 2008 initiative of the Clean Water Foundation. In December 2010, partner foundation EMF formed a consortium with MWF, the Dhaka Ahsania Mission (DAM), Unilever Venture’s Voltea BV, the Proportion Foundation and Akvo in order to launch Sujo, an ambitious project designed to provide millions of people in rural villages in Bangladesh with arsenic-free and desalinated drinking water.

The ultimate goal is to establish nation-wide some 30,000 financially independent micro water businesses that will operate a new water treatment technology (CapD-I) developed by Voltea B.V. The technology purifies arsenic-contaminated groundwater by removing contaminating ions. It is non-chemical, highly energy and resource efficient, easy to maintain and operate, and will be very affordable. By relying on market principles, the project will ensure quality security, employment, income generation and hence expansion.

After completion of the exploratory stage, involving analysis and feasibility studies (phase 0), EMF took over the project in June 2010 and proceeded with the next stage, namely testing of the CapD-I technology (phase 1). EMF committed all donors to the budgets needed to execute phase 1, and MWF drafted the first business plan.

Most likely, phase 1 will continue until June 2012, after which a twelve-month commercial test phase will begin (phase 2). During this stage, the project’s commercial viability will be examined, and MWF will focus on finalizing the business model.

Malawi Peri-Urban Water and Sanitation Project

Simavi is an international health organization that strives to improve the health of the poorest people in the developing world. One of Simavi’s focus areas is facilitating access to water and sanitation. The focus is on mothers, in particular, because of the key role the mother plays in family health.

In 2009, MWF helped Simavi create a sustainable revenue model for one of its projects with the aim of attracting different types of funding. In 2010, MWF explored the feasibility of setting up a microfinance fund, the Access to Water Facility, to finance household water/water supply connections in Lilongwe and Blantyre, Malawi, as part of a joint EU-financed project with Vitens Evides International. Establishing such a facility is necessary in order to extend the supply of clean water to Low Income Areas (LIAs) in these regions.

The feasibility study MWF executed in the context of this project comprised a customer insight study surveying 120 households, extensive negotiations with the local water boards and financial institutions, and various stakeholder meetings.

The endeavor to establish the Access to Water Facility reflects MWF’s broad expertise: it combines our knowledge on water treatment and sanitation technology, our ability to communicate with local organizations, including financial institutions and water boards, and our experience in acquiring funds from non-donor sources.

Peepoo

In 2005, Anders Wilhelmson, a professor of architecture at the Swedish Royal Institute of Technology, introduced a new way of thinking about sanitation. Together with a group of researchers, he invented the Peepoo, a completely biodegradable plastic bag that can be used as a toilet. This simple sanitation system can be used anywhere, is easy to carry, and is one of the few sanitation solutions that do not need water. Moreover, the Peepoo bag can be used as a fertilizer because the inside is sprinkled with urea powder, which inactivates pathogens and functions as a nitrogen fertilizer. Field tests in Kenya and Bangladesh have shown that user acceptance is high and Peepoople, the organization behind the product, is ready to put the product on the market.

In 2009, several “Initial Launch Projects” (ILPs) commenced, including one in Nairobi, Kenya. The Kenyan ILP involves 20,000 users for a period of approximately two years. The purpose of such ILPs is to verify and finalize the business model, with a focus on distribution, usage and collection.

MWF works for Peepoople primarily as an advisory agent and has to date co-developed a business plan, constructed a financial model, and explored means of financing the project. MWF has also attracted relevant organizations needed to launch the product. In 2010 specifically, MWF revised the previously developed business plan based on a feasibility study financed by DGIS, Aqua for All and Simavi. In addition, MWF supported Peepoo’s application for a National Postcode Lottery grant of €1.6 million, which was awarded in January.

Waterharmonica

The Cleaner Coffee Processing Project, or the Waterharmonica Project, is an initiative of Solidaridad with the goal of developing a toolkit for Latin American coffee farmers to purify coffee production wastewater contaminated with coffee pulp. This pulp is high in acids and acts as a fertilizer, which can be harmful to ecosystems when present in large concentrations. The end result of the project was a guide for farmers, written in Spanish, which outlined several alternative techniques for purifying contaminated water – ranging from small to large scale – and provided corresponding technical support. LEAF and BZ innovations offered their expertise on water purifying technologies while MWF evaluated the feasibility of the business model.

Clean Water Now!

Throughout 2010, MWF provided continuous support to Clean Water Now! in marketing the Naïade and other sustainable water treatment equipment in developing countries. The Naïade is a stand-alone water purification unit for rural areas and is marketed mainly in Uganda and India. MWF supports CWN! in setting up local businesses in areas that will distribute the Naïade. In 2010, we helped CWN! set up a separate business in Uganda together with a local Dutch entrepreneur. MWF will continue to support CWN! in 2011.

Drinking with the wind

Together with TU Delft, Fortis Wind Energy, and NieuweWeme Technische Montages, Hatenboer-Water B.V. developed a technology called Drinking with the Wind (DWTW). This is a wind turbine system that also captures solar energy for the simultaneous production of clean water and electricity from salt or brackish water using solar and wind energy respectively. The DWTW Project aims to install the systems throughout Indonesia, for which MWF arranged funding this year.

WASH Secretariat

In June 2008, on the tiny Dutch island of Schokland, many different parties – including government, corporations, civil society, churches and citizens - signed the so-called *Schokland-akkoorden* (Schokland Agreements) and committed themselves to contributing to the achievement of the Millennium Development Goals. One of those *Akkoorden* targeted water, sanitation and hygiene and was dubbed WASH. A special WASH Secretariat was installed in order to coordinate and support all relevant initiatives. The WASH staff consists of specialists from different backgrounds with complementary skills and expertise. As access to financing is one of the major bottlenecks for WASH projects, MWF was asked to join the WASH team.

Since that time, MWF has designed a Micro Finance and Water network; developed an agenda to involve the business community in WASH activities; supported businesses and innovators while launching their products on southern markets; written several publications on micro finance and water; and published the Smart Finance Solutions booklet. In 2010, MWF completed its WASH activities.

Akvo

MWF helped establish Akvo in 2008 and arranged the financial means necessary for its incorporation. To date, MWF has raised over €2 million for Akvo. In 2010, Akvo managed to secure continuous funding from the MFS2 program of the Dutch government. Because of this development, Akvo has been able to expand but, at the same time, has become less dependent on MWF's services.

Water & Energy Shop

Established in 2002, Aqua-Aero WaterSystems (AAWS) concerns itself with developing innovative water concepts for developing countries. Since 2010, MWF has assisted AAWS in professionalizing and scaling up their business model. More specifically, MWF assisted in franchising its Water & Energy Shop business concept in Indonesia. The Water & Energy Shops should provide clean drinking water and energy to local populations through environmentally sound technologies geared to different kinds of contaminated water such as the WaterPyramid, a system that harvests rainwater and desalinates sea water through solar power. A second technology employed in the Water & Energy Shops is a solar-powered UV lamp that purifies contaminated water. As from 2011, MWF will help AAWS establish a Water & Energy flagship store in Kupang, Timor, Indonesia, and provide the funds necessary to scale up the concept until 20 shops are in operation.

Financial results 2010

In 2010, we managed to operate without relying on any subsidies. This led to a small operational loss but one that we had budgeted. Our financial position is strong enough to secure operating funds for 2011. We strive to cover costs through revenue acquired from commercial assignments. These are charged on a consultancy basis (daily fee) or on a no-win-no-fee basis in combination with a small retainer.

	2007-2008		2009		2010	
EUR	18 M		12M		12M	
Operating revenue						
Grants	118,750	67%	42,795	32%	-	0%
Consultancy services	57,699	33%	91,991	68%	58,463	100%
Total	176,449	100%	134,786	100%	58,463	100%
Costs						
MWF Manager (projects)	59,495		72,535		30,717	
MWF Manager (aquisition)	72,445		21,374		20,973	
MWF Manager (management)	4,125		4,941		4,747	
	136,065	80%	98,850	79%	56,437	71%
MWF Administration and Support	14,528	2%	16,675	13%	16,951	21%
Marketing and Communications	14,903		1,242		2,806	
Travel	2,495		7,521		3,855	
Third party advisory work	2,851		692		-	
	20,249	12%	9,455	8%	6,661	8%
Operating costs	170,842	100%	124,980	100%	80,049	100%
Operating income	5,607	3%	9,806	7%	-21,586	-37%
Financial income (-) and costs (+)			-3,101		-1,995	
Other income (-) and costs (+)	1,988	1%	-600		2,392	
Non-operating income			-2,501		-397	
Income for the year	3,619	2%	12,307	9%	-21,983	38%

The loss was financed from the foundation's capital.

Assets (EUR)	2009	2010	Liabilities (EUR)	2009	2010
Trade debtors	31,990	13,232	Capital	156,882	134,899
Cash and cash equivalents	135,120	124,763	Creditors	2,509	1,559
Other assets	16,037	10,757	Other liabilities	23,756	12,294
	183,147	148,752		183,147	148,752

Social results 2010

During the year under review, MWF engaged in nine different projects, working towards the goal of allowing people in some of the world's poorest nations access to clean water and sanitation facilities. We had activities in Bangladesh, Malawi, Kenya, Indonesia, Uganda, India and several countries in Latin America. As MWF does not implement any projects directly, it is difficult to estimate their impact, especially since many of our projects are still in progress. In 2009, approximately 50,000 people were provided with clean drinking water through projects that enjoyed our support. This might be even more for 2010. The Peepoo project alone aims to help at least 30,000 people, and this is only one of the projects MWF engaged in during the year.

Outlook 2011

In early 2011, MWF secured funding for the Peepoo project and successfully completed the Malawi project. The EMF/MWF integration has also been fully achieved. We look to the future with a considerable dose of optimism, especially since the Dutch government has announced that its development aid efforts will remain focused on water, by and large through Public Private Partnerships (PPPs). In this area, the blending of appropriate financial instruments is gaining in importance, and this is exactly what Micro Water Facility knows best. In co-funded initiatives such as PPPs, MWF is in a position to function as a financial broker, gathering the additional funds necessary to cover activities that would otherwise remain unfunded. MWF's extensive expertise here allows clients to access private capital, to gain insight into the total potential funds that can be drawn on, and to tap into our wide network of financial institutions, banks and foundations.

Micro Water Facility

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