



5th General Assembly

Marseille, France, 14-16 October 2009

ASSOCIATION WORLD WATER COUNCIL
Headquarters : Espace Gaymard
2-4 Place d'Arvieux
13002 Marseille, France

MANAGEMENT REPORT

On operations for the financial year closing 31 December 2006
Unofficial translation

Ladies and Gentlemen,

We are honoured to present to you, in accordance with the legal and statutory regulations, our report on the Council's financial operations for the period ending 31 December 2006, as well as all the accounts and the balance sheet of the aforementioned financial year, which is submitted for your approval.

For your information, all legally necessary documents are included herewith, including:

- the profit and loss statement
- the balance sheet

1. KEY FIGURES FOR THE ASSOCIATION DURING THE FINANCIAL YEAR

To evaluate the activity of our association, during the past financial year, we underline that our profit and loss statement presents the following characteristics:

- Operating profits show a benefit of 39,113 euros in 2006, in progression of 8% compared to 2005;
- Net financial profits of 1,555 euros in 2006 against 19,955 euros in 2005. This may be explained by the significant decrease (16%) in the financial income generated by stock market securities that the Association subscribed to during the financial year;
- Profits before taxes and extraordinary items (addition of operating revenues and financial revenues) result in a benefit of 40,668 euros in 2006, in decrease of 28% compared to 2005;
- Net income ends with a profit in the amount of 70,429 euros or 3,6% of the total turnover. This result shows a progression (more than 24%) compared to 2005.

FINANCIAL STATEMENTS	2005	2006
Operating profits (1)	36 320	39 113
Financial profits (2)	19 955	1 555
Profits before taxes and extraordinary items (1+2)	56 275	40 668
Extraordinary profits (3)	357	29 762
Net income (1+2+3)	56 632	70 429

We can also notice that:

- Total operating revenues for the financial year amount to 1,969,104 euros, as compared to 1,385,145 euros for the previous financial year, representing a 42% increase.
- A decrease of 15% in income from membership fees can be observed. This decrease must however be softened by the strong increase (+51%) of grants reliable to 2006, that is to say 1, 605, 814 euros against 1,059,522 euros in 2005.
- Total operating costs for the financial year amount to 1,929,991 euros, as compared to 1,348,825 euros for 2005, representing a 43% increase.
- Expenses related to personnel, including the value of donated services, amount to 930,164 euros in 2006 against 722,244 euros in 2005: an increase of 29% has been recorded as compared to the previous financial year.
- Depreciation provision and charge to provisions amount to 28,849 euros in 2006.

The very clear improvement in the Association's short-term solvency can also be noted (Attainable and available values – short-term debts):

Previous fiscal year	832 714	-	662 625	=	170 089
Current fiscal year	547 696	-	303 348	=	244 348

This represents an increase of 74, 259 euros, a sign that the Association's net worth is building.

2. PRESENTATION OF THE ACCOUNTS

The profit and loss statement and the balance sheet will be presented in greater detail and submitted for your approval.

3. PRESENTATION OF THE COUNCIL'S ACTIVITY DURING THE FINANCIAL YEAR

3.1 4th World Water Forum and follow up

The 4th Forum was the main activity of the World Water Council in 2006. A synthesis and analysis report was presented in August 2006. The preparatory process of the 4th Forum and its sequence in Mexico City from March 16 to 22 permitted to the Council to involve its members and to explain to many institutions the role and the importance of the WWC. In giving to the Headquarters the role of catalyst of three regional processes, the Secretariat of the 4th Forum allowed the Council to widen its members and contacts. The Council took this opportunity to create partnerships with new organisations as local authorities considered as key actors with which the Council must more cooperate regarding their involvement in water services and sanitation. The Council has been very active in promoting local authorities participation in the 4th World Water Forum. The Council has also associated local authorities in two important programmes: Right to Water and Financing Water for all.

3.2 4th General Assembly

It held in Mexico City the 14 and 15 March 2006 and mainly permitted to consider a series of thematic priorities and to make the status and the Council's bylaws evolve.

3.2.1 Definition of thematic priorities for the three years to come

The following programmatic guidance has been defined by the General Assembly to the new elected Board. It concerns:

- *The right to water* and how to access to water supply, sanitation and water for food production in terms of formal rights for access to water;
- *Financing water for all* built on the work of the Camdessus Panel and other efforts: the World Water Council should advocate for a meeting of key international financial institutions to:
 - i) Develop a mechanism for the transfer of financial resources and;
 - ii) Demonstrate the benefits of investing in infrastructure and sanitation;

iii) Assemble and publish state of the art information on effective financial instruments for addressing infrastructure needs (old and new) in urban centres.

- *Managing the risks associated with the natural environment* by the World Water Council's publication of a synthesis of risk management considerations in addressing issues related to the water sector with specific focus on:

- i) Diffuse sources of pollution including agricultural practices, and;
- li) Extreme natural events.

- *The strengthening of local governance with the implementation of effective water governance models;*

- *Exchanges of know how* where the World Water Council acts as a catalyst for the exchange of knowledge, building on member capabilities, related to appropriate technological innovations, financing instruments, and monitoring practices to assist with capacity building in developing countries.

- *Gender balance* with the empowerment of women as leaders in implementing practical actions for resolving water issues at the local level.

3.2.2 Constitution and By-laws evolution

Constitution

In order to improve the Council's functioning and efficiency, the Commission on Legal and Financial Affairs, with the contribution of the Headquarters, reviewed all the statutory documents. The Constitution was modified to take into consideration the Council's evolution. The 4th extraordinary General Assembly held in Mexico City, 15th of March, ratified the change of articles 4, 5 and 10 of the Constitution to take into account the change of the Headquarters' address, its duration and the annual accounts.

By-laws

Taking into consideration the recent reforms, a new version of the By-laws have been prepared (the former version had never been ratified by the General Assembly). The new version includes new election procedures based on principles voted by the 3rd General Assembly. It also includes a precise definition of colleges. The by-laws were approved by the Board of Governors held in March 2005 and as ratified by the 4th General Assembly. The 4th ordinary general assembly has reviewed then confirmed the regularity of the Governors' election for 2006-2009.

3.3 Board of Governors

During its 27th meeting held, 19, August, the Board of Governors carried out:

- The approval of a Council's general programme for the three years to come presented by the President;
- The empowerment of the President and the Committee in charge of the 5th Forum organisation to conclude a satisfactory agreement with the Turkish delegation related to the 5th Forum to be held in Istanbul in 2009.
- The renewal of the Bureau

3.4 Membership

The Membership allocation from 2003 to 2006 was as follows:

	New applicant	Active members	Non active (1)	Non active (2)	Non active (3)	Resignation
2006	35	205	42	25	25	8
2005	43	222	49	38	31	16
2004	40	241	48	13	24	10
2003	27	251	15	20	21	17

3.5 Reinforcing the Headquarters

3.5.1 Human resources

With the activities programme development and the Council's priorities selection during these last years and particularly with the 4th World Water Forum preparation, staff expertise and professionalism had to be developed. The permanent staff is composed of an Executive Director, a water management Senior Expert, four project officers (including one senior expert seconded from the French Ministry of Equipment), a Financial and Administrative Director, an accountant, a Direction assistant, two assistants, a communication Officer and Membership Officer. Two members of the permanent staff respectively resigned in July and in November and the seconded senior expert from the Ministry of Equipment left at the end of December. Four new recruitments composed of a communication assistant, a project officer for the coordination of the 4th Forum synthesis process, a project officer on the monitoring and a secretariat assistant were made to strengthen the team for limited durations. The Headquarters also welcomed interns from many countries for 3 to 6 months with a slowing down after the Mexico Forum.

3.5.2 Strengthening financial resources

Great efforts were made to prepare proposals and contact donors, in particular in relation with the 4th Forum Secretariat. These efforts have been translated into a significant increase of grants dedicated to the Council, in particular from the French, Swiss and Italian Governments. A significant contribution was also given by Mexico for the 4th Forum preparation. After difficult years, the Council's accounts have been in surplus in 2005 and 2006.

3.6 5th Forum

The World Water Council is in charge of the organisation of a World Water Forum every three years. In the frame of the 5th Forum organisation, negotiations were carried out between March and December 2006, resulting in a « Framework Agreement » signed, 24 June 2006, in Marseilles, and a second Letter of Agreement entitled "General Agreement on Forum Components", signed on 18 January 2007 in Ankara. Building on the basis provided by the Framework Agreement, the Letter of Agreement further defines the following points:

- i) The overarching Theme of the Forum: "Bridging Divides for Water."
- ii) Political commitments (participation, opening, involvement of different political actors)
- iii) Financial issues with the establishment of an initial budget and costs, for which Turkey accepts to contribute for 1,000,000 Euros from governmental bodies and 500 000 Euros from others sources, payable in six instalments.
- iv) Organisation with the establishment of a 5th forum Secretariat, website and exchange of staff.

4. PARTNERSHIPS

4.1 Strategic partnerships

Implemented programmes permitted to strengthen Council's partnerships with many organisations and structures including:

- *French Government*: The relationships with the French Government have been strengthened thanks to the "monitoring" programmes, the strengthening of local authorities and the preparation of the 4th Forum African process. Many joint meetings have been organised and the French Government actively supports the Council's all activities.
- *Swiss Government*: The Swiss cooperation (SDC) actively involved itself in the Forum preparation and in "the right to water" programme in which it financially participated.
- *Italian Government*: The Italian Government supported the Council in 2006 throughout a grant for the preparation of an Italian risk management session in the 4th Forum.
- *OCDE*: an active partnership started on the support to the development in water sector
- *Council's Members*: much Council Members have actively participated to implemented programmes and communication activities.

Most of partnerships above mentioned should go on and develop the years to come. New partnerships must more particularly be developed with others governments and United Nations institutions.

4.2 Partnership with the City of Marseilles

A new triennial agreement was signed with the City of Marseilles during the 23rd Board of Governors in January 2006. Following this agreement, a 440 000 Euros annual grant is allocated to the Headquarters. Furthermore the City of Marseilles seconded the headquarters' offices, computer equipments, a financial and administrative Director and an accountant. The City support amounts to 763 613 Euros a year.

5. PRESENTATION OF FUTURE PERSPECTIVES

5.1 World Water Council's activities programme for 2006-2008

Regarding available resources, the Council will participate to international meetings organised by sectors related to water (energy, demography...). It will also implement the thematic priorities defined by the 4th General Assembly. The action programme aims to proceed with the mobilisation of different economical and political actors around the Millennium goals in relation with water services and sanitation, and increase public awareness to water problems.

5.2 Fiscal and juridical status evolution of the World Water Council

The French Government supported the Council's idea to adapt its status to its missions. Three options were talking about: (i) intergovernmental organisation status, (ii) international non governmental organisation status and a status adapted thanks to certain taxes opportunities, recruitment of experts. These comparative advantages must still be analysed before deciding which the best status is. This task will be devoted to the Board of Governors elected in the 4th General Assembly. The development of Forum activities requires a part of our activities to be managed under a fiscal status in order to have VAT exemptions. A work has started on these questions with our expert accountant, our lawyer and in collaboration with the Bureau.

6. ALLOCATION OF THE PROFIT

We are proposing to allocate all the profits from the financial year in the amount of 70 429 euros once more to the following year

- Sum brought forward:	70 429 euros
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At the end of the operation, the Association's equity account will be as follows:

- Sum brought forward:	276 972 euros
- Investment grant:	94 112 euros

This being a net worth of:	371 084 euros
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7. ADDITIONAL INFORMATION

We are informing you that:

- The accounts have been established according to the same forms and methods as those employed for the previous financial year, which conform to the regulations in effect. However we mention a change in accounting methods in 2006, consisting by incorporating the furniture and computers equipment made available by the City of Marseilles, in the assets of the WWC, in compensation by incorporating investment grants in unrestricted funds. This change in accounting methods has no impact on net income or loss, the portion of investment grants relating to the period transferred to income, at the same amount and rate of amortization of corresponding assets;
- No equity investments were carried out in any association with its Headquarters in the territory of the French Republic.

8. CONCLUSIONS

We have attempted to give you an overall view of the Association's activity during the financial year. We hope that you will approve the proposed resolutions concerning the accounts, as well as those concerning the management.

Mr. Loïc FAUCHON
President