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This seal indicates that Avalon complies with the regulations for responsible fundraising and spending.

FOREWORD

There is something strange going on in the Netherlands. On the one hand, interest in healthy and in particular organic food is growing hand over fist. The insight that organic farming is a good starting point for development in countries with emerging market economies is also growing. It is increasingly recognized that this form of agriculture is doing more than just produce food; it is also important for nature, landscape, environment and biodiversity. In particular in countries in the southern and eastern world we must avoid making the same mistakes we made here. Transforming traditional agricultural methods in those countries into truly sustainable systems now, can even give them a head start.



On the other hand in our country subsidies for development cooperation are cut and plans for further development of the Dutch nature policy are shelved. The Netherlands was always an example for the world, but that is now no longer sustainable. The argument is that the market must do it itself. This affects an important point: in the long term we will indeed have to finance such choices through conscious consumption. However, as long as that is not yet the case, it is important to inform the consumer and producer which interests are involved with consumer choices and with the methods of the producer. We must also make it possible to allow this situation to grow. It is therefore essential that we:

- encourage sustainable choices through information and tax advantages in the Netherlands;
- continue to support the growing market economies abroad in their efforts to establish their agriculture, food and natural systems in a sustainable manner.

It is wrong to think that development assistance is money wasted: on the contrary, it will only be possible for the Earth to remain sustainably inhabited if we also contribute to a greener world in other countries, and for this we must take responsibility.

Martien Lankester

Executive Director Avalon

MISSION AND OBJECTIVES

Towards a sustainable countryside

A healthy and safe existence, now and in the future, requires worldwide establishment of a sustainable society. An important condition for such a society is sustainably developed rural areas, characterised by economic, social and biological diversity. Organic farming and agricultural nature management provide an essential contribution to the conservation and development of this essential diversity. A sustainable rural economy offers farmers a chance of a higher income, offers consumers safe food and leads to a better environment.

(South) Eastern Europe, the former Soviet Union and also Africa urgently need sustainable rural reforms and the conditions and opportunities for this are in place. Avalon is committed to sustainable rural development in these areas and in other countries with similar problems, and does this by supporting local initiatives in their approach to problems and by finding solutions that are on the cutting edge of sustainable agriculture and nature management.



Mission

Avalon is committed to the promotion of organic and multifunctional agriculture, agricultural environment programmes, agro-biodiversity and sustainable rural development in Central and Eastern Europe, Central Asia and other vulnerable agricultural areas in the world. The vision is to form a solid network involving non-governmental organizations, business, knowledge institutes and governments work together on projects.

Goals

Avalon aims towards building a solid framework for sustainable rural development and, together with the Avalon Network, the development of sustainable rural communities. The organization does this by inspiring concerned and professional people in the immediate vicinity of the project, enabling them to take action and strengthening and accelerating development in the direction required, in such a manner that the added value of the project is secured for the future. Avalon focuses its attention on sustainable and especially organic farming, agro-biodiversity and the development of public policy and entrepreneurship. Knowledge development in these areas and their relationship to food, health, nature and the environment takes an important place.

PROJECTS

In 2010, Avalon worked on four international projects in four different countries: Bulgaria, Ghana, Macedonia and Serbia. The projects had diverse contents and objectives, but also a common denominator: the dissemination of knowledge and skills in the field of organic farming and nature management, so we are contributing to a sustainable society.

Here follows a report of our input in all four projects. The Macedonian and Serbian reports include interviews with project staff in the countries concerned.

New Thracian Gold – Bulgaria

In these times of economic crisis we would all be happy to find a gold nugget. However, that is unfortunately not so self-evident, or is it? In the Eastern Rhodopes in Bulgaria you can still definitely speak of abounding natural treasures: stroll through this almost untouched nature and come across old remains of settlements from the Greek antiquity, special mammals or a wide variety of bird species.



The mountains of the Eastern Rhodopes, where Thracian goldsmiths once performed their artistry, are known to nature-lovers for their great biodiversity. The area is, however, not known to the greater public and is therefore an ideal location for a holiday off the beaten path. Unfortunately, the situation

is less ideal for the inhabitants of this region, they are certainly not wealthy and especially young people are leaving the area en masse to 'search for gold' in the cities. With this migration into cities many shepherds and their herds, which gave the area its specific characteristic landscape: open fields alternating with forests and partly-clad mountains, are also disappearing. The enormous grasslands thereby threaten to recede and with it the many animal and plant species this area is rich in.

This is the reason why, in 2009, Ark Natuurbeheer (nature management) and Avalon launched a special project to make the area attractive for both residents and tourists. We are achieving this through a combination of nature management (the (re) introduction of wild grazers), the concept of organic agriculture (applied by existing farmers so that they are able to maintain better margins) and the development of facilities that support sustainable tourism (and thus bring money into the local area). This is a special combination of facets which requires good collaboration and communication, but which ultimately reinforces and therefore can be successful in the long term.

Nature Management

In 2010 around sixty shorthorn cattle and seventeen horses were released in four different areas, whereby the process of natural grazing took actual form. The plan was to release many more animals but slow decision-making and lack of transparent legislation in Bulgaria have had a negative impact. The herds are followed by our local rangers: Hristo Hristov and Stefan Avramov. They also inform local authorities, non-governmental organizations and students about the developments and importance of this methodology and have organized regular "Green Days", for young people and students to learn how to deal with nature. During one of these field trips a believed to be extinct mountain goat was discovered.



Organic farming

Enlightening potential organic farmers was an important objective for 2010. Farmers received information during meetings or farm visits. In addition, local farmers followed various training courses on organic farming and received assistance from Vlado Popov (Avalon's organic agricultural expert in Bulgaria) and his team with grant applications, practical problems concerning conversion to organic farming and other entrepreneurial questions. This happened primarily on an individual basis but meetings were also organized during the year for entrepreneurs who indicated they wanted to take an active part in the project; these are the so-called focus group members. One of the highlights took place in September, when the demonstration farm near Topolovo was opened and put into use; a place where theory and practice meet. There are now various farms engaged in converting from regular to organic.



Sustainable tourism

In 2010 the emphasis for the tourism component lay on the development of communication materials so that the dialogue with the target group could be started. In the context of the overall undertaking a project logo and house style were developed, information boards were placed in the area and development of the website was started. Mihaela Kircheeva, the team leader of this component of the project, took part in various exhibitions, visited local entrepreneurs in the tourism

sector and organized a study tour for these entrepreneurs to Strandja, a tourist area in the South-East of Bulgaria (near the Black Sea area) where much is presently also being developed. The aim was to convince entrepreneurs of the need to play an active role in, for example, investment in and development of clean facilities and activities for tourists.

There are still a few major project activities planned for 2011: much work is being done to introduce the first biological New Thracian Gold (NTG) jam, with the project logo, to the market. Customers and marketplaces are also wanted for other biological products and crops. This search for buyers is an essential part of the project because it gives the NTG a *raison d'être* for the future. This also applies to the tourism component: moving entrepreneurs to invest in facilities and travel for sustainable tourism is an important factor towards making the region successful and financially attractive.



Facts & figures:

Country:	Bulgaria
Duration:	April 2009 - March 2014
Partners:	Ark Foundation
Costs 2010:	€ 217.028
Funded by:	National Postal Code Lottery

National Agri-Environment Programme of Serbia

Serbia would like to join the EU and has turned to Avalon and three partners to develop a national agri-environment (AE) programme that meets EU requirements. We asked Tomasz Pezold, working for our partner in this project (IUCN-South Eastern Europe), for his vision of the activities in 2010, which was the final year of this project.

What is the status of the two agri-environmental pilot programs?

"As often is the case with successful Avalon projects of this type, this undertaking was confronted by two very different pilot locations. It was therefore suggested to include five themes in the agri-environment programme that are relevant for the whole of Serbia. Since agri-environment is still in its infancy in Serbia, the main project goals were, in addition to introducing the themes:

- introducing the concept of High Nature Value 'HNV' farming to governmental and non-governmental organisations (NGOs);
- introducing the concept of AE support payments to the same organizations;
- building capacity for future implementation and management of the programme;
- widely disseminating and promoting the project results among relevant governmental and non-governmental organisations.

As the project was recently completed, there are as yet no concrete government follow-up actions. All relevant public authorities, however, were directly involved in the project and the results are welcomed, especially by the Department of Rural Development of the Ministry of Agriculture, Forestry and Water Management, which has committed itself to include the results of the project in future agricultural environment policy-making. "

Can you tell us something about the main measures within the AE programme?

"The focus is on the (re)introduction of organic farming, original species and HNV farming, protection of landscape characteristics and soil and water management. These five points have various sub-segments adjusted to local conditions. This set of measures is certainly not complete, but corresponds to the



current possibilities for Serbia concerning finance and capacities ".

One of the goals was to develop concrete structures for creating capacity and organizational structures for future AE policy making and programming. Which parties were involved in establishing these structures and what kind of structures were developed?

"This was indeed a very important part of our work – to bring together all the

relevant stakeholders - as we know from experience in other countries that successful AE implementation does not exist without such cooperation. The project brought together the ministry responsible for agriculture, the Ministry of the Environment, the Serbian Environmental Protection Agency (SEPA), the Institute for Nature Conservation, scientific institutes and NGOs.

To support the relevant stakeholders with their future work, the project has realized, among other things, "Typology of HNV-agricultural systems in Serbia" and an indicative map of the distribution of HNV farmland. The second activity, performed by SEPA, is new for the region and therefore a significant contribution. We already know that the European Environment Agency is interested in the results and wants to add them to the European map of the distribution of HNV- land."

According to you, how do target groups experience this project? Do they show sufficient interest and is there enough interaction with them?

"When it comes to these issues, there was traditionally, and especially in the beginning, a lack of close cooperation between the ministry responsible for agriculture and the Ministry of the Environment. The main goal of the project was to change that, which we have achieved to a significant degree. In addition to the government, the project team worked closely with all relevant stakeholders, including state institutions, academies, individual experts and NGOs. The interest from all the groups of stakeholders was huge and cooperation (one of our main goals) improved during implementation of the project. Actually, the project team, which has similar experiences in other countries in Europe (especially "new" Member States), was pleasantly surprised about how smoothly the cooperation and interaction went."

What are the biggest problems you encountered in the implementation of this project?

"Basically, as I already partly indicated above, this was a pleasant project regarding coordination, implementation, cooperation with the parties concerned and the achieved results. However, the concepts we introduced are new to Serbia, which (naturally) resulted in relatively few experts and stakeholders being involved. Therefore the project team was required to invest highly in the introduction and explanation of specific aspects and approaches to ensure the high quality of the produced end products."



What were the most measurable and memorable results of 2010?

"That is definitely the publication "Developing a National Agri-environment Programme for Serbia " (<http://data.iucn.org/dbtw-wpd/edocs/2010-078.pdf>). This handbook contains all the relevant knowledge about AE and HNV as well as a summary of the main results of the project. It presents the AE concept for Serbia and contains an indicative map of HNV distribution. Both an English and Serbian version were produced and distributed to all relevant stakeholders."



What are your expectations and how will Serbia still benefit from this project in about ten years time?

"It was the first project of this type in the country. It has laid the foundations for further processes, introduced concepts and brought relevant stakeholders into contact with each other. This was definitely a step in the right direction, done at a very appropriate time. Serbia and its relevant authorities will certainly benefit from this work. Actually, they already have profited, since the relevant departments of the Ministry of Agriculture already use the results of our work when planning their AE policies. However, we must stress that there is still much work to be done to guarantee an appropriate plan and then to execute the agricultural environment policy of Serbia. I am sure that the project has made a significant contribution which Serbia will benefit from over the next ten years and beyond."

Facts & Figures:

Country:	Serbia
Duration:	October 2008 - December 2010
Partners:	IEEP, IUCN-SEE, Natura Balkanika
Costs 2010:	€ 100.176
Funded by:	BBI-Matra (Dutch Ministry of Agriculture, Nature and Food Quality)

The Farming and Livelihood Improvement Project in Ghana

In four villages, Asiakwa, Bunso, Osino and Sagyimase, in the eastern and northern regions of Ghana, Avalon, together with among others the development organisation SOS Children's Villages, is running the Farming and Livelihood Improvement Project. The program was started in 2009 following an intensive investigation into the vulnerable situation of children and the extent to which youth is involved in organic farming in these villages. The project consists of three components: the Family Strengthening Programme (FSP), Organic Junior Farmer Field and Life School (OJFFLS) and the Senior Youth in Organic Agriculture or Organic Farmer Field School (OFFS).

Training of OJFFLS facilitators

In 2010 much progress was made regarding transfer of knowledge. Newly selected OJFFLS facilitators, who are going to set up the Junior Farmer Field and Life Schools, were trained in the field of organic farming. Important topics were sustainable land use, composting, soil fertility and botanical pest and disease control. Group discussions, role-playing games and practical demonstrations were used to present these topics in an appealing way. Training and reporting materials were also developed for the participants to use in their work.

**Farmers of the future (OFFS)**

The organic farming training course was launched in 2010 with a selected group of youth from the villages. During weekly training sessions they were steered through the established curriculum and learned about growing organic vegetables. The training was very practice-oriented. On demonstration fields the pupils grew, among others, onions, tomatoes, green peppers, okra, cucumber, cabbage, chilli peppers and cocoyam leaves. The pupils used the newly gained knowledge on their own farms.

Another part of the training was the so-called Agro Ecological System Analysis (AESAs), in which pupils judged the outer properties of vegetables (such as height, number of leaves) and weather conditions they observed. In addition, the students assessed the damage caused by pests. They then searched for possible solutions to the occurring problems within the principles of organic farming. Important in all this are the local factors that affect the fertility of the soil. During the lessons, the trainer showed how

the ground can easily be improved with local agricultural methods and popular crops. Finally, the role of cattle on the farms was discussed. On the demonstration farm in Asiakwa, small ruminants were bred to demonstrate the added value of these animals within the organic method.



Facts & figures:

Country: Ghana
 Duration: January 2009 - December 2011
 Partners: SOS Children's Villages, GOAN, FAO, Louis Bolk/AgroEco
 Costs 2010: € 84.111
 Funded by: Millennium agreement (Ministry of Foreign Affairs)

High Nature Value Farming in Macedonia

The promotion of High Nature Value 'HNV' farming and agri-environment payments are central to this project in Macedonia. For this annual report we asked Vyara Stefanova, an independent consultant and our team leader on the spot, about the goals and results achieved in 2010.

What is actually meant by 'High Nature Value farming' and how does the system of agricultural environment payments exactly work?

"The concept of High Nature Value "HNV" farming originated in the early 1990s. The term was coined to draw attention to the fact that in a large part of Europe, agricultural systems are used that are beneficial for biodiversity. Scientists defined HNV farming as "those areas in Europe where agriculture is a major land use and where that agriculture supports, or is associated with, either a high species and habitat diversity or the presence of species of European conservation concern, or both". HNV farming has three main characteristics:

- low intensity management;
- a high proportion of semi-natural vegetation; and
- a mosaic of low intensity agriculture and natural and structural elements.

HNV farming often consists of traditional agricultural systems representing generations of farming methods which are designed to be sustainable to operate within local conditions. They are less intensive farming systems, using far less fertilizer and pesticides, while labour input is relatively high. The concentration of livestock is usually low, with animals grazing the semi-natural vegetation (e.g. permanent pastures), and spend most of the year outdoors. Many natural features, such as small woods, hedgerows and ponds still exist in the landscape of the HNV system.

HNV farming is now a central part of the European biodiversity commitments and a main feature of the EU rural development policy – rural development plans must now identify measures and proposals to support the HNV farmland in their countries. Preliminary estimates by the European Environment Agency/Joint Research Centre indicate that about 25% of the used agricultural areas in the 25 member states are farmed in a HNV manner.

In the EU policy structure, agri-environment payments were introduced to "encourage farmers and other land managers to serve society as a whole by introducing or continuing to apply agricultural production methods compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity." (Council Regulation 1698/2005, preamble paragraph 35)."

What was the reason for starting this project?

"The current project is designed to draw attention to one of the main problems in Macedonia: the loss of biodiversity in HNV farming areas (semi-natural meadows and grasslands). More and more young people are moving to the city, so agricultural areas remain unused and overgrown and their diversity of plants and animals are lost."

Which activities were carried out in 2010?

"In 2010, the project focused on two main groups of activities:

- Building capacity and raising awareness within the NGO sector, among farmers and relevant governing bodies. Within the framework of this group of activities, two training sessions for NGOs were held, three seminars with farmers in the pilot areas were organized and a project steering group was established.
- The output of three case studies for HNV farming systems in Mariovo, Lakcavica and the Reka (Mavrovo) region – information was gathered and reports prepared for the case study areas, in which the typology of local HNV farming systems were identified."



What are the main goals for 2011?

"Various activities are planned for 2011:

- The finalization of the reports of the case study areas and the total report for Macedonia. The report will also include the typology of HNV farming systems and a draft map for HNV agricultural land.
- The realization of a first draft of the "Handbook for HNV farming for Macedonia".
- The identification and further development of a series of policies for rural development and support of HNV farming systems, with emphasis on the opportunities for the introduction of agri-environment payments.

- The establishment of a joint policy network (JPN) for HNV farming with government representatives (agriculture, environment, regional development and social welfare), NGOs and other key stakeholders.
- Holding two JPN meetings and one project steering group meeting. "



In your opinion, how do the target groups experience this project? Do they show sufficient interest and is there enough interaction with them?

"Most of the target groups show sufficient interest in the project and participate in joint activities. The only real challenge is how to increase the interest of the Directorate of Rural Development of the Ministry of Agriculture, Forestry and Water Management."

What are the biggest problems you encountered during implementation of this project?

"The concept of identifying and monitoring the status of HNV farming systems and the development of appropriate measures (including 'agri-environmental measures') has no priority in the current IPARD (Instrument for Pre-Accession Assistance for Rural Development) program. The candidate countries therefore focus on measures that have a higher priority and are easier to implement, like the ones related to investments in agricultural property and new technologies. The development and implementation of agri-environmental measures is noticeably postponed."

What are your expectations for the future? How will Macedonia still benefit from this project ten years on?

"One of the main goals of the project is to prepare civil society (the NGO sector and farmers in particular) for a more active role and greater involvement in the process of strategic planning of national EU-related programme documents. However, the general advantage would be that HNV farming systems continue to exist and be more viable through implementation of appropriate support measures."

Facts & figures:

Country:	Macedonia
Duration:	October 2009 - March 2012
Partners:	IEEP, DEM, CCI
Costs 2010:	€ 142.693
Funded by:	Matra (Ministry of Foreign Affairs)

NETWORK

In 2010 the Avalon Network grew steadily to 180 member organisations. We see particular enthusiasm and growth of the number of members from the new EU member states, candidate countries and so-called 'new neighbours' such as Armenia, Azerbaijan, Georgia and the Ukraine. It is wonderful to see that the new network members are very interested to learn from each other – and those are exactly the dynamics that we as Avalon are so keen to encourage. With a grant from the EU DG Environment Programme in 2010 we were therefore privileged to (co-)organize a series of attractive and effective activities focused on expanding the capacity of the network members. A few examples:

- The Avalon Conference on "Greening the European Agricultural Policy" was a great success. 115 participants from 30 countries gathered in Slovenia: a unique mix of leading experts, EU and government representatives and people directly practicing organic farming and nature protection. The discussions and lectures were of high strategic level and led to the formulation of concrete recommendations to the



- EU for policy changes that encourage a more sustainable agricultural policy. In addition, participants from the new member states were inspired to make better use of existing EU instruments and representatives of the new neighbouring states were made aware of the policy they will face in case of future EU membership. Following this conference, during the annual "Avalon Network Meeting", 40 members further discussed practical possibilities to lobby for a greener local and national agricultural policy in their own countries.
- Held in the summer (and organized with ProBio), the Bio-Akademie in the Czech city of Lednice showed evidence of becoming an increasingly powerful incentive for the development of young biological agricultural organisations in the new EU member states.
- Exchange initiatives prove to be especially appreciated by the participants because of the practical opportunity that is provided to learn from each other. Hearing, seeing, feeling and tasting, and the possibility to ask many questions helps network members from the new member states and the new neighbouring countries to learn from their colleagues who already have more experience in the field of organic farming and marketing of the final products. This year we were able to invite network members from the former Soviet states to visit the Netherlands to closely observe the entire organic food chain. A second group of network members from Belarus and the Baltic states visited northern Germany to experience the possibilities of growing organic potatoes.

Observations of a number of participants in the Avalon Network activities in 2010:

"I represent 31 national organisations in my country and I am pleased to pass what I've learned during the presentations at this Avalon conference on to them", A. from Uzbekistan.

"I'm going to create a presentation about what I have learned here about agricultural policy, so that we can learn to improve our lobbying", M. from Georgia.

"Very thorough organization of the conference", G. from the United Kingdom

"I've learned how agriculture and the environment go hand in hand", A. from Romania

"I have gained very good contacts for investing in the organic sector in Russia", A. from Russia



STRATEGIC PRINCIPLES

In 2010, continuation and further interpretation of the present year-long policy took place.

Pillars

The pillars of the policy initiated in 2007 were given further shape in 2010:

- ***Expanded agriculture***

In the project 'New Thracian Gold', carried out in conjunction with ARK, Avalon demonstrates that the coherence of organic farming with nature protection and sustainable tourism triggers synergy, and works towards transferring this successful concept to other countries and regions.

- ***New forms of cooperation***

Avalon wishes to show that synergy can be achieved in these new contexts, also by cooperation with new partners.

- ***Wider horizon***

A first step was taken in Africa in 2009 and further consolidated in 2010. Avalon will use this experience to further expand its activities in Africa, if possible.

Target Groups

Working with a broad representation of target groups in society remains a key point for Avalon activities. NGOs, governments and also companies are therefore welcome as members of the Avalon network, and subsequently also as potential project partners.

Method

Avalon's approach in 2010 is unchanged and is characterized by the following principles:

- The wishes and priorities of local partners are the starting point of Avalon's activities.
- For the success of a project diverse parties are usually required; they do not always know or know where to find one other. Avalon helps to initiate processes to bring these parties together in new alliances. Bringing the activities of civil society organisations, governments and businesses in line on all fronts increases the chances of lasting results.
- In the pursuit of integration of agriculture and nature interests, Avalon works on projects in which organic agriculture, sustainable land use and nature management come together.

Practice

Avalon brings missions and goals into practice by working with local partners to develop and implement projects in the countries concerned. This can be achieved in several ways: by starting new initiatives and projects, supporting and strengthening ongoing projects, assessing funding opportunities and acquiring funding, providing information and development and dissemination of knowledge, and by involving parties that can play a constructive role.

Strategic objectives 2007-2011

At the end of 2006, Avalon translated its mission and strategy into a number of long-term goals. These goals must be achieved in 2011 at the latest:

- Some EU-accession countries have developed an agricultural environment programme and a rural development plan.
- Two countries in Avalon's territory have implemented legislation for organic agriculture.
- Two countries have implemented inspection and certification for organic farming.
- In three countries, the agricultural extension service has obtained knowledge about organic farming.
- 10 to 20 new organizations have joined the Avalon network.
- In two countries, the organic production chain has been developed.
- Education and knowledge systems include knowledge about organic farming and agricultural environmental programmes.
- Avalon's visibility has increased.
- Avalon's organization has been strengthened, partly through the establishment of one or more branches in target countries.

Objectives for 2010

The following can be mentioned briefly concerning the 2010 goals:

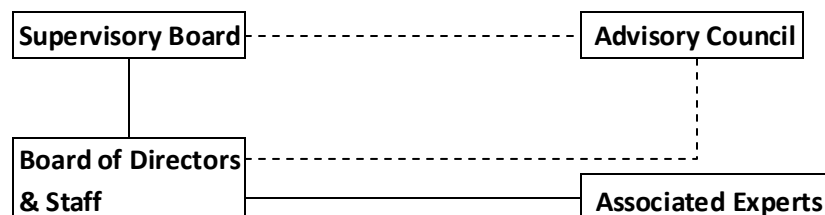
- In Serbia, the guidance Avalon gave to achieve a full national agricultural environmental policy, according to European directives, has been completed successfully.
- The branch office in Bulgaria is in full operation and acts as a centre for the innovative multifunctional agricultural project that is being carried out there. Employees of Avalon Bulgaria are further utilized as trainers and advisors at other international locations.
- In 2010, a new project country has not yet been added to the existing focus areas. However, preparations continue and possibilities are being explored to carry out a project in a new central Asian country.
- A decision has been made not to open a second branch office in central or eastern Europe at this time.
- A training program centred on core themes in the field of sustainable agriculture is being further developed.
- A project for development of organic product chains in Armenia, Azerbaijan, Georgia and Moldova was completed this year.

PERSONNEL & ORGANISATION

Avalon has eight employees in the organisation at Wommels, working in the fields of project management and implementation, administration, network management, financial administration, PR and communication and secretarial support. Avalon also has a branch office in Bulgaria with one employee working in the field of project management/implementation with part-time secretarial support. In the projects Avalon works closely with experts from the countries concerned. They are responsible for a large part of the project activities.

Organisational Structure

In 2010, the partner organisations worked a total of approximately 1400 days. This equates to approximately 6.5 full-time functions (FTEs). In addition, Avalon makes use of the services of a number of international experts. They put in over 700 working days, which corresponds to approximately 3.5 FTEs. These associated experts from various EU countries regularly provide their contribution to Avalon activities in the project countries in the form of project support, technical advice and training.



Supervisory Board

Determination of strategy, Avalon's policy and supervision of the implementation thereof is in the hands of Avalon's international Supervisory Board. In 2010 the Supervisory Board met once and three conference calls took place.

Name	Country	Main Functions	Re-election in
Mr. Alex Oostvogel (co-Chair)	Netherlands	Board member and CFO of Emergya Wind Technologies Holdings NV	2013
Mr. Marcello Palazzi (co-Chair)	Netherlands	Director Progressio Foundation	2013
Mr. Piotr Krzyzanowski	Poland	Organic farmer; Vice President of the Social Fund; consultant at the World Bank	2015
Mr. Franz-Theo Gottwald	Germany	Director Schweisfurth-Stiftung	2012
Mr. Ehsan Turabaz	Netherlands	Manager International Sales IKEA	2014

Advisory Council

Avalon has an Advisory Council of four persons. They assist Avalon in the international, political and economic environment in which Avalon is active.

Name	Country	Main Function
Mrs. Maritta von Bieberstein Koch-Weser	Germany	Founder and President of Earth 3000; Chief Executive Officer of GEXSI Global Exchange for Social Investment
Mr. Boele Staal	Netherlands	President of the Dutch Association of Banks
Mr. Volkert Engelsman	Netherlands	Founder and Director, Eosta, Nature & More, Soil & More
Mr. Helmy Abouleish	Egypt	Director, Sekem Group

Board of Directors

Two directors are responsible for daily management of implementation and policy development. These together constitute the Board of Directors.

Name	Main Function
Mr. Martien Lankester	Director
Mr. Nico van der Werf	Director of Projects

Additional functions held by Martien Lankester:

- Chairman of the Supervisory Board of IUCN, Dutch Committee
- Member of the Advisory Council of Zorgboerderij Gerbrandastate (care farm), Pietersbierum
- Member of the Advisory Council of Foundation Week of Taste



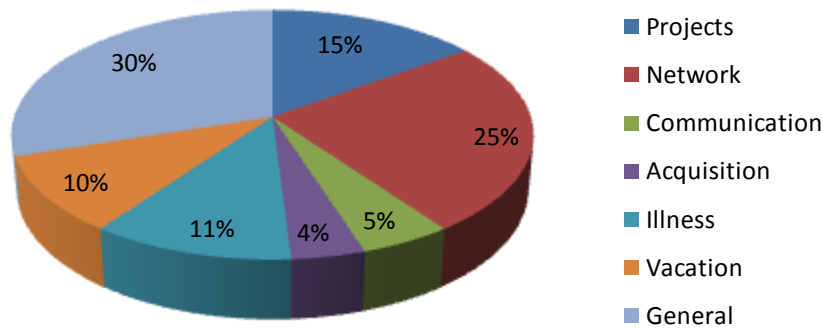
Employees

In addition to the two directors, the organization has seven employees. Per December 31, 2010 the total of 4.7 full-time employees divide their time between the following tasks:

Situation in 2010

Projects	1,1
Projects – branch office	0,1
Network	1,8
Financial administration	0,5
Communication/PR	0,4
Office management	0,8

Distribution of hours in 2010



Terms of employment

In 2010, Avalon employees received a 1.2% cost-of-living adjustment. In addition to primary employment conditions, Avalon offers its employees a pension scheme and participation in a salary savings scheme. It also offers a commuting allowance.

Absence because of illness

Time taken off for illness was 11% in 2010(2009: 11.3%). This was mainly caused by one case of longterm absence (longer than two months). Without this prolonged case, the percentage would have been 2.8%.

Organisation

In its business activities, Avalon aims to adversely affect the environment as little as possible. With this in mind, in 2006 Avalon decided to compensate CO2 emissions caused by air travel of Avalon staff by contributing to sustainable energy and forestry projects. To implement this, an agreement was made with the Climate Neutral Group B.V. In 2010 Avalon compensated 10.4 tonnes of CO2.

ACCOUNTABILITY STATEMENT

Effective July 1, 2008, the CBF (Netherlands Central Bureau on Fundraising) approval regulations were amended. In the newest version of the regulations, the Code of Good Governance for Charities (Wijffels Code) has been interwoven with the CBF Seal of Approval regulations. This has resulted in a single evaluation framework whereby the positive elements from the Wijffels Code and the existing elements from the CBF Seal of Approval reinforce one another.

The Executive Board's accountability statement is part of the new guidelines from the Central Bureau on Fundraising (CBF). In the accountability statement, the Executive Board and/or the Supervisory Board account for how they have fulfilled the three principles for good governance. These principles are:

- Clear separation between supervision, management and execution.
- Optimisation of how resources are spent, so that efforts may be made to achieve objective(s) effectively and efficiently.
- Striving to achieve optimum relationships with interested parties.

The accountability statement is included in this annual report in its entirety.

1. Supervision, management and execution

"Within the institution, the 'supervisory function (determination or approval of plans and critical monitoring of the organisation and its results)' must be clearly separated from the 'management' or the 'execution'."

The Supervisory Board is the foundation's body of highest authority, and has final responsibility for the course of events occurring within the organisation. The members of the Supervisory Board shall be appointed by the Supervisory Board. The members of the Supervisory Board shall be

appointed for a term not exceeding five years and after the end of a term are immediately eligible for reappointment for a period of not more than five years. The Supervisory Board must consist of at least three and not more than seven members, all natural persons. In 2010, the Supervisory Board consisted of five persons of different nationalities and backgrounds. In 2010, the chairmanship was shared. As the Supervisory Board mandated a large number of duties and responsibilities to Avalon's Executive Board, it had a largely supervisory role. Important Executive Board decisions must be approved by the Supervisory Board. The duties of the Supervisory Board are partly laid down in the statutes of the Foundation.





The most important task is to supervise the Executive Board and the general course of events occurring within the organisation. The Supervisory Board advises, supports and closely monitors the Executive Board and approves – whether preceded by a meeting or not – the annual plans and budgets proposed by the Executive Board. During the year, the Executive Board is in regular contact with the chairmen of the Supervisory Board. The Supervisory Board meets twice a year, on average. During these meetings, the Supervisory Board is notified by the Executive

Board of the developments in the recent period and the current state of affairs on both an organisational and financial level. During these meetings, among other matters, acquisition policy, the progress of the ongoing projects and personnel policy are discussed. During these meetings, as part of its supervisory duties, the Supervisory Board adopts financial documents such as the annual accounts and budget. The budget is then also used to analyse the quarterly reports and to determine the forecast for the remaining portion of the year. The annual report may be viewed as the result of the activities of the past year. Thus, the Executive Board is accountable to the Supervisory Board for implemented policy. The members of the Supervisory Board receive no remuneration, either directly or indirectly. Reasonable compensation for costs they have incurred and the executive activities they have carried out is permitted.

External supervision is carried out by various parties. First, the annual accounts are audited by the accountant, Bent Accountants & Adviseurs in Bolsward (NL). The accountant discusses the annual accounts with the Executive Board as well as the person responsible within the Supervisory Board. The accountant then issues a management letter. In addition, the accountant audits a number of projects every year. Reports must also be submitted to parties granting subsidies (including the Dutch Ministry of Foreign Affairs and the European Commission). The Central Bureau on Fundraising (CBF) performs external supervision via its periodic specific evaluation.

The Executive Board, consisting of two persons in 2010, is appointed by the Supervisory Board and is responsible for day-to-day management within a distribution of tasks to be determined by the Supervisory Board. The Executive Board determines policy and financial guidelines and has the final responsibility for the day-to-day administration. The Supervisory Board determines the remuneration and other employment terms of each member of the Executive Board. One member of the Executive Board receives a monthly salary. The other Executive Board member works according to a management contract from his sole proprietorship and receives an hourly wage. In addition, he receives compensation for sums previously invested. Both are increased annually according to the price indexation rate. Work-related costs are also reimbursed.

The Executive Board manages the organisation and represents Avalon outside the organisation. The Executive Board is responsible for the development and implementation of strategy and policy, draws up plans, budgets and annual accounts and allocates budgets. The financial tasks are carried out in close cooperation with the financial management. The tasks of the Executive Board are partly laid down in the foundation's statutes. The Executive Board requires prior approval from the Supervisory Board, particularly with respect to a number of the aforementioned decisions. This involves matters which could have a major impact on the organization. In 2010, the internal implementation of the objectives was performed by five other individuals, in addition to the two Executive Board members. Additionally, in several countries, projects are carried out with contributions from external experts and local organisations. There is also an Advisory Council which supports Avalon in the international, political and economic environments in which Avalon operates. The Advisory Council consisted of four members in 2010.

2. Optimal utilization of resources

"The institution must work continuously on an optimum expenditure of resources in order to ensure that the objective is achieved effectively and efficiently."

Avalon's goal is to build a solid framework for sustainable rural development and, together with a network of local organisations, government, centres of expertise and business communities, to promote the development of sustainable rural communities. To achieve this, a strategic policy plan has been determined. In addition to this policy plan, the Executive Board provides direction to the objectives via annual plans and budgets. The policy is assessed against the budgets and annual plans via quarterly reports. This evaluation involves a comparison with the budget and previous years. Monitoring and evaluation of the execution of activities takes place through a critical assessment of the annual report. As regards the internal processes, the Executive Board relies to a great extent on the findings of the auditor. Areas for improvement, whether or not these have been recommended by the accountant, are discussed during the Executive Board meetings.

3. Optimal relationships with stakeholders

"The institution will strive to achieve optimum relationships with interested parties, with a specific focus on information supply and the receipt and processing of preferences, questions and complaints."

Avalon strives to establish an optimal relationship with all stakeholders. These can be divided



into the categories Network (members, grant providers) and projects (grant providers, experts, project partners). Network members are kept informed of the developments in the field of organic farming, agro-biodiversity and sustainable rural development via the Avalon website and newsletters. The annual report and financial statements are available on request. The annual report is available on Avalon's website. Complaints received by Avalon are registered and processed within a reasonable period of time.

Alex Oostvogel

Marcello Palazzi

Co-Chairman Supervisory Board
16 August 2011

Co-Chairman Supervisory Board
16 August 2011

FINANCIAL REPORT

In 2010, Avalon's projects were financed by EU subsidy programmes, the Dutch government (Ministries of Foreign Affairs and Agriculture, Nature and Food Quality) and the Dutch National Postcode Lottery. Avalon does not actively perform fundraising among private persons. In 2010, however, Avalon received a donation from a company. Avalon published its annual accounts in accordance with the Guidelines for Financial Reporting by Fundraising Institutions and has the CBF (Central Fundraising Bureau) Seal of approval.

Explanation cost distribution 2010**Specification and distribution of costs after destination**

Destination	Objective		Fund-raising		Management and administration	Total 2010	Budget 2010	Total 2009
	Advocacy	Projects	Own Fund-raising	Investments				
<i>External costs</i>	450,324	340,858				791,182	1,461,881	893,577
<i>Salary Costs</i>	179,019	141,392			257,405	577,816	475,654	536,641
<i>Housing costs</i>					18,565	18,565	20,591	20,159
<i>Office costs</i>					12,225	12,225	15,450	16,471
<i>PR and communication costs</i>					9,998	9,998	10,000	12,021
<i>Management costs</i>					9,286	9,286	12,000	14,726
<i>Depreciation and interest</i>				557	7,138	7,695	7,300	7,691
<i>Other general expenses</i>					23,597	23,597	23,150	20,422
Total	629,343	482,250	-	557	338,214	1,450,364	2,026,026	1,521,708

Ratio	Actual 2010	Budget 2010	Actual 2009
Cost management and administration in relation to total expenses	100.0%	16.0%	0.0%
Own fundraising costs vs. income from own fundraising	As Avalon is not a real fundraising institution, this percentage is not calculated.		
Average number of staff ¹	4.7	4.6	5.1
Total remuneration of directors and supervisors	235,945	215,143	255,345
Loans, advances and guarantees granted to directors and supervisors	-	-	-

¹ Expressed in full-time jobs.

Realized expenses

Avalon's expenses can be separated into expenditures for objectives such as advocacy, projects, recruiting, benefits, investments and management and administration. 43% of the costs incurred were for the Network (advocacy) and 33% for the projects. No new projects were started in 2010. The expenditures utilized for objectives were for salary and external costs. The percentage spent on management and administration is 23%.



This is 18% compared to 2009, as a result of special personnel.

Financial statements

The financial statements of the Stichting Avalon Foundation were audited by Bent Accountants & Advisors. They also performed some special audits, such as that of the Life+ programme of EU-DG Environment and BBI Matra Serbia of the Ministry of Agriculture, Nature and Food Quality. The auditor's report is included on page 30. A full set of the financial statements is available. Interested parties can request an electronic version from Avalon per email (office@Avalon.nl) or telephone (+ 31 (0)515 331955).

Balance per 31-12-2010

		31 december 2010		31 december 2009
Assets				
<i>Tangible fixed assets</i>				
-required for business operations	25,982		28,160	
		25,982		28,160
<i>Receivables</i>				
-receivables in projects	1,273,157		1,891,212	
-other receivables	407,335		443,516	
		1,680,492		2,334,728
<i>Cash at bank</i>		463,386		442,793
Total		2,169,860		2,805,681
Liabilities				
<i>Capital and reserves</i>				
-disposable capital				
• continuity reserve		435,024		539,090
-fixed capital				
• fund corporate means		25,982		28,160
<i>Liabilities</i>				
-Liabilities in projects				
-short term	600,595		623,309	
-long term	768,000		1,292,408	
		1,368,595		1,915,717
-Other liabilities				
-short term	340,259		322,714	
		340,259		322,714
Total		2,169,860		2,805,681



Cash

At the end of 2010, the cash account totalled 463.386 euro (2009: 442.793 euro).

During the accounting year, the majority of this cash amount was kept in a savings account and could be immediately withdrawn. In the profit and loss statement, the interest from this account is included as income from investments under income. Avalon does not engage in investing and does not own shares and bonds.

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Capital and reserves

The capital consists of two reserves. One reserve is for the financing of assets (fixed assets) for the operational management of the organisation, and the other is a continuity reserve created for coverage of short-term risks. The continuity reserve amounts to 435.024 euro, which is 66% of the annual expenses of the organization. In 2010, the annual expenses of the organization amounted to 658.625 euro (labour costs and realisation costs). With these totals, the organisation remains within the limit of 150% as required by the CBF.

Statement of profit and loss 2010

	Really 2010	Budgeted 2010	Really 2009
Income:			
-Income from own fundraising activities	2.025	-	1.232
-Income from combined activities	135.891	-	158.862
-Income from third party activities	217.028	278.490	217.966
-Government subsidies	898.193	1.643.150	1.024.491
-Income from investments	8.165	3.150	12.281
-Other income	82.820	105.455	119.225
Total income	1.344.122	2.030.245	1.534.057
Expenses:			
Spent on objectives			
-Advocacy	629,343	686,952	617,037
-Projects	482,250	1,077,734	629,564
	<u>1,111,593</u>	<u>1,764,686</u>	<u>1,246,601</u>
Acquisition of benefits			
-Cost of investments	557	1,500	1,026
	<u>557</u>	<u>1,500</u>	<u>1,026</u>
Management and administration			
-Cost of management and administration	338,214	259,840	274,081
Total expenses	1,450,364	2,026,026	1,521,708
Result	-106,242	4,219	12,349
Of profit 2010			
-Earmarked funds	-	-	-
-Continuity reserve	-106,242	911	12,349
	<u>-106,242</u>	<u>911</u>	<u>12,349</u>

The established norm of expenses and management and administration is 20% of the total expenses. This year Avalon exceeds this standard as a result of a severance payment to an employee.

AUDITOR'S REPORT

In the auditor's report of June 30, 2011 it is established that Avalon's annual report and financial statements give a true and fair view of the financial position.



To: Stichting Avalon Foundation

AUDITORS' REPORT*Introduction*

We have audited whether the accompanying abbreviated financial statements of Stichting Avalon Foundation, Wommels, for the year 2010 have been derived consistently from the audited financial statements of Stichting Avalon Foundation, for the year 2010. In our auditors' report dated 30th June 2011 we expressed an unqualified opinion on these financial statements. Management of the foundation is responsible for the preparation of the abbreviated financial statements in accordance with the accounting policies as applied in the 2010 financial statements of Stichting Avalon Foundation. Our responsibility is to express an opinion on these abbreviated financial statements.

Scope

We conducted our audit in accordance with Dutch law. This law requires that we plan and perform the audit to obtain reasonable assurance that the abbreviated financial statements have been derived consistently from the financial statements.

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

Opinion

In our opinion, these abbreviated financial statements have been derived consistently, in all material respects, from the financial statements.

Emphasis of matter

For a better understanding of the company's financial position and results and the scope of our audit, we emphasize that the abbreviated financial statements should be read in conjunction with the unabridged financial statements, from which the abbreviated financial statements were derived and our unqualified auditors' report thereon dated 30th June 2011. Our opinion is not qualified in respect of this matter.

Bolsward, 30th June 2011

BENT
accountants & adviseurs

w.g. C.A. Burghgraef
registeraccountant

LOOKING AHEAD TO 2011

The starting point in 2011 is to continue Avalon's mission: stimulating and distributing organic farming, agricultural environmental projects and sustainable rural development. Avalon is the base of a large network of organisations in more than 30 countries engaged in this mission. This network is very important to keep each other informed of the developments in these areas and to accelerate the process of promoting organic farming.

In the spring of 2011 Avalon considered its mission and objectives in this area. As a result Avalon must, over the next few years, adopt a new course of action.

Avalon has noted that there are certain impediments standing in the way of broad implementation of agriculture based on an autonomous ecosystem management. Simultaneously, many authoritative studies and practical results on a farm level prove that this approach to agriculture results in a whole series of environmental and socio-economic benefits. These benefits are increasingly recognized by key international organisations and there are increasingly more interest groups supporting development of this form of agriculture. However, for various reasons, there is also resistance hindering the implementation of sustainable agriculture. Avalon wants to remove this resistance by working towards a global platform, at policy level, to pave the way for the crucial implementation of sustainable forms of agriculture.

Martien Lankester, as an ambassador of Avalon's mission, is well equipped for this new course of action. In addition, some projects will be selected for implementation in line with the objectives and to educate, inspire and motivate Avalon in propagating its mission. The current projects in Bulgaria, Macedonia and Ghana, where nature, environment and economy interlock, are excellent examples.



Budget 2011

Budget profit and loss 2011

Income:		Expenses:	
-Income from own fund acquisition	-	Spent on objectives	
-Income from joint actions	-	-Advocacy	-
-Income from third party action	188,000	-Projects	361,934
-Grants from public authorities	412,595		361,934
-Income from investments	7,500	Acquisition of benefits	
-Other income	52,400	-Cost of on own fund acquisition	
		-Cost of investments	-
		Management and administration	
		-Cost management and administration	475,208
Total income	660,495	Total expenses	837,142
		Result	176,647-

Word of Thanks

Avalon would like to thank all sponsors and partners for the enjoyable cooperation over the past year:

Ark Foundation, CCI, DEM, EkoConnect, EU DG Environment, FAO, GOAN, IEEP, IUCN-SEE, Louis Bolk/AgroEco, Ministry of Foreign Affairs, Ministry of Agriculture, Nature and Food Quality, Dutch National Postcode Lottery, Natura Balkanika, SOS Children's Villages, Velo Beheer.



Colophon

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Avalon is a member of IUCN and IFOAM

