



DISCLAIMER

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FDW Policy Framework, 3rd call

1. INTRODUCTION

The Sustainable Water Fund (FDW), introduced by the Ministry of Foreign Affairs, contributes to the implementation of the government's agenda for aid, trade and investment (set out in 'A World to Gain', published in April 2013). Problems relating to flood safety and water security are complex and often involve wide-ranging interests. As a result solutions cannot usually be provided or funded by a single party. That is why the FDW encourages the formation of public-private partnerships (PPPs) made up of public bodies, businesses, NGOs and knowledge institutions. By combining their individual strengths they can develop innovative and sustainable solutions to water-related problems. Partnerships are also a highly suitable instrument for developing countries, whose institutional structures and public services can be boosted substantially through cooperation with strong partners. Finally, partnerships also provide opportunities for the Dutch water sector.

There have been two previous calls for proposals for the FDW, in 2012 and 2014, which met with great interest from the sector. The aim of the Ministry of Foreign Affairs and the Netherlands Enterprise Agency (RVO.nl) is to enable further roll-out of the PPP programmes and to improve the programme, taking into account the feedback from the sector as well as the findings of the Mid-Term Review (MTR) conducted in 2015. The third call (see the FDW administrative rules, published in the Government Gazette (Staatscourant 2016, No. 44953), and the policy framework) is designed with a view to:

- Partnerships with projects that will have a stronger sector-wide impact.
- Projects that contribute more strongly to the following policy themes: sustainability (incl. climate-related issues), inclusion of vulnerable groups, and women's economic independence.
- Projects that provide businesses with the opportunity to undertake activities on the interface of the public and private domains.
- A more balanced project portfolio in terms of the FDW themes.

2. GOALS

The goal of the FDW programme is 'to contribute to inclusive green growth by improving water security and flood prevention in developing countries through public-private partnerships (PPPs)'.

To achieve this goal, activities should focus on one or more of the following themes:

1. Sustainable access to clean drinking water and sanitation (including waste);
2. Efficient water use, especially in agriculture;
3. Improved river basin management and safe deltas.

Combining these themes is possible and may even increase the activities' sustainability. Projects should focus on opportunities and problems which can only be addressed successfully by public-private partnerships. This refers to opportunities and problems on the interface of the public and private domains, which are beyond the capacity of a single party.

Given the focus themes and the fact that partnerships are made up of public and private parties, the goal can be achieved by means of interventions aimed particularly at creating the necessary preconditions (for example through institutional capacity building supported by FDW) and/or revenue models (where FDW provides support in places where the market falls short or the risks are too high). A combination of these two types of intervention is also possible. For both types, cooperation between the public and private sectors in a PPP must have demonstrable added value.

3. WHO AND WHAT ARE THE GRANTS FOR?

The target group of the FDW program is divided into two main groups: the policy target group and the program target group.

The beneficiaries of the projects and activities supported by FDW programme form the FDW policy target group. This includes households, small farmers and fishermen, local SMEs and to some extent local government authorities. Vulnerable groups, such as the poorest people, women and girls, or ethnic groups are also targeted. Activities supported through the FDW programme should help improve living conditions for these groups. The programme is open to activities in 64 countries, with a preference for projects in countries where there are bilateral water programmes in place (see FDW administrative rules, published in the Government Gazette 2016, No. 44953).

The program target group comprises the target group that can apply for support from the FDW program. FDW grants are intended for public-private partnerships (PPPs) comprising at least one public party from the target country, one business and one NGO, plus possibly a knowledge institution. At least one of the partners must be based in the Netherlands.

4. POLICY PRINCIPLES

The policy framework is aimed at initiatives that contribute substantially to system breakthroughs. This means it must be possible for the results to be reproduced on a larger scale or to have a sector-wide impact. Attention must also be paid to creating an enabling environment and setting up revenue models that benefit the poorest people.

The policy principles of sustainability and gender sensitivity are key. How and to what extent these principles can be integrated depends on the context. Preference will be given to initiatives in which these principles play an important role. The policy principles are:

FOCUS ON DEVELOPMENT:

Activities must contribute to:

- inclusive green growth by improving water security and flood prevention in developing countries;
- improving the living conditions of vulnerable groups, especially the poorest;
- integrating the theme of gender, preferably by involving women in decision-making, planning and implementation, for example in the role of change agent, and through activities that help to achieve or create the necessary conditions for women's social and economic empowerment.

Activities that contribute to gender and equity sensitivity must be based on a thorough gender and equity analysis. The activities must be additional. In other words the project results would not be achieved without support (grant and contracts).

SUSTAINABILITY:

All interventions must lead to sustainable results. The concept of sustainability is defined on the basis of the FIETS model, which distinguishes between Financial, Institutional, Ecological (environmental and climate-related), Technological and Social sustainability.

- Revenue models should be based on a solid analysis (including willingness to pay). The revenue model should include vulnerable groups, like the poorest people, in its market or target group.
- Interventions are expected to make a positive contribution to efficient use of scarce natural resources, reduction of waste flows, conservation of ecosystems, climate mitigation and climate adaptation.
- To safeguard sustainability, the proposed interventions should take an integrated approach to water management aspects. A sound analysis of the project's environmental impact is key.
- From a sustainability perspective it is important that support is based on local demand. Involving local stakeholders and the target groups is crucial.
- To increase the chance of a system breakthrough, complementarity of the project with bilateral water programmes may have added value.
- Interventions should always comply with the rules for international corporate social responsibility (ICSR) as set out in the 2011 OECD Guidelines for Multinational Enterprises.¹

PARTNERSHIPS:

The principle is that public-private partnerships can take up opportunities and problems on the interface of the public and private domains which are beyond the capacity of a single party. It is vital for the justification of a public-private partnership and for the success of such an initiative that a local public body has a major role. For partnerships to function effectively, clear agreements need to be made on the various tasks, roles and responsibilities.

DUTCH KNOWLEDGE AND EXPERTISE:

Dutch knowledge and expertise should be used where it can help to achieve the intended objectives.

¹ In observance of the Dijkers motion (32505/27) as well as the Ferrier (32602/45) and El Fassed (32605/34) motions.

Figure 1 (below) depicts the entire FDW programme design. Further details are given in the following section.

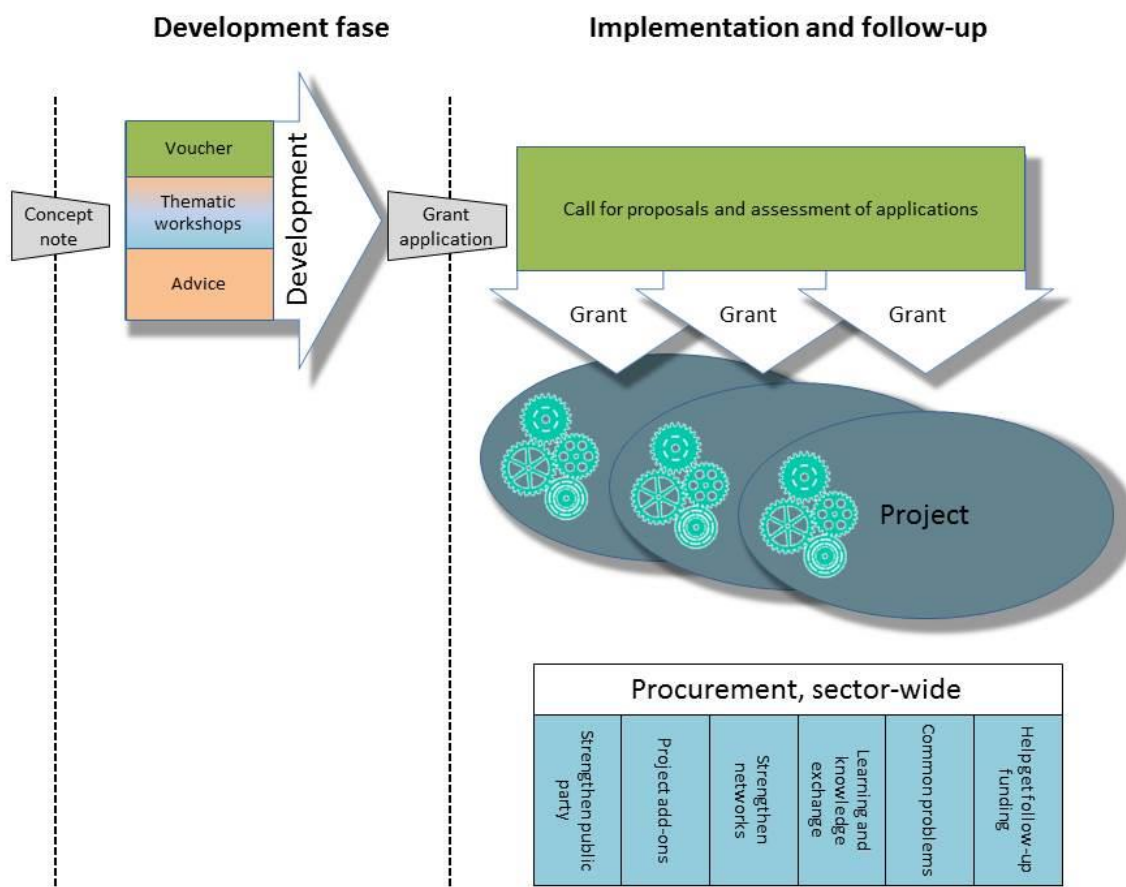


Figure 1: Schematic overview of the FDW programme

5. DESIGN OF THE THIRD CALL OF THE FDW PROGRAMME

The third call takes a more programme-based approach. In addition to grants, partnerships or potential partnerships can be offered advice and facilitation, for instance through vouchers and procurement of products and services from third parties.

The FDW's implementing body, RVO.nl, is putting extra effort into facilitating and advising, by identifying new opportunities for projects and partnerships where possible, providing good information and optimising partnerships. By making clear agreements, partnerships can work towards concrete results, with each party being responsible for specific aspects. This will allow resources to be used more effectively and strategically, contributing to better alignment with policy objectives and greater impact.

The FDW programme is divided into two phases. The first is the development phase, in which partnerships and project ideas take shape with a view to a possible project application. If a PPP is awarded a project grant (after the application has been assessed), it enters the phase of implementation and follow-up. In the implementation phase, projects are carried out by the PPPs as set out in the proposal. Where necessary and relevant, RVO.nl may procure additional products and services from third parties to increase FDW's impact and to share knowledge.

DEVELOPMENT PHASE

The development phase begins with a call for ideas. This is an invitation from the Ministry of Foreign Affairs to (potential) PPPs to submit, by means of a concept note, ideas for projects that could contribute to the FDW goals. Ideas which RVO.nl deems to be sufficiently aligned with the policy objectives and of sufficient quality can be facilitated in their further development, for instance, by means of vouchers. In this case RVO.nl will give a positive recommendation on the concept note.

If the idea does not tie in with the goals of the FDW grant programme, or is as yet insufficiently developed, the applicant will be informed accordingly, i.e. RVO.nl will give a negative recommendation on the concept note. The partnership may if it wishes then improve and resubmit the concept note. A negative recommendation does not necessarily render an applicant ineligible to apply for a grant. However, the application must include a recommendation, which means that a concept note must have been submitted at some stage in the development phase.

RVO.nl's recommendation on the project idea is based on the concept note submitted, taking into account the following criteria:

1. The extent to which the project is aligned with the FDW policy objectives and integrates the principles of gender sensitivity and sustainability.
2. The extent to which the project is pro-poor, reaching the poorest and most vulnerable groups in society (target group).
3. The feasibility of the PPP, including what stage of development the partnership is at, and the justification for public and private parties to work together in a PPP.
4. Quality of the intervention strategy (including system breakthroughs) and potential for results to be reproduced on a larger scale.
5. Budget: insight into the price/quality ratio of the intended intervention.

Concept notes can be submitted at any time, but no later than eight weeks before the deadline for grant applications, to fdw@rvo.nl. RVO.nl aims to give its recommendation on the concept note within four weeks (including a dialogue).

Advice and facilitation

In the development phase, a partnership can request guidance from RVO.nl in the form of advice and facilitation. RVO.nl can, for instance, suggest improvements, give access to its network and refer partnerships to other network partners, including the Ministry of Foreign Affairs and the embassies. Such guidance enables promising ideas to be developed further. The partnership decides to what extent they want to make use of the services offered.

At the same time, RVO.nl will actively deploy existing instruments for networking and matchmaking where possible.

Vouchers

Vouchers have a value of up to €10,000 and can be used by PPPs to help finance the purchase of a product or service from a third party for the further development of their project idea. Vouchers are intended for PPPs with good, promising project ideas, to help develop parts of their grant application, with a view to obtaining a comprehensive, balanced high-quality proposal. When a voucher is applied for, RVO.nl will assess the potential of the proposal being developed against the FDW grant criteria set out in the FDW administrative rules, published in the Government Gazette 2016, No. 44953.

Only NGOs and small enterprises that are partners in the potential PPP can apply for a voucher. Vouchers can be redeemed with RVO.nl. To this end, the organisation that was awarded the voucher must give the voucher to the service provider after the product or service has been delivered, who can redeem it with RVO.nl using the form made available for this purpose. RVO.nl will then pay the voucher amount to the service provider.

The procedure and conditions for the use of vouchers are set out in the FDW administrative rules, published in the Government Gazette 2016, No. 44953. Partnerships may also be referred to other voucher programmes, such as that of CSR Netherlands (MVO Nederland).

IMPLEMENTATION AND FOLLOW-UP PHASE

The project plans fleshed out during the development phase are used in drafting the grant application. The grant is similar to the FDW grants in the previous two calls. Projects that are awarded a grant enter the implementation and follow-up phase. In addition, RVO.nl may purchase products or services from third parties to strengthen projects or the FDW programme as a whole.

The scope for providing support in the form of guarantees and even loans is currently being examined. If the conclusion is positive, these instruments will be added to the FDW programme.

Grant

PPPs wishing to apply for a grant must submit a grant application with a detailed project proposal to RVO.nl. The application procedure and the criteria for eligibility for an FDW grant are set out in the FDW administrative rules, published in the Government Gazette 2016, No. 44953. Projects that meet all the threshold criteria are ranked according to the ranking criteria. If insufficient funds are available for all applications that meet the criteria, grants will be awarded to the highest-ranking applications for each theme until the budget has been depleted.

Two tools are used to work towards the sustainability goals:

- The sustainability check: a report on the functioning of capital goods installed or rehabilitated as part of the project.
- The sustainability pact: during the implementation phase, the PPP should strive to lay down arrangements to ensure operational sustainability in a 'sustainability pact' with the local mandated party or parties who assume or are given responsibility for continuing the activities. The 'pact' will encompass the various roles, the financing of the activities to be continued, and provisions on technical and operational sustainability and stakeholder representation.

Reporting on sustainability, in the form of written annual reports, is part of the normal annual reporting procedure.

Procurement from third parties

As part of the FDW programme, RVO.nl can procure products or services from third parties in accordance with the customary public procurement rules. PPPs that are already receiving grants are excluded from such procurement. The products or services to be procured are intended to support ongoing and new projects, so as to increase the FDW's impact (where possible and necessary) and share knowledge and lessons learned. The key feature of these contracts is that they serve the public interest. Examples are:

- Supporting projects by means of 'add-ons': small additions to a project that will increase its impact. This specifically concerns elements that are not already covered by the grant. Sometimes strengthening the public party can benefit the project. This can be done by commissioning work aimed at resolving challenges in the public domain and improving the enabling environment. Funding for such activities is additional, in parallel to projects that can be realised without help. RVO.nl will draw up a list of leads for these contracts, using the mission network in the country in question. This means the project must align closely with the embassy's Multi-Annual Strategic Plan (MJSP) or the multi-annual interministerial policy framework (MIB). The embassy must also be able to make staff available.
- Providing a platform and a network offering grantees opportunities for cooperation and for sharing results and lessons learned.
- Elaborating on certain themes that are common to several projects; analysing lessons learned and possible problems.
- Where necessary and possible, providing solutions to common problems.

6. PARTIES INVOLVED

INCLUSIVE GREEN GROWTH DEPARTMENT

As the commissioning authority, the Ministry's Inclusive Green Growth Department (IGG) is responsible for policy on the FDW programme. The programme results contribute directly to IGG's policy objectives. IGG will ensure that the impact evaluation is carried out (together with the Erasmus School of Economics) and that the recommendations from evaluations are followed up. It will also help maintain relations between the FDW and the sector. IGG will draw up the learning agenda jointly with the Sustainable Economic Development Department (PPP centre of expertise), keeping a close eye on complementarity with other learning programmes concerning PPPs (PPP learning lab, impact evaluations).

RVO.NL

The Minister for Foreign Trade and Development Cooperation has granted the Netherlands Enterprise Agency (RVO.nl) a mandate, power of attorney and authorisation for implementing the Sustainable Water Fund (FDW) programme from 2012 up to and including 2022.

EMBASSIES

Embassies will be involved in assessing whether the project ideas set out in the concept notes are aligned with local needs and the local policy context. In countries where a bilateral water programme is in place, the embassy's water expert will also assess the proposal's complementarity with the bilateral programme.

Depending on staff capacity, the embassy may also, in collaboration with the trade attaché, use the local networks to facilitate participation by local actors. In a number of countries, links may be established with business hubs. Where appropriate (depending on demand) local or regional events can be organised, together with RVO.nl, to stimulate the exchange of lessons learned and best practices.

COOPERATION WITH THE WATER SECTOR

Input from the sector adds substantial value to the FDW programme. Dutch knowledge and expertise can help achieve the intended objectives. The supportive role will be established jointly with the sector, also taking account of sector demand.