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Order of the Minister for Foreign Trade and Development Cooperation of 27 February 2014, no. MinBuza DME/MW/2014.88626, laying down administrative rules and a ceiling for grants awarded under the Ministry of Foreign Affairs Grant Regulations 2006 (Sustainable Water Fund (Second Call)).

The Minister for Foreign Trade and Development Cooperation,

Having regard to article 6 of the Ministry of Foreign Affairs Grants Decree;

Having regard to article 4.8 of the Ministry of Foreign Affairs Grant Regulations 2006;

Orders:

**Article 1**

The administrative rules appended as an annex to this Order apply to grants awarded under article 4.8 of the Ministry of Foreign Affairs Grant Regulations 2006 with a view to financing activities in the areas of water safety and water security that promote structural poverty reduction, sustainable economic growth and self-reliance (Sustainable Water Fund Second Call).

**Article 2**

An overall grant ceiling of €30 million applies to grants awarded under the Sustainable Water Fund (Second Call) from the date on which this Order enters into force up to and including 30 June 2015.

### **Article 3**

1. Applications for grants under the second call for the Sustainable Water Fund may be submitted from the date on which this Order enters into force until 15:00 Central European Time on 30 June 2014.
2. Applications for grants under the second call for the Sustainable Water Fund must be submitted using the application form stipulated by the Minister for Foreign Trade and Development Cooperation and accompanied by the documents stipulated in the form.<sup>1</sup>

### **Article 4**

The available funds will be allocated in accordance with an assessment based on the criteria set out in the annex to this Order, on the understanding that, of the applications that meet the criteria, those that meet them best will be given priority.

### **Article 5**

This Order enters into force on the day after the date of the Government Gazette in which it appears and lapses with effect from 1 July 2015 with the provision that it continues to apply to grants awarded prior to that date.

This Order and its accompanying annex will be published in the Government Gazette.

Rob Swartbol

Director-General for International Cooperation

For the Minister for Foreign Trade and Development Cooperation

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<sup>1</sup>The application form can be found at [www.rvo.nl/fdw](http://www.rvo.nl/fdw).

## **Sustainable Water Fund Grant Policy Framework (7 February 2014 version)**

This annex sets out the Sustainable Water Fund Grant Policy Framework. It constitutes the formal framework according to which grant applications will be assessed.

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The application form, a comprehensive glossary and additional information can be downloaded from the website of the Netherlands Enterprise Agency (RVO.nl, formerly NL Agency).

### **1 Sustainable Water Fund**

The Sustainable Water Fund (FDW) is one of the instruments introduced by the Ministry of Foreign Affairs with a view to implementing the government's agenda for aid, trade and investment (set out in 'A World to Gain', published in April 2012). The grant policy framework for the Sustainable Water Fund's first call for proposals was published in 2012. The main changes in this second call are as follows:

- An overall grant ceiling of €30 million applies to grants awarded in the second call. The grant procedure now consists of one instead of two formal phases.
- Grant applications should not exceed €4 million.
- An applicant may submit multiple applications, but no more than two can be approved.
- The country list has been expanded to all 66 countries of the Dutch Good Growth Fund.
- Additional criteria apply to the instrument Revolving Fund in a Partnership.
- The second call focuses more on the scope provided by the grant framework for flexibility in terms of results and investments. Investments may be spread over the project period and be conditional on previously defined results over time (milestones).

- The maximum FDW grant for projects in all countries is 60% of the eligible project costs, except for projects relating to the sub-theme 'Improved river basin management and safe deltas', in which case the maximum grant is 70% of the eligible project costs.

Problems related to water safety and water security are complex in nature and there are often different interests. Problems can often not be solved or financed by one party alone. The Sustainable Water Fund stimulates Public-Private Partnerships (PPPs). By working in partnership and making use of the added value of government bodies, private sector parties, NGOs and research institutions innovative and sustainable solutions can be implemented for water-related problems. Partnerships offer opportunities for the Dutch water sector and helps build local SMEs. The focus on partnerships and on the development of economically sustainable solutions in the water sector makes FDW particularly suited to countries making the transition from aid to trade. Partnerships are also a suitable instrument for developing countries with weaker institutional structures and public services, and where cooperation between the main actors is of key importance.

### **1.1 Aim and policy themes**

The aim of the second call for the Sustainable Water Fund (FDW) is to contribute to sustainable, inclusive economic growth by improving water security and water safety in developing countries through public-private partnerships (PPPs) (see section 1.3). FDW focuses on three sub-themes:

1. improved access to clean drinking water and sanitation;
2. efficient water use, especially in agriculture;
3. improved river basin management and safe deltas.

Both urban and rural interventions qualify for a grant. FDW partnerships are expected to effectively integrate the Ministry's crosscutting themes – the environment, climate, gender and good governance – into their projects. These themes are also incorporated in the FIETS criteria (see below).

#### *Sustainability*

The extent to which projects are sustainable is assessed in accordance with the FIETS criteria:

F (financial): the extent to which the project can be continued without grants from foreign donors;

- I (institutional): the extent to which the project is embedded in local institutional systems, procedures and policy, and the capacity of local partners and public bodies (knowledge transfer);
- E (ecological): the extent to which the project safeguards the long-term availability of natural resources and contributes to a healthy living environment and climatic stability;
- T (technological): the extent to which the technologies used dovetail with the local context and local needs; and the quality, affordability and operational sustainability of these technologies;
- S (social): the extent to which activities are socially and culturally acceptable and have positive results (e.g. increased income, economic security and social services) for the most vulnerable groups (e.g. women and indigenous peoples).

Proportionate to the risks, projects should at least comply with the rules for international corporate social responsibility (ICSR) as set out in the 2011 OECD Guidelines for Multinational Enterprises.<sup>2</sup> This will be checked in the assessment of proposals and during project implementation. Experience has shown that functional/operational sustainability generally needs to be more firmly embedded. The PPP will therefore be required to include periodic checks in its monitoring system and to report on the results of these checks.

### *Sustainability compact*

During implementation, the PPP should strive to lay down arrangements to ensure operational sustainability in a 'sustainability compact' with the local mandated party or parties who assume or are given responsibility for continuing the activities. The 'sustainability compact' should encompass the various roles, the financing of the activities to be continued, and provisions on technical and operational sustainability and stakeholder representation.

## **1.2 Countries**

The Sustainable Water Fund country list is based on the Dutch Good Growth Fund country list (66 countries, see appendix 1). Proposals for the 15 partner countries will be given extra points in the assessment.<sup>3</sup>

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<sup>2</sup> In accordance with the Dijkers motion (32505/27) as well as the Ferrier (32605/45) and El Fassed (32605/34) motions.

<sup>3</sup> <http://www.rijksoverheid.nl/onderwerpen/ontwikkelingssamenwerking/partnerlanden-ontwikkelingssamenwerking>

Ghana has a specific Ghana WASH Window (GWW) which has its own calls. The GWW is intended for projects on 'sanitation and hygiene', 'improved waste management (solid and liquid)', 'access to and use of safe drinking water' and 'urban water management' in 30 municipal, metropolitan or district assemblies in Ghana. The FDW is applicable only to projects in Ghana which fall outside the scope of the GWW.

Only projects related to 'water management' may be transboundary.

### **1.3 Who and what are the grants for?**

FDW grants are intended for public-private partnerships (PPPs). A PPP is a collaboration between government and companies, frequently joined by NGOs, trade unions and/or research institutions, in which risks, responsibilities, resources and competences are shared in order to attain a common goal or perform a specific task<sup>4</sup>. Partnerships are non-commercial,<sup>5</sup> usually pre-competitive, aimed at stimulating the development of the sector.

FDW partnerships must satisfy specific additional requirements with regard to their composition, namely they must consist of at least one company, one public body and one non-governmental organisation (NGO). This is also called a tripartite partnership (TPP). A partnership may also include a research institution. At least one of the parties must be based in the Netherlands and at least one in the country where the project will be implemented. FDW partnerships must address issues that are beyond the level of the individual organisation.

One of the parties submits the grant application on behalf of the partnership and is regarded as the 'applicant'. If the partnership's application is approved, the applicant is the grant recipient.

The applicant is – towards the minister - responsible for the implementation of the project proposal. In this, the applicant is of course dependent on its co-applicants.

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<sup>4</sup> The official definition of a PPP is according to art. 10.1 Subsidy Arrangement MoFA: a collaborative venture involving, on the one hand, one or more government bodies and, on the other, one or more non-profit-making organisations from the business sector or parties which are intent on implementing common objectives through activities, such that each of the parties delivers part of the necessary input and bears part of the accompanying risks.

<sup>5</sup> This is assessed in accordance with the OECD-DAC criteria.

A written cooperation agreement signed by all participating parties must guarantee their cooperation and compliance with the agreements made, as well as fulfilment of the obligations towards the minister in respect of the grant.

The grant recipient, or lead party, bears full responsibility to the minister for the fulfilment of all obligations associated with the grant, even if the grant is partly used to fund the activities of co-applicants in the partnership, or if the activities are carried out in part or in full by one or more of the partners.

Should there be any changes in the partnership during the project's implementation, i.e. one or more parties join or leave the partnership, or the entire partnership is dissolved, the grant recipient (lead party) will remain the contact for and will continue to bear full responsibility to the minister as grant provider. The grant recipient must submit any changes in the partnership to the minister for approval.

### **Role of government**

Because water is an important public resource, government plays a major role in water-related interventions. The partner country government's role is crucial for the long-term economic and financial sustainability of the project activities. The role played by the local government depends on the context and the partner country's system of governance. The project should at all times be harmonised with the prevailing national and regional policies in the country concerned.

The FDW aims to further strengthen the role of local governments which is most obvious if local government is a partner in the project (partnerships must in any case always have at least one public partner). A public contribution (e.g. changes to policy or legislation, enforcement) necessary in order to achieve the partnership's objectives should be included in the proposal as a project activity. The public partners should be actively involved in the partnership.

### **Role of the business community**

The FDW provides grants for projects that can ultimately lead to competitive economic activity. To achieve this, business knowledge and expertise are essential. However, the FDW does not finance commercial investments by companies, but rather offers support where the market falls short because the risk is considered too high (in accordance with OECD-DAC, ODA criteria). This is checked in advance.

## **Target group**

The target group is the specific group of people on which the activities focus. Potential target groups for activities funded by the FDW include poor households, small-scale farmers or fishermen, vulnerable groups, local SMEs and local public servants. Individual members of the target group cannot be partners in the partnership (activities, commitment to results and investments) except through organisations that legitimately represent the target group, such as a grassroots organisation, cooperative or government. The project must have clear, positive results for the target group.

## **Revolving Fund**

The FDW is not a revolving fund, but proposals can include a revolving fund, or elements of one, as an instrument. A revolving fund is replenished by repayments from the fund's users. It is an acceptable instrument in the framework of FDW PPPs because (1) it is important that poor households and local SMEs have access to financial services, (2) good financial services are a component of financial sustainability, (3) few microfinance institutions (MFIs) currently have a WASH portfolio, and (4) it may provide financing for better and more sustainable services for the target group. A number of supplementary criteria apply to projects involving revolving funds.

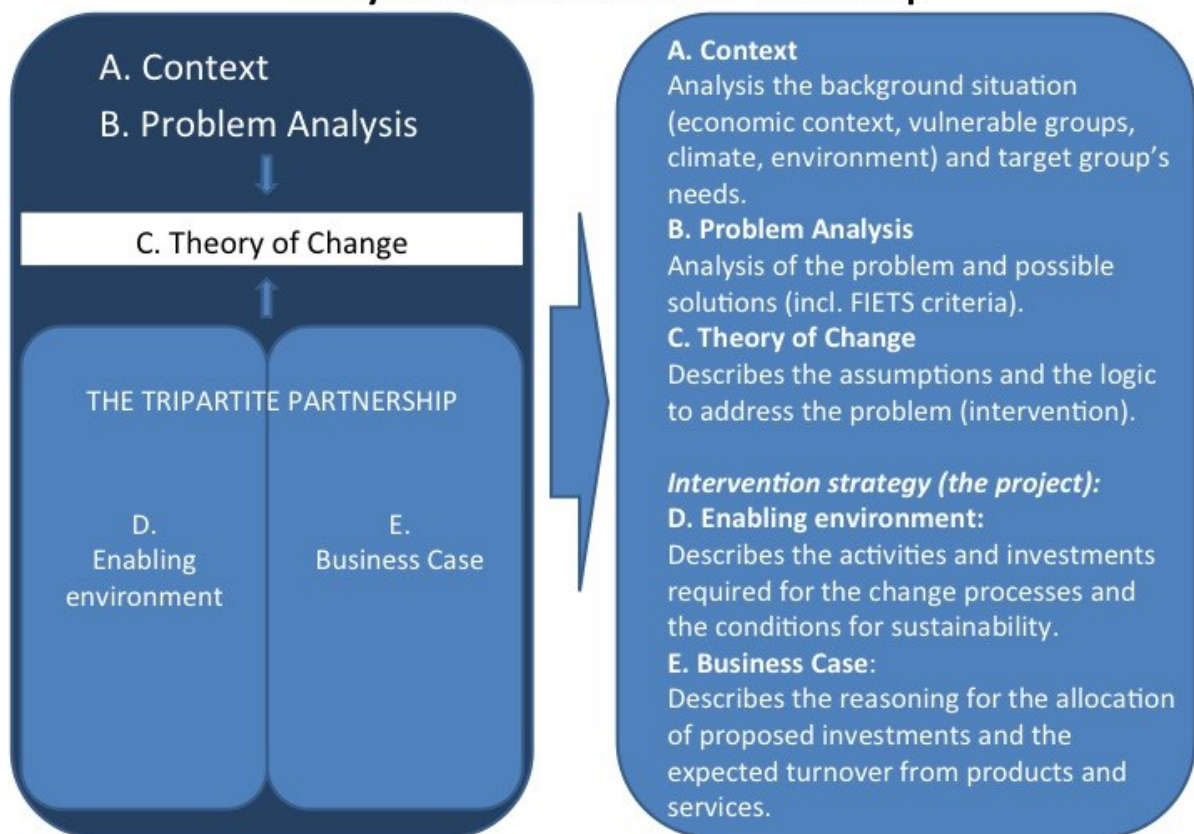
### ***1.4 Analytical framework and revenue model***

The analytical framework depicted below clarifies how an FDW project should be formulated. The project should be financially sustainable but, as a whole, the project or partnership does not have to be based on a business case (i.e. revenue model).

## **Analytical framework of the partnership**



## Analytic framework of the Partnership



The project is situated in a particular context, which partly determines its success. Investments and activities in the PPP must have a sound economic basis and comply with the FIETS criteria. The target group – e.g. farmers, fishermen, households, SMEs – are expected to benefit economically from the project (e.g. higher yields, lower costs, positive health effects). The economic basis and issues relating to the crosscutting themes (environment, climate, gender and good governance) must be described in the contextual analysis (A) and the problem analysis (B), and translated into goals and results (in line with the FIETS criteria) by using a theory of change (C).

The intervention strategy describes the project activities and results in relation to the enabling environment (D) and the partner companies' business case (E).

- *Enabling environment*: change processes and enabling activities are often necessary for a project to succeed. This includes activities and supportive investments that are beyond the capacity of individual organisations and that touch on common interests, such as market development, multi-stakeholder dialogue, joint risk analysis for water management, institutional capacity building, a payment system for environmental services, management of upstream tributaries, etc.

- *Business case:* the revenue model (= business case) describes a company's business reasons for starting an activity (product, service). This requires a careful assessment of costs versus benefits (usually set out in a business plan or operations plan). It must also describe how the company will generate income from these products or services. The company is expected to make investments during the period of the PPP.

All the activities to be continued after the project period ends (maximum duration of 7 years) in order for the investments and structures to endure must be financially sustainable (the F of FIETS).

### **1.5 Innovation and flexibility**

Within the scope of the FDW, innovativeness is a quality that can apply equally to technologies, capital goods and processes. Innovation demands flexibility. This grants framework therefore facilitates flexibility so as to enable innovation.

In an innovative development process (e.g. a multi-stakeholder dialogue on river basin management, market development) some partners may not want to invest the full sum at the start of the project, preferring their commitment to be conditional on the results achieved (not yet willingness to pay but a willingness to invest). The FDW is not willing to support development at the beginning of a process and does not support problem analyses or market surveys. These must already be described in the project plan.

In order to enable innovation, investments may be spread over the course of the project and depend on previously defined results over time (milestones). Part of the sum must be invested at the start of the project and milestone-dependent investments during the course of the project must be laid down in an agreement with all the partners concerned, which must tie in with the project plan. The proposal and partners must satisfy all the general programme requirements when the application is submitted, and all partners' contributions must be committed (willingness to invest). If the partnership does not lead to the intended interim results and/or investments (own contribution) are not made in full, the amount of the Ministry's grant will be adjusted accordingly.

## **2 Implementing organisation**

The Minister for Foreign Trade and Development Cooperation has charged the Netherlands Enterprise Agency (RVO.nl) with the implementation of these administrative rules. RVO.nl will implement these administrative rules on behalf of the Minister for Foreign Trade and Development Cooperation based upon a delegated mandate.

## **3 Own contribution and eligible costs**

### ***3.1 The grant and the partnership's own contribution***

An FDW grant constitutes a contribution towards the costs associated directly with the implementation of the project. Costs are only eligible for a grant if they can be directly attributed to the implementation of the project and if the obligations specified in the decision awarding the grant are met.

The grant will not exceed a maximum percentage (see below) of the eligible project costs up to a maximum of €4,000,000 subsidy. Applications for grants of less than €500,000 will not qualify. A partnership applying for a grant is required to make a minimum contribution (the required percentage is specified below) towards the total eligible project costs. At least half of this contribution must come from a company/companies. Higher contributions are encouraged.

The maximum FDW grant is currently 60% of the eligible costs for all countries. FDW strives to distribute the Fund's resources as evenly as possible over the various sub-themes to achieve a balanced portfolio of supported partnerships. To further encourage this, a lower minimum contribution rate applies for partnerships wishing to implement projects in the sub-theme 'improved river basin management and safe deltas'. Partnerships' minimum contribution for the different sub-themes, as a percentage of the total project budget, is as follows:

<i>Sub-theme</i>	<i>Partnership's contribution</i>	<i>Grant</i>
Improved access to clean drinking water and sanitation	40%	60%
Efficient water use, especially in agriculture	40%	60%
Improved river basin management and safe deltas <sup>1</sup>	30%	70%

<sup>1</sup> *At least 75% of the project budget and results should relate directly to the sub-theme 'improved river basin management and safe deltas'.*

The partnership's contribution must come from other sources than the Ministry of Foreign Affairs and may include other grants, loans taken out by partners, and third-party donations to or investments in partners or the partnership.

### **3.2 Eligible costs**

The costs of capital goods (hardware) and technical assistance (TA) are eligible for grants. The costs of purchasing, renting or leasing existing buildings or land are not eligible. The costs of capital goods will not be eligible for a grant until Result 1 of the grant decision (see section 5.2 inception phase) has been completely and successfully achieved. The rate partners may charge for TA provided in the FDW project is based upon the standard Dutch method of "wage costs and a 50% mark-up". RVO.nl takes 1 FTE to equal at least 1550 workable hours per year. This will be checked by RVO.nl.

Costs of capital goods (hardware) eligible for a grant are:

- investments in durable capital goods that are necessary for implementing the project;
- investments in new common infrastructure or improvements to existing infrastructure, excepting normal maintenance;
- mandatory levies on the acquisition of capital goods, excluding VAT (Delivered Duty Paid).
- the costs of capital goods that directly benefit individual households in the target group are only eligible for a grant if it can be demonstrated that:
  - the capital goods do not distort the market;
  - the capital goods are of good quality in relation to their price;
  - the capital goods meet the needs and requirements of the target group (appropriate technology);

- this is necessary in order to reach the most vulnerable groups. However, the requirements with regard to economic sustainability and/or the revenue model still apply.

Costs of technical assistance (TA) eligible for a grant are:

- costs of project management, including the costs of activities such as organising meetings, drawing up business plans and reporting;
- costs of monitoring and evaluating the project, either internally or by an external party;
- project-related operational costs, namely the demonstrable costs of maintaining all or part of the product or service delivered by the project throughout the agreed project period. This does not cover operational costs relating to business activities;
- costs of other TA, including knowledge transfer and training of staff within the PPP and third parties, quality or ICSR certification (e.g. ISO certification and environmental certification), permits, marketing and advice.

TA also includes activities and investments that are beyond the level of individual organisations and that concern the partnership's common interests, such as multi-stakeholder dialogue, market development, joint risk analysis for water management, institutional capacity building, a payment system for environmental services, management of upstream tributaries, etc.

Both types of investment must ultimately contribute towards the financial sustainability of post-partnership activities.

The following items are not eligible for grants:

- costs incurred before the starting date and after the end date of the project. The starting date of the project may not be earlier than the date on which the application is submitted;
- costs of the FDW grant application;
- costs of borrowing and interest payments;
- costs incurred for purchasing, renting or leasing existing buildings;
- costs incurred for purchasing, renting or leasing land;
- cost of research and development (R&D);
- operational costs, excluding project-related operational costs;
- sales tax or value-added tax (VAT);
- contributions in kind from local government authorities;

- costs incurred by third parties, i.e. costs that are not reimbursed or paid by partners in the PPP;
- costs resulting from inflation and exchange rate fluctuations;
- the costs incurred by public partners that are related directly to the implementation of their primary public tasks. The role and contributions of public partners, either cash or in kind, must be clearly described in the proposal, but should not be included in the project budget.

Individuals in the FDW target group cannot be partners in a PPP, nor can their economic growth or loans be capitalised as part of the partnership's 'own contribution'.

**Additional requirements with regard to the eligible costs of a Revolving Fund**

- I. The applicant can apply for a grant for a project that comprises, as one of its elements, a revolving fund (RF). When the project ends, RVO.nl will establish the definitive grant amount and make a decision on the part of the grant awarded for the RF based on the RF's performance and effectiveness.
- II. The partners in the project can apply for a grant towards the costs of technical assistance, information and marketing connected with developing and managing the RF.
- III. In the project budget, the Ministry will contribute up to 60% of the capital required for the RF, up to a maximum amount of €250,000 subsidy. The partnership must contribute at least 40% in cash (i.e. in the form of money). The amount of capital injected into the RF and its effectiveness will have to be established satisfactorily with a combination of goals and results indicators. This will be checked by RVO.nl.
- IV. The PPP partners that may commercially profit share an equal risk in the RF. The Ministry does not cover risks beyond the total amount of the provided grant.
- V. Loans (and other financial products) and interest charged to the target group must be in conformity with market rates to avoid distorting the local market and to ensure financial sustainability.
- VI. In the context of the RF, capital goods for individuals in the target group – financed with a loan – are not eligible for a grant.
- VII. The RF loan cycle will be taken into account in assessing the size of the RF budget.

Under article 9 of the Ministry of Foreign Affairs Grants Decree, a grant will be refused if the application is submitted after the activities have started.

For the record, it should be noted that if activities are carried out in preparation for the project before submission of the application, this will not lead to refusal to award a grant, but the costs will not be covered by the grant.

## **4 Application and assessment procedure**

The assessment of applications for Sustainable Water Fund grants will take place in two stages, resulting in a decision on the allocation of resources to the applicants. Applications are to be submitted to RVO.nl, which will decide on them on behalf of the Minister.

Contrary to the previous call in 2012, the procedure has been divided into two stages: an informal preliminary stage and the formal assessment stage. This should reduce the throughput time of the formal stage. The informal stage provides a low-threshold opportunity for potential applicants to receive guidance on improving the quality of proposals. The dialogue at this stage is based on a Concept Note. The formal assessment begins after submission of the complete project proposal. The formal procedure has not changed and results in a decision on the grant application.

### **4.1 Procedure**

#### **4.1.1 Preliminary phase and substantive dialogue**

The preliminary phase is informal and voluntary. It is intended as a service to potential applicants and may consist of intensive guidance if so desired. Potential applicants can discuss their proposal with RVO.nl from the moment the call is opened up to 2 weeks before the deadline for the formal submission of proposals. Appointments are scheduled depending on how promptly the applicant requests a dialogue and on the availability of RVO.nl staff. Potential applicants wishing to engage in a substantive dialogue with RVO.nl must submit a Concept Note drawn up using the standard template (see <http://english.rvo.nl/fdw>), as it forms the basis for the dialogue (intake and follow-up talks). The potential applicant is then assigned an account manager. RVO.nl may consult independent external experts before giving an oral response to the Concept Note and the applicant's questions. It does not confer any rights.

The Concept Note is not assessed formally, so the project idea set out in it cannot be rejected. RVO.nl will however give a general indication of whether or not the proposal largely satisfies the grant criteria. A PPP may always formally submit its application, irrespective of the feedback given by RVO during the informal stage.

No rights can be derived from the outcome of the preliminary stage in respect of the decision making at the formal assessment stage.

#### **4.1.2 Formal procedure**

FDW applications must be submitted for assessment to RVO.nl. Applications that do not satisfy the formal requirements (see section 4.4) will not be processed further.

Applications that satisfy the formal requirements go on to the assessment procedure. RVO.nl assesses whether the application meets the threshold criteria, the partnership check and the project check. Only applications that meet all the threshold criteria are processed further. The project check and partnership check are used to assess whether the quality of the project and partnership are sufficient.. More information on the threshold criteria check, the partnership check and the project check can be found in section 4.5.

The Dutch embassies advise on the quality of the project proposal and the quality of the project partners. RVO.nl may also opt to submit a proposal to external experts for advice during the procedure, or a representative from RVO.nl may interview the partners or suppliers to the project. If necessary, RVO.nl can independently contact the project partners for more information on the application.

RVO.nl will submit its assessment of the proposals to an independent FDW advisory committee appointed by the Minister for Foreign Trade and Development Cooperation. The committee advises the Minister on the outcome of RVO.nl's assessment of FDW grant applications.

The opinions of the embassies and the advisory committee will weigh heavily. If their advice is not followed, reasons for not doing so will be given. Under the mandate of the Minister for Foreign Trade and Development Cooperation, RVO.nl will decide on the grant applications.

#### **4.2 Allocation of available resources**

The second call for proposals has an overall grant ceiling of €30 million subsidy. The allocation of available resources takes place at the end of the assessment process. Applications with a sufficient score on the project and partnership check will be ranked according to their results in the partnership and project checks. Applications which perform well against the project and partnership check criteria will have a higher score, and thus a



higher ranking, than applications which are less successful in this respect. The allocation of available resources will take place according to the ranking, ensuring that only applications of sufficiently high quality receive a grant.

The ranking will be based on:

- the outcome of the project check, including positive results for the target group in relation to the grant amount requested, the project's policy relevance, the intervention strategy and the project's score on the sustainability criteria (FIETS criteria);
- the outcome of the partnership check;
- extra points awarded for activities in partner countries.

An applicant (= lead party) may submit multiple proposals, but no more than two can be awarded FDW grants. Only the two proposals with the highest position in the above-mentioned ranking may be awarded depending on the availability of resources.

If insufficient resources are available for all satisfactory applications to receive a full grant, these applications, the allocation of resources will be done according to their ranking based on the results in the checks. In the final allocation of resources, grants will be awarded to the highest ranking applications until the available resources are exhausted. It is therefore possible for a project to attain a satisfactory score, but still be rejected because the budget available is insufficient for it to be awarded a grant.

### **4.3 Guiding principles**

The provisions of the General Administrative Law Act, the Ministry of Foreign Affairs Grants Decree and the Ministry of Foreign Affairs Grant Regulations 2006 are fully applicable to the assessment of applications and the award of grants. Applications will be assessed in accordance with the above legislation and pursuant to the requirements set out in these administrative rules. The administrative rules laid down in the Standard Framework for Development Cooperation also apply. If the administrative rules applying to the Sustainable Water Fund deviate from the Standard Framework for Development Cooperation, the former will prevail.

#### 4.4 Formal requirements

Applications that do not satisfy all of the formal requirements listed below will not be processed further, subject to section 4:5 of the General Administrative Law Act.

- The formal closing date for applications for the second call of the Sustainable Water Fund is 15:00 (CET) on 30 June 2014.
- With regard to the application procedure, particular attention is drawn to article 7, paragraph 3 of the Ministry of Foreign Affairs Grants Decree. If an incomplete application is submitted, the Minister may request a supplement. In this case, the date of receipt of the application will be the date on which the application was supplemented. In the event an application is submitted in the two weeks before the formal closing date, the applicant runs the risk that the minister will not use his right to request a supplement because this is no longer feasible before the deadline. In that case the application will be assessed as it was submitted.
- Applications must be delivered in person or by post to:

<b>Address for visitors</b>	<b>Correspondence address</b>
RVO.nl, attn FDW Prinses Beatrixlaan 2 The Hague	RVO.nl, attn FDW Postbus 93144 2509 AC Den Haag

- Along with the application on paper, an electronic copy must be submitted on a digital storage device with USB connector (USB key). The electronic copy must be submitted in accordance with the instructions given in the application form.
- The application form must state the name of the applicant and be signed by the applicant's authorised representative.
- In addition to the applicant, all other project partners must also sign the project proposal. Please note, however, that if the grant is awarded, the applicant is the sole grant recipient and bears full responsibility for the fulfilment of all obligations, regardless of who carries out the project activities.
- A written cooperation agreement signed by all participating parties must be submitted with the application form, guaranteeing their cooperation and compliance with the agreements made. The agreements include that the participating parties commit themselves to the project objectives, activities, the intended results, the required own contribution as well as fulfilment of the obligations towards the minister in respect of the grant.

- The project partners must declare that they are aware of and will act in accordance with the OECD Guidelines for Multinational Enterprises on international corporate social responsibility,, the ILO Declaration on Fundamental Principles and Rights at Work and the UN Convention on Biological Diversity. More information about these documents can be found on the RVO.nl website.
- The applicant must declare that the activities for which a grant is requested are not on the Entrepreneurial Development Bank (FMO) exclusions list. There is a link to this list on the RVO.nl website.
- Applications must be submitted in English.

#### **4.5 Assessment criteria**

Applications that satisfy the formal requirements go on to the assessment procedure. FDW applications will be assessed according to the threshold criteria (minimum criteria), and criteria relating to the quality of the partnership and the project. This will result in a decision on the FDW application.

##### **4.5.1 Threshold criteria check**

Applications that do not satisfy all of the criteria below will be rejected:

- The PPP is focused on at least one of the FDW sub-themes and does not fall under the focus of the Ghana WASH Window.
- The PPP consists of activities in at least one of the countries listed on the country list (see <http://english.rvo.nl/fdw>).
- The PPP consists of at least one public body, one company and one NGO. At least one of the parties has legal personality under Dutch law and legal residence in the Netherlands, and at least one party must be based in the country which is to benefit from the activity.<sup>6</sup>
- All the parties in the partnership must have legal personality.
- The financial contribution made by the partnership covers at least 40% (for sub-themes 1 and 2 in paragraph 1.1) or at least 30% (for sub-theme 3 in paragraph 1.1) of the eligible project costs. This contribution may not come from grants awarded by the Ministry of Foreign Affairs, directly or indirectly.
- At least half of the own contribution comes from private sector resources.

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<sup>6</sup> In derogation from the Standard Framework for Development Cooperation, parties other than not-for-profit civil society organisations that operate internationally are eligible for grants.

- At least 2% of the project budget is reserved for project monitoring and evaluation.
- Projects with a project budget exceeding €5,000,000 must be evaluated by an independent party. The costs of this external evaluation must be included in the project budget. The final draft report must be submitted to RVO.nl in due course.
- Throughout its duration, the project may not be commercially viable according to the OECD-DAC criteria. This must be demonstrated using a standard calculation model (<http://english.rvo.nl/fdw>).
- The intervention must be financially sustainable. An intervention is financially sustainable if it can endure without an FDW grant or any other grant from a foreign donor once the project period ends. This must be demonstrated using a standard calculation model (<http://english.rvo.nl/fdw>).
- The proposal must make clear that the project will not distort the market in the partner country or in Europe.
- The project does not involve initiatives aimed wholly or partly at proselytisation.
- The minimum grant application is €500,000 and the maximum is €4,000,000 subsidy.
- The grant requested is for a maximum period of 7 years.
- Companies must have a good reputation in terms of ICSR. The participating companies will submit a document setting out their ICSR policy (in accordance with OECD guidelines) with the grant application or will draft one during the project period (proportionate to the size of the company concerned, to be assessed by RVO.nl).
- The partners must have sufficient funds at their disposal to finance their own contribution and the working capital for the project. A number of guidelines that RVO.nl will use to assess this are included in the model application form.

#### **4.5.2 Project check**

The project check assesses the quality of the project proposal against a number of criteria. Projects whose quality is judged to be insufficient will be rejected.

The project check contains the following criteria:

1. *Policy relevance*: the extent to which the project is relevant to policy (minimal 5 points). This is assessed on the basis of the following factors:
  - the extent to which the project contributes to sustainable inclusive growth by enhancing water security and water safety in partner countries;
  - the extent to which the proposal includes a clear and accurate problem analysis of the social, economic and political factors in the country and area on which the project

focuses, offers a logical response to that analysis and discusses alternative solutions;

- the extent to which the project activities are aligned with or complement government policy in the target country and Dutch development policy on FDW sub-themes, existing programmes and activities;
- the extent to which the project complies with local legislation, including environmental impact assessment (EIA) regulations. If an EIA has been performed the final report should be submitted to RVO.nl;
- the extent to which the project delivers positive results for the target group, including vulnerable groups in society, and is tailored to their existing needs and wishes.<sup>7</sup> The target group should be involved in the project. This also includes an assessment of the ratio between results and the requested grant.

2. *Intervention strategy*: the extent to which the project is based on a high-quality, logical intervention strategy, integrating sustainability. This is assessed on the basis of the following factors:

- the extent to which the proposed project is based on sound contextual and problem analyses of economic conditions, environmental and climatic factors, and vulnerable groups (economic basis). The target group must be clearly identified and their wishes and needs described in a qualitative and quantitative manner. The intervention strategy is based on a detailed theory of change;
- the extent to which the proposed intervention strategy ties in with the local situation and the project's objectives;
- the extent to which the proposed intervention is technically and socially feasible;
- the extent to which the project is innovative, for instance by incorporating innovative processes or products;
- *business case / revenue model*: throughout its duration, the project may not be commercially viable within the project period (according to OECD-DAC criteria). The extent to which the business case generates sufficient turnover (comprising income, grant and own contribution) to finance management and maintenance and pay financial expenses.
- Only projects in the area of water management may be trans-boundary. The proposal must clearly explain the added value of any trans-boundary activities.

3. *Sustainability*: the extent to which the project is sustainable including ICSR. Sustainability is assessed using the FIETS criteria. The project must be sufficiently financially, institutionally, ecologically, technically and socially sustainable, and address

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<sup>7</sup> In accordance with the Dijkers motion (32605/28) and the EI Fassed motion (32605/34).

the cross-cutting themes of gender (women), good governance, climate and the environment. Sustainability must be incorporated into the system for monitoring and corrective action.

4. *Quality of the project plan:* the project should be described clearly and in a logical manner. This is assessed on the basis of the following factors:
  - the extent to which the project is expressed in terms of activities, outputs and outcomes (see appendix 4);
  - the extent to which there is a clear link between activities, outputs, outcomes and necessary resources;
  - the extent to which the envisaged outcomes, outputs and resources are specific, measurable, achievable, relevant and time-bound;
  - the extent to which the project anticipates concrete results.
5. *Price-quality ratio.*
  - *Scale:* the project should have a demonstrably significant one-off outcome, or demonstrably have the potential to reach a larger group of beneficiaries in the long run (impact).
  - *Price-quality ratio:* the project budget and the grant amount requested must be in proportion to the intended results. This will include an assessment of the partners' own contributions to the project budget and participating companies' share in this.
6. *Risks, monitoring and corrective action:* this is assessed on the basis of the following factors:
  - the project proposal includes a realistic analysis of the risks and mitigating measures. This will in any case include risks that could threaten the achievement of the envisaged project results;
  - the proposal must include a satisfactory system for monitoring and evaluation;
  - the extent to which ICSR risks are mitigated within the project. In cases where there is a medium to high risk profile the applicant will submit a project risk assessment, in accordance with the OECD Guidelines, of possible adverse effects in the project's primary supply chains, i.e. those providing the elementary raw materials and intermediate goods needed for the manufacture of the final product. If there is a real likelihood of non-compliance with the OECD Guidelines in these supply chains, the applicant must describe what measures will be taken to mitigate these risks and monitor compliance, and how this information will be made available to interested stakeholders (due diligence process). If the risk assessment cannot be completed before the start of the project, the applicant must indicate this in its proposal and deliver the missing elements of the assessment as part of Result 1.

## Revolving fund

The following criteria must be satisfied if the grant application concerns the setting up and implementation of a revolving fund (RF). A partner may also set up and implement the RF without using grant funding.

### 1. *Criteria relating to the RF's target group*

- The PPP and the RF must produce a net improvement in the target group's situation and may not result in an unacceptable debt burden for the beneficiaries (loan applicants).
- The loan should be repayable within the period of the PPP.

### 2. *The RF must have legal status and must have an existing microfinance institution (MFI) as a project partner.*

- At least one MFI must be directly involved in the RF, which must have legal status.
- Only an existing, legally registered institution with the status of financial intermediary for microfinance and possessing the necessary licences may act as such vis-à-vis the target group.
- The RF must be linked specifically to investments relating to one of the FDW sub-themes, and must demonstrably supplement the existing MFI portfolio.
- Legal responsibility and ownership/management of the RF must be clearly laid down.
- Separate accounts will need to be maintained and separate financial reports are submitted.

### 3. *A revolving fund must be a necessary and proportionate instrument and must in time be self-supporting.*

- *Dealflow*: demand for and sustainability of the RF must be apparent from the number of anticipated deals involving financial products (region, number of potential and expected clients, repayment percentage, etc.).
- *Self-supporting*: an RF is self-supporting if it can continue operating without follow-up grants after the project period has ended (up to 7 years). The instrument's potential continuity should be demonstrated by means of long-term financial forecasts. The proposal should provide information on the investment conditions, the targeted yield, expected profit and loss, administrative costs, inflation, etc. A reserve may be built up to ensure the RF can be continued ('equity capital') after the PPP project period ends.
- *Proportional*: the investment costs connected with the setting up of the RF must be in reasonable proportion with the expected dealflow and effectiveness.

The performance and effectiveness of the RF will be measured on the basis of the number of financial product deals made and the number of households and SMEs served, as well as the results achieved in terms of the target group, e.g. the positive effects of purchased capital goods. This should be quantified in the proposal so that it can subsequently be monitored and reported on.

- *Conformity with the market*: Loans (and other financial products) and interest charged to the target group must be in conformity with market rates to avoid distorting the local market and to ensure financial sustainability.

Information regarding the costs of an RF that are eligible for a grant can be found at the end of section 3.2.

#### **4.5.3 Partnership check**

The partnership check is carried out on the basis of criteria relating to the quality and efficiency of the partnership applying for a grant. If the quality of the partnership is judged to be insufficient, the proposal will be rejected. The partnership check contains the following criteria:

1. *The capacity of the partnership*: the capacity of the partnership is assessed by examining the capacity of the individual parties. This is assessed on the basis of the following factors:
  - the extent to which project partners have relevant expertise and say (on cooperation, the theme and the context in which they will be operating, and if relevant on local policy and regulations). An examination of the parties' track record over the past three years should show that they are capable of achieving planned outputs and outcomes, of obtaining the contributions from third parties necessary for the implementation of the projects, and of ensuring the sustainability of projects vis-à-vis the ultimate target group. The project complements the project partners' existing activities and strategies;
  - the extent to which the partnership has at its disposal sufficient capacity in the areas of project management, governance, monitoring and evaluation, and financial and administrative management to successfully carry out the project and account for its performance.



2. *The added value of the partnership*: it is important that the parties demonstrate that they will be implementing the project together. The proposal should show why and how the partnership has more value for the substantive goal of the project than individual applicants would have. This is assessed on the basis of the following factors:
- the extent to which the partnership has strategic added value (for the development objectives). The project plan demonstrates the strategic added value of the partnership, which may lie in various factors, including synergy (thematic specialisation), efficiency gains (internal functioning of the partnership) or product/process innovation;
  - the extent to which the partnership is based on a feasibility analysis. This analysis examines at any rate: the success and risk factors and/or the partnership's strengths and weaknesses. The feasibility analysis identifies risks and contains concrete measures to control them.

#### **4.6 Points system for the partnership and project checks**

A total of 100 points can be scored in the partnership and project checks. Points are awarded as follows.

<b>Total number of points</b>	<b>100</b>
<b>Project check</b>	70
<b>Partnership check</b>	30

There are minimum scores for both the project and partnership checks. Proposals that do not meet the minimum number of points (score) on one or both checks will be rejected. The minimum scores for the project and partnership checks are presented in the table below.

Within the project check, satisfactory scores must be attained on the components policy relevance, intervention strategy and sustainability (FIETS). If not, the proposal will be rejected, even if more than the minimum number of points were attained on the project check and the partnership check.

<b>Minimum scores required</b>	
<b>Project check (total)</b>	40
<b>Partnership check</b>	18

In addition to the 100 points that can be awarded for the project and partnership checks, five extra points will be awarded for proposals for activities in one of the development partner countries.

<b>Bonus points</b>	
<b>Partner countries</b>	5

## **5 Decision on the grant application, and implementation**

### **5.1 Decision on the grant application**

A decision on the grant application will be taken within 22 weeks of the submission deadline. RVO.nl will inform partnerships of the decision taken. Applicants who are not awarded a grant will be informed of the reasons for rejection.

### **5.2 Administrative burden**

Based on a standard calculation, the administrative burden for applicants is estimated to be 0.4% of the total grant budget. This figure refers only to administrative burdens associated with the grant applications, as the administrative burden associated with implementation and accounting can be incorporated into the project. There are various measures in place to help keep the administrative burden as light as possible. For example, informative meetings and intake interviews are offered, while the procedure as a whole and the application forms have been simplified in response to feedback received following the first call for the Sustainable Water Fund.