

Sustainable Water Fund

Presentation findings Mid-term Review

(Very) Fast Track Version

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Main issues

1. Overall objectives MTR FDW
2. Basics
3. Methodology
4. Dual objectives FDW
5. Conclusions on effectiveness distribution projects
6. Promoting partnerships
7. Classification FDW projects as potential game changers
8. Future options
9. Some specific recommendations

Objectives MTR FDW

1. **Relevance and effectiveness**

- Provide insight into the present portfolio
- Its potential to contribute to the development objectives

2. **Institutional arrangements & efficiency:**

- Assessment of the operational aspects of the Sustainable Water Fund

3. **General conclusions MTR**

- **Relevance: high**
- **Effectiveness: moderate but improving**
- **Institutional arrangements & efficiency: moderate to fair and improving**

Some Basics

- **A total of 133 projects applied for funding under call 1 and 2**
- **23 projects in 18 countries of which**
 - Improved access to drinking water and sanitation (16)
 - Efficient and sustainable water use, partic. in agriculture (5)
 - Safe deltas and improved basin management (2)
- **Total budget euro 140 million with 75 million grant component**
- **140 partners of which 1/3 of partners are Dutch**
- **Average number of partners per project is 6**
- **Average project time span 4,5 years**
- **Total number of people reached more than one million**
- **In 14 projects drafting of broad array of plans (e.g. climate change adaptation, catchment protection, sustainable O&M)**

Methodology

1. Inception; data gathering, analysis and reporting

2. Phase of data gathering

3. Country and project selection

- Numbers
- Why?
- How?
- Transparency
- Assessment tool as guide for discussions

4. Some basics

5. Representativeness 12 projects selected

Dual objectives

1. **Main objective:** contribute to sustainable inclusive economic growth by improving water security and water safety through PPPs
2. **Useful dual objectives FDW but tension;**
 - *A. Enabling environment:* Added value in solving constraints to achieve development goals Beyond capacity of individual organisations and touch on common interests (large majority of projects)
 - *B. Engaging the private sector through revenue based products and services:* subsidizing activities leading to revenue based models and additional investments in the sector (e.g. where market fails because of too high risks)
 - *C. Some confusion in interpretation and appraisal of projects*
3. **Development goals with key issues like poverty alleviation, inclusiveness, pro-poor and sustainability get less attention**

Conclusions on effectiveness of distribution of projects

➤ Dominance drinking water sector

- Quality of proposals
- For water utility company FDW ideal instrument (1% norm)

➤ Underrepresentation sanitation and WRM because

- Financial sustainability and risk taking conditions and criteria for FDW grant favor less complex projects
- Rules and returns for private commercial investment barrier
- No VEI type of organization in the Netherlands

➤ Specifically for WRM:

- Numbers
- 1) WRM public domain;
- 2) level of funding required high;
- 3) interventions and development trajectory long and complex and less interesting for private sector;
- 4) high risks;
- 5) 30% own contribution too high

Promoting partnerships

1. Three levels of partners

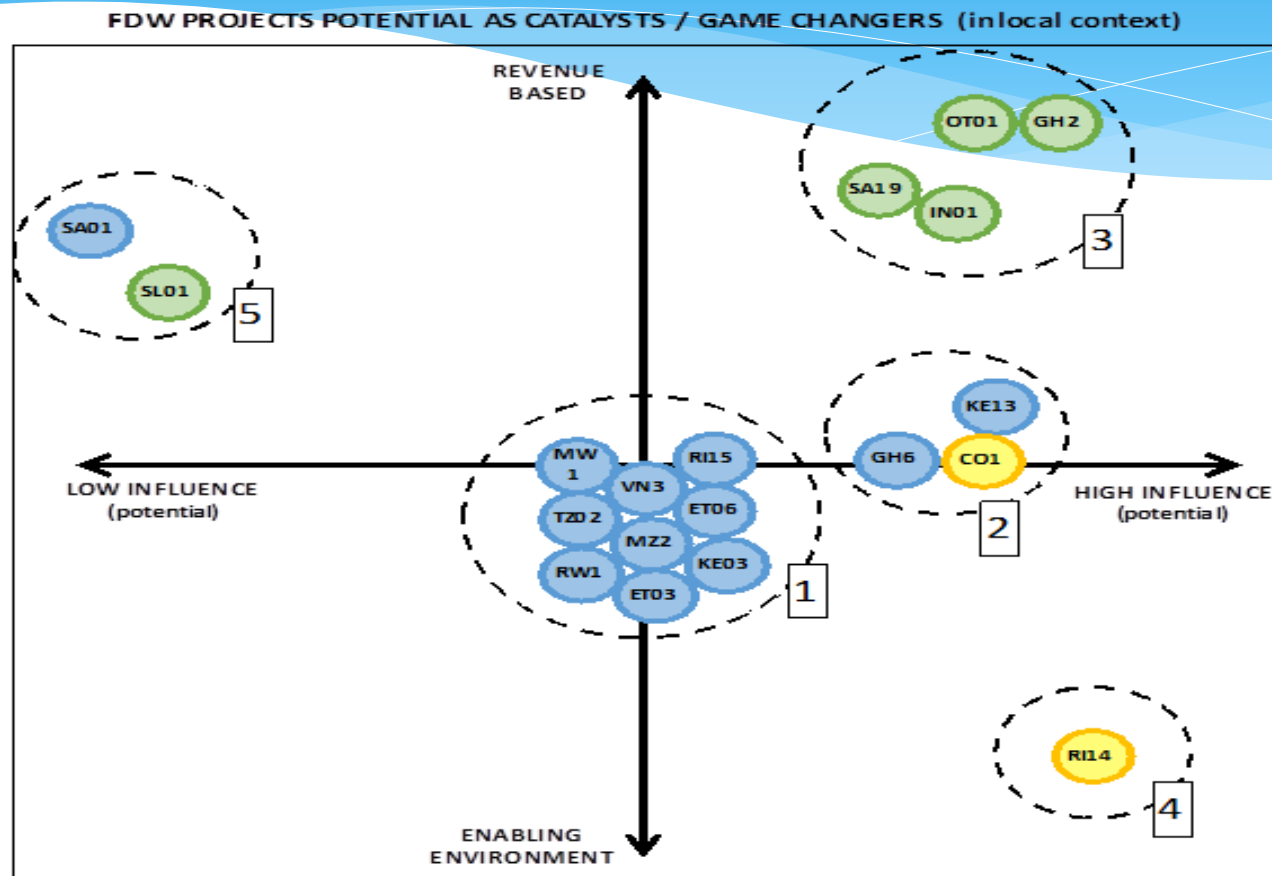
- **Strategic partners**
 - responsible for delivery of water products and services (e.g. water utilities, companies with direct interest in continuity)
- **Enabling partners**
 - responsible for licensing and regulating strategic partners and facilitating partnership (e.g. local government, water authorities, river basin committees)
- **Support partners**
 - assist in investment and operations, but not responsible for sustained delivery (e.g. consultancy firms, knowledge institutes)

Inflated definition (inherent to water sector); overestimation role private sector; lack of understanding real private sector and its potential contribution

2. Key partners for project implementation

- Only strategic partners essential for project and sustainability
- They represent 30% of all partners
- All strategic partners are local
- Strategic partners should preferably be lead partner
- Not quantity but quality partnership counts

Classification of FDW projects with respect to their potential as water sector game changers



SUMMARY FUTURE OPTIONS

	Subject	What to do; FDW formulation
Future options	<p>1. More of the same, but better: Projects do not sufficiently address development goals, while FDW is primarily and essentially a development cooperation fund. Just improve upon (same) existing programme mix but with more attention to DGIS key values and implementation with the following three sub-groups:</p>	
1.1.	<ul style="list-style-type: none"> Projects have potential, but potential not sufficiently pursued. 	<ul style="list-style-type: none"> Emphasize on quality of change logic, relevance results and operational plan
1.2.	<ul style="list-style-type: none"> Projects have little potential (fundamentally or small impact on solving underlying problems) 	<ul style="list-style-type: none"> Higher weight to development goal criteria, make criteria conditional, link criteria to other initiatives
1.3.	<ul style="list-style-type: none"> Select type of projects which have by definition higher potential for achieving development goals linked to inclusive economic development 	<ul style="list-style-type: none"> Favor projects with private sector involved in productive activities or public sector in socio-economic development.
Future options	<p>2. Structural adjustments: more focus on non-drinking water sub-sectors, private sector, revenue based models and game changers</p>	
2.1.	<ul style="list-style-type: none"> More focus on sanitation, waste water treatment, solid waste management 	<ul style="list-style-type: none"> Reduce high business risk under FDW (difficult for SMEs) Allowing more diverse and innovative private finance as own/private contribution; Trace target group (not in NWP and DGIS/FDW picture) Improve competitiveness (reduce advantages drinking water utilities)
2.2.	<ul style="list-style-type: none"> More focus on coastal development and WRM 	<ul style="list-style-type: none"> Increase level of funding, extend timespan, allow revenue based models based on socio-economic benefits, private sector to consist of risk taking investment funds rather than commercial companies.
2.3..	<ul style="list-style-type: none"> Private sector to be increased 	<ul style="list-style-type: none"> Identification and inception phase to be financed Identify private sector in local context
2.4.	<ul style="list-style-type: none"> Revenue based water sector products/services to be increased. Best ways to make water sector financially sustainable 	<ul style="list-style-type: none"> Private sector involvement to be increased (see above) Focus on system change within water utilities Better target the solid waste and sewerage sub-sectors Strong role public sector together with private sector

Some specific recommendations

- **Make choice regarding future options and implement consequences**
- **Development goals**
 - Should be explicitly incorporated in all dimensions of FDW framework and elaborated in inception phase
 - Insist on clearly elaborated pathway towards sustainability including milestones in **inception phase**
 - More clarity about engaging private sector: 1) definition and expectations; 2) business drivers for companies; 3) roles private sector; 4) risks and risk mitigation.
 - To engage private sector go local, go local, go local
- **Partnerships**
 - Distinguish between type of partners
 - Lead partner should be strategic
 - Not quantity but quality partnership counts
- **Management**
 - Choices regarding future options have consequences: e.g. 1) improvement and focus assessment procedures; 2) strengthening inception phase on contents; 3) adjust project plan and M&E with focus on quality and remedial actions; 4) provide flexibility in implementation; 5) get away from micro-management; 6) focus recruitment “proposals”
 - RVO provides aggregated data to enable DGIS to assess FDW policy and results

For more information: visit <http://english.rvo.nl/> for the summary of the MTR