



Netherlands Enterprise Agency



A decade of RVO management

The Sustainable Water Fund (FDW)

*A foot-operated water pump being used by women in the FDW-project
Sustainable O&M Model for Manual Pumps in Mali – The UDUMA concept.*



A fisherman practicing aquaculture in the FDW-project Building with Nature in Indonesia.

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Abbreviations

| | | |
|--------|---|--|
| AFMA | - | Anticipatory Flood Management in Alexandria |
| A2F | - | Access to Finance |
| CRMT | - | Covid-19 Risk and impact Mitigation Tool |
| CSR | - | Corporate Social Responsibility |
| EKN | - | Embassy of the Kingdom of the Netherlands |
| FDOV | - | Faciliteit Duurzaam Ondernemen en Voedselzekerheid / Facility for Sustainable Entrepreneurship and Food Security |
| FDW | - | Fonds Duurzaam Water / Sustainable Water Fund |
| FIETS | - | Financial, Institutional, Environmental, Technical, Social |
| GWW | - | Ghana WASH Window |
| G4AW | - | Geodata for Agriculture and Water |
| IGG | - | Directie Inclusieve Groene Groei / Directorate Inclusive Green Growth |
| IOB | - | Directie International Onderzoek en Beleidsevaluatie / Directorate International Research and Policy Evaluation |
| IWRM | - | Integrated Water Resources Management |
| KPI | - | Key Performance Indicator |
| MDG | - | Millennium Development Goal |
| MFI | - | Microfinance Institution |
| MENA | - | Middle East and North Africa |
| MoFA | - | (Netherlands) Ministry of Foreign Affairs |
| MOU | - | Memorandum of Understanding |
| MTR | - | Mid-Term Review |
| NGO | - | Non-Governmental Organisation |
| NSO | - | Netherlands Space Office |
| ODA | - | Official Development Assistance |
| PA | - | Project Advisor |
| PPC | - | Public-Private Collaboration |
| PPP | - | Public-Private Partnership |
| RVO | - | Rijksdienst voor Ondernemend Nederland / Netherlands Enterprise Agency |
| R&R | - | Roles and Responsibilities |
| SDG | - | Sustainable Development Goal |
| SDGP | - | Sustainable Development Goals Partnership |
| SME | - | Small or Medium-sized Enterprise |
| TA | - | Technical Assistance |
| UNICEF | - | United National International Children's Education Fund |
| VEI | - | Vitens Evides International |
| WASH | - | Water, Sanitation and Hygiene |
| WE4F | - | Water and Energy for Food programme |
| WOP | - | Water Operator Partnerships |

Executive Summary

In this report, the Netherlands Enterprise Agency (RVO) programme team reflects on a decade of implementing Sustainable Water Fund (FDW) projects in the form of public-private partnerships (PPP) in the field of water. The FDW aims to make a long-term contribution to water safety and security, sustainable economic growth, self-reliance and the fight against poverty in developing/emerging economies. It does this through collective initiatives between governmental bodies, the private sector and Non-Governmental Organisations (NGOs), as well as knowledge institutions in some partnerships. The focus is on improving access to drinking water, sanitation and solid waste management; realising efficient and sustainable water use, particularly in agriculture; and realising safe deltas and improved basin management.

Over the past decade, the FDW has invested a total of €150 million in 42 projects and partnerships in 24 countries, covering the three FDW sub-themes Water, Sanitation and Hygiene (WASH), including Waste; Integrated Water Resources Management (IWRM); and Water Efficiency in agriculture. This executive summary includes a selection of the most important observations, recommendations and considerations, arranged according to the different topics discussed in this report. The report is intended as a reflection document to stimulate further discussion but also possible future replication and contextualising of lessons.

*Dialogues on water management practices in FDW's Intelligent Water Management project in Colombia.
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Announcement of the UDUMA project in Benin.

Project selection, development and inception phase:

- Developing a more flexible procedure for future programmes will allow (more) room for adjustments during the inception periods of contracted projects, and for better exploration of interesting new concepts and ideas that otherwise might be lost (too) early in the selection process.
- A more phased approach and financing is required for future follow-up programmes to secure quality proposals that are realistic and interventions that are sustainable.
- Country-specific calls, which are grounded in strong problem/market analysis or involve external expertise, should be considered to increase focus and/or efficiency tailored to programme objectives.

Partnering & multi-stakeholder process:

- Establish realistic project expectations early in the project when it comes to the involvement of the local public partner. Be specific and allow for custom-made arrangements rather than a one-size-fits-all approach.
- Given the intrinsic long-term orientation of the FDW, it is important that the MoFA/RVO focus on quantitative KPIs does not steer the attention, time and resources of project partners to 'quick wins', but also looks at the relevant effects in the long term.
- For a successful partnership, both sound project management and an explicit focus on the partner brokering role are essential. RVO advisors and consortium partners could pay more attention to both.

Expectations & assumptions (programme design)

- We recommend that Corporate Social Responsibility (CSR) driven interventions and commercially viable projects be kept separate and not financed within a single programme. CSR-driven interventions may have a limited effect on transforming core business/value change and should be financed via a more traditional subsidy programme.
- Since concise and clear communication between RVO and partners is critical at all levels to be successful, internal programme communication should always have top priority with clear and concise messaging, proactively communicating/providing information to the partnerships, and ensuring the availability of the proper tools and instruments.

Financial sustainability

- Since financial sustainability should include operational and maintenance costs (OPEX) after project implementation, a new business approach (and subsequent plan) may have to be developed during and at the end of the project.
- Project activities should explicitly include activities (facilitated centrally or regionally by the lead partner) to ensure sufficient finance for clients, e.g. cooperation with MFIs.
- Post-project financing opportunities (scaling finance) or demands should be taken into account earlier in the process for private sector-oriented projects and look into the possibility of a more centralised (programme-level) financial brokering effort or TA, facilitated by RVO or external financial brokers.

Theme-specific observations

WASH innovations:

- Proposal assessments should draw (more) on local and international expertise to validate whether or not a proposed intervention is viable, to ensure that these market-based efforts do not lose their support base once non-market-driven approaches are (re)introduced in the same area.
- Take into account that inclusive design and in-depth understanding of social, economic and cultural contexts is a prerequisite to healthy business cases, as it was observed that overly tech-driven FDW innovations that do not explicitly relate to (local) user/client needs struggle to realise uptake of services.
- For the creation of a successful sanitation market, a diamond approach is recommended that addresses the entire (sanitation) value chain, whereby the ultra-poor, who do not have access to financing opportunities, will need continued support from government subsidies.

IWRM innovations

- Attracting specific kinds of projects (such as IWRM or much needed PPPs in flood risk management), or a more balanced selection of projects (within WASH, IWRM and Water Efficiency), in response to FDW calls can be achieved through more active communication.
- Future programmes should carefully address management, a different programme approach/strategy, as well as additional capacity (at project level) to achieve a more holistic approach and more integration of the three FDW themes.
- Pre-financing proposal development in IWRM projects (which can range from 6 months to 2 years) with an explicit requirement to focus on concrete implementation plans during proposal submission could be considered.

Water Efficiency innovations

- Drip irrigation should not be an isolated intervention to save/conservate water, increase production, modernise agriculture and enhance economic development, but should be implemented as part of an integral package of practices (e.g. wide spacing, mulching, crop varieties), while taking into account socio-economic factors such as maintenance and entrepreneurial infrastructure.
- IWRM should be an integrated component in all water-relevant projects – rather than maintaining the strictly siloed FDW thematic focus on WASH, IWRM, Water Efficiency – to ensure a holistic approach that considers not just the efficient use of water, but also water harvesting and the region’s water balance as a whole.
- The (future) climate change effects on FDW projects and their results, and potential mitigation measures, should be considered further, as these can cause premature closure of projects.

General programme management

- A 5-10 % unforeseen circumstances or (overall) 5-10% contingency fund in all project budgets in future programmes could be considered in order to address unforeseen project obstructions and to deal with the dynamics and risks observed in and around FDW projects.

An operator maintaining a water pump in FDW's Sustainable and Resilient Pro-poor Water Supply Project in Cebu, Philippines.



- To mitigate the significant risk partners run from only submitting a final audit, we recommend an audit at the end of the inception period at the latest, as well as a mid-term audit for projects new to RVO.
- For future programming, it is advisable to recognise the specific issue of wage costs with local public partners early in the development phase of both programmes and projects to avoid miscommunications and possible incorrect compliance with NL subsidy regulations.

Effects of Covid-19

The Covid-19 pandemic has affected FDW projects in various ways, including:

- Covid-19 is accelerating local international TA, because skilful and capable local people have also been trained by FDW-like projects.
- The Covid-19 Risk and impact Mitigation Tool (CRMT), introduced by RVO for partners' use, is a useful tool for assessing the impact of Covid-19 and stimulating action on mitigation.
- It was observed that Water Efficiency projects seem faster than WASH projects in transitioning to distant learning and seem better able to implement projects at a distance.

*Due to the significant variation in FDW projects, in thematic focus, geographical distribution and partnership constellation, **more generalised conclusions cannot be immediately applied to all FDW projects***

The accumulated knowledge that has resulted in this document will be presented to the Netherlands Ministry of Foreign Affairs (MoFA) in Q3 of 2022. Together with additional FDW knowledge agenda modules (e.g. PPP Experience Approach; Strengthening Partnerships; FDW Toolkit) these efforts will converge in a PPP knowledge conference planned for the end of 2022/beginning of 2023.

Due to the significant variation in FDW projects, in thematic focus, geographical distribution and partnership constellation, more generalised conclusions cannot be immediately applied to all FDW projects. As such, conclusions in this report should not be distributed and communicated without proper context description.

Introduction

In this report, entitled 'A decade of RVO management, FDW', the programme team of the Netherlands Enterprise Agency (RVO) reflects on a decade of implementing Sustainable Water Fund (FDW) projects in the domain of public-private partnerships (PPPs). The aim of these projects is to contribute to water safety and water security, thereby contributing to sustainable systems change (with a focus on pro-poor services) in developing countries. This approach resulted from a shifting Netherlands Aid and Trade policy agenda and increasingly involving market dynamics in development aid.

A decade of FDW programme experience has resulted in the unique situation of having worked in 24 countries, involving more than 40 projects and partnerships, and investing a total of €150 million. Our observations and lessons learned are of value to further improve future programmes and put the knowledge into practice in FDW projects currently under implementation. Whenever possible, we have translated the observations and lessons learned into clear recommendations for further consideration.

*Our observations and lessons learned are of value to further improve future programmes **and put the knowledge into practice in FDW projects currently under implementation***

First and foremost, this report acts as a reflection exercise, based on the observations made while implementing the FDW programme of RVO. This document provides an overview of the experiences of FDW Project Advisors (PAs) during the selection (within the tender procedures), facilitation, coordination, and monitoring of the FDW portfolio, and the collected knowledge, experience and lessons learned from the PPPs. These are therefore subjective reflections. This reflection process is continuous, and this report reflects the observations made up to the end of 2021, focusing on both project and programme level and elaborating on administrative, operational and more technical project aspects. Input has been collected over the 10 years in the form of individual PA communications, management and PA meetings, evaluation reports and studies (as part of the FDW support programme).

It should be noted that many FDW projects are ongoing and are still working towards achieving results. Lessons learned and greater insight into the results actually realised are still to come for those projects. This also applies to results in terms of working in partnerships, building the enabling environment and establishing business cases. This report is therefore not a conclusion, but part of a continuous reflection process.



Two women studying hygiene promotion materials in FDW's FINISH INK project in Kenya.

The observations in this report are generalised in cases where the same or a similar situation was encountered on various occasions. Individual situations are mentioned if reflections are significant. References are added to representative cases and projects to illustrate the issue addressed. Findings, recommendations, and suggestions for improvements are included if available and applicable. The authors recognise the fact that deriving generalised lessons from a broad spectrum of projects is difficult. Each situation is specific and requires a (near) individual approach and guidance (which in itself is an FDW lesson). It is important to note that this experience-based approach implies that it may not cover all reflections sufficiently, since the majority of the projects are ongoing and some are still in their early stages of implementation.

Many of the observations and suggestions presented here can only be integrated to a limited extent within the FDW programme and, as such, may have a small but still remarkable effect on the FDW programme and portfolio impact. However, the FDW team hopes that the FDW reflections presented may contribute to the overall development and impact of the Official Development Assistance (ODA) portfolio. Working in partnerships and involving all important stakeholders will always be a key component of any future programme, irrespective of the format.

This report is explicitly not a blueprint on ‘how to do public-private partnerships or collaboration’. It aims to provide practical and strategic suggestions for PPPs, and could therefore serve to improve existing processes, but even more so to improve interaction on new programming and funding decisions. We recognise that this is not a formal evaluation of the FDW portfolio projects, nor of whether the MoFA policy objectives are being or have been met.

Lastly, this report reflects an analysis of the management and project performance of an RVO-coordinated programme. We hope our observations and findings provide input for RVO’s ambition to constantly improve the quality of its services.

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The first sections of this document elaborate on the proposal and inception phase, partnering and multi-stakeholder processes, expectations and assumptions, and financial sustainability. This is followed by three sections on theme-specific observations, covering the three FDW sub-themes Water, Sanitation and Hygiene (WASH), including Waste, Integrated Water Resources Management (IWRM) and Water Efficiency in agriculture. The report closes with more overall observations on general programme management and the effects of Covid-19.

As mentioned, the report is an integrated part of the FDW learning agenda 2021- 2022 and is described in the approved 2021-2022 FDW annual work plan.

Introduction to the FDW programme

The Sustainable Water Fund (FDW) is a public-private partnership facility in the field of water, which aims to contribute to water safety and security in developing/emerging economies. The FDW aims to make a long-term contribution towards sustainable economic growth, self-reliance and the fight against poverty. In real terms, this means collective initiatives between governmental bodies, the private sector and Non-Governmental Organisations (NGOs). In some partnerships, knowledge institutions that focus on the following sub-themes could also be eligible for FDW support:

- Improving access to drinking water, sanitation and solid waste management;
- Realising efficient and sustainable water use, particularly in agriculture;
- Realising safe deltas and improved basin management.

All project development starts with the publication of the FDW call and policy rules in the 'Straatscourant'. Applicants are invited to initially submit concept notes. Full proposals are invited after RVO's concept note approval and selection according to set procedures.

Household member collecting water in FDW's Sustainable and Resilient Pro-poor Water Supply Project in Cebu, Philippines.



The average length of time from concept to full proposal is roughly three months. In total, the FDW has organised three calls (in 2012, 2014 and 2016/17). An average of 200 concept notes was received per call, 20 of which met the FDW selection criteria (1:10) and were invited to develop full proposals. The total number of project partners exceeds 150 in 42 projects that were granted subsidies.

Project and lead partners are responsible for project implementation and delivering results. Project duration averages 5-7 years with an average subsidy value of around €3 million and a total project value of €5 million. During project implementation, RVO administrates contractual arrangements and monitors progress of the projects on behalf of the MoFA. It also provides technical support to the implementing project partners and determines final grant agreements.

With 42 projects undertaken in 24 countries to date, WASH efforts have improved access to safe drinking water for over 2 million people, while 630,000 people gained access to improved sanitation. In 2026 (the end of the programme), those numbers are expected to rise to 2,900,000 and 700,000 people, respectively. The cumulative effects of IWRM efforts resulted in 65,000 people being protected against floods in the period until 2020, a number that is expected to grow to 720,000 by 2026. It is not possible to aggregate project-level results for Water Efficiency: each crop, soil type and technology has different efficiencies and the projects have not yet reported any significant results.

*With 42 projects undertaken in 24 countries to date, WASH efforts have improved access to **safe drinking water for over 2 million people**, while 630,000 people gained access to improved sanitation*

In terms of beneficial aspects, the FDW tender procedure (with concept notes and proposals) contributed to such aspects as:

1. Efficiency improvement in terms of outreach to a broad audience and the opportunity/ transparency to include new actors or stakeholders not yet engaged;
2. A pressure-cooker-effect, since the quality of proposals should be good (and based on earlier pilots) and partners need to commit their willingness to invest;
3. A clear decision-making project management structure and responsibilities;
4. Showing the usefulness of vouchers (to some extent) to support those with (a small grant for) promising concepts to further develop certain areas (i.e. business case).

A level playing field is an important consideration for the FDW programme. Since a pattern of recurring lead partners was observed in the three tender rounds, the FDW policy rules were refined in 2016 to allow only two proposals per lead partner. The programme objectives benefit from having a fixed group of well-established lead partners who have a strong track record of implementing RVO programmes, are financially sound and have strong management. Ideally, however, we would like a mixture of partners with a strong track record and the nurturing of new and emerging partnerships with innovative, new ideas and concepts.

Project selection, development and inception phase

Described in the different points below are our observations from the project selection, development and inception phases, including recommendations and considerations on how to improve.

1. More flexible selection procedures:

Due to the wide thematic scope (three themes) and extensive country list, many of the concept notes submitted needed to be assessed in a short time period. As a result, the FDW calls proved to be very labour intensive, while the project layouts were quite rigid. Although there was some room for adjustment during the inception periods of the contracted projects, the small amount of flexibility in the earlier FDW calls limited the possibilities to include significant changes and explore truly new concepts and ideas. The FDW team believes that many interesting project ideas become stranded (too) early in the selection process.



Recommendation: that a more flexible selection procedure be developed for future programmes, allowing room for adjustments and the exploration of new concepts and ideas.

Water collection from a household standpipe in the FDW-project FINISH INK Kenya.



2. Flexible financing based on partnership requirements:

The FDW calls (for subsidy) covered many goals with a single instrument. We realised, however, that different PPP project approaches may require different financial instruments and arrangements, depending on, for example, the commercial potential and status of a concept (i.e. a project that aims for sustainability and long-term impact may benefit from a more tailored project development and inception phase, and the use of a variety of instruments, rather than one subsidy model). Short inception phases work well where partnerships have: a) a proven track record, and b) existing multi-annual cooperation. PPP arrangements with new constellations of partners require about 1-2 years to develop a realistic and long-term strategy. This observation calls for the use of different financial instruments in different project development phases.



Recommendation: policy formulations should consider various financing possibilities with financial instruments tailored to different PPPs or stages of development to realise specific programme goals.

PPP arrangements with new constellations of partners require about 1-2 years to develop a realistic and long-term strategy

3. A different kind of tender procedure with phased financing, including proposal development, for PPPs to ensure a balanced portfolio:

Relying too heavily on a fixed group of well-established lead partners with a strong track record of implementing RVO programmes creates a risk of dependency on a limited number of partners, missing out on opportunities for new innovative partnerships and, as a result, missing out on innovative, new ideas and concepts. The high cost of proposal development, which is not financed by the programme but by the project partners themselves, poses barriers to entry – especially for relatively small actors. A condition and part of the assessment is that financial capacity is screened on solvency and other financial threshold criteria. As a result, partners with previous experience, their own financing or good partnership track records scored better in the selection procedures.

A different kind of development procedure could be beneficial, given the experimental nature of the FDW/PPP focus, and prevent certain (financial/investment) challenges within the partnership: partners are eager to start and do not understand why an inception phase and approval from RVO may take a long time (while delays often occur due to the incomplete submission of documents). While advance payments from RVO are often needed to start activities, partnerships with a strong (lead) partner (with sufficient financial resources and a good grasp of the RVO facility) are generally able to start activities earlier in the project process, even within the inception period (at their own financial risk).




Accessing a sanitation loan as part of the FDW-project FINISH INK Kenya.

! **Recommendation:** the creation of a balanced portfolio for future programmes with established and new lead partners, as well as funds for nurturing upcoming potential partners. To realise this, it would be beneficial to set up a system that does not exclude actors with limited means for financing proposal development. Some partnerships require a longer project development phase of 1-2 years before it is possible to identify the real issues and potential opportunities for collaboration (i.e. Navana water filters in Ethiopia and Vergnet Hydro WASH in Mali). A more phased approach and financing is required for future follow-up programmes to secure quality proposals that are realistic and interventions that are sustainable.

A two-track approach could be considered, whereby an incubator facility supports:


- The development of new PPPs and supports them in the proposal development process (1-2 years), including up-front financing to cover (part of) their expenses;
- A second accelerated financing track (max. 1 year) for mature PPPs and scaling up strong partnerships that have a demonstrated track record and require limited time for developing concrete proposals. This will allow partners to start earlier, so they can plan better, avoid delays in planning and execution, and minimize risks. A concept note phase (prior to proposal development) should be continued.

- 4. Country-specific calls involving external expertise to increase focus and efficiency:** While open calls for concept notes and proposals provide significant room for new ideas generated by the sector, a wide country and thematic spectrum has proven to be very demanding and cumbersome in evaluating PPP proposals properly in a programme like the FDW. Broad objective programmes require knowledge and capacity that may exceed RVO's in-house capacity.

 **Consideration:** it may be worthwhile to look closer at what the programme wants to achieve, by focusing on known challenges and issues in specific countries, which could require more work up front by RVO. Country- or region-specific calls, which are grounded in strong problem/market analysis or involve external expertise, should be considered to increase focus and/or efficiency tailored towards programme objectives.

“PPP programme design should allow for flexibility and adaptation of a project, while maintaining the focus on sustainability”

- 5. The flexibility to allow partnerships to grow and evolve:** PPPs are intrinsically meant to be initiated for long-term continuation, also after the project period has ended. Such objectives always require a more adaptive way of working, allowing the development and maturation of a partnership, compared to a relatively shorter-term project activity. Within the FDW, we have noticed that although long-term activities were the objective, the programme and projects were largely run as 'classic' projects, especially in the first two calls. Where the subsidy project asks for objectives such as the formulation of clear results and commitment to funding at the proposal stage, the reality is often that this needs to be developed during implementation itself (especially in more integrated and participatory processes).

 **Recommendation:** PPP programme design should allow for flexibility and adaptation of a project, while maintaining the focus on sustainability. Some flexibility is already inherently built into the FDW programme and partners can request (well-motivated) changes during the project period (after RVO approval) to ensure that project results and strategies remain relevant in changing contexts. A robust and adequately financed Monitoring, Evaluation and Learning (MEL) component should be built into each project and in the programme design. Currently, the focus is on monitoring and evaluation, but not always on the learning component. Learning by doing, and the willingness to improve is at the heart of this, rather than monitoring for accountability only. It is interesting to learn from the Sustainable Development Goals Partnership (SDGP) programme, in which an Impact Pathway approach is followed, allowing for greater flexibility.

6. Engaging EKN capacity is crucial in all stages of development:

For a programme to be successful, it is critical that it is well supported and aligns with or complements existing (decentralised) programmes or projects, as well as other donor/government-funded programmes. Embassies of the Kingdom of the Netherlands (EKNs), for example, play an important role, both in terms of evaluating FDW proposals (to ensure they are embedded in national and EKN strategies) as well as during project implementation (i.e. partners tapping into their network, policy dialogue, joining monitoring visits, etc.). The support of EKNs is needed to understand the local embedding of the project and how this can be improved. Especially when a ‘transformative change of the enabling environment’ is a project objective, the role of the EKN is absolutely critical. EKN staff members were asked to review proposals, participate during inception visits, and often joined the field trip as part of the proposal assessment. This support was highly appreciated, but their capacity to fully engage, also during implementation, was not always possible.

! **Recommendation:** FDW partners should ensure close, strategic connections with EKNs. The programme design should be realistic as to what degree EKNs can provide support during the various stages of the project cycle and where their capacity is limited. In such cases, alternative strategies need to be found, i.e. recruiting local experts to review proposals.

Mangrove restoration activities in FDW's Building with Nature project in Indonesia.





Promoting hygiene and creating demand for sanitation as part of the FDW-project FINISH INK in Kenya.

- 7. Ranking of policy criteria and objectives in wide-scope programmes, like the FDW:** The FDW requires partners to fulfil a broad spectrum of criteria (e.g. pro-poor, gender, climate) while at the same time contributing to sustainable FIETS (Financial, Institutional, Environmental, Technical, Social) operations and activities. Although the FDW was supposed to bridge the gap between pro-poor focus and private sector investments, the pro-poor focus, under difficult enabling conditions, often proved to be too difficult to combine with a sustainable private sector ambition, especially when such ambition needs to be realised in a relatively short time. The FDW projects that focused on business cases kept struggling with the pro-poor boundary conditions (e.g. Vergnet), while more participative projects with strong social components in IWRM (e.g. BwN Indonesia) did not have a real business case component or market development approach. In some FDW projects (IWRM/Water Efficiency), the private sector co-financing component/private sector leveraging is not as clearly defined or realised as anticipated at the project start. Several, if not all, IWRM projects suffer difficulties in realising a clear private contribution component.


! **Consideration:** the definition of ‘business case approach’ in an FDW context requires much better definition of the various type of projects, actors or even beneficiaries that are included in the FDW. One definition to be used in three themes, including IWRM, may not be applicable. Realising a clear private contribution component requires more attention and insight during project development and the execution of future programmes. For IWRM/Water Efficiency projects, private sector leveraging is often restricted to private sector contributions in the form of equipment/hardware and Technical Assistance (TA).

Partnering & multi-stakeholder processes¹

Described in the different points below are our observations on partnering & multi-stakeholder processes, including recommendations and considerations on how to improve.

- 8. PPP definitions create expectations that do not always correspond with reality:**


The FDW struggled with the fact that standard PPP definitions were applied to projects that were, in fact, more PP collaborations than PPPs as defined in standard economic terms. The FDW PPPs comprise (at least) one public partner (in the country of implementation), a private partner (e.g. a Small or Medium-sized Enterprise, SME) and at least one NGO². At least one of them must be registered in the Netherlands and the partnership must be able to co-finance the project with a 20-40% contribution, in cash and/or in-kind. The majority of PPPs can be seen as more Public Private Collaborations (PPCs) and not strictly as PPPs, as defined by the World Bank (which defines them as long-term contracts between a private partner and government entity for providing a public asset or service).

 **Recommendation:** to give more consideration to the fact that the roles and responsibilities of the FDW partners vary and may change during the project period. As a result, expectations do not always meet those of the standard PPP definitions. RVO is currently (in 2022) carrying out a more detailed review of the types of partnership in the portfolio and what lessons can be drawn from this.

The majority of PPPs can be seen as more Public Private Collaborations (PPCs) and not strictly as PPPs, as defined by the World Bank

- 9. Ensuring that partnerships have an intrinsic capacity to adapt to new situations:**

We realised that partnership dynamics proved to be crucial for project results and impact, as was also observed in the [FDW Impact Evaluation](#). The FDW demonstrates that leadership within the consortium, project experience, internal communications, common and clear understanding of the consortium ambitions, and clear roles and responsibilities are all critical for success. As such, dynamics not only drive effectiveness but, more importantly, allow for adaptation and resilience towards unavoidable changes in project circumstances.

 **Recommendation:** that attempts be made to facilitate or stress the importance of adaptation ability early in the development process. The ability to absorb changes in the project environment is vital for success.

¹ A specific study to reflect on working in PPPs is currently being implemented. Insights from this study will be incorporated later.

² In the FDW 2012 tendered projects there are also knowledge institutes.

10. Recognising that public partners in PPPs are both contributors and recipients of involvement and assistance:

Public partners in PPPs are subject to both partnering and institutional strengthening. It is important that donors and RVO recognise the projects' role in capacitating local governments, or governmental agencies, who at the same time may also be a formal project partner in the PPP project (e.g. Ethiopian water basin authorities; drinking water utilities). The capacitating demand or objective in a project may affect the relationship when it comes to equal partnership. Most important is the timely recognition of these dynamics.



Recommendation: the creation of equal partnerships by recognising that public partners in PPPs are both contributors and recipients of involvement and assistance.

It is important that donors and RVO recognise the projects' role in capacitating local governments, or governmental agencies, who at the same time may also be a formal project partner in the PPP project

11. Spending ample time understanding the motivations of private partners:

The FDW theory of changes calls for the involvement of private partners to (financially) sustain interventions beyond the project period. There are many different types of private partner in FDW projects: from real investors (not consultancies) and key businesses (driven by market share, competition and opportunities to invest) to companies and semi-private/public utilities, which are driven primarily by their Corporate Social Responsibility (CSR) policies, by their shareholders (mainly public) or by their scope of services (like consultancies and NGOs). The FDW demonstrates that there is a higher chance of an activity being sustained after the project period if there is a significant private investment (with the private partner in the driving seat) in the project's core activity or core business.



Recommendation: since the actual private financial investment (instead of only CSR) in a project is a good indicator of long-term involvement, spending ample time understanding the motivations of private partners helps to create successful projects. If the project's long-term conditions and risk are too high for significant private investments, subsidy arrangements alone are unlikely to be successful.

12. Including risks related to the partnership itself in the risk analysis:

Strong partnerships often have a history of cooperation. They are well embedded in the region having jointly implemented pilot projects, for example, or built trust in collaboration with local partners. These partnerships seem better able to gauge project risks, plan accordingly and work in close collaboration with key stakeholders, especially from the onset of the project.



Recommendation: partnership risk monitoring in the selection and implementation phase should receive (even) more attention.

13. Paying ample attention to the role of (local) public partners:

The FDW demonstrates a large variety of roles and responsibilities of governmental partners and the extent to which they contribute to the value of a PPP/PPC. This ranges from an informal or limited (but still important) enabling role (i.e. work permits, land use, lobby/advocacy, etc.) to the role of a more traditional PPP as defined by the World Bank, in which there is a long-term contract between a private partner and a government entity for providing a public asset or service.



Recommendation: establish realistic project expectations early in the project in relation to the involvement of the local public partner. Be specific and allow for custom-made arrangements rather than a one-size-fits-all approach.

14. A crucial factor in FDW PPPs: the FDW cannot fund a local public/governmental actor:

FDW policy rules clearly state that local public partners are not eligible for funding capacity and salaries. In-kind time spent by local public actors' staff cannot be included in the own-contribution component of the subsidy arrangement. However, local governmental staff or agencies often expect, or even require, financial incentives to participate in FDW projects, only to find out later in the project that this is not an option.



Recommendation: more attention should be paid to motivational factors for public actor involvement. RVO and lead partner should stress the consequences of the policy rules related to public actors early in the project development phase.

Brick production for building latrines as part of the FDW-project FINISH INK in Kenya.



15. Ensuring that FDW core indicators do not steer projects to 'quick wins' only:

FDW partnerships address and contribute to the enabling environment at different levels. These are not automatically accounted for in MoFA FDW indicators (KPIs), as these concentrate on quantitative data (i.e. the number of people with access) rather than systematic changes (see figure and text box below). It is essential to monitor changes in system levels (enabling environment) but reporting is more difficult at an aggregated programme level. Knowledge transfer is an important contribution to lasting implementation with very relevant effects in the long term. The actual effects are very project, sector and country specific.

Many partnerships have a component of capacity building for local institutions. Tension exists between a focus on capacity building (ownership with local institution, clear local embedding, sustained results after project duration) and achieving high output/results in terms of reaching out to a large number of people (see text box). The results achieved can be lower (or slower) but capacity building should not be replaced by the quick implementation of specific interventions.

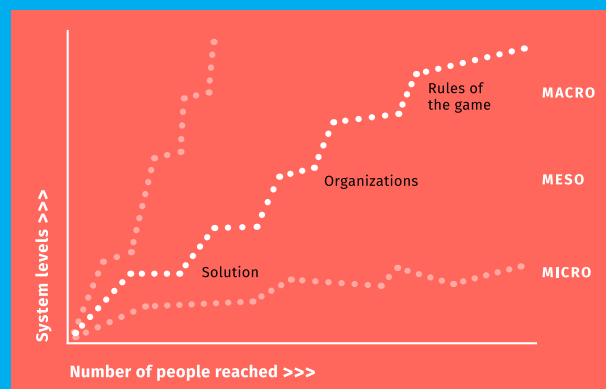
! **Recommendation:** given the intrinsic long-term orientation of the FDW, this should be taken into consideration in the programme's design, including how this is monitored and reported on. It is important that the MoFA/RVO focus on quantitative KPIs does not steer the attention, time and resources of project partners towards 'quick wins' and away from the long-term objectives to the short-term effects (e.g. hardware). KPIs, as currently defined, only give a glimpse of the contributions that projects may (indirectly) make. Results within the enabling environment, although often small, can be demonstrated if we make sufficient effort to identify them within the monitoring and evaluation process. We should take the time to look for the small but significant changes within the PPP constellations.

Two dimensions: numbers and system

The basic conceptual model for scaling is often replication or rolling-out: copying a successful solution or model for new clients and geographies. Scale in this horizontal perspective is measured by numbers (of recipients).

Achieving scale usually also requires dealing with other system levels: not just delivering the solution or practice, but also altering the ways in which organisations and institutions function to allow that solution to be sustained. This involves changing ways of working and the 'rules of the game' in the sector. These horizontal and vertical perspectives on scaling are visualised in the figure on the right.

The first level, for example in a pilot project, is concerned with the type of product or service that recipients need to implement improved practice. When seeking to make this accessible to a larger group, attention shifts to the relevant organisations. If this is to be scaled up to the national level, the concern shifts to the rules of the game (policies, regulations, etc.) that allow more organisations to provide such new products or services.



Source: [PPPLab-Series-06.pdf](#)

16. Linking projects or programme focus to existing long-term bilateral relationships for support and use of communication channels:

Long-term water-sector relationships between Dutch and local (national) entities (i.e. Ethiopia, India, Indonesia), often recorded in MOUs at national level or with specific institutions, can be a successful basis for FDW projects to align with and support. The way in which projects are embedded in other existing programmes plays an important role. More successful FDW projects are often built upon earlier projects/partnerships (proof of concept, earlier pilots, established consortia, etc.), while at the same time, more innovative FDW projects (i.e. Water secure Ziway Basin in Ethiopia) have paved the way for a learning environment and starting point for continuation, while others have seeded (follow-up) programmes (e.g. WaterWorX, Blue Deal, FINISH Mondial).



Recommendation: explore this sequence of complementing programmes further and find ways to facilitate the interaction even more.

For a successful partnership, both sound project management and an explicit focus on the partner brokering role are essential

17. Do not underestimate the role of the lead partner:

The FDW experienced complexities in coping with the different roles and responsibilities of project partners. In some projects, fragmentation of responsibilities hampered project output and outcome. A stringent use of logical frameworks can lead to partners having split responsibilities to specific result areas or work packages (and the associated risks, rewards and accountability). This may lead to reduced coherence/collective action (with each partner working in a silo). The ability of the project lead to maintain the integrity of the project is vital for its success.



Consideration: for a successful partnership, both sound project management and an explicit focus on the partner brokering role are essential. RVO advisors and consortium partners could pay more attention to both. Given the nature of a subsidy project, the RVO focus is on sound project management. However, the annual reports explicitly ask for information on partnership dynamics. Local, in-country meetings with all partners are good entry points to also pay attention to and/or ask for experiences on partnership brokering. Having indicators/results in the log frame to which all partners contribute should also be considered.

18. Recognising the clear added value of NGOs in partnerships:

In general, the FDW identified NGOs to be strong project leads/managers, given their experience with ODA programmes, the administrative demands, affinity with project management, and their cross-cultural and contextual experience. When included in PPPs, NGOs generally maintain strong local embedding and focus on the (end) beneficiaries and stakeholders.

! **Recommendation:** include NGOs in PPPs but pay attention to the roles and responsibilities of each partner. Partners need to be better informed of each other's roles and responsibilities, how each partner's contribution is essential to realising the project goal, and the risks involved in partnering, which are then brokered by one of the partners or an external broker. PPPs will also evolve over time and planning for this evolution should be part of the partnership strategy.

- 19. Monitoring developments in private partners' contributions during the project lifetime:** At present, unfortunately, RVO only assesses total private partner contributions within the project contract (based on intentional commitments) at the proposal stage and at project end. The FDW policy rule requires a 10-20% own contribution (cash and/or in-kind) from the private partner as well as a 10-20% contribution from the other partners. Financing of projects, however, sometimes follows a structure whereby the private partner brings in an own contribution and is not a net receiver of the subsidy fund. The subsidy then flows to the NGO (or vice versa), providing project management, local embedding and community building, and Technical Assistance (TA). If the private sector partner falls into financial difficulty during implementation, its investment may be limited, while in all cases the lead partner bears the final responsibility for project financing. If this occurs, leverage of subsidy becomes smaller and the budget available to the NGO is less than budgeted. We see examples whereby the NGO is not able to intervene in a timely manner by looking again at the budget and project approach, and is left with a financial loss.



Kidist Ketema Bekele, project manager and water management expert at Woord en Daad, one of our partners in the FDW-project Water Pricing for Sustainable and Inclusive Growth in Ethiopia.



Recommendation: it would be beneficial to monitor contributions throughout the project's lifetime. By including requirements for specific updates on the (foreseen) contributions during the project execution, it becomes much easier for both the project partners and RVO to administrate financial changes.

20. Being careful when introducing PPPs in environments that have no experience with PPP collaborations (in ODA):

PPPs are very challenging in countries with a centralised government. The FDW found that PPPs introduced in situations with overly power-centred governments (i.e. [Egypt](#), [Indonesia](#)) lack manoeuvrability and often require local policy changes that are beyond the influence of the project. In other countries, lack of continuity in local governance (e.g. as a result of elections) and/or changes in key actors at partners (i.e. at semi-public utilities) hampered the development of FDW projects.



Recommendation: during project selection (e.g. country of implementation), RVO and lead applicants should pay more attention to the local absorption capacity, preparedness and willingness to go with and allow for PPP approaches.

21. Having realistic expectations about individual project contribution to the (national) enabling environment:

The positive effects of projects upon the enabling environment (e.g. institutional sustainability) are a determinant within the FDW portfolio, but are often limited in practice. To state such aims as general objectives does not reflect the broad spectrum of projects. Local drinking water utilities or local water management authorities can have very intense involvement in the projects, while more general governmental policy and regulatory involvement may be limited. The FDW recognises the importance of influencing the local, regional and national enabling environment to adopt long-term perspectives and sustainable developments via market-driven interventions. However, impacts on the overall enabling environment by individual projects should be seen in perspective, since influence upon national policies is generally beyond the direct influence of a project (partnership), also given the time frame of FDW projects (average 5-7 years). Nevertheless, the FDW sees the involvement of local/national institutes and initiatives taken that strengthen the enabling environment. These include national dialogues on Water Efficiency, presenting market-based approaches in WASH platforms and direct capacity building of new institutions, such as water boards, facilitating the implementation of water policies, etc.



Recommendation: in a project log frame (or critical pathways), changes in policy should be at outcome level (to which they contribute but on which they have no direct influence), while outputs could include dialogues, policy briefs, etc., over which projects have direct control. FDW projects can, however, provide inputs for local and national change. Although system change itself is beyond the scope of a single FDW project, some projects have indeed introduced new products and services, and supported policy formulations that contributed to system change, simply by showing that a different approach is possible. The notion of the role of FDW projects in local system change should be included the FDW programme's second MTR.

Expectations & assumptions (programme design)

22. CSR-driven interventions may have limited effect on transformation in core business/ value change:

Interventions driven by Corporate Social Responsibility (CSR) may contribute to positive change and transformation. However, the FDW observed that a few projects initiated by companies' CSR departments or visions do not automatically translate into real transformation in core business activities or value chains, while other projects were fully driven by intrinsic motivations for change (towards sustainability). The FDW [Colombian water management project](#) in the coffee sector is a good example of multiple interpretations of the expected eventual outcomes, or absorbance, of project results, in a CSR intervention for coffee farmers that had no lasting effect on the supply chain.



Recommendation: that CSR and commercially viable projects should not be financed by a single programme. If the goal of the programme is to support PPPs to eventually secure commercial financing (after the project period), the programme needs to be tailored to support the phases of getting a product or service to market and may be a mix of subsidy and low-interest loans. CSR-driven interventions should be financed by a more traditional subsidy programme, where there is less emphasis on commercial viability but where PPPs still play an important role in the sustainability of interventions.

The programme to finance CSR and commercially viable projects needs to be tailored to support the phases of getting a product or service to market

23. Not saving on within-programme communication:

At all levels, concise and clear communication between RVO and partners is critical to success: within the programme (internal stakeholders), between RVO and partners, and at project level (between stakeholders). The PPP development phase can be so dynamic and subject to so many circumstances that it is almost impossible to follow from the office in The Hague. RVO's position as programme manager and project support is sometimes complex.



Recommendation: continue to strive towards: (1) clear and concise messaging (e.g. VAT, policy rules, policy versus implementation); (2) proactively communicating/providing information to the partnerships, and; (3) availability of the proper communication tools and instruments.

Financial sustainability

24. Being aware that business cases evolve during project lifecycles:

There is tension between the requirement of additional subsidy (needed for interventions to happen) and the requirement of having a business case for financial sustainability (timely). The requirements for a business plan approach, economic sustainability and commercial viability can lead to pragmatic box-ticking exercises whereby the right numbers are entered to meet subsidy requirements. Although RVO uses additional financial expertise to assess this at the proposal stage, a first observation is that this is still difficult to verify, since the business case calculations require detailed country- and sector-specific information.


Business cases within the development phase of the project often proved to be based on a single and merely indicative or suggestive set of assumptions (i.e. there is a willingness to pay). The FDW demonstrated that it is vital to pay much more attention to the business case/plan during project selection and development, e.g. with assessment of the businesses case/plan in a series of different development scenarios.

The FDW policy rule of not allowing commercial viability until two years after the end of the project period may demotivate and disincentivise partners to realise it quicker and does not align with common business case development practices. The reason for

Identifying locations for new water installations as part of FDW's UDUMA project in Mali.




imposing this rule was twofold: to prevent commercially viable projects from being financed and distorting the market, and to provide an opportunity for non-bankable business cases to be financed.

 **Recommendation:** since financial sustainability should include operational and maintenance costs (OPEX) after project implementation, a new business approach (and subsequent plan) may have to be developed during and at the end of the project. Currently, FDW procedures do not facilitate this. A strong market analysis at the inception phase together with solid business case development could be the determining factor. A more case-specific analysis is advised; financial sustainability may vary and contains various public or private financial flows (depending on the nature of the project). The evaluation of business plans should not be limited to the selection and development phase of a project. Updating of the business case, based on the changing context and viability of intervention, should be part the project lifecycle.


25. Providing or facilitating access to finance (A2F) centrally:

A2F is a very important aspect during project implementation. This can and may include a wide range of financial services that are important at different stages of projects, ranging from private investments to MFI involvement to end-user finance facilities, e.g. when farmers lack investment capabilities for improved irrigation equipment. Cooperatives and business partners can provide guarantees to banks. With a significant portfolio (within a programme like FDW and/or other RVO-managed programme portfolios) the interaction between project and financial actors could be left to the projects themselves, or (partly) facilitated centrally (ref. G4AW program, MENA region).

 **Recommendation:** project activities should explicitly include activities (facilitated centrally or regionally by the lead partner) to ensure sufficient finance for clients, e.g. cooperation with MFIs. It is not necessary that MFIs are formal partners. Partnerships often prefer informal relationships to avoid 'forced shopping'.


26. Recognising that financial sustainability is theme- or even project-specific:

The need for business cases (as part of the proposal submission to RVO) may be less of a priority for IWRM projects, where efficiency, (cost) effectiveness and non-financial impacts and gains (e.g. ecological) are more of a determining factor of a project's outcomes.

 **Recommendation:** financial sustainability can be addressed differently with interventions driven by insights into policy planning and budget availabilities, e.g. for water institutions.

27. Exploring more directly the role and responsibility of RVO and/or EKN in upscaling financing with the PPP partners:

Some private sector-oriented FDW projects (i.e. [FINISH INK](#)) were more active than others in securing post-project financing. FINISH INK, for example, included an upscaling financier in their PPP. Not all project partners proved to be experienced (enough) in addressing the financial community.

 **Recommendation:** post-project financing opportunities (upscaling finance) or demands should be taken into account earlier in the process in private sector-oriented projects. There may be value in a more centralised (programme-level) financial brokering effort or TA, facilitated by RVO or external financial brokers. Keeping this responsibility solely with the project partners may be less effective and efficient. Again, it should be noted that projects rooted in the public domain may require other non-market-oriented financing.



A farmer feeding his cattle in the FDW-project Water Pricing for Sustainable and Inclusive Growth in Ethiopia.

Theme-specific observations

Described in the different points below are our theme-specific observations, covering the three FDW sub-themes Water, Sanitation and Hygiene (WASH), including Waste, Integrated Water Resources Management (IWRM) and Water Efficiency in agriculture, as well as recommendations and considerations on how to improve.

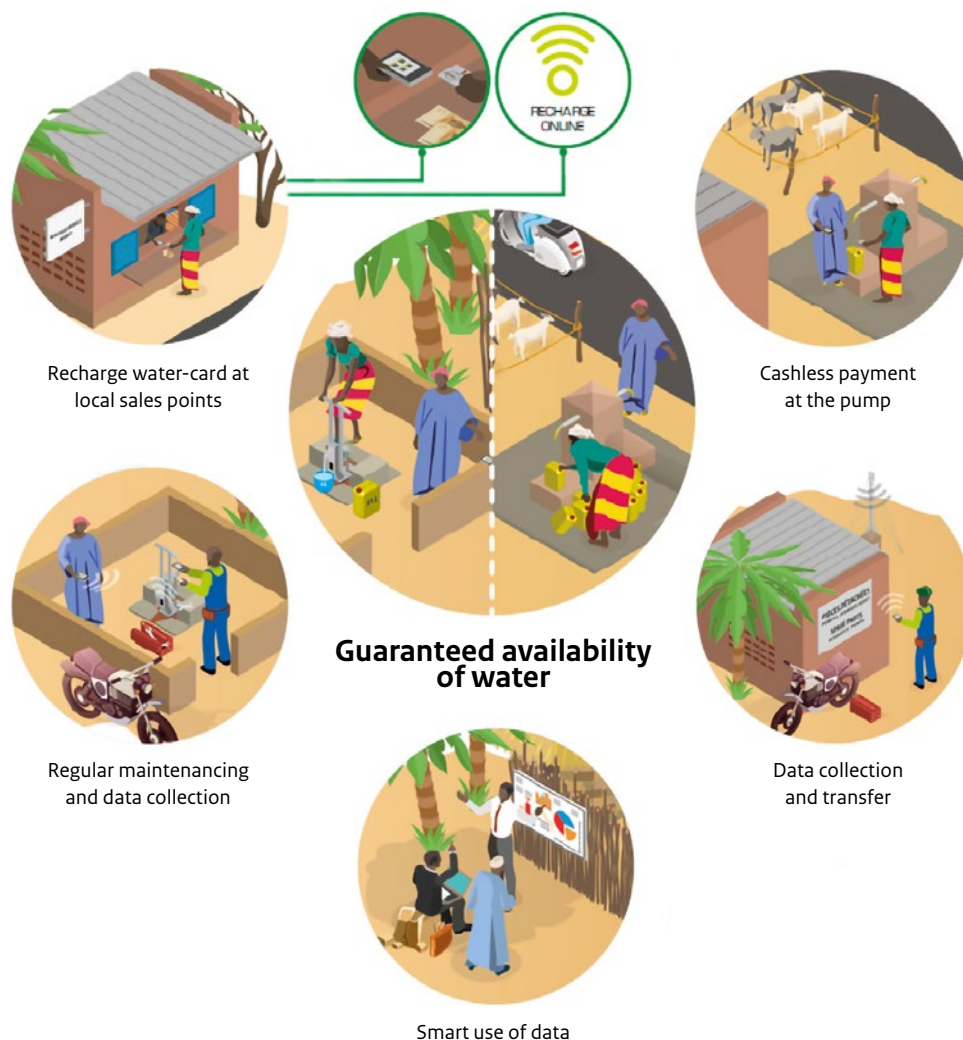
Water, Sanitation and Hygiene (WASH) innovations

28. Traditional ODA efforts (i.e. free water/pumps) may jeopardise cost-recovery approaches:

The FDW demonstrated that with a social enterprise structure (e.g. in the [Philippines](#)), it is possible to provide inclusive and sustainable WASH services in urban areas with a return of investment after 7 years. This is achieved with an engineered payment system that promotes better affordability compared to an unaltered monthly (utility) payment. In addition, the FDW is showing the potential of PPPs (e.g. in [Mali](#), [Bangladesh](#)) with elements of cost recovery (e.g. long-term, 15-year, service-level agreements). In short, (some) market-based efforts are working or are showing potential.

However, these market-based efforts lose their support base once non-market-driven approaches are (re)introduced in the same area (e.g. another donor provides free tube wells in the same project area). The FDW's cost-recovery approach then 'competes' with more classic ODA efforts.

! Recommendation: increase emphasis (at the proposal stage) on the risk analysis of the local political context, as well as the likelihood of competition from ODA efforts and local willingness to pay for water services, which enables the transition to more economically sustainable approaches. Proposal assessments should draw (more) on local and international expertise to validate whether or not a proposed intervention is viable. Our observations suggest that awareness increases in countries where projects with paid services are implemented (e.g. Ethiopia has policies to prohibit gifts to individuals/farmers).



Sustainable Water Services for Rural Mali: The UDUMA concept.

29. Creating a sanitation market requires a value-chain approach:

The FDW demonstrated through [FINISH INK](#) that sanitation market approaches can be successful, but only if the complete value chain is taken into consideration. This includes recognising that diversified services are financially stronger than single-product enterprises (i.e. those only offering sanitation products); that creating demand through marketing is a key ingredient to ensuring a viable future business; and that including an inclusive finance facilitator to facilitate end-user payment ability is required in the PPP from the start.



Recommendation: for the creation of a successful sanitation market, a diamond approach is recommended that addresses the entire (sanitation) value chain³.

Whether this is viable in other regions or countries where GDP and access to finance is sufficiently mature still needs to be demonstrated. Ultimately, the ultra-poor (those earning less than US\$2-3 a day), who do not have access to financing opportunities, will need continued support from government safety net programmes.

30. Revolving funds are useful, but have their downsides:

In [FDW12KE03](#), an FDW financial inclusion project in Kenya, where sanitation loans were provided, a revolving fund was permitted as an exception to the policy rule. This allowed the partners to show the (future) sanitation loans as an own contribution (whereas the FDW normally requires private co-financing). During the project period, 98% of household and institutional loans were repaid with interest. This ultimately meant a limited own financial contribution by the partners, although the risk of issuing the loans and the cost of providing them was borne by the financing partners.



Recommendation: further attention should be paid to the question of how to effectively utilise revolving funds in a programme.

31. Recognising that human-centred designs work best:

It was observed that overly tech-driven FDW innovations that do not explicitly relate to (local) user/client needs struggle to realise uptake of services.



Recommendation: take into account that inclusive design and in-depth understanding of social, economic and cultural contexts is a prerequisite to healthy business cases.

32. Stimulating youth sanitation entrepreneurship:

Sanitation enterprises (especially within a diversified setting) can be interesting options for alternative employability for young people.



Recommendation: it may be interesting to explore combining WASH efforts with employment interventions.

33. Combine sanitation market development with government subsidies for the ultra-poor:

Even in successful projects, we are still missing out on serving all. The FDW demonstrated the positive effects of introducing sanitation loans. However, the uptake of sanitation loans is only viable for individuals with (the smallest) ability to repay them, e.g. those earning US\$2-10 per day. This still leaves a significant group unserved.

³ For additional information on the diamond approach, see the FDW12KE03 external publication which can be found here: https://data.rvo.nl/sites/default/files/rvo_website_content/opendata/iatl/FDW/FDW12KE03.pdf



Recommendation: governments need to continue to provide subsidised sanitation to the ultra-poor. This can be done in conjunction with more market-oriented interventions.

34. Benchmarking NRW reduction and pro-poor services:

We noticed that pro-poor services and Non-Revenue Water (NRW) reduction may favour small-scale, semi-private water providers through improved financial balance sheets based on affordable, real-time (effective) customer payments for reliable drinking water supply (e.g. in [Bolivia](#) and [Kenya](#)). Investments in NRW reduction, however, do not automatically translate into increased investments in pro-poor services.



Recommendations: (1) Set up a specific facility to support Water Operator Partnerships (WOPs), such as WaterWorkx, which is tailored specifically to support WOPs; (2) Evaluate WOPs' contributions to pro-poor service delivery and identify boundary conditions for this; (3) Ensure that firm commitments are made by local utilities (and regulating bodies) that a percentage of the savings resulting from improved operational efficiency is re-invested in pro-poor WASH service provision.

Women collecting water in the FDW-project Water Pricing for Sustainable and Inclusive Growth in India.



Integrated Water Resources Management (IWRM) innovations

35. Attracting IWRM PPP-type projects requires active communication:

In FDW tender rounds in 2012 and 2014 there were limited submissions of IWRM-focused projects, with only one project awarded (Building with Nature, Indonesia). This was likely due to the programmes' focus on financial sustainability (a business case was required along with private sector contribution). In its communications during the FDW tender rounds in 2016 and 2017, RVO intentionally focused on a more balanced selection of projects (within WASH, IWRM and Water Efficiency). Since there was strong encouragement to submit IWRM-type projects, nine IWRM projects were awarded (just under 50% of the total number approved projects in 2016-2017).



Recommendation: (1) Pay specific attention to the communication process to attract the specific kinds of projects that the fund is trying to attract and finance; (2) Ensure that a business case is not a pre-request for subsidy for IWRM projects, unless this clearly contributes towards sustainable results; (3) Consider a longer proposal development process, plus pre-financing (similar to a proposed Water Stewardship programme submitted by RVO) to secure bankable proposals.

The challenge is to work on both levels: integrated water (basin) management planning and IWRM implementation

36. Integration of IWRM in WASH or Water Efficiency is becoming more important:

The proposals reflect a rather siloed approach towards the three FDW themes, since the FDW policy recommended but did not require integration of the three FDW themes. As a result, few projects integrated more than one theme. The interdependency between water functionalities is clear, however, with increased water use and increased climate vulnerability strengthening the importance of working using more holistic approaches.

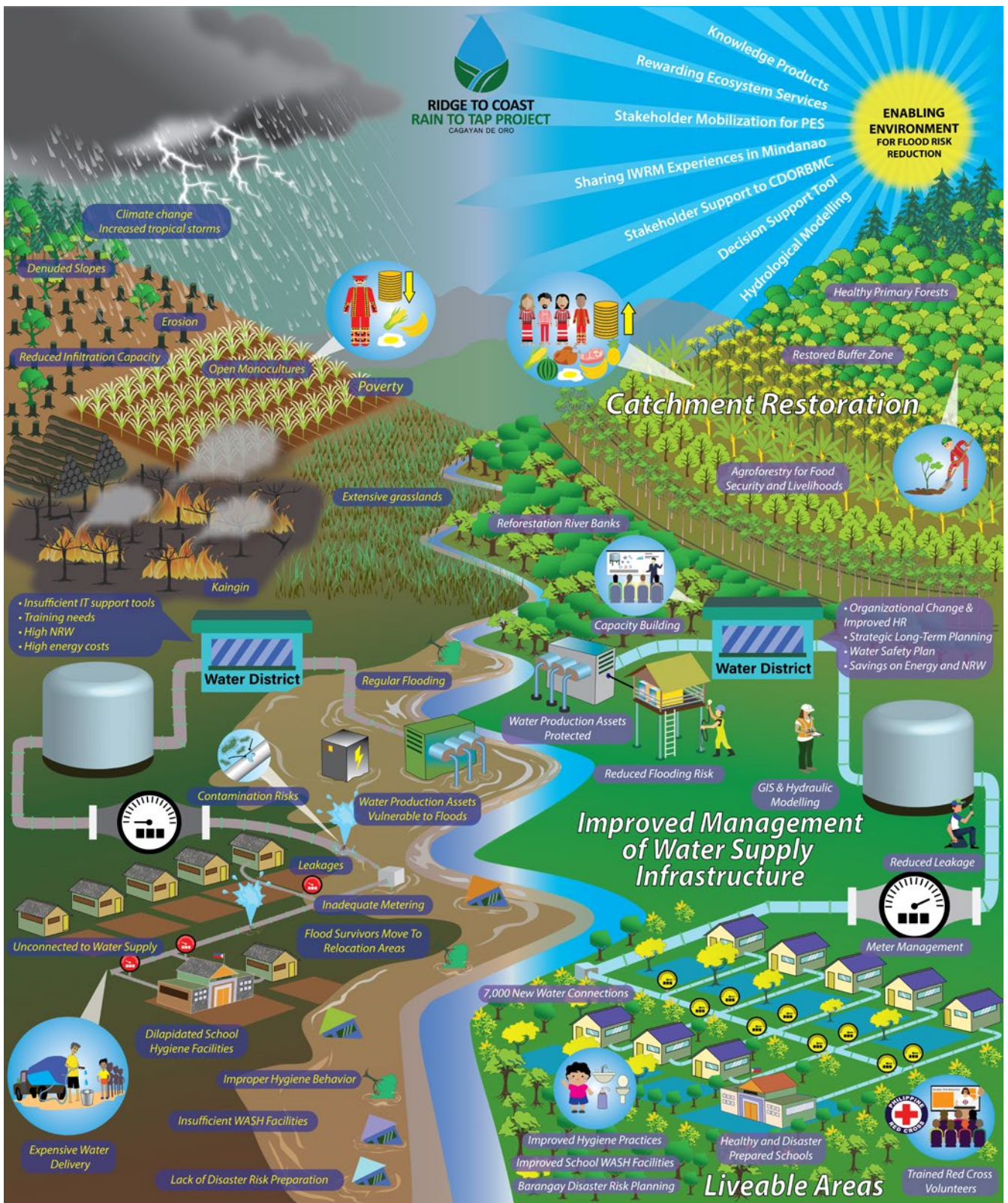


Recommendation: a more holistic approach would be beneficial. The FDW recognises the fact that more integration results in increased complexity, which needs careful management, a different programme approach/strategy, as well as additional capacity (at project level). Future programmes should address this issue carefully.

37. Avoid siloed IWRM planning activities:

Many concept notes⁴ submitted in 2016 and 2017 focused on water stewardship projects that emphasised IWRM planning, but did not go beyond planning. Such concepts were often rejected by RVO. The challenge is to work on both levels: integrated water (basin) management planning and IWRM implementation. We do have interesting projects both capacitating newly established institutions and water allocation plans, and implementing water services.

⁴ Prior to a full proposal submission, applicants needed to submit and have a concept note approved by RVO.



The Theory of Change (ToC) for the FDW-project Ridge to Coast, Rain to Tap in the Philippines.
 Illustration: Warwin Sabasaje. Concept: Anke Verheij and Adriaan Ruijschoot.



Recommendation: pre-financing proposal development in IWRM projects (which can range from 6 months to 2 years) with an explicit requirement to focus on concrete implementation plans during proposal submission could be considered.

38. Pay more attention to attracting much-needed PPPs in flood risk management:

PPPs in flood risk management are rare, not least because they are extremely difficult, but are strongly needed. The FDW [AFMA project](#) in Egypt was the only example of a PPP in flood risk management in the FDW portfolio, until it had to be stopped prematurely during its inception. A key constraint was the fact that the sharing of water data between the government and private partners proved an impossible obstacle. Despite this, the project proved to be a good example of synergy with other MoFA/RVO programmes with Partners for Water giving birth to AFMA, which was anchored well in Netherlands/Egypt Delta Cooperation.

As a result of good agricultural practices, water productivity will likely increase



Recommendations: (1) Consider a separate facility to stimulate PPPs in flood risk management; (2) Pay specific attention to the communication process (during tender rounds) to attract these kinds of projects; (3) The proposal (for flood risk management) should include an assessment of the enabling environment that clearly shows the viability for PPP-type constructions (in a specific country) as well as the viability of data sharing between public and private partners (be it water or other programme-specific themes); (4) Consider a more focused programme country list where PPPs are likely to be more viable; (5) Where the enabling context is lacking but where PPPs are seen as critical, develop a separate track of financing that supports the development of the enabling environment i.e. good governance support.

Water Efficiency innovations

39. Consider the possible impacts of drip irrigation, as success is not guaranteed:

Drip irrigation is increasingly embraced by projects to develop agriculture with the objective to save/conservate water, increase production, modernise agriculture and enhance economic development. However, these objectives are not guaranteed and are often beyond the control of project interventions, since a wide array of context-specific factors are at play. This also relates to how conflicting effects or tensions may be found as a result of drip irrigation; increased production quality vs. no decrease in water consumption or increased production not leading to poverty alleviation (as more inputs are required for the operation of the drip systems).



Recommendation: drip irrigation should not be an isolated intervention, but implemented as part of an integral package of practices (e.g. wide spacing, mulching, crop varieties), while taking into account socio-economic factors such as maintenance and entrepreneurial infrastructure. As a result of good agricultural practices, water productivity will likely increase. Since farmers with their products and services are also part of a larger agricultural realm, drip irrigation should be seen as part


of a larger system, including elements such as (access to) the market, the production value chain, income and gender. The agricultural system needs to be intensified and commercialised if farmers are to change their irrigation practices to drip irrigation, including an investment rationale and also developing the required skills and knowledge. A2F is a crucial part of this required intensification and commercialisation process. Source: Wageningen University & Research, 2020 [report](#) (commissioned by FDW).

40. Large-scale irrigation schemes can be a factor for change (under the right conditions):

The installation of professional (predominantly high-tech) irrigation systems has good potential to increase crop yields and related income levels. This is especially important in the Sahel and the MENA region, but also in India, where climate change impact on water availability is already visible. Lessons from our Water Efficiency-related projects indicate that the application of irrigation may introduce a need for change for smallholders and small commercial farmers:

1. The availability of irrigation services may be attractive to smallholders but the perspective of ‘certain, significant costs’ against ‘uncertain income’ after harvesting may lessen their take up. Access-to-finance has a higher relevance in this context.
2. The use of irrigation increases the costs of cultivation. This may require a more professional farming approach with emphasis on cost management. This, in turn, may imply a need for additional training for traditional smallholders in order to help keep the service inclusive.
3. The increased costs of irrigation may imply that smallholders would need to deviate from their ‘traditional’ crops and shift to crops/vegetables/fruit with a higher revenue potential in order to better cover the irrigation costs.
4. Using treated effluent may offer a competition-free circular design.

Moreover, better water-efficient practices, including drip irrigation, can also lead to higher yields and sustainable water use

 **Considerations:** relevant PPPs perform best in irrigation scheme-related approaches if they function as a linking agent between the public stakeholders and the actual beneficiaries – and understand the dynamics in both relationships in good detail. Extra effort is needed to ensure that women can benefit from these interventions. Women mostly cultivate very small plots. There are, however, examples that women are part of larger irrigation projects. Moreover, better water-efficient practices, including drip irrigation, can also lead to higher yields and sustainable water use. This directly benefits buyers, such as the [sugar mills in India](#). Adoption of drip irrigation is more likely in settings with direct dependency or contract relations between farmers and buyers. Farmers can benefit from technical assistance from buyers, although risk sharing can be an issue.

41. Water Efficiency and IWRM efforts cannot and should not be separated:

A holistic approach requires considering not just the efficient use of water, but also water harvesting and the region’s water balance as a whole. Water scarcity can lead to conflicts.

The establishment of water management committees is important. In these, all stakeholders, including the local government, are represented. The FDW thematic focus on WASH, IWRM and Water Efficiency actually acknowledges the silos between the themes.



Recommendation: to address the conundrum of Water Efficiency projects sustainably, IWRM should be included as an integrated component in all water-relevant projects, not just as a policy recommendation but a requirement.

42. Considering (future) climate change effects and potential mitigation measures:

The [FDW16o48RW](#) project in Rwanda was closed prematurely, during the inception phase, due to the materialisation of external risks, which were identified in the risk assessment of the project proposal. The primary reason was the occurrence of extreme weather conditions. This resulted in excessive flooding (between 2018 and 2020), likely related to human-induced climate change. This made the targeted project location unsuitable for sugar cane cultivation, for which the project planned to implement sustainable, integrated, water-management practices.



Recommendation: (future) climate change effects on FDW projects and their results, and potential mitigation measures, should be considered further, taking the [FDW16o48RW](#) project in Rwanda as an example.

Crop harvesting in the FDW-project Water Pricing for Sustainable and Inclusive Growth in Ethiopia.




General programme management

Described in the different points below are our observations on general programme management, including recommendations and considerations on how to improve.

43. The FDW programme acts as a ‘centre of experience’ related to ODA-funded PPP projects in water:

RVO’s initial focus was on the acquisition of strong PPPs/projects through three tender rounds between 2012 and 2017. Now that all projects are at the inception or implementation phase, or have since been closed, RVO has shifted its attention/focus to: (1) continuation and further improvement of effective project management and accountability; (2) effective Covid-19 mitigation; and (3) learning and communication. With its 42 completed and running projects, with a total subsidy portfolio of €150+ million, the FDW programme has significant potential as a knowledge base and ‘centre of experience’ related to ODA-funded PPP projects in the global water arena.

 **Recommendation:** Monitoring, evaluation and learning should be embedded in programme design, using the Theory of Constraints (ToC), and sufficiently resourced both in capacity and financing to ensure that monitoring and evaluation (M&E) shifts from accountability reporting (by RVO partners) to actual utilisation during project and programme implementation. Learnings at project level should feed into improved project implementation. Learnings at programme level can facilitate tailored support to specific projects or clusters of projects.

RVO’s initial focus was on the acquisition of strong PPPs/projects through three tender rounds between 2012 and 2017

44. The FDW has remained relevant, even during NL policy shifts, as a result of its focus on inclusiveness, sustainability and scaling:

During the FDW’s 10-year period (2012-2022), there have been significant shifts in Dutch international policy. These include a transition from Aid to Trade, a focus on the MENA/ Sahel region and, in addition, the Millennium Development Goals (MDGs) were replaced by Sustainable Development Goals (SDGs). Despite these policy shifts, the FDW programme and its projects have maintained their relevance as part of Dutch policy because of the programme’s focus on inclusiveness, sustainability and scaling. These are all relevant to the new policies and especially the SDGs. A perceived negative effect of these shifting policies is that certain projects/countries are no longer seen as being strategically important and therefore receive less attention/focus from policy makers.



Covid awareness creation in the FDW Sustainable and Resilient Pro-poor Water Supply Project in Cebu, Philippines. Source: Philippine Red Cross.

! Recommendations: (1) make a focus on inclusion, sustainability and upscaling central in any future programme design; (2) accept that achieving one or all of these objectives (specifically scaling) is often beyond the scope of a single project; and (3) align, develop (the programme design) and collaborate closely with existing Dutch (i.e. Invest NL) or other donor financing programmes (i.e. World Bank, ADB) to ensure that projects are financed under a new facility, ultimately meeting the donors’ financing requirements and providing them with bankable projects to finance.

45. Long-duration programmes require adaptive projects:

RVO recognises and supports adaptive projects, although this attitude may have developed from a more rigid one at the onset of the programme. The average implementation period of an FDW project is 5-7 years, which is a long time. Significant changes can occur at the systemic level or in the enabling environment locally or nationally (policies, regulations, governance, economics), but also within the PPPs constellation itself during this time. Partners are encouraged to identify and mitigate risks on an ongoing basis and, when appropriate, request that RVO allow changes in the project. RVO is often complimented by partnerships on its flexibility.

! Consideration: there should be timely recognition (e.g. in the development phase) that situations can and will change over time in longer-term projects. PPPs need to proactively make requests to RVO for changes when they are needed. These requests should be sufficiently motivated and emphasise and contribute towards improved results delivery and sustainable results.

46. Including a contingency budget in all projects:

Flexibility is essential for projects to address unforeseen project obstructions and to deal with the dynamics and risks observed in and around FDW projects. This is being done through requests for change (i.e. in activities and budget). However, as Covid-19 has shown, there is a limit to the flexibility and scope to carry out new activities or cover unforeseen costs.



Recommendation: a 5-10 % unforeseen circumstances or (overall) 5-10% contingency fund in all project budgets in future programmes could be considered.

47. Including Mid-Term Reviews (MTRs) in all projects:

VEI FDW projects include, as standard, a Mid-Term Review (MTR). An independent consultant facilitates the review and is often involved at the start and end of the project, i.e. to finalise the log frame/baselines and carry out the final project evaluation.



Recommendation: an MTR is seen as good practice and could be considered for all projects, tailored to the project duration and budget.

48. Including the FDW/RVO role and performance in the monitoring and evaluation of projects:

It has been mentioned by project partners that the role of RVO/FDW itself could or should also be reflected upon. RVO is responsible for accountability of government funds, but also acts as an advisor and sparring partner for the partnership.

Flexibility is essential for projects to address unforeseen project obstructions and to deal with the dynamics and risks observed in and around FDW projects



Recommendation: it would be interesting to consider how the FDW facility itself, or the way it is managed by RVO, can be strengthened (in future programmes). It may be interesting to rethink the approach wherein RVO is not a formal partner, but could also be given a more formal role in guiding projects in their financial upscaling ambitions, for example. Tailoring a programme to align with the financing requirements of Invest International could support this, as it could then act as a conduit for securing new financing from other financiers.

49. Including more frequent financial audits:

In the programme design, partners are only required to submit a final audit (of the total project expenditure). As a result, the partners run a significant risk, especially if they are not fully aware of the programme policy rules.

! **Recommendation:** an audit should be carried out at the end of the inception period at the latest, covering project expenditure and control of the organisations (all partners), administration and internal control. For projects new to RVO, a mid-term audit is also recommended, especially for projects longer than 5 years. It would be interesting to learn from the SDGP, where annual audits are a requirement. The disadvantage is that this lengthens the inception period.

50. Paying proper attention to the issue of public partner salary costs:

In many FDW projects, 50% of the budget goes to staff salaries (technical assistance). During the 2012 FDW tender, hourly rates had to be market indexed, while in the 2014 and 2016-2017 FDW tenders, this was changed to the wage costs + 50% method. Project partners, especially local project partners, sometimes had insufficient knowledge and understanding of how to apply this regulation. In addition, the local laws, regulations and earlier ODA experiences (e.g. via other donors) did not always match this specific wage cost system. The FDW experienced situations in which the subsidy rules were not interpreted correctly, making compliance testing unnecessarily time consuming and complex.

! **Recommendation:** the specific issue of wage costs with local public partners should be recognised early in the development phase of both future programmes and projects to avoid miscommunications and possible incorrect compliance with NL subsidy regulations.



Hand washing stations as part of the COVID-19 response in the FDW-project Sustainable and Resilient Pro-poor Water Supply Project in Cebu, Philippines. Source: Philippine Red Cross.

Effects of Covid-19

The Covid-19 pandemic has affected various FDW projects. Our observations on the effects and consequences of the Covid-19 pandemic are described in the points below.

51. Funnelling Covid-19 mitigation financing through existing programmes may be cost-effective:

Several FDW projects were identified as stepping stones for (the deployment of) additional Covid-19 mitigation interventions, as partners were already rooted in communities, understood the local context and could absorb the alternative (emergency) support finance.

52. Covid-19 is accelerating local international TA:

Covid-19 severely restricted the ability to travel internationally and accelerated the deployment of local staff. This is therefore the right time to accelerate local international TA, because skilful and capable people have also been trained by FDW-like projects.

Since Water Efficiency projects were already adopting virtual learning and market linkage technology prior to the Covid-19 pandemic, they seem better able to implement projects at a distance

53. Risk management proved to be more important than ever:

The Covid-19 Risk and Impact Mitigation Tool (CRMT), introduced by RVO for partners' use, is a useful tool for assessing the impact of Covid-19 and stimulating action on mitigation. This complements and strengthens the existing projects' risk management efforts, although it also increases the administrative burden of projects if this is not well integrated into existing reporting templates.

54. Water Efficiency projects seem faster than WASH in distant learning transition:

Since Water Efficiency projects were already adopting virtual learning and market linkage technology prior to the Covid-19 pandemic, they seem better able to implement projects at a distance. WASH projects, in comparison, have been slower to transition as these are often engaged in more traditional approaches (i.e. house-to-house visits). The FDW has no immediate explanation for this phenomenon. The observation is worth further study, e.g. in comparison to observations in the Facility for Sustainable Entrepreneurship and Food Security (FDOV).



A woman helping her son to wash his hands in FDW's UDUMA project in Mali.

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