

This key sheet is one of a series aimed at applicants responding to the ACP-EU Water Facility Second Call for Proposals 2006. The ACP-EU Water Facility requires applicants to provide or ensure a minimum level of co-financing. The key sheet series aims to provide guidance to various categories of applicants with regards to potential sources of co-financing.

Key sheet 04 is targeted at non-state actors specifically non-governmental organisations (NGOs), members of the civil society and research institutions involved in activities related to improving or enhancing water and sanitation services delivery or integrated water resources management.

Applicants are advised to refer to the ACP-EU Water Facility Second Call for Proposals Guidelines and Annexes, these being the only binding documents, when preparing their application.



## Introduction

The ACP-EU Water Facility (*hereinafter* ACP-EUWF) encourages applicants in all categories to seek flexible and innovative co-financing. The key sheet series is aimed at providing applicants with suggestions of possible co-financing options they may want to consider. The key sheets are not prescriptive or comprehensive and the co-financing options presented here may not all be of relevance to all applicants.

This key sheet will consider sources of funding that are available to ACP non-state applicants.

Non governmental organisations (NGOs), including community based organisations (CBOs), and civil society play an important role in helping to improve and increase water supply and sanitation (WSS) services to communities in rural, peri-urban and informal settlements. They are engaged in a variety of activities such as constructing WSS infrastructure facilities, using low cost technologies, capacity building, facilitating partnerships between communities and municipalities/local authorities/ public utilities to extend WSS service in poor areas. They are also engaged in advocacy with policy makers and play a key role in catalysing water sector reforms and public awareness of hygiene issues. NGOs and civil society often have the knowledge and trust of the communities they operate in. Many donor countries and multilateral institutions nowadays channel aid through NGOs, many of which are perceived by donors to be more efficient, demand responsive and operate in those areas which are not accessible to governments or public utilities.

**Actions** - Section 2.12 of the 2006 Call for Proposals Guidelines provides details of the type of activities related to the three components, which will be considered for support. However proposals for other activities could also be considered where appropriate.

## Suggested Source and type of co-finance

**ACP-EUWF co-financing** - The co-financing from the ACP-EUWF is in the form of a grant to supplement funds raised by the applicant. The applicant's funds must be from its own sources, its partner's and/or co-donor's sources and from sources other than the European Development Fund (EDF) or the European Community's (EC) budget. This financing is intended to be available and used concurrently with the ACP-EUWF grant.

**Suggested co-financing options and sources** - Finance for NGOs and the civil society often comes from bilateral donors via established budgetary lines or discretionary grants, multilateral donors, foundations, corporations and national governments and individual donations. NGOs need to adopt an entrepreneurial approach in raising/seeking co-finance, with careful planning and commitment to develop the proposal for the ACP-EUWF grants.

(i) Africa, Caribbean and Pacific (ACP)

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Working within the framework of the 2006 Call for Proposals, the applicant could access funds/ co-finance from several sources including:

- **Bilateral agencies** – Many bilateral agencies have developed specific budget lines (with funds distributed in the form of annual grants) to support NGOs and civil society in a range of activities in many ACP countries. Often, this may constitute the core financing available to local NGOs operating in the WSS sector. Many bilateral donors use NGOs to implement WSS projects/programmes with funds linked to specific projects. Project specific grants may be for a limited duration (normally for the life of the project). This is one of the most common forms of NGO finance in the WSS sector. It may be possible to use such funds as a source of co-finance if the applicant is or has just set up an implementing/ partnership arrangement with the bilateral donor within the context of a project.
- **Self-financing** – NGOs (mainly international and well established local NGOs) are able to generate income themselves, via membership fees and individual donations. It is unlikely that local NGOs will have access to such a source and are therefore encouraged to partner with established NGOs who already have a steady and guaranteed international funding base.
- **Local financing** – An NGO may be able to raise funds from the local community and local institutions, such as businesses. For example, a CBO formed by the beneficiary communities and set up with help from an NGO could collect funds from the beneficiary communities in the form of capital contributions and user fees (tariffs), intended to partly cover the capital and fully cover the maintenance costs of WSS investments in the community. Such arrangements could be a potential source of co-financing for a proposal made by the applicant to the ACP-EUWF. They will need to have adequate accountability and transparency measures set-up, with ring-fencing so as to ensure that the funds are used for the stated WSS purpose. As most of these CBOs may be small in scale and size, it may be possible to aggregate them to achieve economies of scale. Such proposals may need to be supported by measures to promote financial management amongst the beneficiary communities.
- **Foundations and social investment funds** – Such institutions are increasingly becoming an important source of funds for NGOs and civil society. Several large and well established foundations such as the Ford Foundation and social investment funds such as the Acumen Fund give grants and loans to WSS and related projects and programmes.
- **Multilateral programmes** – Several multilateral agencies have set up grant giving programmes that give to WSS related activities. These include the Global Environment Facility, the Community Led Infrastructure Financing Facility, various World Bank Trust Funds such as the Bank Netherlands Partnership Programme (BNPP), and the Japan Social Development Fund.
- **Small loans** – NGOs could facilitate the establishment of a credit line for small loans to CBOs, by micro-finance providers such as K-REP of Kenya. It could also facilitate partnerships with the public utility company to provide the co-financing needed by the community by expand/ increase the WSS service provision in peri-urban and informal settlements. It may be possible that the NGOs combine several of these together so as to achieve economies of scale and also make it possible to meet the requirements of the ACP-EUWF.

Further information on the sources listed in this key sheet is available on the EUWI Financing Guide website at <http://financeguide.euwi.net>

The objective of the EUWI Financing Guide is to provide users of finance in developing countries with a means to identify different types of finance mechanisms that are available for the water sector, how they work (broadly), and finally to provide linkages to other sites on the Internet, featuring additional details and information. This effort is a first step towards creating a comprehensive “one-stop” source of information about the range of finance mechanisms available for the water and sanitation sector, with a view to increase knowledge and capacity for accessing finance.