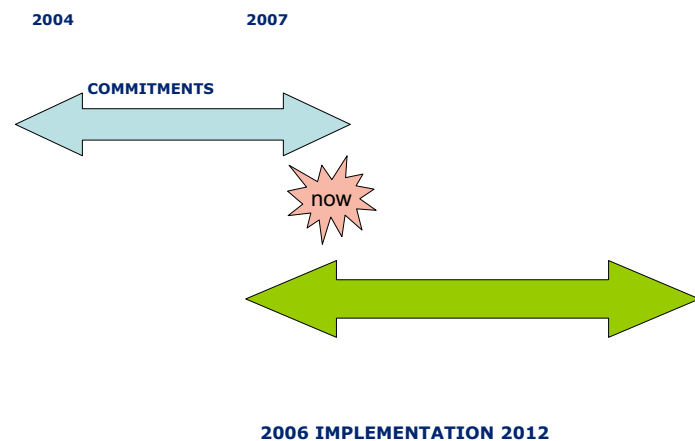


INTRODUCTION

MID TERM: Where are we?



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ACP-EU WATER AND ENERGY FACILITY 2004-2007

MID TERM REVIEW ACHIEVEMENTS AND CHALLENGES

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MTR METHODOLOGY

Review of the Calls for Proposals

Scope

- Review achievement of objectives
- Analyze processes in place
- Recommendations

Limitations

- Analysis based on awarded proposals

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CONTENT

1. Introduction
2. MTR Methodology
3. Main findings & analysis
4. Conclusions
5. Recommendations

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MTR METHODOLOGY

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Information & data analysis

- Encode and analyse statistics in 250 selected proposals from Water and Energy Facilities (e.g. applicants, partners, beneficiaries, co-donors, action, duration, location...)
- Review of background documents
- Review of existing analyses, status reports, studies and surveys
- Review of external information and communications (e.g. NGO's, IAG, ACP secretariat, AMCOW TAC)

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MTR METHODOLOGY

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Field visits

- Mozambique
- Uganda

Field interviews

- EC Delegation staff
- National Authorising Officer (NAO)
- Water and Sanitation authorities at national level.
- All successful applicants
- Private Water Operators
- NGO networks

Additional interviews

- DG Development, DG TREN, DG Research and ACP Secretariat
- Survey to applicants

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MTR METHODOLOGY

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1. Assessment of selection criteria

2. Information & data analysis

3. Field visits and interviews

4. Reference Group review process

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MTR METHODOLOGY

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Assessment of detailed selection criteria

- Relevance/Value Added
- Efficiency
- Effectiveness
- Potential Impact
- The sustainability

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CONTEXT

MDG's and Water Facility

- **The financial needs for the MDG WSS objectives**
 - 7 to 21 billion US\$
- **Required investment**
 - 2 Billion US\$ per year
- **The WF offer support for 500 M€**
- **It is the evident that the approach should be**

"as catalyst or enabler, to complement and add value to other work to catalyse action, rather than operate as a standalone financing instrument"

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MTR METHODOLOGY

Reference Group review process

- Review and contribute to Terms of Reference
- Review MTR deliverables:
 - Desk Phase Report
 - Mid Term Review final report

Reference Group Members

- EU Delegation representatives (4 Delegations)
- DG EuropeAid (especially Evaluation Unit)
- DG Dev
- DG Research
- DG ECHO

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CONTEXT

Present situation (end June 2007) :

- 1st CfP Water Facility (10/04-12/05)
 - 90 out of 97 contracts signed
- 2nd CfP Water Facility (end03/03-02/06)
 - 10 out of 78 contracts signed
- 1st CfP Energy Facility (06/06-07/07)
 - 75 proposals selected. MTR based on 91 proposals selected at detailed evaluation stage.

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MTR METHODOLOGY

Phases

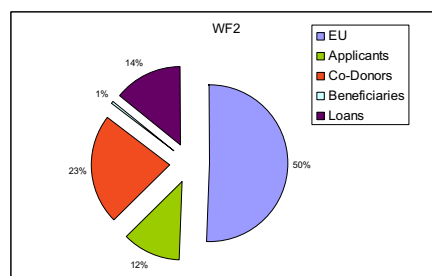
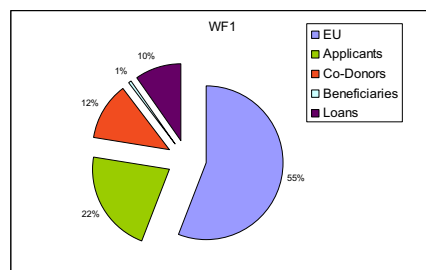
- Launch note
 - Action plan and schedule as per TOR's
- Desk Phase and report
 - Analysis of EC, ACP and consultancy documents, reports and communications on both Facilities
- Database
 - Design structure and data fields for analysis
 - Encode data from 250 selected proposals
- Field visits
- MTR Final report incorporating all of the above

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MAIN FINDINGS

Evolution of Cofunding



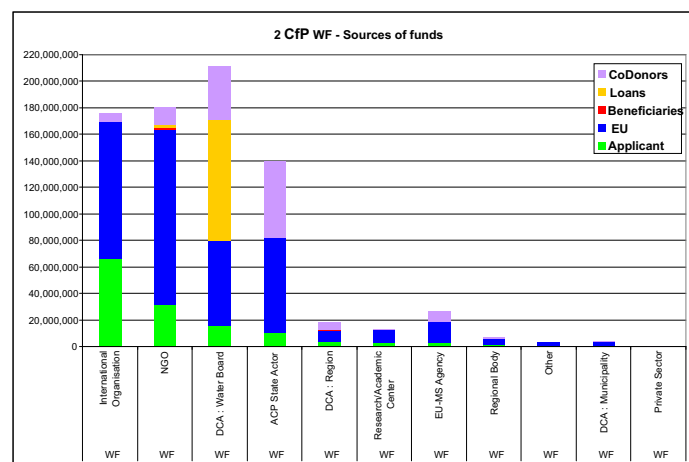
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MAIN FINDINGS

Cofinance, Leverage and 3rd Co-donors



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MAIN FINDINGS

Impact of actions on WSS beneficiaries

- 21 million people served (1st & 2nd CFP)
- 70% of proposals address rural populations
- 79% of proposals involve local activities

	Share %		Share %
Rural	70	Local	79
Peri urban	21	National	32
Urban	32	Regional	24

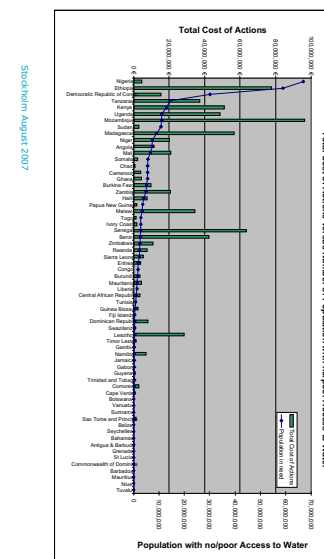
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MAIN FINDINGS

Water Needs Coverage (MDG's & UNHD Report)



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MAIN FINDINGS

Addressing Needs

- Coherence with the needs of the end beneficiaries
 - Applicant-driven
 - Bottom up: participatory needs analysis a key criteria
- Some countries in great need by-passed
 - Poor quality of proposals
 - Poor capacity

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CONCLUSIONS

Overall relevance towards MDGs

- CfP has added value to existing development instruments
- General coherence with the needs of countries
 - Some countries with large needs do not benefit
 - Sanitation sector needs more emphasis

Awareness/visibility : 1774 proposals received, strong mobilisation.

Financial Catalyst:

- Mobilisation of funds: ACP State actors most successful for co-donors
- Of DCA's, Water Boards most successful in mobilizing loans and 2nd for co-donors.

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MAIN FINDINGS

Actors: Old and New

- NGO's : in 47% proposals with 16.6% financial contribution by EU
- ACP State : in 10% proposals with 23.9% financial contribution by EU
- 22 projects to de-centralized applicants
- 21 regional/research organizations

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MAIN FINDINGS

Innovation Results

- Decentralized corporations such as municipalities and water boards invited as Non State Actors
- River Basin organisations are new partners for the EU
- Private sector encouraged but...
 - Disappointing in the Water Facility
 - Energy more promising : 15,3% of total contribution
- Technologies largely low level, but updated and multiple technologies applied
- Financial innovation requested; response limited

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CONCLUSIONS

Efficiency

Overall process / Timing

- Fast, except for contracts with some new actors

Innovation

- Limited in financial (e.g. funding sources) & technical

Cost effectiveness

- Human resources limitations at HQ and Delegations

Applicants' cost-effectiveness workload

- Time constraints & complex application procedures
 - Acknowledged but still accepted by applicants

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CONCLUSIONS

Effectiveness

Objectives of the facilities:

- Results coherent with objectives of access to water and focus on rural poor

EU/EC development policies:

- Coherence with overall policies & strategies

National policies & country strategies:

- Compliance with NIP, National Plans & country strategies *(based on field visits, surveys, and high scores on Relevance selection criteria)*

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CONCLUSIONS

Relevance

New actors/Institutions involved:

- Regional Inst, RBOs, Decentralised Cooperation Actors

Ownership :

- **Secured** by Involvement of Delegations in selection process
- Observed strengthening of local capacity (quality of applications) and capacity building a common component in successful proposals

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CONCLUSIONS

Ownership (cont'd)

Networking / awareness-raising

- Partnerships built during preparation of proposals
- Potential limited ownership at grass-roots level with International Organisations and NGO's **However**
- **ACP partners** required after 1st Call

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CHALLENGES

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Bias against most needy countries

- Distribution of the investments and bias toward countries with:
 - more developed institutions (capacity)
 - more experienced actors (quality and capacity)
- Potential limited access to countries lacking above capacities

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CHALLENGES

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Private sector participation

- World Bank figures explain low interest in water from the private sector. Cost recovery in:
 - Telecom (easily – 3 times more),
 - Energy (70 – 80%)
 - Water (25.3%), difficult to get cost recovery
- The commercial and political risk is simply too high
- In summary the water tariffs charged is presently not a full cost recovery tariff, complicated by:
 - Often O&M costs only allowed (political)
 - Revenue collection not developed

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CHALLENGES

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Operational and forward planning

- Implementation and management of 250 projects
 - Delegations where WSS and/or E are not focal sectors
 - Human Resources
- Possible extension of W & E Facilities under 10th EDF
 - A separate and specific monitoring and building on past experience for strategy framework

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CHALLENGES

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Summary: Introduction

- **Bias: needy countries vs quality proposals**
- **Private sector participation & political context**
- **Innovative financing & role of EUWI/EI**
- **Governance**

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CHALLENGES

Governance Challenge

- Develop capacities of local governments or communities to regulate, monitor and control services provision
- Governance actions for promoting political commitment (e.g. creating forums) to include all actors
 - The CfP competitive approach may not get all actors
 - EUWI can assist in promoting this process

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RECOMMENDATIONS

Bias against needy countries

- Evaluation: address poverty related issues through the selection process criteria:
 - Absolute poverty indicators
 - W&S indicators
 - Health and Hygiene indicators
 - Etc. etc...

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CHALLENGES

Global Private Sector Financial Challenges: Water

- A clear regulatory framework is often lacking
- The banking sector has limited experience
- Poverty in rural and peri-urban areas impedes user financing
- Reorganization of the public sector often required
- Political will to introduce "WATER AS AN ECONOMIC GOOD" in practical terms not always present
- Some NGO resistance and polarized opinions on WSS PPP's

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CHALLENGES

Attract Innovative Financing

- Currently investments in the water sector are mainly large-scale, going to large and international operating companies (CfP's usually smaller scale)
- Work against tendency to focus on people and economic activities in cities of middle-income countries

While

- CfP's usually operate on a smaller scale
- CdP's in the Facilities have a pro-poor focus

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RECOMMENDATIONS

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Innovative Financing

- Mobilize: banks, micro-finance institutions, private sector water companies, regional development banks etc)
- Innovative finance be more clearly reflected in the evaluation grid (criteria and scoring) promoting proposals offering innovative solutions in terms of:
 - co-financing
 - participation of local financial institutions
 - cost recovery with pro poor parameters, etc.

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RECOMMENDATIONS

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Innovative Financing (cont'd)

- Link the W & EF's to the Investment Facility for ACP under the Cotonou Agreement
- Promote Output-Based Aid (OBA)

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RECOMMENDATIONS

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Bias against low capacity institutions

- More assistance to weaker Applicants in project preparation
 - Workshops
 - Info and training sessions
 - Consultancy support for special topics
- More INGO network support local NGO's and other actors
- Regular intervals of Calls would avoid the distorted concentration of efforts by applicants
- EUWI structure to continue providing information and increase practical guidance to applicants

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RECOMMENDATIONS

EuropeAid

Private Sector

- Join Water and Energy Facilities to promote profitability of overall action
- **EUWI/EI** to advocate improved financial and public sector structures
- **Activate** local financial intermediaries through the establishments of specialized trust funds (e.g. micro finance)
- **Expand** definition of 'private sector' in CfP's:
 - Consumer-based associations
 - Decentralized water boards

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GLOBAL RECOMMENDATIONS

EuropeAid

Modalities for the Call for Proposals

- Strengthening data base – Unit C-7
- Technical support to applicants: Civil Society + Municipalities for proposals
- Simplification of Guidelines – Unit C-7

Improvement of the Evaluation Phase:

- Evaluators: specialized & able to work in teams, not individually and independently
- WF : weighting applications in relation to country poverty index & access to WSS

Focus on two components: A (governance) & C (civil society), component B to Infrastructure Trust Fund

Strengthening capacity/role of Delegations

- Assist in contract preparation/negotiation – Unit C-7

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RECOMMENDATIONS

EuropeAid

Governance

- Country dialogues through EUWI must actively continue to promote platforms involving all actors
- Instrument of TWINNING between European and ACP local authorities be promoted

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GLOBAL RECOMMENDATIONS

EuropeAid

Increase cooperation & complementarities with :

- IAG, EUWI & MS
 - MS: Financing of the WF
 - EUWI: Support to applicants before the calls
 - Use of outputs for the country dialogues
 - Resources required by EUWI!
- ACP actors (e.g. AMCOW, AWF) via ACP secretariat & promoted by EUWI

Reinforce:

- Private sector participation

Address geographical distribution

Address IWRM to also include final beneficiaries at grass roots and environmental issues

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RECOMMENDATIONS

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Reducing Transaction Costs

- Pooled funds (e.g. Trust fund) to reduce overall financial management costs
- Pooling small projects under one programme fund to combine common transaction costs

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WATER AND ENERGY FACILITY
2004-2007**

MID TERM REVIEW

QUESTIONS & DISCUSSION

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