

## PRIVATE SECTOR PEER LEARNING: MECHANISM PROFILES

# Development Related Infrastructure Investment Vehicle (DRIVE), Netherlands Enterprise Agency

**Description:** The [Development Related Infrastructure Investment Vehicle \(DRIVE\)](#) is a programme of the Netherlands Enterprise Agency that was initiated in June 2015 to facilitate private investment in infrastructure projects in developing countries through concessional finance.

**Objectives:** DRIVE seeks to involve the private sector in the stimulation of a good business climate, productivity, local entrepreneurship and job creation in specific sectors. The programme enables the private sector to compete for contracts awarded by local government authorities with a concessional financing proposal that would otherwise be unavailable.

**Partners:** The programme is open to entrepreneurs and companies worldwide that wish to implement a public infrastructure project in a DRIVE country. Potential partners must demonstrate expertise, reliability, good financial standing and stability to execute the project. They must also comply with the OECD Guidelines on for Multinational Enterprises, which cover international corporate social responsibility, when implementing projects.

**How it works:** For projects, DRIVE contributes to the financing costs and costs of repaying a commercial loan or other type of residual financing, including non-grant financing, from the local government authority. Projects can be eligible for: subsidies without repayment obligations that constitute at least 10%, 15% or 45% of the loan's nominal value depending on the DRIVE country's income category (upper-middle-income, lower-middle-income or low-income/least developed country, respectively); guarantees for up to 80% of the financing amount to cover any losses on financing that has been provided and which a financier has contracted under an agreement with the local government authority; market-based loans for the local government authority of up to 50% of the transaction amount to finance development-related investments in public infrastructure if all other options for arranging the residual financing, including non-grant financing, have been exhausted; or a combination of the above.

DRIVE can also offer financial support for public infrastructure tenders in which a public-private partnership carries out the contract, provided the project is not commercially feasible or bankable (or not in full). The same tools should be available for these types of projects and guarantees or loans should be considered first. The use of subsidies without repayment obligations is limited to covering the costs of commercially provided guarantees. The budgetary costs for these tools, including any guarantee payments, is limited to maximums of EUR 15 million, EUR 21 million and EUR 30 million for projects in upper-middle-income countries, lower-middle-income countries and low-income/least developed countries, respectively.

The application process consists of three steps. Step one is not mandatory and consists of filling out a "Quick Scan" form to outline a project idea. The Netherlands Enterprise Agency then recommends whether or not to initiate an application. Step two is the intake procedure, which takes at least two months, during which the Netherlands Enterprise Agency assesses whether the project meets the requirements of development relevance and international corporate social responsibility, among other things, and advises on designing a financial arrangement. Step three, which also takes at least two months, consists of the submission of an official application for DRIVE funding no later than two weeks before the closing of the tendering procedure.

Projects must take place in one of the 59 countries that receive official development assistance identified in the official DRIVE list and have a contract value between EUR 5 million and EUR 60 million that includes financing costs and the costs of supervision on compliance with the contract. They should demonstrate a contribution to private sector

**Development Assistance Committee member:** Netherlands

**Duration:** Ongoing since June 2015

**Budget:** EUR 150 million for 2015-16 (budget renewed annually)

**Geographic focus:** Global, with a specific country list

**Sectoral focus:** Food security, water, sexual and reproductive health and rights, and climate

**Offered:** Subsidies, guarantees and loans

development, align with the policy objectives of the target DRIVE country or region and meet the needs of the targeted end-users. Projects must include a feasibility study, an operations and maintenance plan, an Environmental and Social Impact Assessment in accordance with the International Finance Corporation Performance Standards, and monitoring of compliance with the contract's procedure.

**Monitoring and evaluation:** No monitoring and evaluation documents were found.

**Results:** Results are not yet available.

**Insights:** A number of aspects of DRIVE are innovative. Applicants are able to pitch ideas before undertaking full project proposals. The prospect of full project financing exists at an early stage, since the decision on project selection coincides with that on financing project implementation. This approach allows countries to secure the non-concessional part of financing from other investors more easily.

The programme's assessment of development relevance and impact of the project is in line with priority areas and DRIVE countries' national priorities and plans. The programme facilitates coherence between private sector engagement programmes and in relation to policy priorities. Projects must comply with international corporate social responsibility principles, including the OECD Guidelines for Multinational Enterprises and International Finance Corporation Performance Standards as a prerequisite for funding.

The programme gives special attention to additionality of concessional finance (subsidies and financing can only be requested if the commercial market is not willing to provide the financing or if the local government authority may not borrow on commercial terms based on the International Monetary Fund's debt sustainability guidelines).

#### **SOURCES:**

Netherlands Enterprise Agency (n.d.a.), "Development Related Infrastructure Investment Vehicle (DRIVE)", <http://english.rvo.nl/subsidies-programmes/development-related-infrastructure-investment-vehicle-drive> (accessed 1 July 2016).

Netherlands Enterprise Agency (n.d.b.), "DRIVE country list", <http://english.rvo.nl/subsidies-programmes/drive/country-list> (accessed 1 July 2016).