



Netherlands Enterprise Agency

# **Manual for DRIVE application procedure**

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**Version 1**

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# 1 Introduction

## 1.1 **About this manual**

This manual describes the application and appraisal process of the DRIVE programme. The manual serves as an explanation of the DRIVE policy rules published in the *Staatscourant* on 16 June 2015. It explains how DRIVE can assist companies to secure financing for public infrastructure projects in developing countries, what type of financial assistance they can expect from DRIVE and what conditions and requirements need to be satisfied by the applicants in order to qualify for financial support. It provides practical guidance for completing the application and explains the appraisal procedures. Potential applicants are strongly advised to read this manual before starting the application procedure.

The manual may be subject to change over time. Potential applicants are therefore advised to keep up to date with the latest version of the manual, which can be found on the website of the DRIVE programme.<sup>1</sup>

If this manual deviates from the policy rules, the policy rules are decisive.

## 1.2 **Practical information on DRIVE**

DRIVE is a programme of the Ministry of Foreign Affairs through which subsidies, guarantees and loans can be furnished for the financing of development related public infrastructure in countries on the DRIVE list of eligible countries. It is carried out under the Dutch Administrative Law act. If, based on a positive appraisal, RVO.nl judges positively on an Application, it will issue an administrative decision based on this act.

The DRIVE programme is managed by RVO.nl, an executing agency of the Ministry of Economic Affairs. All documentation on DRIVE is available at the DRIVE section of the website of RVO.nl: <http://english.rvo.nl/drive>.

Companies interested in applying for financing can contact RVO.nl by using a [Quick Scan form](#) for DRIVE. In subsequent steps more information will be required on the project and applicant. The applicant needs to submit this information using the Intake form, which is also available from the website. This form and its appendices may be subject to change over time, so applicants need to make sure that they use the latest version.

For the final Application similar information needs to be provided, on the Application form. The form will be provided to the applicant by RVO.nl once the Intake procedure has been finalised.

## 1.3 **Contents of the manual**

This manual describes the functioning of the DRIVE programme in detail.

<sup>1</sup> The manual is published on the website of RVO.nl and can be found in the specific section of the website on DRIVE: <http://www.rvo.nl/subsidies-regelingen/drive>; or: <http://english.rvo.nl/subsidies-programmes/development-related-infrastructure-investment-vehicle-drive>. In case of doubt, please contact RVO.nl. You can find the contact details on the website of RVO.nl: [www.rvo.nl](http://www.rvo.nl).

Chapter 2 explains the objectives and intervention logic of DRIVE. The chapter provides insight to applicants on how to describe the project rationale and objectives.

Chapter 3 describes the financial tools that are available under DRIVE and gives examples of possible financing structures. RVO.nl can be contacted in case an applicant requires more guidance on financing structures under DRIVE.

The application procedure is described in detail in Chapter 4. It explains the various steps and milestones that are important for applicants.

The criteria applicable for the appraisal of financing requests under DRIVE are described in Chapter 5. It explains the criteria in detail and describes the appraisal method that RVO.nl will follow to assess applications. It also gives recommendations to applicants on what steps to take in order to provide the information that is necessary for appraisal.

Lastly, Chapter 6 describes the requirements from the applicant during implementation of the project, for instance in relation to monitoring and evaluation of the project.

## 2 DRIVE objectives and result chain

### 2.1 **DRIVE objectives**

The overall objective of DRIVE is to contribute to inclusive and sustainable growth in developing countries, removing obstacles to development and creating opportunities for vulnerable groups in low and middle-income countries to participate fully in the economy and in society. Investments aimed at improving conditions for the private sector, such as investments in infrastructure, improve the business climate and reduce transaction costs. This should foster entrepreneurship, employment and productivity growth, increasing opportunities and lifting wages of employed or self-employed people.

DRIVE assisted projects are expected to lead to such impacts by expanding the scope of the public infrastructure or by improving its functioning. Both expansion and quality improvement will enhance the access to and quality of the infrastructure services for producers and consumers.

Governments of developing countries often lack suitable financial resources for development-related infrastructure projects that cannot be financed and operated on a commercial basis. DRIVE offers these governments an attractive and flexible source of financing, by furnishing subsidies, guarantees or loans to companies that supply infrastructure projects to these governments. The use of these tools increases the chance of implementing the project.

DRIVE assists investments in public infrastructure in one or more of the following sectors:

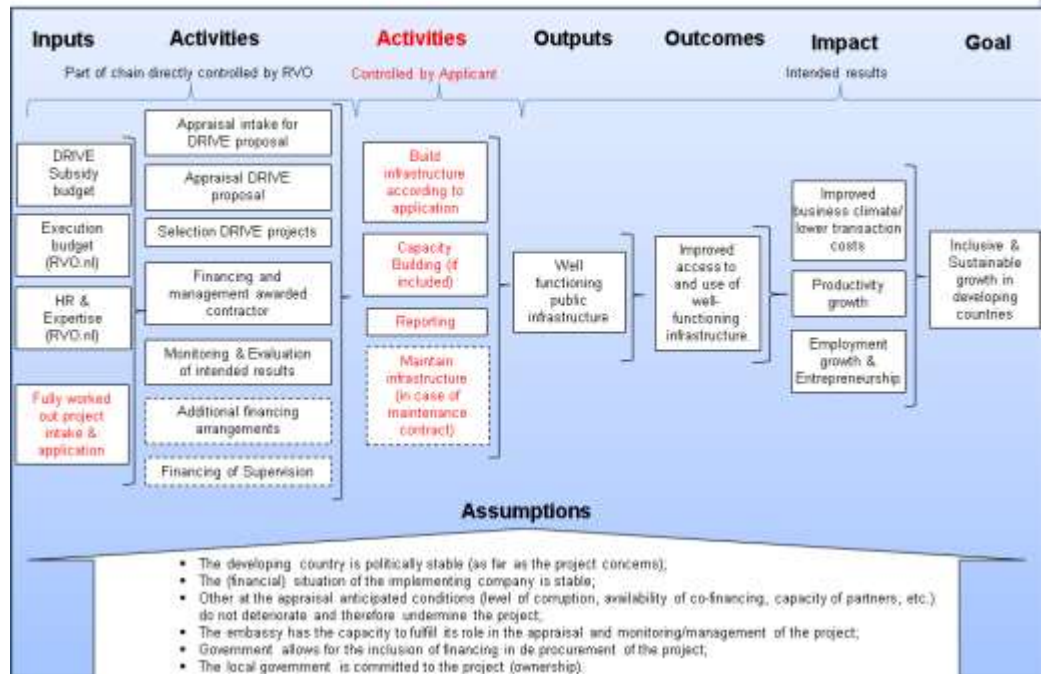
- food security;
- water;
- sexual and reproductive health and rights;
- climate.

### 2.2 **Result chain**

The following figure shows the DRIVE result chain and the assumptions underlying it. Underneath the figure we describe the various aspects of the project result chain in more detail.

## Result chain DRIVE Program - Netherlands Enterprise Agency

Subsidy for the financing of development relevant infrastructure



### Inputs

Inputs are the financial, human, material, technological and information resources used for the development intervention (OESO/DAC, 2002). The majority of inputs are usually part of the total budget required to carry out the project, including the implementation, operation and maintenance of the project. In the context of DRIVE projects, the input can contain both the DRIVE financing and non-DRIVE financing. The latter may include a commercial loan, funding from other donors or funding from the government budget. Besides financial inputs, the input from the applicant includes a fully worked out project intake and application. Using this input one can carry out certain activities.

### Activities

Activities are the actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilised to produce specific outputs (OESO/DAC, 2002). Activities for DRIVE projects include the activities for the implementation of the infrastructure project, such as detailed design and construction and the operation and maintenance of infrastructure, such as the delivery of spare parts and training. All of these activities are needed in order to construct the actual infrastructure, the outputs.

### Outputs

Outputs are the products and services which result from the completion of activities within a development intervention (OESO/DAC, 2002). In the case of DRIVE, outputs are defined as well functioning public infrastructure, which can be described quantitatively and qualitatively. Quantitative descriptions give information about the expanded scope of the infrastructure, for example the number of kilometres of road that was built, the number of standpipes and kilometres of water distribution system that was constructed or the number of beds that are placed in a hospital. Besides

expansion of scope, DRIVE projects may also improve the functioning (quality) of the infrastructure, leading to improved services. This functioning is often described qualitatively. For example that the hospital beds are clean, that the constructed road is accessible throughout the year, also during the rain season, that the drinking water is up to WHO standards. Outputs are thus the results of the activities. They could include physical or other output, e.g. capacities being strengthened to assure that the physical outputs are properly maintained. Outputs are the physical results of the activities, which lead to short term effects, the outcomes.

#### *Outcomes*

Outcomes are the intended or achieved short-term effects of an intervention's outputs, usually requiring the collective effort of partners. Outcomes represent changes in development conditions which occur between the completion of outputs and the achievement of impact (OESO/DAC, 2002). In the case of DRIVE, outcomes specifically refer to the improved access to and the use of infrastructure by the private sector and households. For DRIVE projects this means for example the increase in the number of persons and companies that have access to and make use of clean drinking water through new standpipes and household connections and the improved distribution system. Another example would be the change in the number of persons and companies that have access to a road and make use of it.

#### *Impacts*

While within the context of monitoring and progress reporting as implemented by the applicant impact measurement will not be required, the applicant is expected to provide some indication of what possible results are at the impact level and how they could be measured. This information is needed to make a weighted decision on whether or not these expected impacts justify the project costs. These impacts will be evaluated for some projects in an independent, external project evaluation.

Impact is the positive and negative long-term effect on identifiable population groups produced by a development intervention, directly or indirectly, intended or unintended. These effects can be economic, socio-cultural, institutional, environmental, technological or of other types (OESO/DAC, 2002). Impact in the context of DRIVE is defined as a contribution to private sector development. Accessible, well-functioning infrastructure is essential for the development of a private sector, enabling effective entrepreneurship and foreign trade and investment and giving people the chance to better provide for themselves. Examples of private sector development includes higher earnings due to new irrigation systems, increased profit/profitability and employment of (small) businesses due to access to the electricity network or a more productive labour force due to improved health (as an effect of access to healthcare or clean drinking water).

#### *Assumptions*

There are several assumptions underlying the project result chain, which need to be fulfilled to ensure the project will achieve its stated objectives. Assumptions must be made explicit and it has to be feasible to check these assumptions. It should also be made clear over which of these assumptions the applicant has control and over which it has not. In the latter case possible risks to the successful implementation and achievement of the project result chain should also be established, as well as means to manage or mitigate such risks.



### **2.3 Inputs and activities controlled by the applicant**

In their project proposals, applicants are expected to demonstrate how the project contributes to DRIVE objectives and how it ties in with the project result chain. In other words, a clear rationale must be provided for the project and the intervention logic must be explained, by clearly outlining how the proposed project will produce specific outputs and will result in outcomes that logically contribute to impacts and goals. [Section 5.3](#) provides more information on the specific requirements with respect to the project rationale.

The project result chain forms the framework for the appraisal of the project. As early as in the Intake phase, the applicant is required to provide indicators for the proposed projects result chain, at input, output and outcome levels. As such the project result chain also forms the basis of the monitoring and evaluation (M&E) plan (see [Chapter 6](#) for further details).

## 3 DRIVE tools and arrangements for financing

### 3.1 The role of RVO.nl

DRIVE provides various tools to assist in financing of transactions. The tools, which are described below, can be used in such a way that companies can offer a concessional financing package to local authorities in eligible DRIVE countries.<sup>2</sup>

RVO.nl can assist these companies, by providing information on the tools available under DRIVE and how they can be used to set up concessional financing packages. Companies are therefore advised to contact RVO.nl in an early stage, by using the Quick Scan form (see [section 4](#)). On the basis of the information supplied in the Quick Scan, RVO.nl and the potential applicant can together explore the possibilities for using DRIVE in an early stage.

RVO.nl will be available for applicants throughout the application procedure to provide the relevant information in an objective manner. The role of RVO.nl is strictly limited to the provision of information on available options. In other words, the information provided by RVO.nl can in no manner be seen as advice, nor as a preliminary approval of the Application. The applicant remains solely responsible for the structuring of the project and the contents of the Application.

All projects will be appraised by RVO.nl during the Intake. The appraisal will only be finalised once a complete Application has been submitted after the Intake phase has been concluded.

### 3.2 Tools

#### 3.2.1 Overview of the tools

DRIVE facilitates investments in public infrastructure that are in need of concessional financing. Upon the fulfilment of all DRIVE criteria and conditions, the goal of DRIVE is to support the applicant in offering complete and concessional financing for the infrastructure project to the local authority in the eligible country.

To this effect, DRIVE can offer the following financing options in order of preference<sup>3</sup>:

1. A subsidy without repayment obligation;
2. A guarantee of up to 80% of the repayment obligation from a financing agreement;
3. A market-based loan to the local government of up to 50% of the total eligible project cost.

<sup>2</sup> Concessional: the degree to which a local government authority receives a benefit from a loan provided at a rate lower than the market rate, calculated in accordance with the manner stated by the OECD's DAC and expressed as a percentage of the loan's nominal value. In the case of a variable interest rate, the concessional shall be determined at the time of commitment based on an expected average interest rate over the course of the loan. Grants – or subsidies without repayment obligations as applicable in connection with these policy rules – shall be fully concessional. The concessional of grants which are part of a total financing package shall be determined based on the size of the grant as a percentage of the total financing package's nominal value (source: policy rules).

<sup>3</sup> DRIVE can also provide financial assistance in PPP projects. The same instruments as under the regular DRIVE window are available (i.e. guarantees or loans and subsidies without repayment obligation, in that order of preference). Subsidies without repayment obligation are limited to covering the cost of commercially provided guarantees. PPP projects are subject to a pilot phase (two projects per year as a maximum) and only in short covered in this manual. More information will be made available upon request.

DRIVE is a government funded instrument and additional to the market. For this reason, the option of combining a subsidy without repayment obligation with commercial financing (combined or not, in turn, with export credit insurance provided by an export credit agency) shall be examined first. Insofar as the normal range of export insurance tools does not apply to the type of projects supported under DRIVE, e.g. when a project can be considered a local investment rather than an export contract, a DRIVE guarantee can also be made available. In very exceptional cases, a DRIVE loan may be furnished, after all other (semi-)market based financing options have been exhausted. The financing conditions for such a loan will be determined by DRIVE and will be non-concessional, as the concessionality of the financing package is already realized through the DRIVE subsidy.

The contribution under DRIVE – whether it is provided directly or indirectly to the applicant – shall permit the applicant to add a concessional financing proposal to his bid for a contract tendered by the local authority. DRIVE can be used in calls for tender that include a request for concessional financing, as well as more traditional calls for tender that do not include such a request. In both cases the DRIVE contribution is to be presented in addition to the commercial offer of the applicant, and may not be used to lower the price of the offer. It must be demonstrated that without the DRIVE contribution a concessional financing proposal for the entire transaction would not be available and that concessional element is necessary to complete the transaction.

Applicants are invited to use the DRIVE subsidy to structure the financial package of their offer along the lines of the following considerations. RVO.nl can inform the applicant on possibilities to put together such a package. However, companies are strongly advised to closely work together with their own financial experts, preferred financiers and credit insurance agencies. These parties are all instrumental in putting together a custom made financing solution that meets all requirements. Applicants may consider including their preferred financier and credit insurance agency in the communication with RVO.nl.

### 3.2.2 *Determining the size of the subsidy*

The size of the subsidy is equal to a percentage of the nominal value of the eligible project costs. The subsidy percentage is dependent on the applicable country income classification. The check on the appropriateness of eligible costs will be a key part of the due diligence conducted by DRIVE.

The eligible project costs contain:

- the contract amount;
- the nominal financing costs;
- (in exceptional cases<sup>4</sup>: the cost of supervision).

#### *Eligible project costs*

In assessing the eligible project costs it is necessary to distinguish between the overall project and the DRIVE project. The overall project is defined according to the

<sup>4</sup> As the local authority presents a call for tender, DRIVE assumes that the local authority will also take care of the supervision of that procedure. When the local authority does not take care of supervision, or not in a satisfactory manner according to DRIVE, the costs for supervision can be supported by DRIVE. The costs will then be added to the total project costs and the maximum subsidy applies.

OECD consensus as “the smallest, complete productive entity of public infrastructure, physically and technically integrated, that fully utilises the proposed investment and captures all financial benefits that can be attributed to the investment.”

The DRIVE project concerns only the transaction for which a call for tender is to be issued. In this respect, the DRIVE project may only be a transaction within the overall project.

In determining the eligible project costs under DRIVE only the DRIVE project will be considered. Most of the transaction costs are in principle eligible. However, the costs of the feasibility studies, the Environmental and Social Impact Analysis and the acquisition of the project are excluded as these studies are expected to be completed in advance of the DRIVE application. In case the design is part of the contract tendered for, the studies to complete the design are in principle considered eligible costs. This does not waive any requirements regarding the threshold criteria however. In a price check, the costs will be checked on benefit and necessity, proportionality (for example contingency provisions) and market conformity. Certain costs are capped (agent fees on a particular project are for example capped at 5% of the eligible costs). The cost structure should reflect the preliminary bill of quantity, the bidding documents and following contract.

#### *Financing costs*

The financing costs concern the costs that are paid to third parties, like financiers and credit insurance agencies. They contain the following elements:

- interest;
- premiums required for securing (commercial) financing (one-off financing costs);
- premiums required for securing additional guarantees or insurance coverage.

#### *Amount of the subsidy*

The subsidy percentage shall amount to at least 10%, 15% or 45% of the eligible costs of a project in respectively Upper Middle Income Countries (UMIC; WB classification), Lower Middle Income Countries (LMIC; WB classification) and Low Income Countries (LIC; WB classification) or Least Developed Countries (LDC; UN classification). The policy rules refer in article 3.2 to situations where a higher subsidy percentage might apply up to a maximum of 25%, 35% or 50% respectively. Formal written confirmation from the local authority that the presented financing solution adheres to applicable concessionality requirements based on IMF / World Bank debt sustainability benchmarks is needed. If concessional requirements are not met, RVO.nl cannot approve the Application.

### 3.2.3

#### *Subsidy without repayment obligation*

DRIVE can support projects with subsidies without repayment obligation. DRIVE will look at this type of financial support as the first option for financing a project<sup>5</sup>.

Applicants are therefore encouraged to propose a financing structure for the transaction in which a subsidy is the main or only DRIVE tool requested. This subsidy without repayment obligation aims to:

- reduce the financing costs of the commercial financing, and/or
- extend the tenor of the financing agreement (limited to 12 years maximum), and/or
- fund part of the eligible project costs.

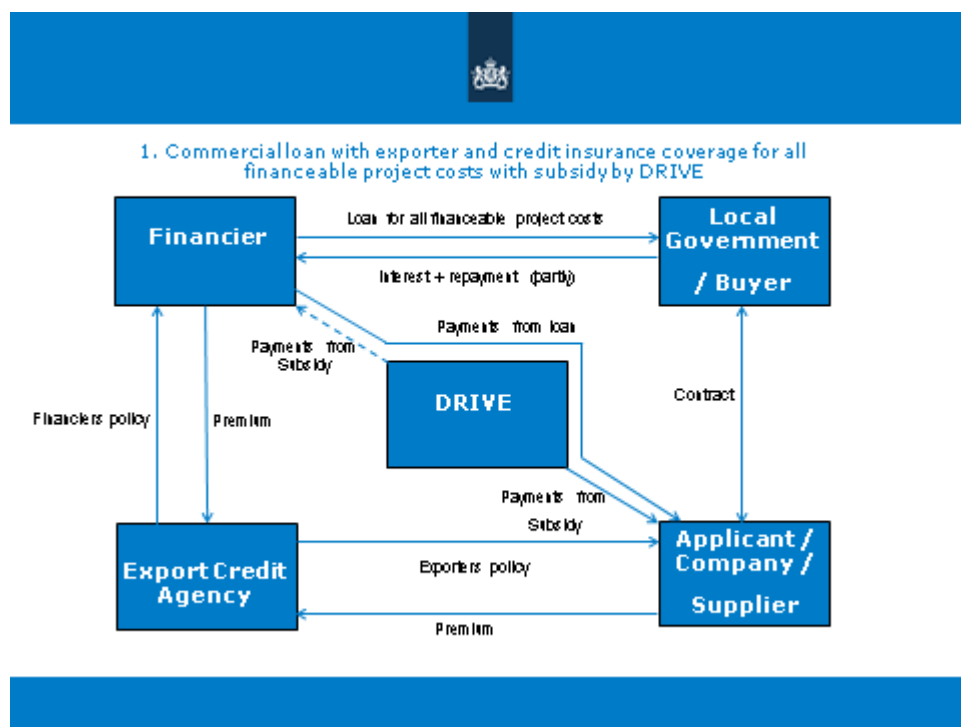
#### *Four variants on the use of subsidy*

<sup>5</sup> In case of PPP projects a guarantee or a loan will be looked at first.

For illustrative purposes, below four basic variants are presented for the use of the subsidy tool. As DRIVE projects concern (complex) infrastructural projects, the financing solutions applied will often be customized. A financier that is part of such a solution should be of solid financial standing and good reputation, overseen by a competent monetary authority. In principle, the payments from the DRIVE subsidy will be pro rata parte.

*Variant 1. Commercial loan with exporter and credit insurance coverage for all financeable project costs together with subsidy by DRIVE<sup>6</sup>*

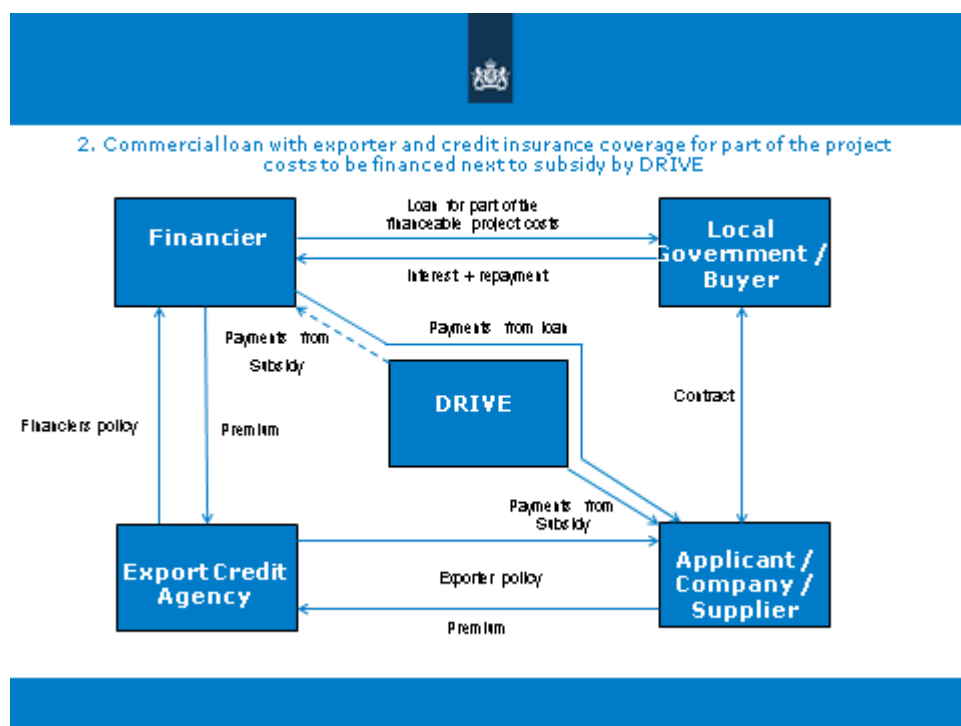
The applicant's preferred financier provides a commercial loan to the local authority for 100% of the financeable project costs. The loan is set aside in a depot with the financier, which is held in name of the local authority. The financier pays the applicant on behalf of the local authority from the loan depot, per milestone reached and confirmed by the supervisor. The financier collects interest and loan repayments from the local authority and RVO.nl during the tenor of the loan as specified in the loan and subsidy agreements. The DRIVE subsidy is allocated to the eligible project costs referred to on the previous page. The financier can be the preferred bank of the applicant, or a financier of the local government agreeable to the applicant and DRIVE.



<sup>6</sup> Supplier credit insurance coverage is also an option provided by an export credit agency.

*Variant 2. Commercial loan with exporter and credit insurance coverage for part of the project costs to be financed, supplemented with a DRIVE subsidy*

In this variant the involved financier provides a commercial loan to the local authority for the financeable part of the project costs that is not subsidized by DRIVE. During the tenor of the loan the local authority repays the financier fully according to the amortization schedule agreed. The loan and DRIVE subsidy are in principle disbursed on the basis of milestones reached and confirmed by the supervisor, and payable invoices presented by the applicant. The financier can be the preferred bank of the applicant, or a financier of the local government agreeable to the applicant and DRIVE.



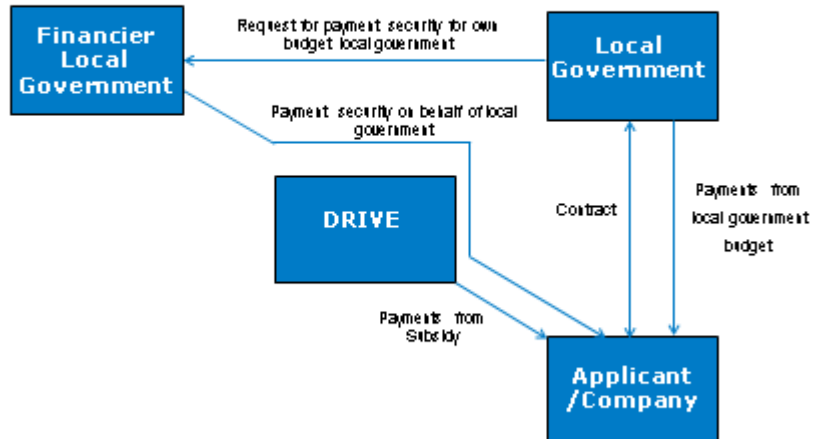
*Variant 3. DRIVE subsidy next to funding from the local government's own budget*

In this variant the applicant receives payments from the local authority and from RVO.nl. The local authority may be able to pay for the part of the project costs not subsidized by DRIVE out of its own budget. This includes funds received by the local authority from other donors, provided that these are not earmarked as specific funding for the project. DRIVE does not accept open account arrangements, meaning that the local authority should provide payment security that is agreeable to RVO.nl<sup>7</sup>. This covers the risk of delay or shut down of the project due to delayed or non-payment of amounts due. The payments by the local authority and RVO.nl to the applicant will be based on deliverables reached and confirmed by the supervisor and will in principle be pro rata parte from the DRIVE subsidy and the budget security provided.

<sup>7</sup> For instance a bank guarantee.



### 3. DRIVE subsidy next to funding from the local government's own budget

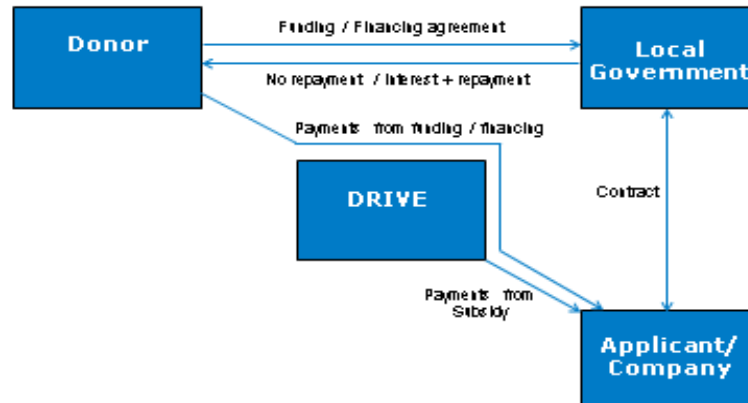


#### *Variant 4. DRIVE subsidy next to financing by another donor*

In this variant the applicant receives payments from the local authority, based on financing from another donor, and from RVO.nl. In this case, in which a project is partly funded by another donor, it should be assessed first whether financing is concessional and to what extent. DRIVE assistance is meant to be additional, to both commercial and concessional financiers / funders. The DRIVE subsidy will be reduced if other donors make concessional funding available for the DRIVE project to avoid the risk of over-subsidisation. This implies that the grant element corresponding to that other concessional funding is deducted from the DRIVE subsidy for the part exceeding the anticipated DRIVE subsidy if no other donor would be involved. It needs to be examined on a case by case basis how the DRIVE subsidy can be tailored to the other concessional funding, whilst remaining acceptable under DRIVE conditions and contributing to the execution of the project. Donor financing of parts of the larger project, not including the DRIVE project, will not influence the amount of the subsidy.



#### 4. DRIVE subsidy next to financing by another donor



### 3.2.4

#### Guarantees

If necessary, DRIVE can provide a guarantee to cover losses on financing which a financier has contracted under an agreement with the local authority. Through this option, DRIVE can underwrite up to 80% of the repayment obligation in the financing agreement. The applicable percentage is dependent on the target country and the underlying transaction. DRIVE thus assumes a large share of the risks, making the financier more inclined to furnish financing, or to furnish it under more favourable conditions. The guarantee is restricted to instalments. An instalment consists of periodic repayment of the loan amount plus interest. It does not include coverage of other costs associated to default by the debtor, such as the interest costs of payment delays, or costs of legal actions taken by the financier.

It is important to note that this tool is supplementary to the regular export credit insurance options by export credit agencies in the context of the OECD Arrangement. Before a guarantee can be requested from DRIVE, the applicant needs to have explored the regular credit insurance possibilities and needs to prove that these are not available.

### 3.2.5

#### Loans

If necessary to make complete and concessional financing available, DRIVE can provide a loan to the relevant local authority of up to 50% of the value of the contract amount. The loan will be provided on non-concessional conditions and may be provided directly to the local authority or through a financier. The conditions for the loan will be set on the basis of a review of current market conditions, or by applying the *Communication from the Commission on the revision of the method for setting the reference and discount rates*<sup>8</sup>. Applicants wanting to explore this possibility are advised to contact RVO.nl as soon as this option is being contemplated.

<sup>8</sup> See: [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52008XC0119\(01\)](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52008XC0119(01))



As the management costs of this tool are relatively high, a loan to the local government will be used in exceptional cases only. A loan by DRIVE may only be used if all other options for arranging complete financing have been exhausted. One could think of a project in a Least Developed Country (LDC) or a fragile state, where it may be difficult for local authorities to secure commercial financing even with ECA coverage or DRIVE guarantees. Given that the loan is provided on non-concessional terms, it will only be used as part of a total financing package in combination with a DRIVE subsidy.

### **3.3 Public-Private Partnerships**

DRIVE is interested to support no more than two pilot projects per year in which a special purpose vehicle implements and operates a public infrastructure in the framework of a public private partnership (PPP). If DRIVE assistance for a PPP is considered, please contact RVO.nl soonest, as different procedures may apply.

PPP projects are complex partnerships which need to be carefully analysed, understood, documented, managed, planned, scrutinized and executed. Important issues include the financing structure, clear delineation of responsibilities and contributions by partners towards the business case, legislative prerequisites, elaborate legal documentation, risk assessment etc. Many DRIVE countries do not have an (effective) legal framework in place to facilitate PPPs. Such a framework is one important prerequisite for RVO.nl in considering its participation in a PPP.

DRIVE will only consider new PPP applications if the maximum number of PPPs has not been reached in the year in which the applicant expects to put forward his intake / application. It must be demonstrated that the project is not commercially feasible or bankable (or not in full). In addition, only PPPs in DRIVE countries with an existing and effective legal framework suitable to PPPs, will be considered.

Also, DRIVE expects that the local authority has an active role in the PPP and contributes to it. An important principle for PPPs is that the ownership of the public infrastructure must in the end rest with the local authority, to assure public use of the infrastructure. Every PPP project idea will need to be presented to RVO.nl through a Quick Scan. As a balanced decision on participating in a PPP necessitates careful consideration and sufficient time, timelines mentioned in the policy rules and this manual for non-PPP projects do not apply to PPPs.

As is the case for all DRIVE projects, a PPP application should meet all criteria, including a fit with the Dutch agenda for aid, trade and investment and good procurement (see [chapter 5](#)).

## 4 Intake and application process

The application process consists of three stages: a voluntary Quick Scan, an Intake and the actual Application for DRIVE assistance. The Intake and Application stages are mandatory.

### 4.1 Quick Scan

Prior to the Intake, the applicant can fill out a [Quick Scan form](#). The Quick Scan form is meant for companies that want to assess whether their project (idea) might be eligible for DRIVE. The information provided in this form is not considered an official application for a DRIVE contribution, nor does it have any bearing on the Intake and Application stages.

The completed Quick Scan form should include the main project details and address at least the threshold criteria for DRIVE (see [Chapter 5](#) for details). Although it is not a formal requirement, filling out the Quick Scan form is highly recommended. The information provided in the Quick Scan should enable RVO.nl to form an opinion on the possible eligibility of the project for DRIVE. If the project is not likely to fit with DRIVE it saves the potential applicant a lot of time knowing this at an early stage.

The Quick Scan form may be the start of a dialogue between RVO.nl and the applicant, with a view to preparing for the formal application procedure. In this dialogue RVO.nl can provide information on the requirements and the documents needed for the Intake. Moreover, the Quick Scan enables the applicant to form an opinion on how DRIVE's financing tools can be best used and structured for the particular project at hand, in order to achieve the desired/required concessionality.

With the help of the Quick Scan the applicant will learn what type of information needs to be made available to RVO.nl and with what level of detail, supporting an efficient appraisal of the project during Intake and Application.

### 4.2 Intake

#### *Goal of the Intake*

The Intake stage is a crucial phase in the application procedure. The objective of the Intake is to prepare for the formal Application, which is the final stage of the application procedure. There is only a short appraisal period for the formal Application, given the limited time available between the publication of the call for tender and its deadline for submitting an offer. To this end the Intake comprises a preliminary but full appraisal of the project against all DRIVE criteria. It will be assessed whether the project is expected to meet the criteria and, if not, what improvements in the project, the financing arrangements or tender procedure would be needed to qualify.

If the project would result in an uneven spread of projects as referred to in Article 8.3(d) of the Ministry of Foreign Affairs (Grants) Decree, , an Application can be rejected if granting

#### *Intake requirements and timing of the intake*

RVO.nl expects projects submitted for Intake to be in a final planning of the development phase. A feasibility study should be available, as well as an

Environmental and Social Impact Assessment (ESIA), if applicable for the project. In order to assess whether an ESIA is required, RVO.nl will check the status of the project (Category A, B, or C according to the IFC Performance standards) at the start of the Intake procedure. RVO.nl will also check if the potential applicant can assure a sound basis to proceed to securing complete financing, and if the local authority can assure arranging a call for tender.

After receipt of the Intake form RVO.nl will assess whether the information provided by the applicant is sufficient to actually start the Intake phase. If not, RVO.nl will inform the potential applicant what more information is needed. The Intake phase can start as early as one year before the expected publishing date of the call for tender for the envisaged DRIVE project. It is the responsibility of the potential applicant to submit the intake request at such time that a worthwhile intake procedure is possible. A timely Intake will help to set the agenda for a speedy and well developed Application. An intake request which is submitted too late to make the intake procedure worthwhile shall in many cases result in an application which does not have much chance of success. The intake remains valid for one year from the start of the Intake procedure.

The fully completed Intake form with all required information, complete and unambiguous, must be submitted not later than four months before the expected publishing date of the call for tender for the envisaged DRIVE project. RVO.nl needs this time for a thorough appraisal and the mandatory OECD notification procedures. However, applicants are strongly advised not to wait until this final Intake moment. A full appraisal of the project will take at least several weeks and may result in the request for additional information. In many cases several rounds of Q&A might be required before the information basis of the Intake is considered to be sufficient to start the appraisal.

#### *Appraisal and judgement*

The Intake comprises a preliminary but full appraisal of the project against all DRIVE criteria. The appraisal will start as soon as all information (fully filled out Intake form, documents provided and additional information requested) has been submitted. The appraisal during the Intake stage will include due diligence of both the project and the applicant. Although the appraisal will be thorough, it will be preliminary as the Intake does not yet constitute a formal Application. The appraisal will be finalised during the Application stage.

RVO.nl will inform the applicant of the start of the appraisal. The appraisal may involve progress meetings to allow for further clarifications on the project and for identification of the need for additional information and documentation.

On the basis of the preliminary but full appraisal RVO.nl formulates a preliminary judgement on the requested DRIVE financing. This judgement contains an opinion on the project's suitability for Application. The preliminary judgement may be that the project is not deemed suitable, or that in principle it is deemed suitable. In both situations the judgement may contain key issues to be addressed in order to come to a successful Application.

RVO will inform companies by letter on the outcome of the Intake procedure.

#### *Administrative procedure*

The Intake form can be downloaded at <http://english.rvo.nl/subsidies-programmes/how-apply-drive>. The applicant should submit a completed form to [klantcontact@rvo.nl](mailto:klantcontact@rvo.nl). Upon receipt of the Intake form, a DRIVE project officer will

contact the applicant by email. The mail may be followed up by a telephone call and/or an appointment.

### **4.3 Application**

#### *Application procedure*

Once the Intake procedure has been completed, RVO.nl will send an Application form and associated documents to the applicant. Applications can be submitted only after the Intake procedure has been completed. Applications will be appraised on all DRIVE criteria. As a preliminary appraisal has already taken place during Intake, the final appraisal will focus on the newly submitted information, i.e. the tender documents and any new information / documents on changes to the project – possibly in response to recommendations and/or conditions formulated by RVO.nl at the end of the Intake stage. As part of the appraisal process, RVO.nl will review the tender documents, to assess whether the project as presented during the Intake is in line with them, as well as the procurement procedure, to ensure that it is in line with DRIVE procurement requirements.

In case the preliminary appraisal has resulted in an unfavourable preliminary judgement, applicants can still proceed to submit a formal Application. However, in that case an Application can only be successful if the key issues, remarks and suggestions made by RVO.nl in the preliminary judgement have been dealt with sufficiently. Applicants must be aware that the time available to arrange for this, essentially between finalisation of the Intake and the start of the Application, may be very short.

In case the project has changed substantially since the Intake, the appraisal of the project will have to be redone (almost) entirely. This will take time, which might not be available given the expected timing of the tender procedure. Applicants are therefore strongly encouraged to contact RVO.nl in case they want to proceed with an Application despite an unfavourable preliminary judgement during the Intake.

#### *Timing of the Application*

The completed Application form and all necessary documents should be submitted to RVO.nl no later than two months before the publication date of the call for tender. Within one week after the publication of the call for tender, the tender documents should be formally added to the Application. The Application will only be complete when the applicant has submitted all necessary documents, including the tender documents. The date on which the Application becomes complete is the formal Application date.

#### *Administrative procedure*

Applicants must submit one written version of the Application (the hard copy) and one electronic version (Microsoft Office Word 2003 or higher or PDF). Applicants must also sign and include in their Application the declaration that they subscribe to the OECD guidelines for multinational enterprises in Annexe 1 and the declaration of integrity in Annexe 2.

The electronic version needs to be submitted to [klantcontact@rvo.nl](mailto:klantcontact@rvo.nl). The hard copy must be submitted to RVO.nl in a sealed envelope bearing the words 'DRIVE Application' and the applicant's name and address. It should be mailed to the following address.

RVO.nl

P.O. Box 20105  
2500 EC The Hague  
The Netherlands

The hard copy can also be delivered by courier to:

RVO.nl  
Prinses Beatrixlaan 2  
2595 AL The Hague  
The Netherlands

RVO.nl will confirm receipt of the Application form (and annexes) and inform the applicant of any additional information still required. In case an Application will not lead to a positive administrative decisions, for instance because of a negative preliminary judgement and/or because improvement suggestions from the Intake stage have not been incorporated sufficiently, RVO.nl will inform the applicant within one month after receipt.

Once the Application is complete RVO.nl will inform the applicant by formal letter on the fulfilment of this requirement and will confirm the formal Application date.

#### **4.4 Outcome of the appraisal**

The final appraisal of the Application will result in a final judgement of the project as either satisfactory (meets all DRIVE requirements and criteria) or unsatisfactory (rejection).

##### *Rejection*

An application is rejected if one or more of the DRIVE criteria are not satisfied. This situation may for instance arise in case:

- the preliminary judgement during Intake was unfavourable and the project has not changed sufficiently to meet one or more of the criteria;
- the project or its context has changed significantly after the Intake phase;
- the project is not in line with the tender documents;
- the tender procedure is not in line with the policy rules; or
- the DRIVE budget available for the relevant period is not sufficient.

Applicants will be notified by an administrative decision on the rejection of their Application and the reason(s) for this rejection.

##### *Provisional approval*

In case an Application is successful, applicants will be notified by an administrative decision on the approval of the Application. This administrative decision will contain various conditions precedent, among which the signing of the contract to execute the project and the finishing of the complete financing of the project.

#### **4.5 Procurement**

To ensure value for money of the goods, works and services purchased with DRIVE support, the procurement of the project must be carried out on a transparent and competitive way, in accordance with the laws of the country concerned. The OESO Good Procurement Practices for Official Development Assistance apply as guidance (see [chapter 5](#)). The responsibility for the procurement procedure lies with the local authority

## 5 DRIVE assessment criteria

### 5.1 Introduction

In order to assess whether a project qualifies for DRIVE assistance, the project is appraised during the Intake and Application stages. As explained, the preliminary appraisal during Intake will result in a preliminary judgement. The final appraisal during Application stage will in principle be shorter, provided that the project has not changed substantially, and will result in a final judgement.

In both stages, the appraisal of a project consists of a check on the threshold criteria and an in-depth analysis on various substantive criteria formulated in the DRIVE policy rules.

The information provided in the Intake and Application forms and accompanying documentation (e.g. ESIA, feasibility study, ICSR policy, etc.), as well as possible additional information obtained through intensive communication between RVO.nl and the applicant, form the basis for the appraisal.

The applicant is responsible for ensuring that the information provided is true, complete, consistent and unambiguous. More specifically, the applicant has to make sure that the information is provided in such a way that RVO.nl can appraise the project within a reasonable time span. Errors, missing information or inconsistencies will give rise to clarification requests by RVO.nl which will prolong the appraisal time needed. As long as additionally requested information has not been provided, additional questions may arise and the appraisal cannot be finalised. A long clarification process will result in uncertainty on the availability of DRIVE assistance, which clearly is not in the interest of the applicant. If this process takes too long in view of the time available until the call for tender, RVO.nl may decide not to proceed with the Intake.

Therefore applicants need to ensure that all necessary information is made available to RVO.nl in a timely manner in both the Intake and the Application stages.

### 5.2 Threshold criteria

The first step in the appraisal of project applications for DRIVE support is to check whether the project complies with the so-called threshold criteria as defined in the Policy Rules (see 10 criteria below). Appraisal of a project can only start in case of full compliance with these criteria.

To qualify for a subsidy or financing under these policy rules, the project proposal must at least:

1. relate to a project in one of the DRIVE countries;
2. relate to a project with a value of at least €5 million and at most €60 million (incl. financing costs)<sup>9</sup>;
3. clearly set out a qualitative and quantitative operating and maintenance plan for the public infrastructure concerned and the structural costs thereof;
4. include an Environmental and Social Impact Assessment (ESIA) which is consistent with the IFC Performance Standards<sup>10</sup> with respect to Category A or B projects as referred to in these Standards;

<sup>9</sup> In exceptional cases, when the local authority has not yet foreseen supervision, the cost of supervision may need to be included in this amount.

5. clearly detail the supervision of compliance with the contract, which must be provided for by the local government authority;
6. represent a value not exceeding the subsidy percentages applicable to the particular country under these subsidy rules;
7. include a feasibility study;
8. contain the applicant's current and operational International Corporate Social Responsibility (ICSR) policy.

In addition:

9. the applicant may not be listed in the World Bank's List of Ineligible Firms & Individuals;
10. the application may not include any activities listed in the exclusion list of the Dutch Entrepreneurial Development Bank (FMO).<sup>11</sup>

As soon as an Intake form is received RVO.nl will check whether the applicant has complied with the 10 threshold criteria by supplying sufficient evidence on each of these criteria. Note that not complying with these criteria can in some cases mean that the Intake will be terminated (i.e. in case of non-compliance with criteria 1, 2 or 6). Non-compliance with other criteria may imply that the particular issue(s) need(s) to be addressed further during the Intake process (e.g. a feasibility study, ESIA or O&M plan, arrangements for the contract supervision by local authorities, etc.). The preliminary appraisal will only start when all criteria are complied with.

Below we elaborate on a number of these threshold criteria in more detail, to explain how they can be satisfied by the applicant.

Ad 3 Qualitative and quantitative operating and maintenance plan for the public infrastructure concerned and the structural costs thereof.

The applicant must provide a detailed plan for the operation and maintenance (O&M) of the infrastructure once it is operational. The plan needs to cover the full lifetime of the project - which could range from 10 years (e.g. for certain health projects) to 20 or even 25 years (e.g. for large civil works or water supply infrastructure). In other words, projections must be provided on the operational and maintenance costs over the lifetime of the project and on the revenues or other sources of income that will be generated to cover these costs and recover capital investments. In case no revenues are generated by the project it needs to be made convincingly clear how future costs will be covered (both for O&M and possible reinvestments).

The assumptions underlying these costs and revenues need to be clearly explained and justified, including e.g.:

- a breakdown of fixed and variable costs;
- an assessment of capacity uptake and linked to this a demand analysis, taking into account, aspects such as population growth;
- an indication (if relevant) of who sets tariffs and on what basis, possible tariff differentiation for different user groups, or subsidies provided to poor user groups, planned tariff adjustments, etc.

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<sup>10</sup> See: [www.ifc.org/performancestandards](http://www.ifc.org/performancestandards).

<sup>11</sup> See: [www.fmo.nl/exclusion-list](http://www.fmo.nl/exclusion-list).

The quantitative O&M plan should include a cash flow analysis for the project over its complete lifetime, taking into account the investment costs, possible reinvestment costs, the DRIVE financing and other financing, O&M costs and revenues. The qualitative and quantitative O&M plan should enable an assessment of the long term financial sustainability of the project.

Applicants should make sure that they can submit such a detailed O&M plan. If it is not yet available at the start of the procedure, applicants need to make sure that the local authority is aware of the necessity to have such a plan, as it will form the basis for the assessment of the financial sustainability of the project (see section 5.4.2).

Ad 4 Environmental and Social Impact Assessment (ESIA) which is consistent with the IFC Performance Standards with respect to Category A or B projects as referred to in these Standards.

Depending on the classification of a project as a Category A, B or C project according to the IFC Performance Standards, the Application should include either a completed ESIA or an impact assessment. The project classification takes into account the scale, likelihood and severity of potential social and ecological direct and indirect adverse effect. The project should thus be clearly categorised as an A, B or C project, and the applicant should provide clear arguments for this classification:

- A. Category A: a project is classified as Category A if it has the potential to have significant adverse environmental and/or social impacts, which are diverse, irreversible and/or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. The consequences may be irreversible or unique. For category A projects a full ESIA is mandatory.

Project in category A often relate to sensitive sectors or sensitive areas. The Dutch Government and the OECD have identified the following sensitive sectors: oil & gas, dredging, chemical industry, paper industry, large scale agricultural activities and land use and the textile industry. This list is not exhaustive. Projects in other sectors could also classify as a Category A project.

Sensitive areas include areas of historical, cultural and biological importance either listed nationally or listed as World Heritage Site, included under the Convention on Biological Diversity or Wetlands International.<sup>12</sup> Other sensitive areas are those located in densely populated areas. This information should be part of the ESIA. Please refer to Annex 1 of the OECD Common approaches for more examples<sup>13</sup>.

- B. Category B: a project is classified as Category B if its potential environmental and/or social impacts are less adverse than those of Category A projects. Typically, these impacts are few in number, are site-specific, few of them (if any) are irreversible, and mitigation measures are more readily available. For Category B projects a full ESIA is often required, but, if well substantiated, less relevant aspects can be covered otherwise or do not need to be covered.
- C. Category C: a project is classified as Category C if it has minimal or no potentially adverse environmental and/or social impact. For Category C projects

<sup>12</sup> UN-WCMC. The World Database on Protected Areas - <http://www.protectedplanet.net>.

<sup>13</sup> OECD Common approaches annex I - <http://www.oecd.org>.



an ESIA is not required, but the way in which potential adverse impacts are identified, prevented or mitigated should be described in an impact analysis.

At the start of the Intake, RVO.nl will assess whether the classification has been correctly attributed. As the categorisation has substantial consequences in terms of preparatory work, costs and project design, it is wise to discuss which category is applicable to your project in the earliest stage possible (preferably already during the Quick Scan) to prevent the need for additional work later on when time is short.

The ESIA for category A and B projects must be conducted in line with national legislation and the IFC Performance Standards, and will be assessed accordingly. If national legislation is less strict than the IFC Performance Standards, the latter prevail and will need to be followed.

An ESIA in line with the IFC requires a screening, baseline studies, impact prediction and evaluation, proposals for mitigation, a social and environmental management plan and an environmental impact statement. The ESIA process requires due diligence stakeholder consultation.

The IFC Performance Standards cover eight areas that should be addressed in the ESIA:

- 1) Assessment and management of environmental and social risks and impacts;
- 2) Labour and social conditions;
- 3) Resource efficiency and pollution prevention;
- 4) Community health, safety and security;
- 5) Biodiversity conservation and sustainable management of living natural resources;
- 6) Land acquisition and involuntary resettlement;
- 7) Indigenous people;
- 8) Cultural heritage.

In framework of the DRIVE project appraisal, the ESIA will be fully assessed on content and procedure as part of the appraisal of the substantive criteria.

#### Ad 5: Supervision

The applicant needs to describe how the supervision of the execution of the contract will take place. The supervision can for instance be tendered separately by the local government authority, or can be included in the call for tender. The applicant is advised to give as much detail as possible on the supervision in an early stage.

In case the future supervision is not (yet) clear at the start of the Intake, steps need to be taken by the applicant to ensure information on supervision becomes available. In exceptional cases the costs of a separate contract for supervision can be included in the DRIVE financing. As independent supervision is mandatory, it is in the interest of the applicant to ensure that the local government makes arrangements for supervision of the contract to be tendered.

#### Ad 6: Subsidy value not exceeding the subsidy percentages applicable to the particular country under these subsidy rules.

The DRIVE subsidy applied for cannot exceed the maximum subsidy level for the country in which the infrastructure will be realised; deviation from the minimum subsidy level must be reasoned. The percentages can be found in [section 3](#). The subsidy percentage applies to the 'eligible project costs' related to the DRIVE project (i.e. the transaction or contract amount topped up with the nominal costs of financing and – if applicable – the nominal costs of supervision).

The applicant needs to ensure that the requested subsidy is in line with the percentage applicable to the project.

#### Ad 7: Feasibility study

The Intake is not complete until a feasibility study has been submitted as part of the Intake. The feasibility study should include / address at least the following subjects:

- A problem analysis and a baseline study describing the present situation with respect to the use of the relevant public infrastructure;
- The available technical solutions to the problem;
- The decision framework applied to come to the proposed technical solution, including suitability of the technology, effects on environment, the various risks, etc. of the proposed solution and alternative solutions considered;
- A preliminary design and cost estimate of the proposed solution;
- An assessment of the conditions that need to be fulfilled and description of the actions to be taken (including e.g. ESIA);
- An assessment of the future financial consequences of the proposed project in terms of operation and maintenance and revenues; if applicable a business case analysis;
- An assessment of the cost-effectiveness of the solution, based on an assessment of the socio-economic costs and benefits.

The check on threshold criteria means that RVO.nl will check whether a feasibility study is available and, if so, whether it covers the necessary subjects.

If a feasibility study is not available, or does not address the above issues, the applicant may need to contact the local government authority to ensure such a feasibility study is made available. As long as a feasibility study is not available, the (preliminary) appraisal cannot start.

#### Ad 8: The applicant's ICSR policy

Applicants need to provide the following details on their ICSR policy:

- Applicants must subscribe to the OECD Guidelines for Multinational Enterprises<sup>14</sup> and provide proof of this by signing the declaration of subscription to the OECD Guidelines for Multinational Enterprises (See annex I of the Intake and Application forms) and the declaration of integrity (See annex II of the Intake and Application forms). These annexes form an integral part of the Intake / Application.
- The Application must contain the applicant's current and operational ICSR policy, as well as a report on the performance of this policy. The ICSR policy should be based on the OECD's basis principles and include the relevant topics<sup>15</sup>The policy may be certified under ISO 26000 or another provider of sustainable reporting methodologies.

#### Ad 9: The applicant's reputation

RVO.nl requires that the applicant has a good reputation concerning ICSR and is not involved in any misconduct. In case the applicant is or has been involved in misconduct, information must be provided on the particular case(s) and how they are or will be settled.

<sup>14</sup> <http://mneguidelines.oecd.org/text/>

<sup>15</sup> The relevant topics are described in chapters II-XI of the Guidance: II. General Policies; III. Disclosure; IV. Human Rights; V. Employment and Industrial Relations; VI. Environment; VII. Combating Bribery, Bribe Solicitation and Extortion; VIII. Consumer Interests; IX. Science and Technology; X. Competition; XI. Taxation (<http://mneguidelines.oecd.org/text/>).

Specifically the applicant needs to guarantee that:

- it is not listed as a violator of the OECD Guidelines for Multinational Enterprises. If it is listed, the applicant must provide formal evidence that the OECD recommendations are being followed in a manner that is agreeable to the OECD, including a letter to this effect from the OECD.
- it is not found on one of the public black lists of the World Bank<sup>16</sup> or other relevant financing institutes such as the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank or the EIB. If listed, the application should at least include a letter from the institute providing their opinion on the case.

Ad 10: The application may not include any activities listed in the exclusion list of the Dutch Entrepreneurial Development Bank (FMO)

As activities listed on the FMO exclusion list are not considered sustainable, these are excluded from DRIVE. Please consult the list on the website of FMO (<https://www.fmo.nl/exclusion-list>). Similarly, DRIVE will not finance any legal or other constructs which are solely designed to avoid taxes in whole or in part or to artificially reduce the tax assessments.

### 5.3

#### **Presentation of the project**

In order to allow for the (preliminary) appraisal, the project's rationale needs to be explained and the project should be clearly defined in the Intake (and Application) form. In addition, the manner in which the project is to be implemented, as well as the way in which the eventual infrastructure is to be used should be presented, including the roles and responsibilities of the various parties involved.

##### *Project rationale*

To support the project rationale, applicants should explain the need for the proposed project based on a clear problem analysis, including a description of the problem that the project is looking to address, the root causes of this problem and its effects. In addition, the objectives of the project should be elaborated in combination with a description of the intervention logic. This should follow the project result chain as described in chapter 2. The applicant should clearly indicate why the proposed solution (in this particular location) is considered the best option and what other alternatives have been considered (including why these were not selected).

##### *Project definition*

DRIVE provides financing for the realisation of a project and the Application should therefore be based on a clearly defined project. In the context of DRIVE this means that a project is a combination of inputs and activities with added value that yield a specific and marketable output in the area of Public Infrastructure.

A project is defined – in accordance with the OECD consensus – as *'the smallest, complete productive entity of public infrastructure, physically and technically integrated, that fully utilises the proposed investment and captures all financial benefits that can be attributed to the investment.'* Projects may involve the construction of new infrastructure or the renovation, expansion and/or upgrading of existing infrastructure. The project will be subject to appraisal on the substantive

<sup>16</sup> I.e. the World Bank's List of Ineligible Firms & Individuals:  
<http://web.worldbank.org/external/default/main?contentMDK=64069844&menuPK=116730&pagePK=64148989&piPK=64148984&querycontentMDK=64069700&theSitePK=84266#other>

criteria (see below). For the financial threshold criteria the scope of the DRIVE project is relevant (see below).

The applicant should describe the project according to the above definition. Since a project is only considered to be complete when it is functional, the project definition should not just include the construction phase, but also the operation and maintenance phase. In other words, the project should include all elements necessary to ensure that the goods and services produced are delivered to the end-user. As such, reference should also be made to the economic lifetime of the project.

While defining the project, it is also useful to clearly outline all the components included in the project investment in as much detail as possible, including training and technical assistance if relevant. In some cases a project may actually concern several productive entities (e.g. several hospitals or clinics). In such cases the applicant is invited to describe each productive entity as a separate project and describe the coherence between the overall projects with regard to planning and implementation.

#### *The DRIVE project and project costs*

The project submitted for DRIVE financing can be equal to the infrastructure project defined above, but it may also be a smaller part of an overall project. In that case the overall project is still important, as it is this overall project that will be appraised on the various criteria.

If the project proposed for DRIVE assistance is smaller than the total infrastructure system or network, the overall project and the DRIVE project need to be carefully described. This also holds for the project costs: a distinction needs to be made between the total project costs and the DRIVE project costs. The DRIVE project costs relate to the specific (part of) the infrastructure, i.e. the transaction that is to be tendered.

All costs must be itemised in detail in the Intake and Application. The profit mark-up and the item 'provisions' must be reasonably proportional to the project. These items must, in RVO.nl's judgment, be in line with current market conditions. Note that payments under the item 'contingencies' are only possible until the use of the contingencies is substantiated and such substantiation has been accepted by RVO.nl.

#### *Project organization*

Since a project may involve several parties with distinct responsibilities and since these parties and responsibilities may be different during the implementation and the operation and maintenance phase of the project, a clear description of the project organization in both phases is required. This description should include:

- The parties involved in the implementation (construction, installation) of the project and their responsibilities;
- The organization and decision-making structure in the implementation phase;
- Supervision of the project implementation;
- The parties involved in the O&M phase of the project and their responsibilities, e.g. which party will be responsible for operating and maintaining the infrastructure, but also which party is responsible for future replacements and/or for covering potential operational deficits should they occur.

A proper presentation of the project is crucial for its appraisal. If the rationale, scope, detailed costs and organisation of the project are not clear, there is no basis for appraisal.

## 5.4 Substantive criteria

Besides the threshold criteria, each DRIVE application will be assessed against 7 substantive criteria, some with several sub-criteria, both in the course of the preliminary appraisal of the project during the Intake and the final appraisal during the Application. The (preliminary) appraisal will only start once the threshold criteria have been met (see above).

The substantive criteria, as listed in the policy rules, are:

1. Additionality
2. Development relevance
3. Programmatic coherence (focus and synergy)
4. International Corporate Social Responsibility (ICSR)
5. Competence of the applicant
6. Good procurement
7. Supervision

Some of these criteria have various sub-criteria. Below these criteria and how to comply with them are explained in more detail.

### 5.4.1 *Additionality*

According to the DRIVE policy rules, the subsidies and financing to be furnished under DRIVE shall be supplementary to the market and shall not compete with existing commercial financiers (no 'crowding out' effects). Consequently, financial assistance can only be requested from DRIVE if the commercial market is not willing to provide the financing (or not in full). This can for instance be the case if the financial revenues are too low to result in a financially sustainable project, and repayment of the loan would not be sufficiently guaranteed. Another reason for DRIVE assistance can be that the local government authority is not allowed to borrow on commercial terms based on the IMF's debt sustainability guidelines.

In order to substantiate additionality of the financing, the applicant should make clear that commercial financing is not possible on either of these two grounds. In the case of the first ground (the commercial market is not willing to provide the financing) the applicant needs to show that the project is financially not sustainable without DRIVE financing, or provide a rejection letter from a reputable commercial bank. Such a letter may be available with the local authority issuing the call for tender.

In the case of the second ground, the applicant needs to provide documentation which proves that the local government authority is not allowed to borrow on commercial terms.

### 5.4.2 *Development relevance*

One of the core principles of DRIVE is that the infrastructure projects it supports contribute to private sector development and inclusive economic growth in a cost effective and sustainable way.

Therefore all projects will be assessed according to their development relevance, along a number of different sub-criteria:

#### *1. Contribution to private sector development*

The applicant should explain / demonstrate how the project contributes to (long term) private sector development. This means that the applicant should

demonstrate how the project will improve the business climate, lead to inclusive growth through local entrepreneurship, more jobs and greater productivity, so that people can better provide for themselves. Such contributions may be direct (e.g. through direct employment generation, technology that improves productivity, etc.) or indirect (e.g. through positive effects on human health, equality, and/or the business environment / investment climate). In case of indirect effects in particular, the Applicant should clearly describe the assumptions underlying these expected impacts, conditions that should be met, other factors that may play a part and the extent to which the expected impacts would be attributable to the project. In other words the Applicant should provide a proper justification for the expected impacts that goes beyond generalised assertions. These impacts should at least in part be reflected in the impact indicators as part of the M&E plan (see Chapters 2 and 6).

Possible contributions could be related to the extent to which the access to the provided infrastructure leads (directly or more indirectly) to:

- The establishment of new businesses;
- Growth of existing businesses;
- Improvements in access to markets;
- Improvements in productivity;
- Improvements in the quality of products / services provided by the private sector;
- Improvements in market opportunities;
- Competition.

The demonstration of these effects should be context specific, based on reliable information and sources and be quantified as much as possible (e.g. how many people reached, jobs created, travel time reduction, etc.) It is thus important to limit the demonstration to those effects that can be reasonably related to the project (as a consequence of improved access to the realised infrastructure). At the same time the demonstration should also take into account other possible factors that could contribute to the intended outcomes, but that are not related to the project. Blanket generalisations on the effects of infrastructure on economic development should be avoided.

## *2. Local commitment*

In order for the project to be sustainable it should ultimately be operated and maintained independently (i.e. without intervention from DRIVE or other donors or foreign parties). Therefore it is important that local commitment to the project is clearly demonstrated in the project Application. This includes the need to explain:

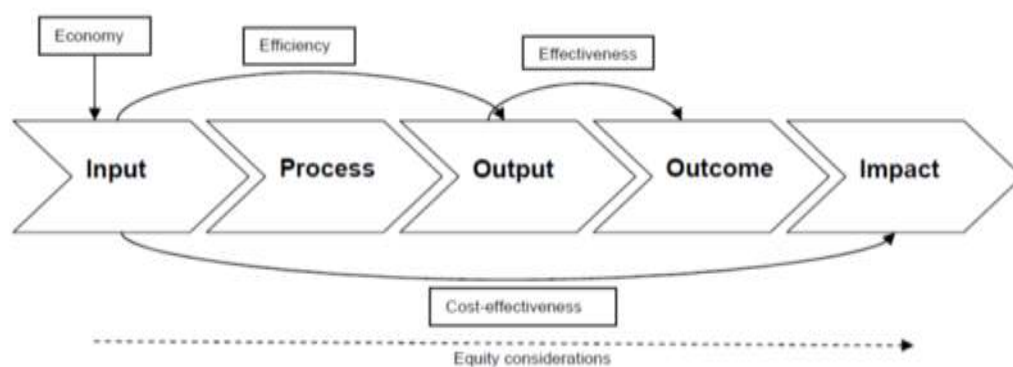
1. How the project ties in with the policy objectives of the country or region concerned (not just overall development objectives, but also e.g. sector strategies and priorities of the country and/or region, ongoing initiatives and interventions, etc.), by making clear reference to relevant development policy and strategy papers, sector strategies and master plans, etc.
2. How the project meets the needs of the intended end-users and how ownership of, and support for the project has been / will be assured. In this respect the extent to which end-users and other affected people/ stakeholders have been involved in / consulted during project development and will continue to be involved during project implementation and operations and maintenance is important. A stakeholder analysis and minutes/reports of consultations are to be provided.

Note that a thorough stakeholder analysis is the basis of such a local commitment and that stakeholder engagement is an ongoing process that may involve, in varying degrees, the following elements: stakeholder analysis and planning, disclosure and

dissemination of information, consultation and participation, a grievance mechanism, and ongoing reporting to affected communities. Hence, such stakeholder analysis and consultation are both relevant from the ICSR perspective and the due diligence findings of both must be in line with one another.

### 3. Value for money

Any investment in public infrastructure is only warranted insofar the impact of building the project outweighs the costs incurred for this in terms of quantity and quality. Value for money is thus key. Value for Money (VfM) is defined as: “maximising the impact of each [Euro] spent to improve poor people’s lives” (DFID, 2011)<sup>17</sup> through private sector development. To assess VfM a judgement is required on whether the expected development results justify the cost. This assessment is not just based on a single aspect or analysis, but rather considers several points along the project result chain, as is illustrated in the following figure.



Note: The arrow containing 'Process' is equivalent to what has been labelled as 'Activities' in the DRIVE project result chain (see chapter 2).

Source: DFID, 2014

To assess value for money, several aspects of the project investment will thus be considered more closely, relating both directly to the investment and proposed technology and to the impact of the investment:

- a) Economy & efficiency;
- b) Effectiveness, including that of the chosen technology and the project intervention as a whole;
- c) Cost-effectiveness of the overall project, i.e. economic viability.

To enable the assessment of the project on these three criteria, the applicant should ensure adequate information and documentation is provided in the application, as explained below.

#### 3a) Economy & efficiency

To demonstrate that the project proposes an economic solution, the application should contain information on the specific costs of the proposed technology (i.e. broken down by component) as well as other project investment costs (e.g. insurance costs, transport costs, agent costs, contingencies, etc.) or how these other costs are included in component costs. The breakdown of costs should be sufficiently detailed to allow for a **price check** of the proposed project investments. This price check will be conducted in the Intake (preliminary appraisal) and could

<sup>17</sup> DFID (2011) " DFID's Approach to Value for Money (VfM)" Department for International Development, July 2011. Quest reference: 3116186

result in an advice to adjust the project costs / investment in the Application or to more clearly justify these costs in the Application.

In addition the applicant should demonstrate that the costs of the project are reasonable (given the local context) by comparing it to other, similar projects in the recipient country or similar countries.

As regards efficiency, the application should include information on how the inputs and activities will result in a well-functioning public infrastructure (output) by explaining e.g. how the infrastructure will be operated and maintained, and at what costs, how the quality of the provided services will be ensured, etc.

*3b) Effectiveness, incl. that of the chosen technology and project intervention as a whole*

*3b.1 Effectiveness of the chosen technology*

When addressing this issue, the applicant needs to answer the following questions: Why was this specific technology chosen as the best solution and what are possible alternatives? Why were these alternatives not chosen? Is there a substantial price difference between these alternatives? If the chosen solution is more expensive, please justify the additional costs (e.g. in terms of added functionality, specific requirements of local context (outcome of the due diligence stake holder analysis), etc.). This information should be part of the feasibility study.

*3b.2 Effectiveness of the proposed intervention*

This concerns the question of how the outputs from the intervention achieve the desired outcomes. The application must thus make clear to what extent the project will result in an increase in access to, and use of, the infrastructure by the private sector and/or households. This implies a clear indication of the number of end-users that will be connected / have access, information on these end-users (e.g. their socio-economic status, or in the case of business, the types of business this concerns), whether measures are in place to ensure access / use in cases where this may not automatically happen (e.g. issues with affordability, limited awareness, staff shortages, etc.) and measures to ensure the infrastructure will remain adequately maintained and operated at all levels (e.g. training, TA, etc.).

Note that this criterion overlaps to some extent with the criterion for efficiency and sustainability and may in part draw on the quantitative and qualitative operations and maintenance plan, as well as the Environmental and Social Management Plan (ESMP).

*3c) Cost effectiveness / Economic viability*

Moving beyond the project as such, to the costs and benefits of the project for the broader society, the Application should contain an economic viability analysis. Based on the accepted methodology for conducting economic cost-benefit analysis, the applicant should elaborate on the economic costs and benefits of the project, taking into account the situation without the project and the situation with the project and including only net costs and benefits (e.g. number of additional patients / consumers / end-users reached with the project in comparison to the situation without the project). In other words this should be an incremental analysis.

The information should be quantified as much as possible (e.g. number of additional people reached, value of benefits in monetary terms, etc.) and based on reliable and recent sources. The direct as well as the indirect benefits and costs should be



provided. Elaboration on the main assumptions of the costs and benefits and their basis is required.

This analysis should in principle be part of the feasibility study and as such already be available at the time of the Intake.

#### *4. Sustainability*

According to the policy rules, all DRIVE project should be sustainable from a technical, financial, institutional, legal, social and ecological standpoint and should be able to withstand the effects of climate change. Local content and the sustainable transfer of skills are also considered important elements of sustainability, as there should be sufficient commitment and capacity on the part of the relevant parties to continue operating the infrastructure and ensure its services reach the intended beneficiaries. If such capacity is deemed weak, an action plan for training and/or technical assistance should be part of the project to ensure capacities are raised to the appropriate level.

Sustainability thus comprises various aspects and the applicant should provide sufficient information and explain how the project complies with / will achieve the following sub-criteria:

##### *4a) The suitability of the technology and contributions to technology transfer:*

- Compliance with local and/or international standards: the applicant should clearly indicate with which local and international standards the proposed technology complies.
- Complexity of the technology and usability of the technology by local users: is there experience with this technology? Is it complex to operate? Does it involve inputs / spare parts that can be easily / locally obtained? Will the operator remain dependent on inputs / advice from abroad?
- Advantages in relation to possible alternative technologies (in terms of maturity, complexity, usability): why is this technology the best option in terms of user friendliness and durability?
- Whether the proposed technology, procedure and/or system can be considered "proven" for the circumstances in which it is to be used/applied: Is the technology already operated in this country? With success? Does the operator already have experience with this technology?
- Sustainability of proposed technology considering local circumstances. Please indicate the risks associated with the proposed technology, bearing in mind local circumstances e.g. maintenance costs, spare parts, knowledge. Indicate how risks can / will be mitigated.
- The project's potential contribution to the transfer of knowledge and/or technology, e.g. through training, capacity building, introduction of more efficient/effective technologies, etc.

##### *4b) Embedding of the project in the local institutional and legal context:*

- Institutional structures and parties in place governing the sector and by extension the project, including how tariffs are set. Provide detailed information on the relevant parties, their roles, responsibilities, relations, capacity, expertise, etc.
- The extent to which donor support is provided to other parties / elements of this local institutional structure and the kind of support that is being provided (if relevant);
- The legal framework (laws, regulations, rules, standards) applicable to the sector and (by extension) the project.

- The customary framework (traditional, cultural and other local ways of dealing) applicable to the project, project location, intended activities and direct and indirect effects.

Make sure to highlight (if relevant) recent or planned changes in this institutional, legal and customary context and how it may affect the project.

#### *4c) Financial sustainability*

Financial sustainability consists of two interrelated elements: the financial sustainability of the project as such and the financial strength and sustainability of the institutions and parties involved in the project implementation and O&M.

##### 4c.1 Financial sustainability of the project

In order for a project to be sustainable it is of crucial importance that the project generates sufficient revenues to, at the very least, cover operational and maintenance costs, and ideally to achieve full cost recovery. This can be demonstrated through a financing cash flow analysis covering the economic lifetime of the project. The qualitative and quantitative operating and maintenance plan that is part of the threshold criteria should form the basis of this analysis and the feasibility study (another threshold criterion) should already contain such an analysis. While the applicant is allowed to make reference to the content of the feasibility study in this regard, the cash flow analysis must be included in the Application according to the format provided by RVO.nl.<sup>18</sup>

The appraisal will be based on this cash flow analysis. Any differences / changes in the formal cash flow analysis that is part of the Application and the cash flow analysis included in the feasibility study should be clearly highlighted and explained. The cash flow analysis should include an elaboration of all assumptions underlying it and insofar these differ from the operating and maintenance plan this should also be explained.

In particular the following underlying assumptions should be clearly elaborated as part of the analysis:

- Investment costs and possible reinvestment costs needed in parts of the infrastructure during the lifetime of the project;
- Compensation and mitigation costs including not exclusively resettlement, grievance, reforestation, etc. These should be a logical consequence of the due diligent stake holder analysis and the ESIA;
- Breakdown of fixed and variable O&M costs;
- Demand analysis and capacity uptake;
- Tariffs and tariff setting, if relevant by user group;
- Revenues.

In case a project does not generate revenues, the applicant should explain clearly how financial sustainability will be guaranteed, in addition to providing guarantee letters from the Ministry of Finance.

Note that the financial analysis is an integral analysis and should be based on the project definition of the total infrastructure project, i.e. the complete, technically and functionally integrated project. Thus in case the project concerns and extension of an existing piece of infrastructure that will be technically and financially

<sup>18</sup> See template Financial Analysis tool on the website of DRIVE: <http://www.RVO.nl.nl/subsidies-regelingen/aanvragen-drive>

integrated with this existing infrastructure, the entire system (existing and new) form the basis for the financial analysis (as this constitutes the project definition).

#### 4c.2 Ownership structure, financial arrangements, Financial strength and funding of relevant legal entities

While the financial plan for the project may be sound as such, the extent to which it will be complied with will also depend on the arrangements between and the financial strength and capacity of the legal entities involved in the project, and the responsibilities and relations between them. Therefore, the application should contain information on:

- The arrangements on ownership and operations of the project;
- The entities involved in the financing of this project, with a distinction between (at least) the borrower (e.g. Ministry of Finance), the owner of the assets (e.g. Ministry of Water or Health), and operator of the assets (e.g. utility company, or individual hospital);
- The arrangements between those entities (e.g. service level agreements, payment of salaries, debt service, maintenance, reinvestments, tax exemptions, subsidy arrangements), including in particular how the operator (employer) is funded;
- Historical trends based on annual reports and the track record of the employer and the owner of the assets, providing insight into their ability to cover the O&M costs and costs for reinvestments.

Note that attention should also be paid to the role of the regulator (if applicable), plans for future tariff adjustments and how this may affect the project.

#### *4d) Social sustainability*

A project is considered socially sustainable if it has taken the social context sufficiently into account in the design and set-up of the project, ensuring the access to the infrastructure and to the services and goods provided with it for the target groups without unduly jeopardising other stakeholders.

In the Application the local context in terms of social structures, population characteristics, minority, equality, gender and poverty issues, etc. need to be described. Much of this information may also come from the ESIA and the stakeholder analysis that is part of it. The applicant must make clear how this local context has been taken into account, e.g. by indicating how it will be ensured that minorities or the poor will also have access, which possible risks have been identified and how they will be mitigated, how social acceptability of the project will be ensured, etc..

In this respect, the specific issues to address in the Application include:

- **accessibility:** Will access to infrastructure be available for all? Does this require special provisions (e.g. subsidising or paying for connection)? Are such provisions foreseen in the project and included in the budget?
- **affordability:** Will the services to be provided by the project be affordable for the (potential) users? How was affordability determined? If not affordable for (some) target groups, what measures are foreseen to ensure they will still have access?
- **acceptability:** To which extent and how have stakeholders been involved in the identification and development of the project and will be involved in the implementation and O&M phases? (see also local commitment; is there a need / desire for this project?)
- **awareness:** what is the level of awareness among stakeholders of the project and the likelihood of appropriate use of the infrastructure to be provided? If awareness levels are low / inadequate, what are the possible measures

foreseen by the applicant/ other parties to address this and ultimately improve effective use of the infrastructure?

#### *4e) Ecological sustainability and climate change issues*

In order for a project to be sustainable, it should have limited to no direct and/or indirect negative environmental impacts, and if these do occur, mitigation measures need to be foreseen. The environmental context in relation with the contract context should be clearly described. This can be done as part of the impact analysis or ESIA. Specific issues to address include:

- vulnerable sites or areas: Presence to and potential adverse direct or indirect effects on vulnerable sites and areas of specific ecological importance should be identified and taken into consideration.
- adverse impact on biodiversity: Potential direct or indirect negative impact on biodiversity should be identified and acted upon. Of particular importance are listed vulnerable or threatened species.
- Seasonality and migration: Ecological assessments should begin as early as possible, as effective assessment may require months or even years, to account for seasonal and migration issues. In addition, early attention to biodiversity issues means that potential impacts can be identified and avoided or mitigated in the earliest stages of planning and design.

Climate change may affect the sustainability of the project and the desired outcomes. With respect to climate change, the applicant needs to describe how climate change affects the project, including the references used, the underlying assumptions and mitigating or adaptation measures.

In case fossil fuels are part of a project, an additional motivation should be provided for its need given potential less polluting alternatives with regard to the local context.

#### *5.4.3 Programmatic coherence (focus and synergy)*

DRIVE projects should be aligned with the Dutch Aid & Trade agenda so as to ensure programmatic coherence through focus and synergy. The applicant is invited to explain how the proposed project aligns with the focus of the Dutch policy agenda and how synergy with the agenda is achieved, specifically:

- **Focus:** while the specific objective of DRIVE is to contribute to private sector development, DRIVE projects should preferably also contribute to the Dutch policy priority areas of food security, water, and/or sexual and reproductive health and rights as well as the Dutch objectives to promote climate relevant investments. Insofar relevant the applicant should highlight how the project may contribute – next to its main focal area – to other focal areas of the Dutch policy agenda.
- **Synergy:** the infrastructure to be constructed will support or expand on the Dutch agenda for aid, trade and investments, for example by tying in with initiatives already undertaken in the framework of Dutch development policy. The applicant is invited to highlight how the project is aligned with earlier or ongoing Dutch initiatives, e.g. in the same sector / region and/or country.

#### *5.4.4 International Corporate Social Responsibility (ICSR)*

The Dutch Government only funds projects that comply with internationally accepted standards for corporate social responsibility. International Corporate Social Responsibility concerns (1) the **applicant** as well as (2) the **project**, and includes contractors, subcontractors and suppliers of goods and services.

During the assessment of substantive criteria RVO.nl will assess in more detail the content of applicant's ICSR policy and practice and how it will be applied to the project. The basis for this assessment is a focus on national laws complemented with the OECD criteria and IFC Performance Standards when required. Special attention will be paid to the supply chain and child- and forced labour.

### *1. ICSR of the applicant*

Applicants must satisfy the OECD Guidelines for Multinational Enterprises<sup>19</sup>. These guidelines specify what the Dutch government expects in terms of companies' conduct. They offer a reference point for corporate codes of conduct for dealing with different aspects of corporate social responsibility. The guidelines discuss labour issues (including working conditions), taxes, consumer interests, anti-corruption efforts, information, competition, human rights, the environment, basic principles and supply chain management, and science and technology.

RVO.nl will perform a due diligence on the applicant's ICSR policy and performance based on the OECD-criteria in order to assess whether:

- The applicant has an adequate management and assessment system meant to continually identify, measure and secure in procedures relevant CSR issues;
- There is a person who is responsible for the execution of the CSR policy and as a contact person for questions/complaints in the area of CSR;
- There is a grievance procedure to handle complaints about the company's CSR policy (both general and project specific);
- The applicant has implemented a whistle blower procedure and this has been explicitly communicated to employees;
- The applicant is transparent about its ICSR performance.

As far as this is not provided in the applicant's ICSR policy and documentation, information should be provided on the implementation of:

- Human rights and working conditions and terms related to their business location(s);
- Environmental and social-economic aspects linked to resources/semi-finished products purchased;
- Environment and energy aspects related to their business location(s);
- Bribery, Bribe Solicitation and Extortion. The applicant has given employees regulations in which the bribery of government employees is prohibited and these regulations have been explicitly communicated inside and outside of the company;
- Taxation. The applicant provides local tax authorities with all necessary information and does not try to minimize the payment of taxes through omissions in local laws;
- Science and Technology. The applicant respects intellectual property rights and the patent of others;
- Consumer Interests (specifically in relation to the project). The produced products/services comply with legal standards for consumer safety.

### *2. ICSR related to the project: Social and environmental impacts of the DRIVE-project*

DRIVE applications should involve sustainable projects that include the prevention, compensation and mitigation of adverse effects based on due diligence by the applicant. For a positive assessment the total of all direct and indirect impacts and

<sup>19</sup> OECD Guidelines for Multinational Enterprises, 2011 version, see <http://www.oecd.org/corporate/mne/>. For the Dutch version, see <http://www.oesorichtlijnen.nl>.

the measures taken to prevent, compensate and mitigate adverse impacts, must be considered acceptable. The specific issues that should be addressed in the Application concerning these effects and their mitigation should be based on adherence to national laws and legislation complemented with the IFC Performance Standards<sup>20</sup> (see below for more details).

RVO.nl will perform a due diligence on the legal aspects and the IFC Performance Standards with respect to the project classification A, B or C. Please refer to paragraph 5.2 for what DRIVE expects from an impact analysis or ESIA.

#### *IFC Performance Standards*

The IFC Performance Standards consist of eight guidance notes, all of which should be explicitly addressed in the application, possibly with reference to the ESIA. For each of these notes the applicant needs to demonstrate how these standards have been evaluated in the risk analysis and what measures have been taken.

<b>Guidance note</b>	<b>Explanation</b>
1. Assessment and management of environmental and social risks and impacts	The importance of identifying E&S risks and impacts and managing E&S performance throughout the life of a project.
2. Labour and working conditions	The applicant recognizes that inclusive growth through employment creation and private sector development should be balanced with protection of basic rights for workers
3. Resource efficiency and pollution prevention	The applicant recognizes that construction of infrastructure may generate higher levels of air, water and land pollution and that there are efficiency opportunities to prevent, mitigate or compensate these.
4. Community health, safety and security	The applicant recognizes that infrastructure projects can bring benefits to communities, but can also increase exposure to risks and impacts from incidents, structural failures and hazardous materials
5. Land acquisition and involuntary resettlement	This applies to physical or economic displacement resulting from land transactions such as expropriation or negotiated resettlements
6. Biodiversity conservation and sustainable management of living natural resources	Promotes the protection of biodiversity and the sustainable use and management of natural resources.
7. Indigenous people	Aims to ensure that the development process fosters full respect for Indigenous Peoples
8. Cultural heritage	Aims to protect cultural heritage from adverse impact of project activities and support its preservation.

#### *The Environmental and Social Impact Assessment (ESIA)*

The ESIA for category A and B projects must be conducted in line with national legislation and the IFC performance standards and will be assessed accordingly. An ESIA in line with the IFC requires a screening, baseline studies, impact prediction and evaluation, mitigation, a social and environmental management plan and an environmental impact statement. The process requires consultation with stakeholders identified through a thorough analysis.

<sup>20</sup>[www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_site/Sustainability+and+Disclosure/Environmental-Social-Governance/Sustainability+Framework](http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_site/Sustainability+and+Disclosure/Environmental-Social-Governance/Sustainability+Framework)

For projects that required an ESIA, RVO.nl will assess the quality and suitability of the process leading to the ESIA, as well as of the content of the ESIA. Applicants for DRIVE assistance may thus want to verify that the content of the ESIA is sufficient and that the process in developing the ESIA has been adequate. Special attention will be given to supply chain responsibility and child- and forced labour.

#### *Supply chain responsibility*

The OECD Guidelines<sup>21</sup> prescribe a comprehensive approach to due diligence and responsible supply chain management. The Guidelines concern those adverse impacts that are either caused or contributed to by the enterprise, or are directly linked to their operations, products or services by a business relationship and the measures taken to prevent, mitigate or compensate these. DRIVE will perform an assessment of the supply chain separately.

Applicants are requested to submit a copy of the supply chain risk analysis. This analysis is to be presented in a table<sup>22</sup>. Assessment will involve a review of the supply chain and the risks with reference to the relevant subject including the OECD themes: Human Rights, Employment and Industrial Relations, Environment, Combating Bribery, Bribe Solicitation and Extortion and Consumer Interests.

#### *Child and forced labour*

It is expected that an applicant continuously evaluates and monitors their supply chain on child- and forced labour. The selection of (sub) contractors should involve these aspects. This will be monitored during the implementation of the project. Applicants need to describe in the Intake and Application how they will perform this monitoring once they have been awarded the contract.

### 5.4.5

#### *Competence of the applicant*

In addition to compliance with the ICSR criteria, the Application must also sufficiently demonstrate the competence of the applicant for the implementation of the project. This competence will be assessed based on two sub-criteria: (a) the experience & expertise of the applicant; and (b) the financial standing of the applicant.

##### *a) Experience and expertise*

The Application must demonstrate international experience of the applicant with the realisation of similar projects in similar countries. A list of project references should be provided to that extent. In addition, the expertise and experience with similar projects of the proposed people involved in the project's implementation as well as their roles and responsibilities should be demonstrated and made clear. Full CVs of team members need to be provided.

<sup>21</sup> <http://www.oecd.org/daf/inv/mne/48004323.pdf>

<sup>22</sup> The table will become available on the DRIVE website and in the Intake form. For more information contact your project officer of RVO.nl.

*b) Financial standing of the applicant*

The applicant must provide insight into its financial standing and capacity to assume responsibility for a project of the proposed size. To this end the audited annual reports and profit and loss accounts over the past three years must be provided along with the Application.

5.4.6

*Good procurement*

To ensure value for money of the goods, works and services purchased with DRIVE support, the procurement of the project must be carried out on a transparent and competitive way, in accordance with the laws of the specific country. The OESO Good Procurement Practices for Official Development Assistance apply as guidance. The responsibility for the procurement procedure lies with the local authority.

In line with this, during the appraisal of the project RVO.nl will assess the procurement procedure to be followed by the local authority. The assessment will be based on the information supplied by the applicant during Intake and Application, including the tender documents. At least the following will be assessed in each case:

- International publishing of the tender in an appropriate medium;
- The period of time to bid for the contract is in proportion to the size and complexity of the intended contract;
- Specifications in the tender documents are not written considering a single supplier;
- Bids will be opened publicly at a particular time and place as mentioned in the tender documents.
- The quality regarding procurement of the local authority and/or the procurement expert involved.

When the quality regarding procurement of the local authority and/or the procurement expert involved is not sufficiently according to RVO.nl, an external procurement expert should be appointed to advise the local authority on the procurement, including the evaluation. In case of Least Developed Countries, the costs of the procurement expert can be provided by RVO.nl.

When the outcome of the procurement procedure gives cause, RVO.nl can decide to carry out an extensive price / performance ratio survey, e.g. in case of only one supplier, or any other mitigating arrangement.

5.4.7

*Supervision*

Supervision on the execution of the contract to be tendered is essential in order for a project to be eligible for support under DRIVE. The applicant therefore needs to demonstrate that high-quality supervision will take place. Supervision in this context comprises: ensuring compliance with the design or technical specifications; quality control; progress monitoring; fulfilment of the requirements of the contract; ensuring observance of the laws and other legal acts; and ensuring social and environmental compliance.

Supervision should be carried out by an independent third party. In case supervision by the local authority is envisaged, the independence, expertise and competence of the supervisor needs be unambiguously proven.



The type of supervision depends on the nature of the contract. In case of the supply of capital goods supervision is usually referred to as 'inspection'.

#### *Supervision*

The role of supervisor is to monitor the execution of the contract. The task of the supervisor is to handle all technical matters and to monitor compliance with the requirements, including social and environmental requirements. Preferably, it also includes cost and quality control, progress and monitoring reporting. On site supervision (residential engineer) is required and the supervisor needs to provide the statements of acceptance. Due to the different competences required for supervision, the role of the supervisor will in most cases be executed by a larger engineering firm.

#### *Inspection*

In order to obtain support from DRIVE, the inspection of goods provided needs to be arranged, assuring compliance with the contract. Inspection involves on-site verification that the goods (and if applicable additional services like training) meet the specified criteria of the contract and covers quality control, verification of quantities and compliance with the requirements. The inspector shall provide a statement of acceptance.

#### *Criteria*

The party carrying out the supervision or inspection should preferably be appointed before the tendering process for the contract. RVO.nl will test the quality of the supervision / inspection along the following criteria:

- the party that performs the supervision or inspection has a good reputation and sufficient qualifications. This needs to be evident from the track record and the experience of the party carrying out the supervision or inspection. If necessary, the track record and experience must be substantiated at the request of RVO.nl with CVs and verifiable references;
- the supervisor/inspector is able to give impartial decisions;
- the supervisor/inspector has the required competences (as specified in the terms of reference of the local authority), including for monitoring social and environmental criteria.

The applicant needs to demonstrate in the Application that supervision / inspection is provided by a third party in a proper and professional way, providing adequate information on the above criteria.

#### *Financing of supervision*

The supervisor is formally employed by the local authority. It is expected that the supervision contract is financed by that authority. In exceptional cases, for instance if supervision is not or not sufficiently arranged by the local authority, the applicant can request DRIVE support for the costs of supervision. The costs of supervision will in that case be considered as part of the total project costs. In establishing the DRIVE contribution in the financing of the supervision costs the applicable country percentage will be applied.

## 6 Project administration, monitoring and evaluation

Once the applicant has come out of the tender procedure as the preferred supplier to the local authority, the phase of project implementation starts. This phase involves first of all various contractual arrangements. A second main subject concerns the monitoring of the project during its implementation and evaluation after its completion, in selected cases also several years after completion, i.e. during operation of the infrastructure or equipment provided.

While all these activities take place after the positive appraisal of the project proposal and a successful bid, the foundations for the administration and monitoring and evaluation (M&E) of the project are already laid in the Intake and Application stages. Therefore, we outline below what is expected in terms of project reporting and M&E in particular from the Intake / Application onwards. First, however, a short introduction to M&E under DRIVE is presented.

### 6.1 Monitoring & Evaluation

#### *Why M&E?*

RVO.nl wants to have insight in the progress of the implementation of the projects (monitoring) as well as the achievement of the impacts by the projects under the program (evaluation). Both are required for reasons of transparency, the timely addressing of possible issues and bottlenecks and overall accountability. Therefore applicants need to provide information at various stages during implementation and possibly even after that. The scope and depth of the information to be provided may vary per project.

#### *What is the difference between monitoring and evaluation?*

It should be noted that monitoring and evaluation, while connected to one another, are two different activities with different purposes:

- **Monitoring:** Monitoring focuses on systematically tracking inputs, activities and results as projects are implemented. It is focused on tracking quantitative facts over time, not on finding an explanation for these facts. Usually monitoring is funded by the project budget and performed by the party which implements or operates the project. Monitoring can play an important role in addressing issues in a timely manner and ensuring progress stays on track by clearing up these issues as much as possible.
- **Evaluation:** Evaluation not only measures project inputs, activities and results but also provides a judgement about the level of these results and tries to explain why they have, or have not, been reached. While monitoring is a continuous process, evaluation is usually a one-time event. Evaluation is mostly performed by an independent party which is funded from a separate budget. It is more focussed on the end-user of the project and uses qualitative data next to quantitative data. The output of the monitoring process will be used as input for the final evaluation and the programme evaluation.

In the context of DRIVE there are 3 types of evaluations: (1) an impact evaluation for a selection of all projects, conducted by an independent external evaluator up to several years after project completion and focusing on outcomes and impact; (2) a final evaluation of the project implementation for all projects that are not subject to impact evaluation, conducted at project completion by RVO.nl; and (3) DRIVE programme evaluation, which will be conducted by the Operations Evaluation

Department (IOB) of the Ministry of Foreign Affairs (IOB) or another independent authority regularly.

*How will M&E take place and what is role of applicant?*

Monitoring will take place throughout the project implementation and will be the responsibility of the applicant, who will need to report regularly to DRIVE on the project implementation progress.

Project evaluations will fall under the responsibility of RVO.nl, which will either conduct these evaluations itself (final evaluation) or outsource these to independent external evaluators to ensure an objective evaluation (impact evaluations). While in most cases applicants will no longer be directly involved in the project, RVO.nl does require applicants to facilitate evaluations of the project, e.g. by providing contacts, suggesting stakeholders to talk to, etc.

See following section for more details on the administrative requirements as regards monitoring the various evaluations under DRIVE.

## **6.2 Project administration**

### *6.2.1 Administrative decision and contractual agreements*

The Applicant needs to provide RVO.nl with all the documents and information necessary to ascertain that all the provisions in the administrative decision, among which a successful bid by the applicant in the tender procedure, have been complied with. Within six months of the award of the tender, the contract for implementation and financing should be in place. The contract should reflect the conditions in the administrative decision. The maximum processing time will be overseen by RVO.nl. RVO.nl can extend this term two times up to a year in total, after this the contribution of DRIVE will be withdrawn. In accordance with the financing agreement, the applicant should present RVO.nl a disbursement schedule based on deliverables and statements of acceptance.

To guide project monitoring, already in the Intake the applicant is required to include a so-called results framework. The results framework follows the logic of the project result chain, as presented in Chapter 2. It should include indicators, the baseline and target for each indicator as well as the means of verification and the risks and assumptions underlying the successful achievement of the specified targets. These baseline values should be derived from the overall baseline study, which should be part of the feasibility study (i.e. no separate document would need to be drafted for this). The result indicators should be SMART (specific, measurable, achievable, relevant and time-bound) and be formulated at the level of inputs/activities, outputs, outcome, impact and specific sustainability issues.

Furthermore, the framework should include an overview of how monitoring of results will be conducted during project implementation, what mechanisms are in place to do so and who will be responsible for it. It should be noted that the applicant is only requested to provide main impact indicators at a relatively high level of aggregation with an estimation of impact. The applicant is not required to report on these indicators in any detail in the progress reports, as it will be too early to do so during implementation. For some of the projects, impact evaluations will be undertaken by external evaluators, these evaluations are further described below.

For a further explanation of M&E and indicators, including examples, please visit the DRIVE website<sup>23</sup> and download the file 'Template Result Indicators (per sector)'.

Note that the key performance indicators of each project as well as the main evaluation reports (baseline reports and ex-ante evaluation reports) will be made public via IATI.

The result indicator sheet will be an integral part of the Administrative Decision and any contractual arrangements between DRIVE and the applicant. M&E reporting will take place as part of progress and final reporting by the applicant (see following section).

#### 6.2.2 *Progress reporting*

At least every six months, the applicant must provide a substantive and financial report on the project's progress to RVO.nl. This reporting obligation shall take effect from the moment the applicant's agreement with the local authority is signed. The reports must be drawn up in conformity with the model included with the decision. If the progress report is not received on time, RVO.nl may suspend the rights under the decision. Progress reports should include at least:

- General progress update of activities and outputs, as well as identification of possible issues;
- Financial project reporting;
- Update on ICSR and specifically progress with the Environmental Social Management Plan, findings on child labour and supply chain responsibility;
- Update of the result framework (e.g. if targets have changed, some results have already been achieved, certain risks or assumptions have changed, etc.) and progress for each indicator towards its target (result indicator sheet).

RVO.nl may also visit projects during the implementation period, as part of regular country visits, or in case need arises. During such visits progress as reported in the progress report (relating not just to M&E, but also e.g. the ESMP) will be checked and validated.

#### 6.2.3 *Final report*

Once the applicant's work on the DRIVE project is completed and the applicant has fulfilled all its contractual obligations, it must obtain a Certificate of Completion from the local authority. Within six months of obtaining such a Certificate, the applicant must submit a request to RVO.nl to determine the subsidy. It must submit the following documents for approval with this request:

- The 'Final Certificate of Completion' with respect to the activities falling under the project executed;
- A summary, substantive, and financial report written by the applicant concerning the entire execution of the transaction, which includes an explanation of the extent to which the obligations have been fulfilled and the stated goals have been achieved, as well as the extent to which and why the item 'contingencies' had to be utilised. The financial report should also include the subsequent costing for the project, with an analysis of any differences with the cost estimate set forth in the application form as part of the qualitative and quantitative operations and maintenance plan;
- a statement drawn up by a reputable, external accounting firm (the firm must be deemed acceptable by RVO.nl) that the executed project and financial report

<sup>23</sup> This part of the website was still under construction in December 2015. In case the template can not be found on the website, please contact your project officer at RVO.nl.

were audited and found to be in order, that is, the work was carried out as agreed with the government and for the activities for which the subsidy was granted. RVO.nl's auditing protocol must be followed for this accountant statement.

The final report must enable RVO.nl to obtain a good substantive and financial picture of the entire execution of the transaction.

#### 6.2.4 *Final project evaluation*

After completion of the DRIVE project RVO.nl will conduct a final evaluation of the project. It will use the progress and final reports to this end and will conduct interviews and a field visit. The project will be evaluated based on the standard OECD/DAC evaluation criteria, with an emphasis (considering the timing of the evaluation) on relevance, efficiency and effectiveness. To the extent possible an assessment will be made of the project's sustainability and its potential of and to achieve its stated impact.

As regards relevance, efficiency and effectiveness, the evaluation will focus on the achievement of outputs and insofar possible outcomes (i.e. has access for the target group indeed been achieved / improved?) and the extent to which the project has remained relevant given the context and target group. As regards impact and sustainability the evaluation will check the assumptions underlying the achievement of these results and whether they still hold true. If assumptions need to be adjusted, the implications of such adjustments will be highlighted for the project's ability to (still) achieve its stated objectives (i.e. to which extent impacts and sustainability targets are likely to still be achieved). In other words, the final evaluation will not be able to judge the project on impact and sustainability, but will consider whether the conditions to do so are (still) fulfilled.

The applicant will be requested to provide the necessary information and assistance for RVO.nl to be able to conduct this evaluation.

Final evaluations will only be conducted of projects that were not selected for an impact evaluation. In other words 75% of all projects will be subject to a final evaluation. The final evaluations will also feed into the programme evaluation (see below).

#### 6.2.5 *Ex-post impact evaluation*

DRIVE intends to conduct impact evaluations (ex-post) of at least 25% of all DRIVE supported projects. These evaluations may take place up to several years after the project implementation phase is completed. The impact evaluations will be conducted by independent external consultants, who will determine the exact timing of the impact evaluation. Each evaluation will be broken up in three distinct phases:

1. Inception phase;
2. Baseline;
3. Final report.

The first two phases, i.e. the inception and establishment of the baseline will take place after the administrative decision, most likely during contractual arrangements and in any case before the actual start of the project implementation phase.

Applicants will be notified whether their specific DRIVE project has been selected for an impact evaluation and are required to facilitate evaluations of the project, e.g. by providing information and contact details. While applicants will most likely no longer be involved in the project at the time of the final phase of the impact evaluation,

RVO.nl does require applicants to provide access to all relevant project information, and facilitate evaluation of the project at a later stage, e.g. by providing contacts, suggesting stakeholders to meet and talk to, etc..

#### 6.2.6

##### *DRIVE programme evaluations*

DRIVE programme evaluations will be conducted regularly by the Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs or another independent authority. All project progress reports, result indicators and evaluations will serve as inputs for this overall programme evaluation and applicants may be approached to provide information for this overall evaluation by IOB.

In addition to the DRIVE program impact evaluation, a midterm review will be held within two years after the start of the program. This midterm review will focus on the implementation of the program and the DRIVE process. Any (process) studies which have been finished thus far will be taken into account.