



NL Agency
Ministry of Foreign Affairs

ORIO Manual 2013

ORIO Manual 2013

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1 Introduction

This manual describes the ORIO process, including the Application and appraisal procedures and criteria. The manual complements the ORIO Policy Rules published in the *Staatscourant* on 27 April 2012. Applicants are advised to read this manual, especially chapters 2, 3 and 4, before starting to write an Application. The manual, as well as the Application form and appendices, may change for each new Call for Proposals. This manual is only valid for the Call for Proposals that will open on 30 May 2013.

The Infrastructure Development Facility (ORIO) is funded by the Dutch Ministry of Foreign Affairs to encourage public infrastructure development in developing countries. ORIO grants are given to the Central Government of a country. The Central Government often supports the local government in the implementation of a project. The commitment of the Central Government and/or local government is essential for the success of a project. ORIO aims to contribute to the realisation of well-functioning and development-related public infrastructure in developing countries in order to promote human development and private sector development. Chapter 2 describes ORIO's objectives in more detail. Public infrastructure sectors that are eligible for an ORIO grant are the sectors water, environment, energy, transport and logistics, ICT, education and health care and civil works (for more details, see Appendix I).

The Central Governments of around 50 developing countries can submit Applications for ORIO projects. The countries that are eligible for project funding by ORIO are listed under 'Countries' on the page 'Do I Qualify?' at www.orio.nl. Applications can be submitted when the Call for Proposals is open; see chapter 3 for more information about applying for a grant. NL Agency will appraise submitted Applications on a 'first-come, first-served' basis; the Applications are assessed against the formal requirements and criteria described in chapter 4. Applications that meet the formal requirements and criteria can only be selected if the budget for the Call for Proposals contains sufficient funds. If a project is selected, ORIO finances 50 to 100% of the costs for the Development Phase, depending on the country. The specific grant percentages per country are listed at www.orio.nl. The Development Phase (chapter 5) includes conducting all the studies necessary for implementing the project, resulting in a Project Plan, which will be evaluated (chapter 6). The Project Plan must contain all necessary information for the decision on implementing the project. If the project meets the formal requirements, scores 'satisfactory' on the criteria and does not depart substantially from the key indicators agreed upon at the start of the Development Phase, it will be eligible for a grant for subsequent phases and the Grant Arrangement for the implementation and Operation & Maintenance Phases will be signed (chapter 7). ORIO will finance 35 to 80% of the costs for the implementation and Operation & Maintenance Phases (for up to a maximum of 10 years), depending on the country (see www.orio.nl).

The table below outlines the ORIO process, from the optional intake to the Operation & Maintenance Phase. It also refers to the chapters of this manual which describe the process steps in detail.

Table 1 Overview of the ORIO process

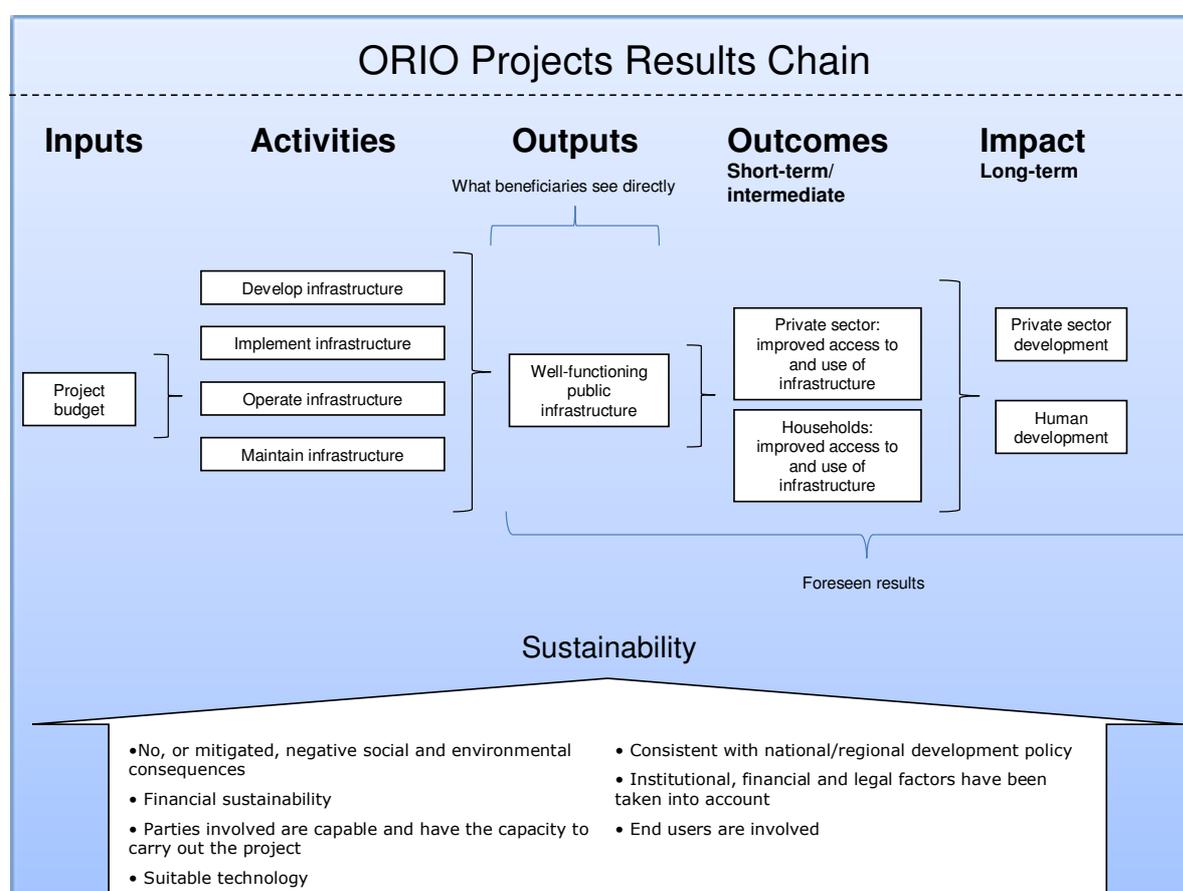
<u>Phase</u>	<u>Applicant</u>	<u>ORIO Team</u>	<u>Duration at ORIO</u>	<u>Manual chapter</u>
Initiation and Application	Intake form (optional)	General advice on project idea	1-2 weeks	3
	Application form and annexes		N/A	
Appraisal of the Application		Assessment against formal, administrative requirements (letter of completeness)	No more than 5 months	4
	Questionnaire and meeting	Discussion of questions and answers in meeting with Applicant Assessment against formal, substantive requirements Check on criteria Advisory Committee advice Selection/rejection letter		
Development Phase	Round table	Discussion of processes, conditions and progress of the project with the Applicant, competent authority or private initiator	2 - 6 months	5
	Input & Output plan	Quality check Check on market conformity		
	Grant Arrangement for Development Phase	First advance payment for Development Phase		
	Deliverables as agreed upon in the Grant Arrangement	Quality check on deliverables and if necessary go/no-go moments for continuation Continuation of advance payments	Applicant's timetable	
Appraisal of the Project Plan	Project Plan, including annexes	Check on formal requirements and criteria Advisory Committee advice Letter of approval or rejection for Implementation Phase	4 - 6 months	6
	Final report	Final payment before start of Implementation Phase	No more than 3 months (Applicant)	
Implementation Phase	Grant Arrangement for Implementation Phase and O&M Phase		2 months	7
	Detailed design (if applicable)	Technical assessment and consent	6 - 12 months	
	Pre-qualification (if applicable)	Statement of no objection		
	Provisional tender documents Tender(s) Evaluation and provisional contract Contract award	Statement of no objection Statement of no objection Statement of no objection		

	Financing commitments from cofinanciers	Statement of no objection	
	Construction, progress reports and partial deliveries (if applicable)	Assessment of output resulting in a statement of no objection	Depends on project
	Final delivery certificate and final report	Continuation of advance payments Final payment for the Implementation Phase	No more than 3 months (Applicant)
Operation & Maintenance Phase	Operation & Maintenance plan	Ongoing payments for operation & Maintenance Phase	No more than 10 years
	Annual progress report and financial justification		
	Final project report	Assessment of output and final report. For a selection of projects an impact evaluation will be carried out	No more than 3 months (Applicant)

2 Objectives of ORIO projects

This chapter describes the objectives that the ORIO programme aims to achieve with its contribution to infrastructure projects. ORIO aims to contribute to the realisation of well-functioning, development-related public infrastructure in developing countries in order to promote human development and private sector development. The objectives of individual ORIO projects are represented in a results chain¹ (figure 1), which serves as a basis for the selection of projects and for monitoring and evaluation of selected projects. This results chain describes the logical steps leading from project input to the short- and long-term effects projects intend to achieve for each project. The individual steps in the results chain are described below. Appendix I gives an overview of the sectors eligible for ORIO financing.

Figure 1 Results chain for ORIO projects



Input

First of all, infrastructure projects require input. Input consists of the financial, human, material, technological and information resources used for the development intervention (OECD/DAC, 2002). All input therefore consists of resources required to carry out the entire project, including the Development, Implementation and Operation & Maintenance Phases. In the case of ORIO projects, input includes both ORIO and non-ORIO financing components. The latter may include a

¹ The OECD/DAC defines a results chain as the causal sequence for a development intervention that stipulates the necessary sequence to achieve desired objectives beginning with input, moving through activities and outputs and cumulating in outcomes and impacts (OECD/DAC, Glossary of Key Terms in Evaluation and Results-Based Management, 2002).

commercial loan, government grants or any other method of financing the non-ORIO part. These various kinds of input make the necessary activities possible.

Activities

Activities are the actions taken or work performed to mobilise input, such as funds or technical assistance, to produce specific output (OECD/DAC, 2002). ORIO project activities include activities during the Development Phase (e.g. technical studies, environmental and social impact assessments, preliminary design, Project Plan), activities during the Implementation Phase (e.g. construction) and activities during the Operation & Maintenance Phase. The latter include activities such as education, training and capacity building. All these activities are necessary to construct, operate and maintain the infrastructure and deliver the output successfully. Besides this, the activities during the Operation & Maintenance Phase are important to certify that the output (i.e. the infrastructure) continues functioning properly, ensuring that the project is sustainable.

Output

Output consists of the products and services resulting from the completion of activities within a development intervention (OECD/DAC, 2002). In the case of ORIO, output is defined as well-functioning public infrastructure, which can be described quantitatively and qualitatively. Quantitative aspects can for example refer to the number of kilometres of road built, the number of standpipes installed and the length of a water distribution system, or the amount of equipment delivered to a hospital. Qualitative aspects can for example refer to the fact that actual infrastructure functions properly: the equipment delivered to a hospital is functioning properly and being used, roads built are accessible throughout the year, including during the rainy season and drinking water is up to WHO standards. Output is therefore the result of the activities. They could include physical or other output, e.g. strengthening the capacity to ensure that the physical output is properly maintained. The output results in outcome.

Outcome

Outcome is the intended or achieved short-term and medium-term effect of an intervention's output, usually requiring the collective effort of partners. The outcome represents changes in development conditions which occur between the completion of output and the achievement of impact (OECD/DAC, 2002). In the case of ORIO, the outcome specifically refers to improved access to and use of infrastructure by the private sector and households. Examples include increasing the number of people and companies that have access to and make use of clean drinking water through new standpipes and household connections and an improved distribution system, or increasing the number of people and companies that have access to a road and make use of it. Improved access to and use of public infrastructure will result in long-term effects, provided the infrastructure is properly operated, managed, used and maintained.

Impact

The long-term effect is called impact. Impact refers to the positive and negative long-term effects on identifiable population groups produced by a development intervention, directly or indirectly, intended or unintended. These effects may be economic, socio-cultural, institutional, environmental, technological or of other types (OECD/DAC, 2002). In the case of ORIO, impact means a contribution to human development and/or private sector development. Examples of human development include a reduction in water-borne diseases as a result of clean drinking water, or less pollution because a connection to a new electricity network has replaced the use of diesel generators. Private sector development includes higher earnings due to new irrigation systems or an increase in the profits and profitability of small businesses due to access to the electricity network.

Sustainability

The logical order in which the results chain is set up requires several conditions to be fulfilled to make the infrastructure work properly and to guarantee its sustainability. ORIO projects must be financially viable. The parties involved are expected to be capable of carrying out the projects. The technology used for implementing the project and operating and maintaining the infrastructure must be suitable for the parties involved, the region, etc. In addition, projects must be consistent with development goals and strategies of the country or project sector. They must fit into the institutional, governmental, financial and legal context of the country. Furthermore, ORIO projects should have no, or a minimal, negative social and environmental impact and if a negative impact is expected or occurs, adequate mitigation measures must be taken. Projects must also involve end users, by enabling them to use the public infrastructure constructed and ensuring that the agencies responsible have the capacity to maintain it. These criteria must be met for a project to be feasible and sustainable.

Generally, there is a distinction between risks that affect the feasibility of a project and risks that affect the project's surroundings. In terms of sustainability, it is important to consider whether the project can actually be implemented. In other words, is there enough funding, or can people use the technology? Risks that affect the project's surroundings can concern people who are forced to move because of the construction of a road or the downstream effects of the construction of a dam. These sustainability issues affect the other criteria and, if a risk is not mitigated properly, this often affects part of the results chain. Therefore, both types of risk have to be included in the results chain and possible mitigation measures must be specified. If mitigation is not possible this must also be mentioned. It is important to know whether all the right conditions are in place for the project to be a success.

The assessment of ORIO projects is linked to the ORIO results chain and will be described in subsequent chapters.

3 Initiation and Application

Section 3.1 describes the procedure for submitting an optional intake form with a project idea and the actual Application for an ORIO grant to NL Agency. Section 3.2 provides an overview of the main requirements and criteria for ORIO Applications.

3.1 Procedure

Phase	Applicant	ORIO Team	Duration at ORIO
Initiation and Application	Intake form (optional)	General advice on project idea	1-2 weeks
	Application form and annexes		N/A

Intake

The project initiator can have a project idea assessed, in the light of ORIO's requirements and criteria. The downloadable intake form is available at www.orio.nl. The initiator should email the completed form to orio@info.agentschapnl.nl. On receipt, an ORIO project consultant will reply by email. This may be followed up by a telephone call or an appointment.

Application

NL Agency organises calls for proposals, during which Applications may be submitted. The opening and closing dates can be found at www.orio.nl. The current Application form and associated documents can also be found on the website under 'How Can I Apply?'. Chapters 2, 3 and 4 of this manual are particularly relevant for submitting an Application.

Opening of the Application period

The Application period opens on Thursday 30 May 2012. Project Applications may be submitted to NL Agency from that time. Applicants must submit one written version of the Application (the hard copy) and one electronic version (Microsoft Office Word 2003 or PDF). The hard copy must be submitted to NL Agency in a sealed envelope bearing the word 'ORIO Application' and the Applicant's name and address and it should be mailed to the following address.

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

The hard copy can also be delivered by courier to NL Agency:

Prinses Beatrixlaan 2
2595 CL The Hague
The Netherlands

Furthermore, the Application can be delivered by hand to the address mentioned above from Monday to Friday between 7.30 and 17.00. Agency NL supplies a confirmation of receipt with the date and time of receipt of the Application.

The electronic version should be submitted on a USB stick or on CD/DVD along with the written version of your Application. Alternatively, the electronic version may be emailed to orio@info.agentschapnl.nl.

Closing of the Application period

The Application period closes once the available budget has been completely exhausted. Proposals not submitted on time will not be taken into consideration. They may, however, be re-submitted in a subsequent Application period using the latest versions of the forms are used.

Project Applications will be dealt with in order of receipt. NL Agency will assess the Applications against the formal, administrative requirements. If the Applications that have been accepted for appraisal markedly exceed the available budget, the Call for Proposals will close early. In this case, ORIO will open a waiting list. Considering that some projects may be discontinued during the appraisal period. If this occurs, a project from the waiting list will be accepted for appraisal as soon as there is enough budget available (see section 4.1). The closure of the Call for Proposals will be announced at www.orio.nl.

3.2 Which projects are eligible for ORIO financing?

The table below provides an overview of the main requirements and criteria that must be met in order to be eligible for ORIO financing. It can function as a checklist in deciding whether to apply for an ORIO grant. These requirements and criteria will be described in more detail in chapter 4. The second column of the table refers to the section of this manual where the requirement/criteria are described. As noted in section 3.1, projects are selected on a 'first-come, first-served' basis, which means that projects will be selected if they meet the requirements and criteria, provided there is sufficient budget available.

Requirements/criteria	More information
Formal administrative requirements	
<ul style="list-style-type: none"> The Application must be submitted by the Central Government authority of a country that appears on the ORIO country list 	Section 4.2 and www.orio.nl for the country list (see 'Countries' on the page 'Do I Qualify?')
<ul style="list-style-type: none"> The Application must be received by NL Agency during the Application period 	Section 4.2
<ul style="list-style-type: none"> The project costs must amount to at least €2 million and must not exceed €60 million per Application 	Section 4.2
<ul style="list-style-type: none"> The Application must describe the entire life cycle (or remaining life cycle) of the public infrastructure in question (development, implementation and operation) 	Section 4.2
<ul style="list-style-type: none"> The Application must be written in English and submitted to NL Agency both on paper and in digital form, using the most recent version of the Application form 	Section 4.2 and www.orio.nl for the Application form (under 'How Can I Apply?')
<ul style="list-style-type: none"> The Application must be complete, clear and concise 	Section 4.2
<ul style="list-style-type: none"> The Application must comply with the OECD definition of a project 	Section 4.2
Formal substantive requirements	
<ul style="list-style-type: none"> The project must not be commercially viable according to the OECD's Ex Ante Guidance for Tied Aid 	Section 4.2
<ul style="list-style-type: none"> The procurement of goods and services for the project must comply with the recipient country's legislation, the OECD's Good Procurement Practices, the OECD Guidelines for Multinational Enterprises (2011 edition) and a number of ILO conventions (see www.orio.nl) 	Section 7.2
Criteria	
<ul style="list-style-type: none"> The project is relevant 	Section 4.3.1
<ul style="list-style-type: none"> The project is effective 	Section 4.3.2
<ul style="list-style-type: none"> The project has an impact on human development and/or private sector 	Section 4.3.3

development	
• The project is efficient	Section 4.3.4
• The project is sustainable	Section 4.3.5
• The project is economically viable	Section 6.3.2

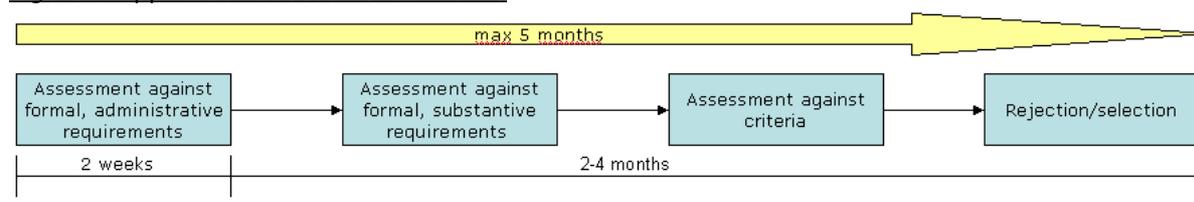
4 Appraisal of the Application

Section 4.1 describes NL Agency's procedure for assessing Applications. Section 4.2 looks at the formal requirements and section 4.3 describes the criteria in more detail.

4.1 Procedure

<u>Phase</u>	<u>Applicant</u>	<u>ORIO Team</u>	<u>Duration at ORIO</u>	<u>Manual chapter</u>
Appraisal of the Application	Questionnaire and meeting	Assessment against formal, administrative requirements (letter of completeness) Discussion of questions and answers in meeting with Applicant	No more than 5 months	4
		Assessment against formal, substantive requirements Check on criteria Advisory Committee advice Selection / rejection letter		

Figure 2 Application assessment timeline



Assessment against formal administrative requirements

Project Applications are dealt with on a 'first-come, first-served' basis and assessed against the formal, administrative requirements by NL Agency (see section 4.2 of this manual). The assessment will generally take place within two weeks of receipt of the Application. NL Agency will send the Applicant a confirmation of receipt, stating whether the Application satisfies the formal, administrative requirements. If the Application does not fulfil the requirements 1, 2, 3 and/or 5 NL Agency will not take it into further consideration. In other cases, the Applicant has the option of correcting the Application or providing additional information so that all the formal, administrative requirements are met. If the Application is not corrected and/or supplemented within the Application period, the Application will not be taken into further consideration either.

The budget will be allocated on a 'first-come, first-served' basis. The date and time taken as the date of receipt are the date and time on which the Application (possibly corrected/supplemented) fulfilling all the formal, administrative requirements is submitted. These Applications are referred to below as 'fully complete Applications'.

Waiting list

When the cumulative amount of grants applied for in fully complete Applications exceeds the available budget for that period, the remaining fully complete Applications will be placed on a waiting list in the order of date and time of receipt. The Applicant will be notified accordingly. If NL Agency ceases to proceed with the assessment of an Application (e.g. because it does not satisfy one or more of the formal, substantive requirements or criteria), the Application at the top of the waiting list will be dealt with as soon as sufficient budget is available.

If the Application period closes early (see section 3.1), no further Applications will be put on the waiting list. However, the waiting list will remain valid until the budget has been completely exhausted. After this time, the Applicants on the waiting list will be informed that their Applications will not be further processed in the current Application round. Applicants will be invited to re-submit their Applications in a subsequent Application period, using the new Application forms for each Application round.

Further information, verification and advice

NL Agency may ask Applicants to provide further information at any time during the assessment procedure. Applicants may be invited to discuss questions at a meeting at NL Agency or in a teleconference. Applicants may delegate the competent authority and/or the private initiator to attend the meeting. The definitive answers to questions must always be sent to NL Agency in writing.

Applicants consent to NL Agency making direct contact with the parties involved in the Application, such as financiers, credit insurers and suppliers. NL Agency may also seek advice from the Dutch embassy for the recipient country (the embassy has an important advisory role), other relevant parties active in the sector concerned (e.g. development banks, other bilateral donors) and/or external experts.

Assessment against formal, substantive requirements

Fully complete Applications are then assessed against the formal, substantive requirements (see section 4.2). Applications that satisfy all the formal requirements are then assessed on the basis of the criteria set out in section 7 of the Policy Rules and section 4.3 of this manual.

Assessment against the criteria

Information from both the Application and the written replies to the questionnaire is used to assess the Applications against the criteria listed in section 7 of the Policy Rules. Only Applications that score 'satisfactory' for each criterion are eligible for selection. Information about the assessment system, including scoring, is given in section 4.3 of this manual. NL Agency will take advice from the ORIO Advisory Committee (ACORIO) during the assessment procedure.

Selection

Where an Application is accepted for assessment and found to meet all the formal requirements and all the criteria, it will be selected for a grant for the Development Phase. Applications selected will be eligible for funding provided there is sufficient budget available. If the budget is exhausted, NL Agency will bring the Application period to a close or to an early close.

Country ceiling test

If more than one Application from the same country is eligible for selection in a particular year, the country ceiling applies. This means that the total grant amount that can be allocated to a single country each year is limited to 25% of the ORIO budget available for that year.

Time limit for decision and notification of selection

NL Agency will assess and decide on the selection of complete Applications within five months of receipt. After making its decision the Agency will announce which Applications have been selected. It will notify unsuccessful Applicants in writing and explain why their Applications were not selected. On the request of the Applicant, NL Agency can provide further information on these reasons in a personal meeting, by telephone or by email.

4.2 Formal requirements

Applications received are first assessed against the formal, administrative requirements and then against the formal, substantive requirements (see section 4.1).

Administrative requirements:

- 1) Applications must be submitted by the Central Government authority of a country on the ORIO country list applicable to the relevant Application period. The country list published at www.orio.nl and valid at the start of the Application period remains applicable to Applications submitted in that period and to the projects they propose, unless the Minister for European Affairs and International Cooperation instructs NL Agency otherwise.
- 2) Applications must be received by NL Agency during the Application period.
- 3) Eligible project costs (see section 15, point 4 of the Policy Rules) must be at least €2 million and no more than €60 million per Application. A project may not be divided over several Applications to evade the upper limit. An Application may, however, comprise several projects if there is a clear link between them in terms of approach and implementation.
- 4) Project Applications must deal with the entire life cycle (or remaining life cycle) of the public infrastructure in question² and must therefore describe its development, implementation, operation and maintenance.
- 5) Applications must be written in English and submitted to NL Agency in writing as well as in digital form, using the most recent version of the Application form and in accordance with the relevant requirements (available at www.orio.nl).
- 6) Applications must be complete, clear and concise. They must make it possible for NL Agency to assess the merits and scope of the Applications and projects. A project Application is complete when the relevant Application form, including all annexes, has been filled in completely, clearly addressing all subjects and questions and when the Application has been signed by the authorised persons wherever required. Furthermore, the Application must be submitted in written form as well as digitally before it is considered complete.
- 7) Project Applications must comply with the OECD definition of a project³, which is described in Appendix I of the OECD 'Ex Ante Guidance for Tied Aid'. This document can be downloaded from the 'Publications' page at www.orio.nl.

Substantive requirements:

- 8) A project should *not* be 'commercially viable'. When assessing Applications, commercial viability will be assessed using the OECD/DAC 'Ex Ante Guidance for Tied Aid', which can be downloaded from the 'Publications' page at www.orio.nl. Applicants must demonstrate that according to the 'Ex Ante Guidance for Tied Aid', the project tends to be commercially non-viable. At this stage it is not necessary to demonstrate commercial non-viability with a detailed cash-flow analysis. However, if the analysis of a project tends to a conclusion of

² Structures and facilities that provide services of general interest, with the exception of defence infrastructure. Infrastructure includes structures and facilities in sectors such as water, environment, energy, transport and logistics, ICT, education and health care. For a more detailed sector overview, see Appendix 1.

³ A combination of input and activities with added value that yield a specific, marketable output in the area of public infrastructure. The scope of a project is demarcated by the smallest, complete productive unit of public infrastructure, physically and technically integrated, that fully utilises the proposed investment and reaps all the financial benefits that can be attributed to the investment. A project must involve new construction work and/or renovation and/or expansion of public infrastructure and must include its development, implementation and operation.

commercial viability, detailed information on this matter must be provided to prove otherwise. A cash-flow analysis based on provisional figures and indicators or another explanation may be requested in the questionnaire. The Applicant is asked to mention the assumptions on which the cash-flow analysis or explanation is based. These assumptions can concern the number of households, the population growth, traffic movements, etc.

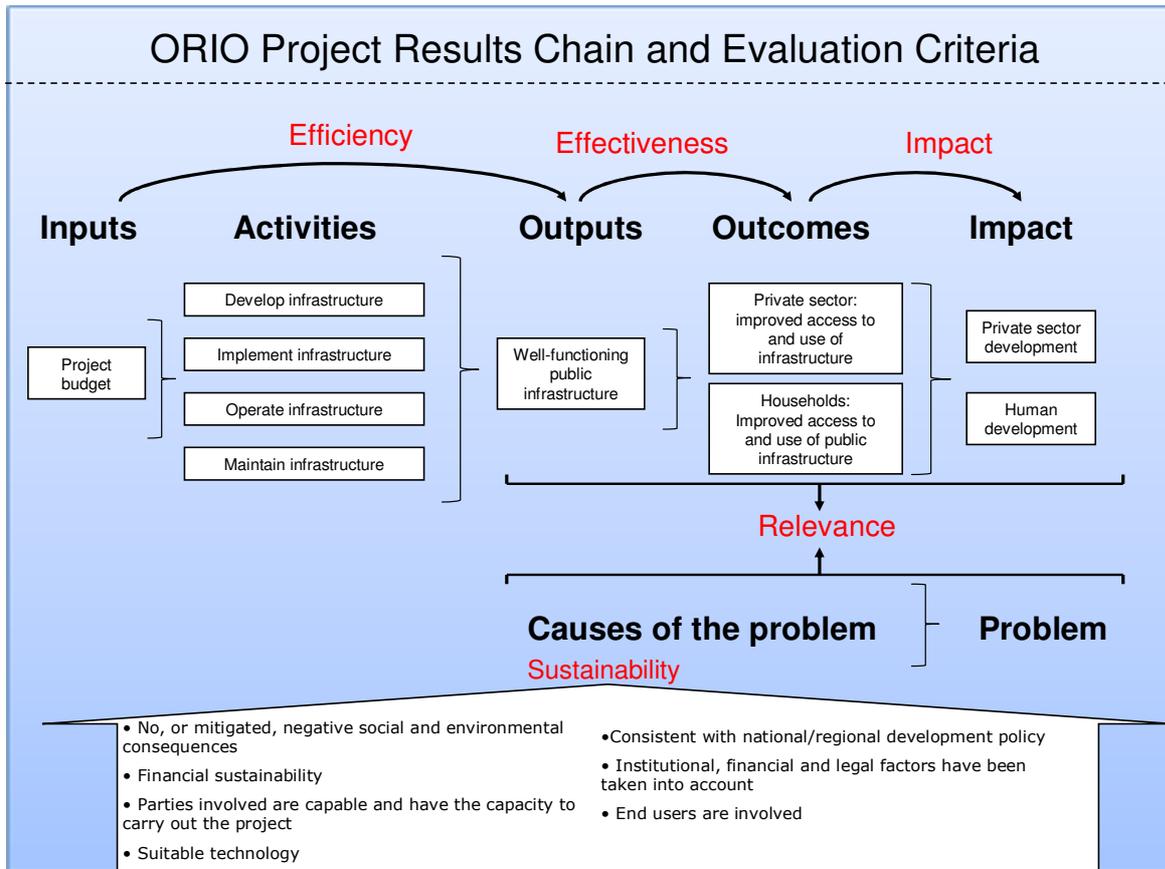
- 9) Goods, works and services for the project must be purchased in a transparent and efficient manner in accordance with the legislation in the Applicant's country and the OECD Good Procurement Practices for Official Development Assistance, the OECD Guidelines for Multinational Enterprises (2011 edition) and various ILO conventions (see also section 7.2 of this manual). The OECD Good Procurement Practices assume that there will be a tender (with some specific exceptions). The tender should allow an open and fair competition and should result in value for money.

4.3 Criteria

Applications that meet the formal requirements are then assessed on the basis of five OECD/DAC criteria: relevance, effectiveness, impact, efficiency and sustainability. A project can score either 'satisfactory' or 'unsatisfactory' for each criterion. To be eligible for an ORIO grant, the score must be 'satisfactory' for each individual criterion.

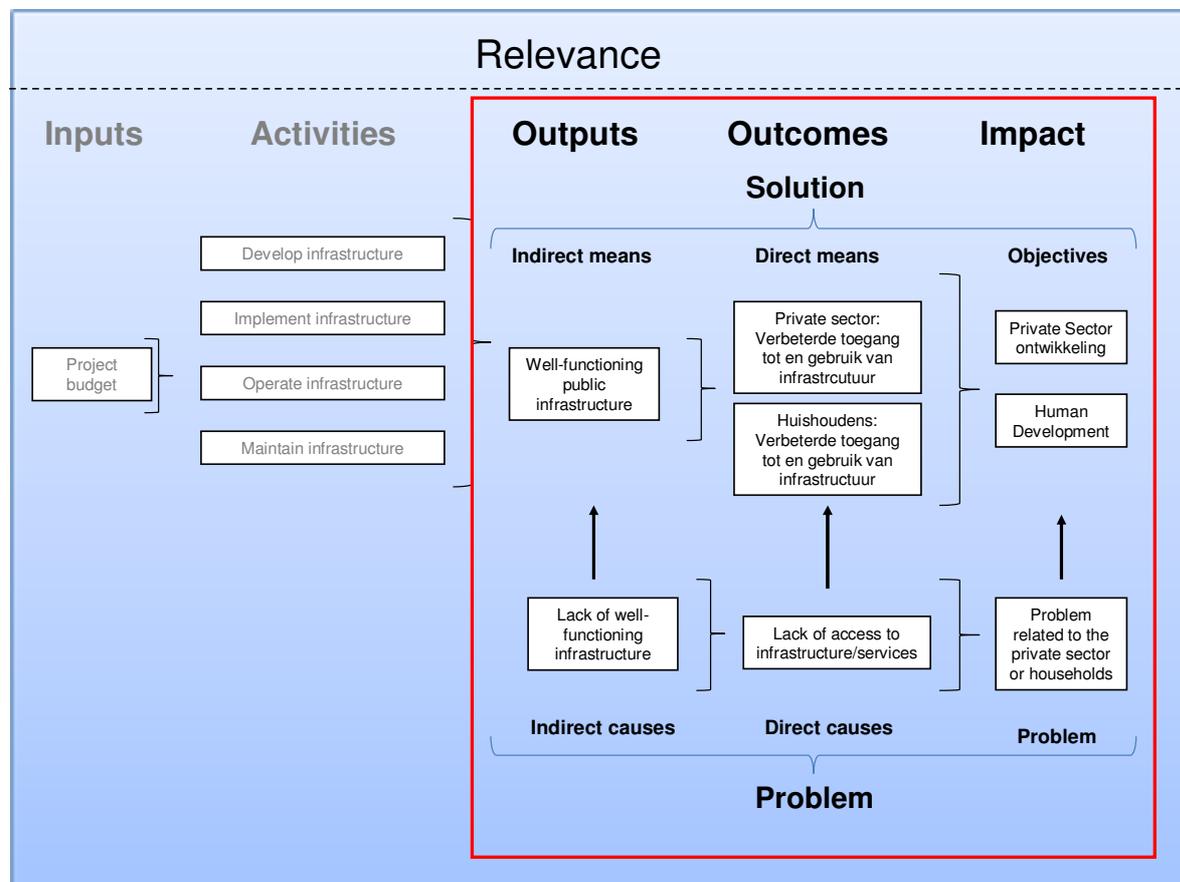
Figure 3 shows the criteria linked to the ORIO intervention logic described in chapter 2. The criteria are described in more detail in the sections that follow. Simplified examples are given to provide a better understanding of the criteria. The information provided in Applications should be more detailed than that provided in these examples.

Figure 3 ORIO project results chain linked to the criteria



4.3.1 Relevance

Figure 4 Schematic diagram for relevance



Relevance is defined as the extent to which a project will provide a solution to the problem addressed and fulfil the needs of end users. The relevance criterion is also known as the project rationale or project logic.⁴ It basically covers all the *results* in the above results chain (output, outcome and impact). The problem and the proposed solution (results) should match on all levels, as shown in figure 3. The project's results should solve or reduce the problem and its (direct and indirect) causes in a sustainable way. A simplified example of a relevant problem (including its causes) could be a region that experiences high rates of water-borne diseases (problem) due to a lack of access to clean drinking water (direct cause), which in turn is caused by the fact that there is not enough water treatment capacity available at the local water treatment plant (indirect cause).

It is important for the problem and solution to be described, including relevant background information on the region, in order to understand the overall context. It is also vital to take the entire project into account, in accordance with the OECD consensus. For example, if the objective or solution is to reduce the prevalence of water-borne diseases by constructing a water supply system that uses surface (river) water, a simplified description for the entire project could be: the water supply system includes a raw water intake, water treatment plant, transmission and distribution network, standpipes and household connections (output) to provide the end users with clean drinking water (outcome). This will result in a lower prevalence of water-borne diseases

⁴ The OECD/DAC (2002) defines relevance as the extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.

(impact). Furthermore, personnel will be trained to operate the water treatment plant more efficiently.

Besides the fact that the project should propose a feasible solution to the problem addressed, relevance also covers the question of whether the problem described is really a problem for the actors concerned. In other words, does the project provide added value to its end users? If the people or companies that should benefit from the project (the end users) do not regard the project as relevant, then there is no reason to implement it.

A project can score 'satisfactory' or 'unsatisfactory' on relevance. To be eligible for an ORIO grant, the score for this criterion must be 'satisfactory'.

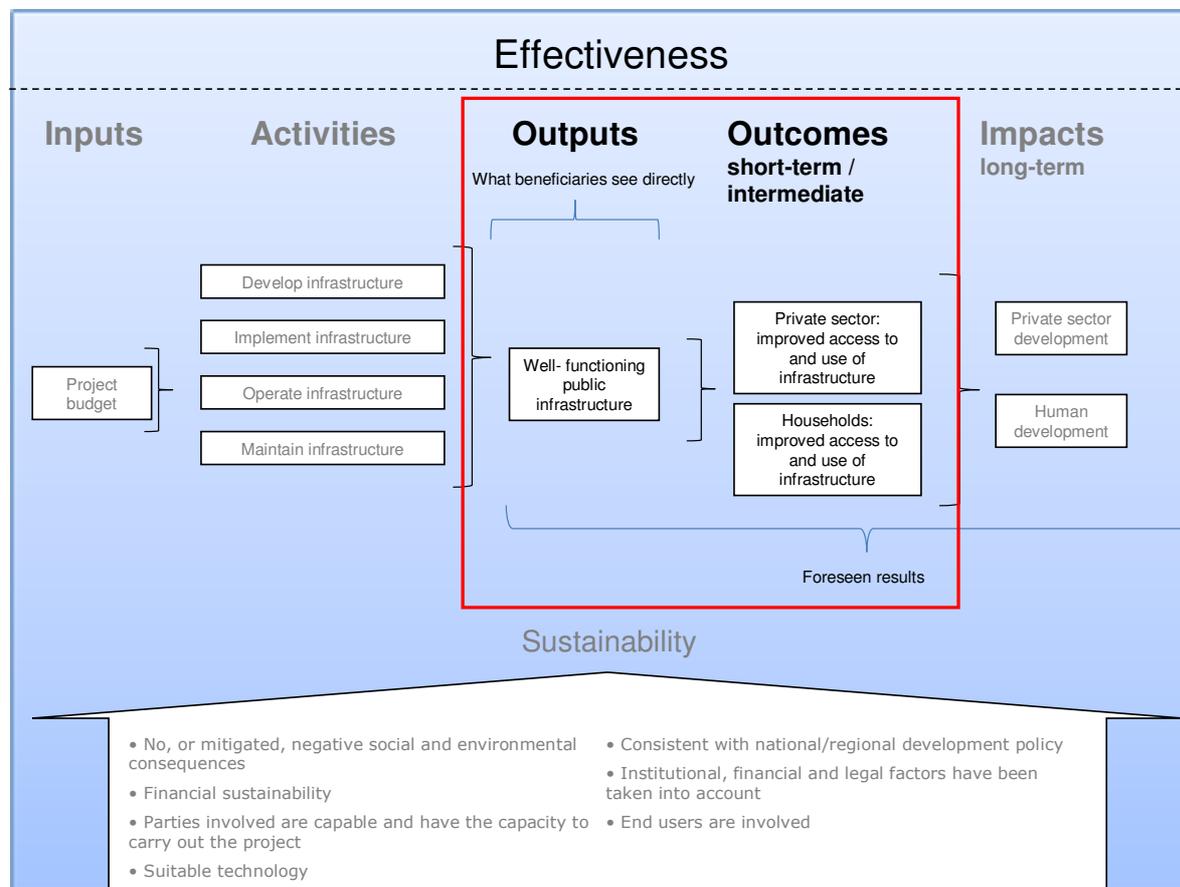
Information needed to assess relevance

To assess relevance, Applicants must accurately describe the problem the project is attempting to address, including an analysis of its direct and indirect causes (section 3.1 Appendix I of the Application form). They must also describe how the actors involved (the project's end users) perceive this problem, the priority they give to solving this problem and whether the proposed solution would solve the problem.

Applicants must describe the proposed solution (section 3.2 of Appendix I of the Application form) and provide a clear project definition. The project objectives should be clear and logical and address the identified needs of the end users. Applicants must therefore describe how the needs of end users have been taken into account while defining the project. Applicants need to consider the fact that the objective of ORIO projects is to promote human development and/or private sector development (see the results chain in figure 3) and the objective of individual projects should therefore be in line with this general objective. Finally, to find the best and most feasible solution to the problem, alternatives should be considered at output level. Although a detailed study of alternatives might be part of the Development Phase, Applicants should at least explain why the specific solution is being proposed. They should show that no other similar projects or initiatives are planned.

4.3.2 Effectiveness

Figure 5 Schematic diagram for effectiveness



Effectiveness is defined as the extent to which a project will result in an increase in access to and use of infrastructure by households and/or the private sector.⁵ It will be assessed whether it is reasonable to assume that the infrastructure to be built will lead to a significant improvement in the number of people or companies with access to such infrastructure and whether a significant percentage of these beneficiaries are likely to make use of it. This assessment will also address the specific risks (technical, institutional, social, and environmental, risks) that may prevent the beneficiaries from using the infrastructure. The effectiveness analysis also determines whether the scope of the output matches the scope of the outcome, i.e. whether the quantified description of the infrastructure (e.g. kilometres of roads, kilometres of pipelines, number of hospital beds) is in line with the number of people/companies that have access to and make use of the infrastructure.

A project can score 'satisfactory' or 'unsatisfactory' on effectiveness. To be eligible for an ORIO grant, the score for this criterion must be 'satisfactory'.

Information needed to assess effectiveness

To assess the effectiveness of a project, the project's purpose and the changes it is intended to produce should first be carefully defined. Information is needed about the infrastructure to be built (output; section 5.1 of Appendix I of the Application form), how it will be operated and the resulting expected change in access to and use of such infrastructure for the private sector and households (outcome; section 5.2 of Appendix I of the Application form). Simplified examples of

⁵ The OECD/DAC (2002) defines effectiveness as the extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.

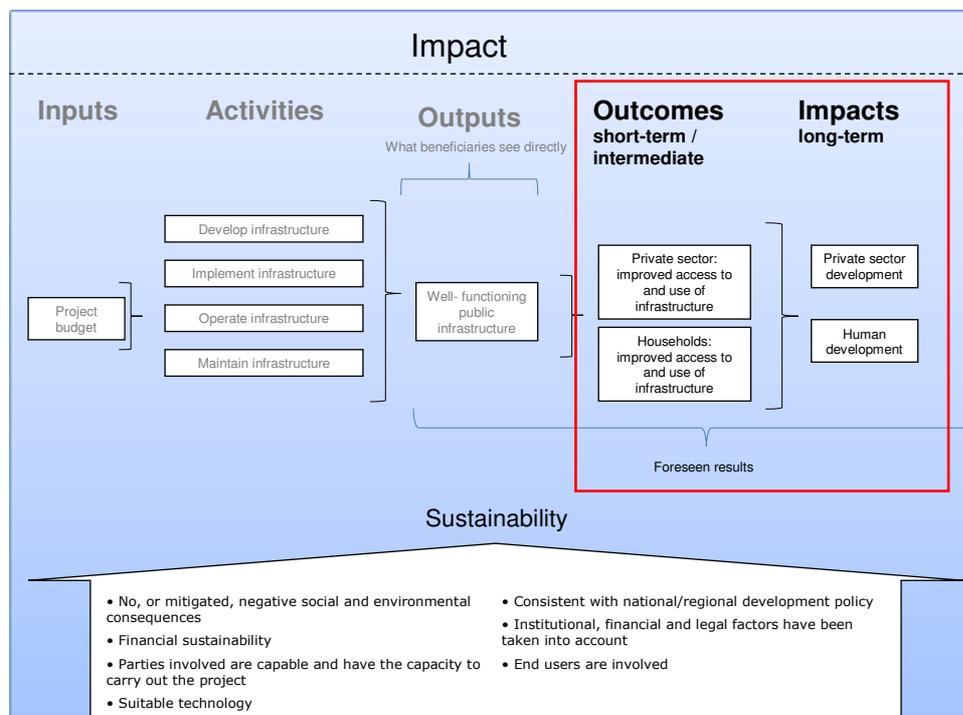
the output could be 25 km of all-season road and 50 trained road maintenance workers. Please note that the output should describe a complete project (see note 4). Simplified examples of outcome could be the number of vehicles using a particular road and the reduction in travel time when compared with the situation before the road was built. Information on outcome in the Application should be quantified where possible; Applicants should estimate the number of people and companies with improved access to the infrastructure and the use they will make of it.

To describe the expected increase in access to and use of infrastructure, it is important that information is provided on the situation *with* the project as well as the situation *without* the project. What is the current situation and what would happen if the project were not implemented?

Information on the risks that may prevent the beneficiaries from using the infrastructure is also required. These risks related to the project and the external risks and requirements could influence the project's effectiveness.

4.3.3 Impact

Figure 6 Schematic diagram of impact



Impact is defined as all the net effects that can be attributed to the realised infrastructure.⁶ Since the aim of ORIO projects is to positively affect human development and private sector development (see ORIO intervention logic in chapter 3), the impact assessment focuses on the extent to which project outcome (improved access to and use of infrastructure) brings a long-term improvement in human development and private sector development. The impact assessment will mainly examine whether it is reasonable to assume that the described impact will occur *as a consequence of* (i.e. could be attributed to) the improved access to and use of infrastructure. While assessing this criterion, sustainability issues will be looked at as well. If a project is not sustainable, this affects the impact.

⁶ The OECD/DAC (2002) defines impact as the positive and negative long-term effects on identifiable population groups produced by a development intervention, directly or indirectly, intended or unintended.

A project can score 'satisfactory' or 'unsatisfactory' on impact. To be eligible for an ORIO grant, the score for this criterion must be 'satisfactory'.

Information needed to assess impact

To assess the impact of a project, it is necessary to estimate how improved access to and use of infrastructure (Outcome; section 5.2 of Appendix I of the Application form) improve human development and private sector development (Impact; section 5.3 of Appendix I of the Application form).

A simplified example of an impact analysis could be that the incidence of water-borne diseases in the area is reduced (impact) because people are using potable water (outcome).

Applicants must describe the expected change in impact qualitatively in the initial Application. During the Development Phase more quantitative information is obtained and a quantitative analysis of the impact should therefore be provided for the second assessment after completion of the Project Plan. The impact that the change in access to and use of the infrastructure has on human development and private sector development is important. These two terms are defined below.

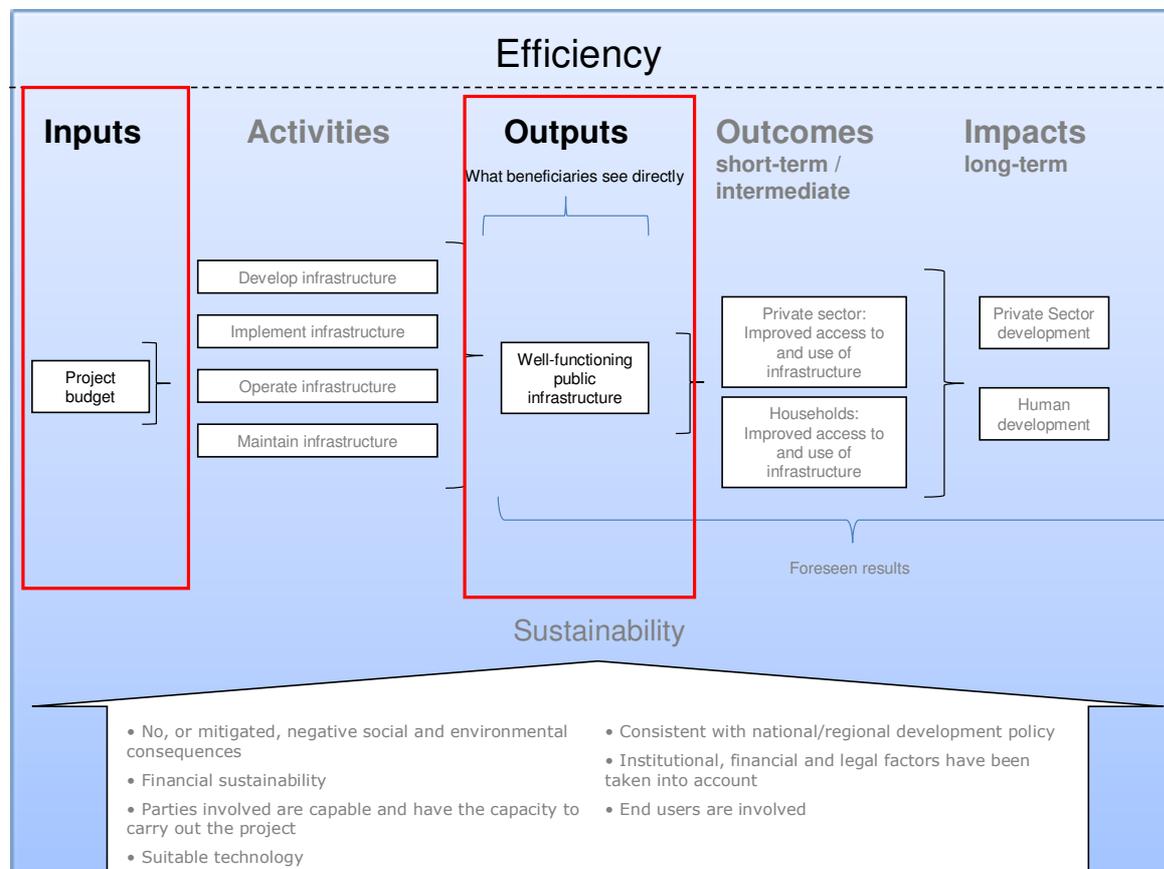
Human development: Effects on human development can include improving the prospects of a long and healthy life (health), acquiring skills and/or knowledge (education) and obtaining access to resources necessary to improve prosperity (income).

Private sector development: Effects on private sector development can include an increase in the number of companies that benefit financially from their use of the infrastructure, the net additional income for target enterprises and additional jobs created. Direct job creation due to the project design and construction (staffing) is not included.

Information on the risks or requirements which may prevent the beneficiaries from using the infrastructure is also required and is asked for under the sustainability criterion.

4.3.4 Efficiency

Figure 7 Schematic diagram of efficiency



Efficiency refers to how the realised infrastructure relates to the costs, both quantitatively and qualitatively.⁷ It is about the extent to which the results achieved through the activities and output offset the cost of the chosen input. In the case of ORIO, this does not necessarily mean that the costs should be as low as possible. The result of the activities and output do need to provide the best value for money. The reason is that sometimes trade-offs are possible where higher costs may lead to more suitable, relevant and effective solutions. However, the costs should be proportionate and reasonable, taking into account the desired results and the local context.

An example of efficiency would be the comparison between the number of household connections that are going to be implemented, or the number of kilometres of road that are going to be constructed and the total costs involved. Because the exact costs and deliverables are not yet known during the initial assessment, ORIO will therefore examine whether the prices are extremely high compared to what the Applicant proposes to do.

A project can score 'satisfactory' or 'unsatisfactory' on efficiency. To be eligible for an ORIO grant, the score for this criterion must be 'satisfactory'.

Information needed to assess efficiency

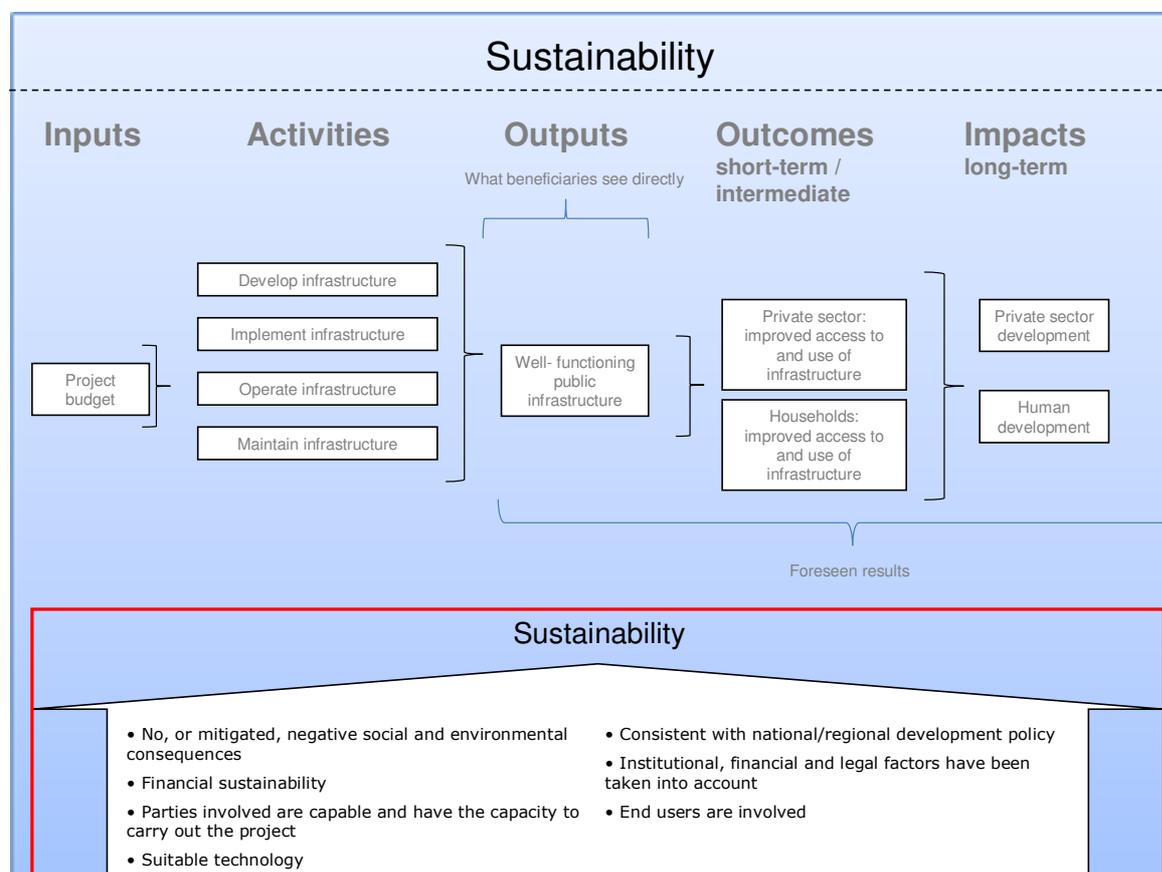
To assess efficiency, ORIO will look at the input and output. During the Application appraisal phase little is known about the exact costs and output. However, the Applicant needs to provide a general financial plan or budget including the costs and revenues. The assumptions on which the estimated

⁷ The OECD/DAC defines efficiency as a measure of how economically resources/input (funds, expertise, time etc.) are converted to results (2002).

costs and revenues are based have to be outlined as detailed as possible in paragraph 5.1.2 of Appendix I of the Application form.

4.3.5 Sustainability

Figure 8 Schematic diagram of sustainability



Sustainability is about the continuation of benefits from a development intervention after major development assistance has been completed; the probability of long-term benefits; the resilience of the beneficial aspects to various risks over time.⁸ Sustainability therefore refers to whether a project is sustainable in the context in which it is placed. Sustainability is about identifying the risks and finding the right ways to mitigate them. When assessing sustainability, the following questions are considered:

- To what extent are the benefits of a project likely to continue after donor funding/involvement ceases?
- What are the main factors likely to influence the achievement or non-achievement of project sustainability?
- How have these factors been taken into account in the project design and set-up?

Generally, there is a distinction between risks that affect the feasibility of a project and risks that affect the project's surroundings. In terms of sustainability, it is important to consider whether the project can actually be implemented. In other words, is there enough funding, or can people use the technology? Risks that affect the project's surroundings can concern people who are forced to move because of the construction of a road or the downstream effects of the construction of a dam. These sustainability issues affect the other criteria and, if a risk is not mitigated properly, this

⁸ OECD/DAC, 2002.

often affects part of the results chain. The sustainability criterion should therefore be seen as a criterion that examines whether all the right conditions are in place to implement a project and to ensure that the associated infrastructure keeps functioning properly throughout its lifetime.

The Applicant has to demonstrate whether the risks have been taken into account in the Project Plan and whether the proper mitigation measures have been proposed. A project can score 'satisfactory' or 'unsatisfactory' on sustainability. To be eligible for an ORIO grant, the score for this criterion must be 'satisfactory'. The following sustainability issues should be addressed if relevant to the project:

- financial sustainability
- social and environmental impact and risks
- suitability of the technology
- capacity of the parties involved
- consistency with the national, local and/or sectoral development plans, strategies and policy
- the extent to which the project's institutional, economic and legal factors have been taken into account
- involvement of end users.

Financial sustainability

For a project to be considered financially sustainable, the financing of the project as a whole (including the non-ORIO part of the project) should be secured and steps should be taken to ensure that sufficient cash flow is generated during the economic lifetime of the project to cover operation and maintenance costs, including possible debt repayment and interest. The kind of financing of the non-ORIO part of the project has to be specified, as well as the conditions related to this part of the financing (e.g. interest, term, etc.). Furthermore, the Applicant has to indicate what steps will be taken during the Development Phase to secure this financing.

If a project is found not to be financially sustainable, this may affect its effectiveness as the infrastructure will not be able to function properly, resulting in decreased access to and use of that infrastructure. Furthermore, if a project does not generate sufficient cash flow during the Operation & Maintenance Phase this could mean that the project cannot be operated and maintained in the long run and thus affects its impact.

A letter of intent should be provided, concerning the financing of the investment and the Operation & Maintenance Phase, including cost overruns and deficits (preferably from or endorsed by the Ministry of Finance). Appendix II of the Application form is an example of a letter of intent and includes the necessary elements that need to be included. The letter of intent must be printed on the stationery of the sender.

Social and environmental impact and risks

Projects should have no or minimal direct or indirect negative and positive impact on people and the environment. If a negative impact is expected or occurs, adequate mitigation measures must be taken.

- It is the Applicant's responsibility to identify environmental and social impact and risks in the context of the project's area of influence. The Applicant is asked to describe briefly how negative impact and risks will be managed during the project cycle. The IFC Performance Standards and OECD Guidelines for Multinational Enterprises serve as a basis for the identification and management of the project's environmental and social impact and risks.
- In accordance with the project's potential environmental and social impact and risks, Applicants should identify the relevant project category (A, B or C) and explain the reasoning behind this. The categories serve as a basis for developing an appropriate Environmental and Social Management System (including policy, environmental and social

impact assessments and management plans and programmes, organisational capacity, stakeholder engagement and grievance mechanisms) during the Development Phase. The categories are based on the IFC Performance Standards and OECD Common Approaches and also on the project country's own laws.

ORIO will then assess the identified (and other) environmental and social risks and the identified categorisation (see section 6.4 of Appendix I of the Application form). It is possible that the Applicant has not identified certain environmental and social risks, that ORIO sees as reasonable risks to the project's effectiveness or impact. The assessment of the Application will focus on the project's main risks. After selection of a project, all risks will be identified during the Development Phase. More information on the environmental and social requirements and assessment can be found in the ORIO document 'International Corporate Social Responsibility', which can be found at the 'Financial and Project Administration' page at www.orio.nl.

Suitability of the technology

The technology should be suitable to the local context, which means that the three conditions below are fulfilled.

- The infrastructure should comply with national or international standards; the technology proposed should be a proven concept in similar settings (countries with a similar cultural, socioeconomic and, where relevant, geographical background).
- The technology should be supported by local users; the technology should be readily accepted by the end users (it should therefore fit the socioeconomic context) and the skills needed to operate and maintain the infrastructure should be available locally (or training courses should be proposed so that local workers can acquire these skills).
- There should be clear advantages over possible alternative technologies (in terms of maturity, complexity, usability), taking into account policy, coordination, institutional and management issues.

The Applicant must show that the project complies with these criteria (see section 3.4 of the Application form). If the technology is unsuitable, households and the private sector may not be able to use the infrastructure.

Capacity of the parties involved

All parties involved in the project must be capable of fulfilling their role in the project. They must have the knowledge and skills to carry out their role in building well-functioning infrastructure and managing and maintaining it.

If this is not the case, there is a risk the project will not achieve its objectives. If the capacity of the parties involved is inadequate, the activities may not result in well-functioning infrastructure. This may also affect the effectiveness or impact of the project.

Table 3 below sums up the criteria that will be assessed to check the capacity of the parties and the information needed to verify whether the criteria are satisfied. If the parties do not have sufficient capacity or knowledge to fulfil their role, the Applicant should propose mitigation measures (such as training or capacity building).

Table 3 Criteria for assessing the capacity of the parties involved and means of verification

Criteria	Means of verification
Project activities should match core activities of parties involved	Core activities (see section 6.5 of Appendix I of the Application form, Project Organisation and Structure)
Financial sustainability of the parties	Annual financial reports, project references, year of establishment
Experience with the procurement of similar projects	Project references of the procurement entity
Experience with contract management of similar projects	Project references
Experience with similar technology	Project references
Experience with working with foreign companies	Project references
Knowledge; experienced staff	CVs of main team members

Consistency with development plans, strategies and policy

Projects should be consistent with the national, local and/or sectoral policies of the country. A project's goals and objectives should therefore be in line with national, local or sectoral policy, which is often described in the Country Strategy Paper, Poverty Reduction Strategy Paper, Country Assistance Strategy, Sector-Wide Approach, Sector Adjustment Programme and/or other national development plans or sector strategies. To assess this issue, input will be sought from the embassy and/or sector lead donor.

The extent to which the project's institutional, economic and legal factors have been taken into account

The context in which a project is carried out needs to be taken into account, if project implementation and operations are to be successful. The institutional context could refer to local tariff setting, the local referral system or insurance (health projects), arrangements for local household connections (energy or water projects) or any other institutional arrangements relevant to the project. The economic context could refer to government deficits or inflation. Legal factors could refer to new or existing legislation that is relevant to the project or law enforcement. Any potential problems with corruption should be mentioned, relevant laws have to be outlined and mitigation measures that will be taken during the project should be identified.

Involvement of end users

The end users are essential stakeholders in ORIO projects. End users are people and companies that will make use of the infrastructure once it is in place. They must have sufficient knowledge and understanding of the infrastructure to be able to use it. The infrastructure should be accessible to these persons in terms of pricing and distance and for certain projects it might be necessary to promote the (correct) use of the infrastructure with awareness programmes. The infrastructure must fit the social and cultural context, including the gender-specific context. If, for example, women play an important role in agricultural activities in a certain country, it is important for them to be involved in projects that are expected to boost agricultural production (i.e. irrigation projects). End users should therefore be sufficiently involved in the development, implementation and Operation & Maintenance Phases of a project.⁹ During the Development Phase, stakeholder meetings should be organised where the project and its potential impact and risks are discussed (this is usually part of a social and environmental assessment). Stakeholders should also be regularly involved during the implementation and Operation & Maintenance Phases. For example, stakeholders should be involved if land has to be acquired for the implementation of the project, or if there is a water intake in a river which may influence the river flow and water level further downstream.

⁹ Please note that the question of whether the proposed solution (project) is in line with the needs of the end users will be addressed under the relevance criterion.

4.4 Budgeting

Despite the fact that the project is still in its early stages at the time of the Application, the Applicant is asked to provide estimates of all costs during the entire lifetime of the project. These estimates have to be as realistic as possible. At ORIO, the Application determines the budget for the entire project if the project is indeed selected. In exceptional cases, when the budget deviates from the budget that is determined after the Development Phase, this deviation must be explained with firmly grounded reasons; only then, the budget may be adjusted to a certain extent. Therefore, it is important to consider the costs and debits in as much detail as possible in this phase. The financing of the non-ORIO part of the project in the Implementation Phase (and, if applicable, in the Development Phase) must also be estimated. Debits that are often overlooked at the Application are, for example, the hiring of a procurement expert for the drawing up of the tender documents, the costs of the procurement process, the supervision of the construction, and the contingencies.

5 Development phase

The procedure for the Development Phase is described in section 5.1.

5.1 Procedure

<u>Phase</u>	<u>Applicant</u>	<u>ORIO Team</u>	<u>Duration at ORIO</u>	<u>Manual chapter</u>
Development phase	Round Table	Discussion of project-specific issues, social and environmental issues, contents of Project Plan, and procurement with Applicant/ private initiator	2-6 months	5
	Input & Output Plan	Quality check		
	Grant Arrangement for Development Phase	Check on market conformity First advance payment for the Development Phase		
	Deliverables as agreed upon in the Grant Arrangement	Quality check of deliverables and if necessary go/no-go moments for continuation Continuation of advance payments	Applicant's timetable	

Selection letter

When a project has been approved for the Development Phase and is therefore eligible for a grant for that phase, this decision will be communicated to the Applicant in an official letter from NL Agency. The letter will include the conditions to be complied with before and/or during the Development Phase. The templates of the Input & Output Plan, the Project Plan, the declaration of international corporate social responsibility and the draft of the Grant Arrangement will be enclosed with the letter. The most recent versions of these documents can also be found on the 'Financial and Project Administration' page at www.orio.nl.

Round-table discussion

NL Agency, the Applicant, the competent authority and any private parties involved jointly work out the details of the Development Phase before a Grant Arrangement is concluded. To this end a round-table discussion will be organised with a view to addressing specific matters that have emerged from the assessment, providing further information on the conditions and discussing the process, content and end results (the Project Plan) of the Development Phase. The selection criteria will be discussed, including the indicators in the results chain. The Applicant and the competent authority are responsible for the project and the process. The commitment of these parties is essential for the success of the project.

In any case, the round-table discussion will look in greater depth at the content of the Project Plan to be submitted by the Applicant on completion of the Development Phase. Further questions will be asked about the possible impact and risks that must be investigated during the Development Phase, about the project's social and environmental effects and about institutional matters. As part of this process, ORIO will make use of the IFC Performance Standards, the OECD Guidelines for Multinational Enterprises (2011 edition) and ILO conventions. Matters considered will include working conditions, community engagement, land issues, management of natural resources, pollution and waste management and supply chain management.

The contracting out of work will also be discussed. It must be decided at an early stage what the tender requirements are, what tendering process will be followed in accordance with the local procurement laws and the OECD Good Procurement Guidelines, what type of contract is to be used and who will do what.

Another important topic for discussion at the round table is the monitoring and evaluation plan. Such a plan, based on the results chain, must be drawn up for each project during the Development Phase. Each project will be monitored in regard to the delivered output and, if possible, the delivered outcome and the main factors affecting the project's sustainability. Some of the projects will be evaluated by NL Agency. Applicants will be notified and asked to assist in any evaluation that may take place.

The agreements made during the round-table discussion will form the basis for the Development Phase.

Input & output plan and declaration of international corporate social responsibility

The Applicant and the party responsible for managing the Development Phase will set out the details in an action plan, known as the input & output plan, in which the Applicant describes the studies to be carried out in the Development Phase and the documents to be produced. Apart from a feasibility study, technical studies, a procurement plan and economic and financial studies, the Applicant will describe in detail what studies will be carried out in regard to the social impact and environmental risks and impact, the scope of such studies and who will carry them out. For projects categorised as A or B, an environmental and social impact assessment must be carried out, followed by an appropriate Environmental and Social Management Plan and System (see section 4.3 of this manual for more information about the categories). Finally, the content of the Project Plan that must be submitted at the end of the Development Phase, will be discussed.

NL Agency will assess the need for and usefulness of activities set out in the input & output plan and whether they are in line with market prices. If they are not, the Applicant will be invited to amend the plan in accordance with NL Agency's comments. In the absence of agreement about the input & output plan, the Grant Arrangement cannot be signed and ultimately the declared intention to award a grant for the project may be withdrawn.

The party involved (consultant or organisation) will be asked to sign the declaration of international corporate social responsibility, which states that the OECD Good Procurement Practices for Official Development Assistance, the ILO Conventions and the OECD Guidelines for Multinational Enterprises (2011 edition) will be observed during the execution of the project. This declaration has to be signed before the Grant Arrangement can be signed.

Grant Arrangement

The draft of the Grant Arrangement is offered to the Applicant along with the selection letter. The Applicant fills in the details of the arrangement and adds any necessary remarks. If NL Agency and the Applicant both agree with its contents, NL Agency will date and sign the Grant Arrangement and will initial every page of the Grant Arrangement, the input & output plan and other annexes in duplicate. The documents will then be sent to the Applicant to be initialled on every page and for the signing and dating of the Grant Arrangement. Where NL Agency has asked the Dutch ambassador in the recipient country to sign and initial the documents, the embassy will organise the signing and initialling with the Applicant.

The Grant Arrangement must be signed by the Applicant and returned to NL Agency. The Grant Arrangement comes into effect on the day after it has been duly signed and dated by the Applicant and NL Agency. Then, the Development Phase starts. On receipt of the arrangement (including all annexes) signed and dated by both parties, the first advance payment may be made (which can be

no more than 15% of the total grant for the Development Phase, exclusive of unforeseen expenditure). NL Agency may ask the Applicant to provide financial securities of the contractor, such as a guarantee. At the same time the project activities agreed in the input & output plan can begin.

Interim documents to be submitted, reports and payments

The input & output plan will specify the agreed times for submission of interim results. The Applicant or the competent authority is responsible for obtaining the necessary results in time. These documents must be accompanied by a progress report, a statement of acceptance on the results issued by the Applicant or the competent authority and an invoice from the executor to the competent authority. The template of the progress report can be found on the page 'Financial and Project Administration' on www.orio.nl. The Applicant or competent authority will then ask ORIO by letter to pay (part of) the invoice.

If these conditions (which are also itemised in the input & output plan) are fulfilled and NL Agency is satisfied with the quality of the documents submitted, the first advance payment will be made in accordance with the payment schedule. If possible, NL Agency disburses these payments directly to the executor if the conditions above have been fulfilled. If the grant for the Development Phase amounts to less than 100%, grant payments (pro rata) will generally coincide with payments by other project financiers. Payments made during the Development Phase are provisional payments and will be made definitive at the end of that phase. Where the period between submission of results is greater than six months, the Applicant will also submit a progress report to NL Agency. If necessary, or at the request of the Applicant or NL Agency, progress reports will be given at meetings.

Interim assessments

The Grant Arrangement may prescribe interim assessments, including go/no-go moments for those parts that are so crucial to the feasibility of a project that NL Agency wants to have clarity about them before proceeding to make advance payments.

In most cases, the detailed design will not form part of the Development Phase and will instead be drawn up in the Implementation Phase. If there is a specific requirement for the detailed design to be drawn up in the Development Phase, this will be preceded by a go/no-go decision.

Result of the Development Phase: the Project Plan

The Development Phase results in a Project Plan. The Applicant is responsible for producing a good-quality Project Plan at the end of the Development Phase. It should set out the results of the studies undertaken during the Development Phase. More details about the contents of the Project Plan and its assessment can be found in chapter 6 of this manual.

6 Appraisal of the Project Plan

Section 6.1 describes NL Agency's procedure for assessing Project Plans. Section 6.2 looks at the formal requirements and section 6.3 describes the criteria.

6.1 Procedure

<u>Phase</u>	<u>Applicant</u>	<u>ORIO Team</u>	<u>Duration at ORIO</u>	<u>Manual chapter</u>
Appraisal of the Project Plan	Project plan, including annexes	Check on formal requirements and criteria Advisory Committee advice Appraisal / rejection letter for Implementation Phase	4 - 6 months	6
	Final report	Final payment for the Implementation Phase	No more than 3 months (Applicant)	

Receipt of the Project Plan

The final result of the Development Phase is the detailed Project Plan, including all the supporting studies. Section 6.3.1 provides more information about the content of the Project Plan. NL Agency will send the Applicant an confirmation of receipt of the Project Plan, stating whether or not it is complete and how the assessment process will proceed. A complete Project Plan includes a fully completed Project Plan template and all the studies, letters and other items agreed at the round table at the start of the Development Phase and described in the Input & Output Plan. As is the case for all interim results, the following are preconditions for payment of advances: sufficient quality of the documents, progress report, an invoice of the executor to the competent authority and statements of acceptance issued by the Applicant or the competent authority for these documents. Any documents omitted must be submitted as soon as possible. Only when the Project Plan is complete and of sufficient quality, will the project be submitted to the Advisory Committee ACORIO, the Implementation and Exploitation & Maintenance Phases can be approved and the final settlement of accounts can take place.

Further information, verification and advice

NL Agency may ask the Applicant to provide further information at any time during the assessment procedure. The Applicant may be invited to discuss questions and provisional answers at a meeting at NL Agency or in a teleconference. The Applicant may delegate the competent authority and/or the private initiator to attend the meeting. The definitive answers to questions must always be sent to NL Agency by email.

The Applicant consents to NL Agency making direct contact with the parties involved in the Application, such as consultants, financiers, credit insurers and suppliers. NL Agency may also seek advice from external experts, other relevant parties active in the sector concerned (e.g. development banks, other bilateral donors) and/or the Dutch embassy for the recipient country, which has an important advisory role.

Assessment against formal requirements

The complete Project Plan will be assessed against formal requirements 2 to 9, as set out in sections 4.2 and 6.2 of this manual. Where a Project Plan fails to meet the formal requirements, NL Agency will not take the Project into further consideration and will notify the Applicant in writing. If

the Project Plan meets the formal requirements, it will be assessed against the criteria listed in section 7 of the Policy Rules.

Appraisal of the Project Plan

The complete Project Plan will be assessed against the criteria listed in section 7 of the Policy Rules and must score 'satisfactory' on each criterion. The assessment system is explained in section 6.3 of this manual. The project must not depart significantly from the basic selection criteria, which include the indicators in the results chain, as discussed at the round table that took place after selection. In short, if the project meets the formal requirements, scores 'satisfactory' on the criteria and does not depart substantially from the basic selection criteria, it will be eligible for a grant for the implementation and Operation & Maintenance Phases. The assessment will be submitted to ACORIO for advice. If the appraisal of the Project Plan leads to changes in the project, the Project Plan has to be adjusted to a final version. The final version of the Project Plan is one of the requirements for the final payment.

Time limit for selection and announcement of selection

NL Agency aims to complete the assessment within four months of receiving the Project Plan. Achieving this depends, amongst others, on the quality of the Project Plan submitted and the duration of the round (or rounds) of questions.

After the Project Plan has been assessed, the Applicant will be notified in writing of the outcome. If the project is not eligible for a grant for the implementation and Operation & Maintenance Phases, the Applicant will be informed of the reason.

Final payment

Once all the agreements and conditions agreed in the Grant Arrangement for the Development Phase and the input & output plan have been met, the decision on whether to approve the project has been made and the final report has been submitted, all advance payments will be converted into definitive payments. This happens after the approval of the project and the delivery of the final report to NL Agency. Final settlement will also take place at this time, based on the final invoice. The final payment of at least 10% of the total grant for the Development Phase (exclusive of unforeseen expenditure) does not depend on the outcome of NL Agency's decision on approval.

Contingencies

If the Applicant wishes to use the contingencies account, amounting to no more than 5% of the costs of the Development Phase, NL Agency will assess beforehand whether this is permissible. Such a call requires a financial statement and a statement of acceptance from the Applicant. The decision on this account will only be made final at the final report and when positive, the amount in question will be added to the final payment.

6.2 Formal requirements

The Project Plan will be re-assessed against formal requirements 2 to 9 as described in section 4.2 of this manual. More emphasis, as compared to the appraisal of the Application, will be placed on the formal requirements regarding commercial non-viability and procurement, as essential information on these matters is provided in the Project Plan.

Commercial non-viability

In the Project Plan commercial non-viability must be demonstrated using a cash-flow analysis tool based on well-substantiated figures. The cash-flow analysis tool is available at www.orio.nl. Commercial viability will be assessed according to the first test in the OECD Arrangement on Officially Supported Export Credits, which can be found on the 'Publications' page at www.orio.nl. A

project is considered to be commercially non-viable if, without the grant, it would generate insufficient cash flow, based on appropriate pricing according to market principles, to cover the operating costs and to service the capital employed under standard export credit terms. This term is set to 12 years for power generation projects and 10 years for all other projects. This means that the cumulative cash flow (CCF) in year 10 (year 12 for power generation projects) should be negative.

Procurement

An assessment will be made, based on the procurement plan, as to whether the procurement of goods, works and services for the projects meets the requirements set out in section 4.2 of this manual.

6.3 Criteria

6.3.1 Re-assessment against Application eligibility criteria

The comprehensive Project Plan, including the results of all studies performed during the Development Phase, is re-assessed against the Application eligibility criteria. ORIO expects the Applicant to provide more detailed and quantitative information than the information provided in Appendix I of the Application form. The template of the Project Plan is sent along with the selection letter; it can also be downloaded at www.orio.nl. The Project Plan should include:

- a detailed description of the parties involved and other stakeholders;
- an analysis of the project and sector context, background information and a problem analysis including demand analysis and solution;
- a description of the project including the expected output and risks;
- an analysis of the project's outcome;
- an analysis of the project's impact;
- an analysis of the project's environmental and social effects (see section 6.3.2);
- an analysis of the project's economic returns including an EIRR (see section 6.3.2);
- an implementation plan;
- an operation & maintenance plan;
- a procurement plan, including a bill of quantities of goods/works;
- a financial plan, including the detailed budgets of the Implementation Phase and Exploitation & Maintenance Phase and a detailed analysis of the difference between these budgets and the budgets in the Application;
- a financing plan, including documents confirming co financing;
- a monitoring and evaluation plan.

This information will be assessed to determine whether the project is still relevant, efficient, effective and sustainable and has a significant impact on human development and private sector development. In addition, the project should not depart substantially from the key indicators agreed upon at the beginning of the Development Phase. Please note that this assessment will be more thorough and more quantitatively focused than the assessments described in section 4.3 of this manual.

6.3.2 Economic returns

The assessment of the project at this stage will also include an economic cost-benefit analysis and a calculation of the project's economic returns.

To test the project's economic viability, its economic returns (or EIRR) can be determined through an economic cost-benefit analysis (CBA). In the economic viability analysis, the project is judged from the perspective of the national economy rather than merely from the narrow perspective of

the few economic agents directly affected. In other words, the analysis allows for an assessment of whether the projects yields sufficient returns to society as a whole to justify the investment.

The identification of the main effects of the project is always based on an incremental analysis. It includes a reflection on the situation without the project and the situation with the project over the entire lifetime of the project, providing an initial assessment of the project's expected added value (net economic benefits) from this perspective.

To determine the net economic benefits, all of the project's economic costs and benefits should be determined, quantified and monetised in Euro's. Economic costs include opportunity costs (use of scarce resources, such as capital, labour and land) and externalities (the cost of the negative impact). Economic benefits include the positive effects of the project from a welfare perspective (development impact).¹⁰ From the *economic* cash flows¹¹ thus generated, the economic internal rate of return can be calculated (EIRR). A project is considered to be economically viable if the EIRR exceeds the opportunity cost of capital (OCC) for the receiving country (the threshold value is 10%).

In essence, the analysis therefore allows for an assessment of whether the project constitutes a good use of scarce resources (capital, land, labour) in the country concerned.

The Applicant must provide the following information in the Project Plan:

- description of current situation/situation with the project and without the project over the economic lifetime of the project;
- main economic benefits (contributions to an improvement in real income and welfare of the end users), paying special attention to the main direct benefits relating to private sector development and human development. For all the main economic benefits the likelihood that these will occur should be assessed;
- main economic costs reflecting the use of scarce resources (investments, project operating costs) and externalities (e.g. environmental costs);
- quantification of economic costs and benefits as far as possible;¹²
- monetisation of economic costs and benefits and assessment of net economic benefits;
- indication of cut-off rate (opportunity cost of capital) and extent to which net economic benefits are expected to be able to offset this rate by calculating the project's EIRR over its economic lifetime.

¹⁰ Project revenues cannot be included as economic benefits, as they constitute cash flows that accrue to the project itself and merely represent compensation for the use of scarce resources. They benefit the project, not society as a whole.

¹¹ Note that these are economic cash flows, not 'actual' cash flows as used in calculations of financial and commercial viability.

¹² Please note that quantifying and monetising indirect effects should be done with caution, as these would often require additional investments to materialise (i.e. additional economic cost) or can only be partially attributed to the project.

7 Implementation phase

7.1 Procedure

<u>Phase</u>	<u>Applicant</u>	<u>ORIO Team</u>	<u>Duration at ORIO</u>	<u>Manual chapter</u>
Implementation phase	Grant Arrangement for Implementation Phase and Operation and Maintenance Phase		2 months	7
	Detailed design (if applicable)	Technical assessment and consent	6 - 12 months	
	Pre-qualification (if applicable)	Statement of no objection		
	Provisional tender documents	Statement of no objection		
	Tender(s)			
	Appraisal and provisional contract	Statement of no objection		
	Contract award			
	Financing commitments from cofinanciers	Statement of no objection		
	Construction, progress reports and partial deliveries (if applicable)	Assessment of output resulting in a Statement of no objection		Depends on project
	Continuation of advance payments			
Operation & Maintenance Phase	Final delivery of certificate and final report	Final payment for the Implementation Phase	No more than 3 months (Applicant)	
	Management & Maintenance plan	Ongoing payments for Operation & Maintenance Phase	No more than 10 years	
	Progress reports (at least annually) and financial justification			
	Final project report	Assessment of output and final report. The impact of a number of selected projects will be evaluated	No more than 3 months (Applicant)	

Implementation Phase

Grant Arrangement

When a project has been approved for the Implementation and Operation & Maintenance Phases and is therefore eligible for a grant for those phases, this decision will be communicated to the Applicant in an official letter from NL Agency. The letter will include the conditions to be complied with before and/or during the Implementation and Operation & Maintenance Phases. Attached to the letter will be a provisional Grant Arrangement, asking the Applicant to supply the details in the arrangement and add any necessary remarks. The budget for the Implementation Phase and Operation & Maintenance Phase will be taken from the final Project Plan.

If the negotiations on the Grant Arrangement have resulted in a document that is acceptable to both parties, NL Agency will finalise the Grant Arrangement. If both NL Agency and the Applicant agree with the content, NL Agency will date and sign the Grant Arrangement in duplicate and will initial every page of the Grant Arrangement and its annexes. The documents will then be sent to the Applicant to be signed, dated and initialled. Where NL Agency has asked the Dutch ambassador in the recipient country to sign and initial the documents, the embassy will organise the signing and initialling with the Applicant.

The Grant Arrangement takes effect on the day after it has been duly signed and dated by the Applicant and NL Agency. The Implementation Phase and the Operation & Maintenance Phase then begin.

Financing commitments

The Central Government authority or the competent authority is responsible for arranging the financing that is needed on top of the intended ORIO grant to implement the project. A condition for paying the grant for the Implementation Phase is that committed financing agreements have been made and submitted.

Detailed design

When the project has been selected for the Implementation Phase, the detailed design can be prepared if desired. This is done in consultation with NL Agency. The detailed design forms the basis for the tender. Alternatively, it can be a part of the tender, for example in the case of a Turnkey tender. In the Development Phase it has become clear whether the detailed design is part of the tender.

Implementation of the procurement plan

Goods and services for the project should be purchased in a transparent and efficient manner in accordance with legislation in the Applicant's country, the OECD Good Procurement Practices for Official Development Assistance, the ILO conventions and the OECD Guidelines for Multinational Enterprises (edition 2011). These regulations have to be complied with by the parties involved. The parties that are directly involved have to sign a declaration of international corporate social responsibility, which is a part of the tender. This declaration states that the execution of the project will comply with the OECD Good Procurement Practices for Official Development Assistance, the ILO conventions and the OECD Guidelines for Multinational Enterprises (edition 2011).

Awarding the contract

If the tendering procedure results in a bid that is acceptable to the competent authority or if the contract negotiations result in an agreement between the competent authority and the contractor, the bid or agreement will be submitted to NL Agency for a statement of no objection. The contract or contracts may then be signed. Any other financiers will then have to offer a definitive financing agreement and, where applicable, the credit insurer's policy must be submitted.

Execution of the implementation plan

The approved implementation plan, which is part of the Project Plan, can be carried out once the contract has been awarded. The adjustments need to be approved by NL Agency with a statement of no objection. The implementation plan describes how the Applicant will report to NL Agency (Monitoring and Evaluation plan) and how implementation is to be supervised. In many cases, supervision based on the implementation contract will be outsourced to an independent engineer or employer's representative, who will report to the competent authority and NL Agency (and any other financiers). The appointment of the independent engineer or employer's representative needs a statement of no objection by NL Agency.

Payment

The payment schedule from the Grant Arrangement will be adjusted in an addendum after the allocation of the tender. A payment schedule will be drawn up for the Grant Arrangement. NL Agency grants for a given project are made available successively. In general, NL Agency grant payments will coincide (pro rata) with payments by other project financiers. Payments will be made directly to suppliers of works, goods or services when the conditions set out in the Grant Arrangement have been met and the agreed documents submitted.

Delivery of the project

Final delivery of the project concludes the Implementation Phase. Provided work completion statements issued in accordance with the implementation contract show that the project, or part of it, has been delivered as required by the implementation contract and the Grant Arrangement, NL Agency will issue a statement of no objection for the final delivery. This statement is one of the conditions for final settlement/final payment of the grant for the Implementation Phase and for paying a grant in the Operation & Maintenance Phase.

Operation & Maintenance Phase

The Operation & Maintenance Phase has been described in the Grant Arrangement for the Implementation and Operation & Maintenance Phases. It contains the conditions and provisions for paying the grant for a period of no more than the first 10 years of the Operation & Maintenance Phase.

Start of the Operation & Maintenance Phase

The Operation & Maintenance Phase can begin once the project, or part of it, has been delivered and NL Agency has issued a statement of no objection. An important condition for paying the successive grant instalments for this phase is adherence to a predetermined (and, if necessary, periodically adjusted) management and maintenance plan. It can include periodic checks that are done at least annually, linked to periodic payments. As a rule, an independent engineer or employer's representative will perform these checks. If this party is not the same one as the independent engineer or employer's representative in the Implementation Phase, NL Agency should issue a statement of no objection regarding its appointment.

Integrated contracts

Although the Implementation and Operation & Maintenance Phases are described in a single Grant Arrangement, this does not mean that implementation has to be described in a single integrated contract for these two phases. Whether both phases are tendered or outsourced in an integrated contract will depend on the project's circumstances and the preference and capacity of the parties concerned. The choice of contract form must be substantiated in the procurement plan as part of the Project Plan.

Evaluation

The Applicant and the competent authority will cooperate on the evaluations of the project and the ORIO programme, which will be carried out or outsourced by NL Agency. NL Agency will inform the Applicant of the results of such evaluations.

7.2 Procurement

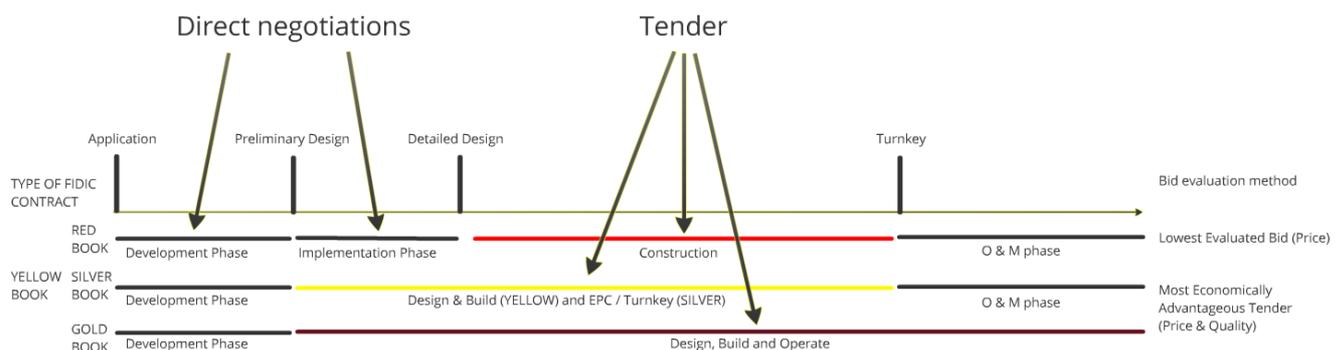
7.2.1 Procurement process

Figure below presents possible procurement procedures (based on FIDIC contracts). The procurement procedures will differ, depending on the type of contract. For example, in the case of a design & build contract the Applicant can start preparing the tender documents immediately after the Grant Arrangement for the implementation and Operation & Maintenance Phases has been signed.

If a more traditional design-bid-build contract is tendered, the detailed design needs to be drawn up first and NL Agency will perform a technical assessment. NL Agency must approve of the detailed design before the tender process can start. Depending on the procurement legislation in the recipient country, this contract may be awarded via direct negotiations to the same contractor that was responsible for the preliminary design. Below, figure 7.1 outlines the key steps of the procurement process.

Figure 7.1

ORIO Procurement Process



7.2.2 NL Agency's review of procurement decisions

NL Agency reviews the process for the procurement of goods, works and services to ensure that tendering and contract management comply with the ORIO Policy Rules. NL Agency will communicate the result of the review in the form of a statement of no objection.

NL Agency's prior review is mandatory for all the procurements for the specific ORIO project unless otherwise stated in the Grant Arrangement.

- Prior to an invitation to prequalify or tender, the Applicant must submit the complete draft set of prequalification or tender documents to NL Agency for review.
- Prior to finalising a prequalification list or awarding a contract, a detailed prequalification or tender evaluation report must be submitted to NL Agency for review. This evaluation describes the specific reasons on which the recommendation to prequalify or award the contract is based.
- The Applicant must submit the draft final contract and any amendments to NL Agency for review.

The review by NL Agency will focus mainly on the parameters listed below.

- The Applicant's responsibility and compliance with the OECD Good Procurement Practices and local legislation
- Integrity of the persons involved in the procurement process
- An open tender procedure
- Transparent procurement rules
- Transparency in timely access to information on the nature of goods and services and on applicable procurement procedures
- Justification of the choice of the applicable procurement procedure
- Ensuring social responsibility standards, focusing on the avoidance of child labour, forced labour and corrupt practices (ILO conventions and OECD Guidelines for Multinational Enterprises)
- Transparent award criteria with a balance between price and quality in the tender
- Quality and sustainability of the required goods, works and/or services

Appendix I Sector overview

Sector	Sub	Subsub	Type of infrastructural works
Water	Delta technology	Water & green	Irrigation, water distribution and quality, ecology in delta areas, alternative water sources, aquaculture
		Water management	Integrated flood management, urban water management, coastal development, land acquisition, groundwater control; water quality/conservation, river management
	Water technology	Water works	Dams and dikes
		Water/wastewater treatment	Drains and sewers Purification (management)
		Water supply (drinking water/industrial water)	Collection and purification Distribution Pipes & tubes Water quality
Environment	Solid waste management		Collection Treatment/recycling
	Soil conservation		
	Climate		Mitigation: reduction of greenhouse gas effects Adaptation to climate change
	Environmental management		Conservation biodiversity
Energy	Biorefinery	Biomass	
		Biofuels	Biogas plants
		Biogas	
	Power generation and distribution	Geothermal heat	Gas plants
		Oil and gas	Hydropower plants
		Waste-to-energy	Wind farms
		Hydropower	Solar panels
		Wind energy	
Solar energy			
Electricity			
Transport and			

logistics	Transport by road	Public transport (buses)
	Transport by rail	Public transport (trains)
	Transport by water	Public transport (ferries, tugboats)
ICT	Telecommunications	IT and Telecom Networks ICT facilities
Social services	Health care	Hospital construction Medical equipment
	Education	School construction Teaching facilities
Civil works	Port construction	Ports and harbours Dredging
	Airport construction	Airport construction
	Rail construction	Rail construction Bridges and tunnels
	Road construction	Road construction Bridges and tunnels

Appendix II Eligible project costs

The table below gives an overview of which costs are eligible for ORIO funding, as referred to in the Policy Rules, section 15, point 4.

	Eligible costs	Non-eligible costs	Eligible costs	Non-eligible costs	Eligible costs	Non-eligible costs
	Development phase		Implementation phase		O&M phase	
Costs incurred for preparation of grant application		x		x		x
Costs of project management	x		x		x	
Costs of audits	x		x		x	
Margins for contingencies (including extra work), risks and profits	x		x		x	
Costs for monitoring, tests and studies	x		x		x	
Cost of drafting design and/or bill of quantities	x		x			x
Cost of detailed design		x	x			x
Costs of feasibility study, impact assessments and research	x			x		x
Costs of legal and administrative services	x		x		x	
Costs of contract and tender documents		x	x		x	
Costs of training		x	x		x	
Costs of accountant's services and procurement services		x	x		x	
Cost of building, leasing, expanding or renovating facilities incl. capital goods that are part of the project		x	x			x
Cost of purchasing or hiring/leasing land for the project		x		x		x
Permits (e.g. building permits)		x	x			x
Financing costs*		x	x			x
Currency exchange reservations		x		x		x
Debt service reserve account		x		x		x

Maintenance costs (except for internal staffing costs)		x		x	x	
General internal staffing costs		x		x		x
Internal staffing costs of the competent authority only when related to specific project deliverables	x		x			x
Utility costs (energy, water etc.)		x		x		x
Translations of relevant documents from English into the Applicant's language		x		x		x
Translations of relevant documents from the Applicant's language into English	x		x		x	

Please note:

- Only financing costs incurred prior to concluding the transaction are eligible (i.e. not interest and/or repayment of a loan).
- Only one-off financing costs are eligible.

The following items are eligible for compensation:

- Credit risk insurance premiums
- Cost of awarding coverage
- Manufacturing risk coverage premium
- Letter of credit (re-)confirmation fee
- Loan management fee
- Commitment fee
- Down payment for guarantee fee
- Demonstrable costs of setting up supplier's credit.