



Financing import transactions in developing countries

Developing countries in need of foreign goods and services may draw on a special Dutch grant facility.

Financing import transactions

Developing countries aspiring to purchase foreign goods and services to invest in, inter alia, port facilities, roads, public transport, health care, or drinking water facilities may be eligible for a special Dutch grant facility. The grant facility, known as ORET (a Dutch acronym for Ontwikkelingsrelevante Exporttransacties, or Development-Related Export Transactions), serves to award grants to governments of developing countries for making payments to foreign suppliers, for interest subsidies in connection with foreign currency loans or for contributing to financial lease agreements.

The ORET grant facility is funded by the Dutch Ministry of Foreign Affairs (Development Co-operation). Its policy and guidelines are in line with the Ministry's objective: economic growth as a necessary condition for sustainable development and effective poverty reduction.

Specification

ORET is made up of three different facilities: a "tied grant facility", an "untied grant facility", and a special facility for the drinking water and sanitation sector.

- The "tied grant facility" targets the OECD middle income countries (MIC's). Import transactions conducted by these countries are eligible for a grant of 35% of eligible project costs. This grant must be applied for by the Dutch companies supplying the capital goods and services.
- The "untied grant facility" is similar to the "tied grant facility", with the following three exceptions:
 - It applies to the OECD "Least Developed Countries" (LDCs) only;
 - Grants awarded under this facility cover 50% of eligible project costs;
 - "Untied grant facilities" can be applied for by Dutch as well as non-Dutch companies.
- The special grant facility is intended for investments in the drinking water and sanitation sector in LDCs and MIC's. Water investments in this context are eligible for a grant of 50% of eligible project costs in all recipient countries.

In addition, under each of the above facilities, up to 75% of the costs related to the financing of the investment can be granted. The grants may also include 75% of costs for technical assistance focusing on strengthening the investors' organisations ("institutional development").



Requirements

A proper assessment of grant applications can only be made on the basis of certain information. In this context, the following information is obligatory:

- a feasibility study of the investment project;
- a priority statement from the national authorities, indicating the importance of the investment;
- a memorandum of understanding signed by both the supplying company and the investor. In the case of competitive bidding, this document may be replaced by tender documents;
- an application form, to be submitted by the supplying company.

Oret.nl assesses the investments in terms of financial, technical and organisational viability, as well as sustainable impact on the local economy. In this context, both supplier and investor must be able to demonstrate they have sufficient capacity in the relevant areas so as to successfully make and maintain the investment. For its assessment, Oret.nl takes into consideration elements such as corporate governance and environmental and social policy. To conclude, investments eligible for a grant must not be “commercially viable”. In practice, this means that the eligible investments have a payback period of more than ten years.

Eligible countries

Grants apply to a selected number of countries. A complete overview of the countries that are eligible for the various ORET facilities can be found on Oret.nl’s website, www.oret.nl.

The organisation

Oret.nl is the organisation which was given a mandate from the Dutch Ministry of Foreign Affairs to carry out the Oret programme as of 1 January 2007. Oret.nl is a consortium comprising PricewaterhouseCoopers Advisory N.V. and ECORYS Nederland BV. The Oret.nl office is located in The Hague in the Netherlands.

oret.nl

Contact

For more information on this grant facility, please contact Oret.nl as soon as possible so as to discuss your plans. More information on the grant facility can also be found in the “ORET Programme brochure”, which can be downloaded from the website of Oret.nl.

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