

# Financing import transactions in developing countries

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## Financing import transactions

Developing countries that need to purchase foreign goods and services for investments in for example, port facilities, roads, public transport, health care, drinking water facilities, etc. can make use of a special Dutch grant facility. From the grant facility, known by its Dutch acronym as ORET, a grant can be awarded to the government of a developing country, which may use it for payments of the foreign suppliers, as an interest subsidy for a foreign currency loan or as a contribution to a financial lease agreement.

## The features

ORET has three different facilities: a tied and an untied facility as well as a special facility for the drinking water and sanitation sector.

- The tied grant facility is meant for a selected group of developing countries. Import transactions in these countries are eligible for a grant of 35%. The grant itself must be applied for by Dutch companies that supply the capital goods and services.
- The untied grant facility is similar to the tied facility with 3 main differences: It is only applicable to the so-called Least Developed Countries (LDCs) and it provides a grant of 50%. Untied grants can be applied for by both Dutch and non-Dutch companies.
- The water facility is open to investments in the drinking water & sanitation sector in both the Least Developed Countries and the countries that qualify for the tied grant facility. These 'water' investments are eligible for a 50% grant. Furthermore, up to 75% of the costs related to the financing of the investment can be granted as well. Also costs related to technical assistance focused on the strengthening of the investor's organization (institutional development) can be financed with a grant of 75%.

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

## The conditions

In order to properly assess a grant application, certain information must be available. Most important are the following items:

- 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 the supplying company and the investor. In the case of competitive bidding, this document may be replaced by the tender documents,

- An application form, to be submitted by the supplying company.

Oret.nl assesses the investment in terms of its financial, technical and organizational viability, as well as its sustainable impact on the local economy. In this regard, both the supplier and the investor must be able to demonstrate that they have sufficient capacity in these areas to successfully execute and maintain the investment. Furthermore, as part of its appraisal, Oret.nl also takes into account elements such as corporate governance and environmental and social policy. Lastly, any investment for which a grant is applied must not be 'commercially viable'. In practice this means that the infrastructure investment must have a payback period of more than 10 years.

## **The countries**

The grants are applicable to a select number of countries. A complete overview of the eligible countries for the various ORET facilities is published on Oret.nl's website, [www.oret.nl](http://www.oret.nl).

## **Contact**

Would you like more information about this grant facility? Please contact Oret.nl as early as possible to discuss your plans. More information about the grant facility can also be found in the "ORET Program brochure" on Oret.nl's website.

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