



Ministry of Foreign Affairs

Infrastructure

The road to sustainable economic growth

Photo TMEA

Sustainable economic development is not possible without a properly functioning and accessible infrastructure. The Netherlands helps finance and build public works like ports, irrigation systems, coastal defences and a reliable energy supply. And we help local authorities build the capacity to plan infrastructure projects and put them out to tender.

Good infrastructure is vital for the functioning of an economy. Passable roads increase food producers' access to local markets. Water purification is important for developing small and medium-sized industrial manufacturers. Exports of local products and imports of raw materials depend on accessible seaports and airports. And a constant, adequate energy supply is a prerequisite for the success of companies, large and small. Infrastructure investment can boost economic growth by 2.5 percentage points.

However, demand for infrastructure far outstrips the financial resources available. A lack of investment-worthy projects also hampers the construction of good, accessible infrastructure. Many developing countries do not have the institutional capacity and resources to develop projects, and political risks also often deter potential investors.

The Netherlands is keen to promote a good business climate in low- and middle-income countries, and therefore helps develop their public and private infrastructure through bilateral and multilateral programmes, grants, revolving funds and technical assistance.

DRIVE financing

In June 2015 the Netherlands launched **DRIVE**, a new programme for financing public infrastructure in developing countries. Eligible projects must make a demonstrable contribution to private sector development.

The financing itself is flexible: DRIVE has a variety of instruments that can be used to arrange full financing of projects. A government grant can, for example, be combined with a bank loan. DRIVE can also provide financial support for public-private partnerships, such as lease and DBFM contracts (in which the contractor is responsible not only for the design, financing and building, but also for maintenance). The programme gives commissioning authorities access to complete and concessional financing.

Priority areas

DRIVE is the successor to the ORIO programme, under which the Netherlands funded dozens of projects in recent years, ranging from dredging the Casamance River in Senegal to wastewater purification in southern Vietnam. As with ORIO, the Netherlands Enterprise Agency (RVO.nl) is responsible for implementing DRIVE. The new programme is aimed particularly at projects in the priority areas of the Dutch agenda for aid, trade and investment, such as water and food security.

Businesses that apply to the programme must comply with the OECD Guidelines for Multinational Enterprises on responsible business conduct.



At the international level, we work with other donors in trust funds like the [Private Infrastructure Development Group \(PIDG\)](#) and the [EU-Africa Infrastructure Trust Fund \(IATF\)](#). These funds focus mainly on facilitating privately financed infrastructure.

Thanks to Dutch support for infrastructure programmes, four million people gained access to electricity, roads and drinking water in 2014.

Develop2Build supports public authorities

The [Develop2Build programme](#), launched in June 2015, offers direct support to public authorities for planning and tendering infrastructure projects that are relevant for development. The least developed countries in particular lack the capacity and resources to undertake infrastructure projects. As a result, they miss opportunities to obtain financing for infrastructure from international funds. Develop2Build plugs the gap by providing technical assistance.

Poor infrastructure often limits people's opportunities for getting their products to a local market or to the international market, or for taking a job further from home. On average, people in Africa spend over 30% of their income and time on commuting.

Once the plans are drawn up, projects can be financed from DRIVE or by development banks, other donors, or even private investors. In principle, projects should be financed in a way that best matches the plans and needs of the local authority. The first Develop2Build project concerns support for the municipality of Beira, Mozambique in developing and tendering a new port access road. Various studies have to be carried out before the tendering process can begin, including a plan for financing the project. Develop2Build is helping the local authorities flesh out the project idea until it is ready for an actual bidding procedure.

In addition to Develop2Build, we also help authorities in other ways to create an environment conducive to the development and building of infrastructure, for example, drafting regulations for [public-private partnerships \(PPIAF\)](#) and promoting the transparency of tendering procedures ([COST](#)).

'Good roads promote trade, just as good water supplies and wastewater purification improve people's standard of living and boost commercial activity.'

Lilianne Ploumen, Dutch Minister for Foreign Trade and Development Cooperation

Infrastructure Development Fund

The Infrastructure Development Fund (IDF) run by Dutch development bank FMO was established to promote private investment in infrastructure in the lowest-income countries and emerging markets, in the form of grants, loans (subordinated in some cases) and/or shareholdings. The revolving fund makes venture capital available for investment in a wide range of sectors, from drinking water and mobile telecommunications to roads and power stations.

One recent example is the contribution to the [Lake Turkana wind farm project](#) in Kenya. With a potential generating capacity of 300 MW, this is the biggest wind power project in Sub-Saharan Africa. FMO is part of the consortium led by the African Development Bank, which is financing the project. The Dutch government has also provided a grant of €10 million to improve access roads in the area.

For more information on Dutch efforts to achieve sustainable, inclusive economic growth, contact: Ministry of Foreign Affairs Sustainable Economic Development Department
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