



The Global Partnership on Output-Based Aid



SECTOR BRIEF



A Decade of Supporting the Delivery of Basic Services for the Poor

October 2013

Commemorating 10 years since the founding of the Global Partnership on Output-Based Aid (GPOBA), this special edition sector brief presents a snapshot of the projects GPOBA has funded over the course of 10 years, and the impact GPOBA has had on its clients. With the objective of supporting the delivery of basic infrastructure and social services for the poor, GPOBA has piloted 37 projects in 6 sectors, with services benefitting nearly 5.9 million poor people so far. In the spirit of the 10-year anniversary, this brief showcases 10 innovative GPOBA projects, demonstrating how output-based aid (OBA) approaches are applicable across sectors and can be flexible to meet the needs of different operating environments.

Highlighting experience in infrastructure projects, this brief reviews how GPOBA has leveraged commercial financing for community water projects in Kenya, and formed a partnership with the government of Honduras to fund and implement the first OBA Facility for water and sanitation services. GPOBA has helped provide 2.4 million poor people in rural Bangladesh with solar energy through the installation of solar home systems, and combined OBA approaches with carbon finance to support the installation of more than 26,000 biogas plants in Nepal. GPOBA harnessed the power of the private sector to provide telephone and Internet services to nomadic herder communities and district centers in Mongolia, and took advantage of community-based organizations in Senegal to boost demand for on-site sanitation services for low-income households. More recently, GPOBA has been working in Nepal to test the use of OBA to improve the quality of and increase demand for solid waste management services.

Looking at social sectors, GPOBA used an innovative OBA voucher scheme in Uganda to increase access to maternal and other reproductive health services, including screening and treatment for sexu-

ally transmitted diseases. GPOBA supported the largest public-private partnership scheme to date in Africa (a new national hospital in Lesotho), through subsidies to enhance the delivery of basic health care services. GPOBA is piloting its first project in education in Vietnam, where tuition subsidies are improving access to quality upper secondary education and strengthening student performance.

Moving forward, GPOBA is focusing on new sectors and frontiers, including fragile and conflict-affected situations, where OBA has had less experience. Building on lessons learned from the current portfolio, GPOBA is working to scale up successful projects and mainstream the use of OBA within government systems, including in Kenya and Uganda, where GPOBA is preparing grants to scale up the successful Kenya Microfinance for Community Water Services project and the Uganda Reproductive Health Voucher Program. In addition, GPOBA is carrying out global studies to expand its scope and assess the feasibility of OBA in new sectors, including urban transport, irrigation, and new approaches, as in education. Through these and other initiatives, GPOBA will continue to support results-based solutions to broader development challenges.

What is OBA?

Increasing access to basic infrastructure and social services is critical to reducing poverty. However, increasing access remains a challenge because of the gap between what it costs to deliver a desired level of service and what can be funded through user fees, especially for the poor. OBA is a form of results-based financing (RBF) designed to enhance access to and delivery of infrastructure and social services for the poor through the use of performance-based incentives, rewards, or subsidies. OBA links the payment of aid to the delivery of specific services or “outputs,” such as connection of poor households to electricity grids or water supply systems, installation of solar heating systems, or prenatal care and safe delivery services for new mothers.

Under an OBA scheme, service delivery is contracted out to a third party—public or private—which receives a subsidy to complement or replace the required user contribution. The service provider is responsible for pre-financing the project, and is reimbursed only after the services or outputs have been delivered and fully verified by an independent verification agent (IVA). The subsidy is explicitly targeted to benefit the poor, which can be achieved through several means, depending on the context of the project and environment. For example, geographic targeting can be used to focus on areas in which poor people live, or individual households can be selected through an income-based method, using existing social targeting

mechanisms or proxy means-testing tools to determine wealth. An alternative mechanism, self-selection targeting, seeks out the poor by granting higher subsidies for more basic solutions (such as solar home systems with less capacity), or providing subsidies only some time after the service has become available, under the assumption that most wealthy households will have already connected.

The GPOBA Story

GPOBA is a partnership of donors working together to support OBA approaches. GPOBA was established in 2003 by the United Kingdom’s Department for International Development (DFID) as a multi-donor trust fund administered by the World Bank. Since 2003, four additional donors have joined the partnership: the International Finance Corporation (IFC), the Dutch Ministry of Foreign Affairs (DGIS), the Australian Agency for International Development (AusAID) and the Swedish International Development Agency (Sida).

GPOBA’s mandate is to fund, design, demonstrate, and document OBA approaches to improve the delivery of basic services to the poor in developing countries. OBA approaches have been tested in every region and applied in six sectors, including energy, water and sanitation¹, health, solid waste, education, and information and communication technology (ICT). OBA projects have taken a diversity of approaches, each one with a unique design and in-

OBA Core Concepts

OBA is defined by six core concepts, which make OBA unique from other RBF instruments:

Targeting of Subsidies to the Poor

Subsidies must be targeted to poor households through a method that employs fair and socially acceptable eligibility criteria.

Accountability

Service providers take on both the performance and financial risks, with reimbursement upon delivery of outputs. This ensures they remain accountable to their customers and GPOBA to deliver quality service.

Innovation and Efficiency

Because OBA schemes focus on results, or outputs, rather than inputs, they allow flexibility for innovative solutions that enable service providers to deliver outputs at efficient/lower costs. Efficiency is also gained through a competitive procurement process, allowing GPOBA to minimize the required subsidy level or maximize beneficiaries.

Using Incentives to Serve the Poor

OBA subsidies work as an incentive to service providers to expand service to poor households where other market-driven incentives may not exist.

Output Verification and Monitoring

OBA schemes require a monitoring system with baseline data and an IVA that can guarantee achievement of outputs.

Sustainability

OBA subsidies are designed for use in schemes where the service provision can be sustainable. This means, for example, that households can afford to pay the tariff to cover operation and maintenance costs after connection of service, and the service provider is financially stable.

nancial model, incorporating lessons learned from previous experiences. Pilots have been implemented in urban, peri-urban, and rural areas, employing public and private operators, public-private partnerships (PPPs), nongovernmental organizations (NGOs), and community organizations as implementing agencies and service providers.

After 10 years of experience, through a portfolio of 37 projects with \$170 million² in subsidy funding and ongoing technical assis-

tance activities, GPOBA is demonstrating that OBA can deliver a diverse range of services and lasting results for the poor. GPOBA's goal is to mainstream OBA approaches within projects carried out by other development practitioners, including developing country governments, international financial institutions, bilateral donors, and private foundations.

Read on to learn more about the work GPOBA is doing in each sector.

¹ GPOBA's portfolio contains two stand-alone sanitation projects which, for the purposes of this brief, will be considered as separate from water.

² All monetary amounts are in U.S. dollars unless otherwise specified.

ENERGY SECTOR

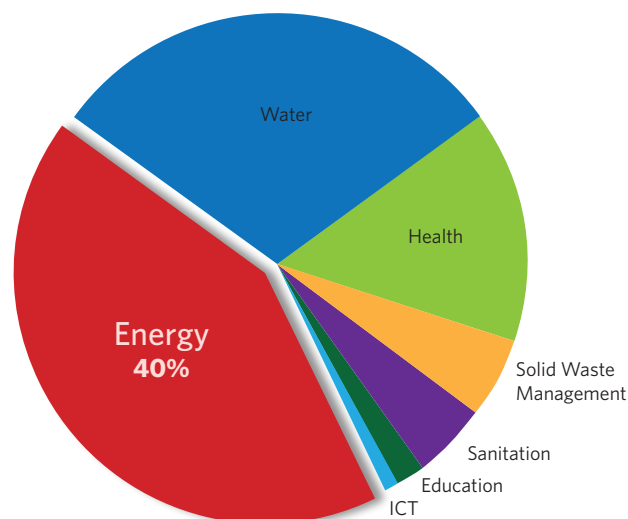


GPOBA in Energy

Electricity is one of the necessary conditions for development. Low electrification rates result in a loss of significant benefits, such as productivity gains in business, new job creation, improvements in health, and better communication. Worldwide, around 1.3 billion people live without access to electricity, with the majority residing in rural areas. Sub-Saharan Africa accounts for almost 45 percent of that figure. Among the key barriers to energy access are high connection charges for extending local grids or mini-grids and high capital costs for developing renewable energy and energy efficiency measures.

GPOBA has addressed these challenges by providing well-targeted subsidies to decrease the investment cost and make access to energy affordable for the poor. GPOBA funding has supported access by poor beneficiaries to grid electricity in urban areas from Liberia to Kenya and in rural settlements in Ethiopia, India, and Uganda. It has supported solar energy development in remote areas of Bangladesh, Bolivia, and Ghana, biogas plants in Nepal, the distribution of energy-efficient compact fluorescent lamps in Ethiopia, and access to gas and heat supply in Armenia and Colombia.

SHARE OF ENERGY PROJECTS IN GPOBA'S PORTFOLIO



Energy is the largest sector represented in GPOBA's portfolio, with 12 projects and 40 percent of total funding. Four of these projects increase access to renewable energy sources, including solar home systems, mini-grids, and biogas solutions, supporting the World Bank's green growth agenda.

GPOBA PROJECTS IN THE ENERGY SECTOR

Host Country	Project	Grant Amount (US\$ millions)	Number of Beneficiaries*
Armenia	Gas and Heat Supply for Poor Urban Households	3.10	23,700
Bangladesh	Rural Electrification and Renewable Energy Development Mini-Grids	1.10	20,000
Bangladesh	Rural Electrification and Renewable Energy Development Solar Home Systems	13.95	2,406,900
Bolivia	Rural Electricity Access with Small-scale Providers	5.18	60,800
Colombia	Access to Natural Gas	5.09	204,800
Ethiopia	Electricity Access Rural Expansion	8.00	1,142,900
Ghana	Solar PV Systems to Increase Electricity Access	4.35	87,000
India	Mumbai Improved Electricity Access to Slum Dwellers	1.65	131,300
Kenya	Kenya Electricity Expansion	5.15	264,000
Liberia	Monrovia Improved Electricity Access	10.00	80,000
Nepal	Biogas Support Program	5.00	184,500
Uganda	Grid-Based OBA Facility	5.50	510,000
Total		68.07	5,115,900

* These figures are best estimates based on technical calculations and projections, and are subject to change.

Case Study 1. Expanding Rural Electrification and Renewable Energy Development in Bangladesh

Only about 40 percent of rural households in Bangladesh have access to grid electricity. For the rest, life essentially stops after sunset. The dispersed nature of rural settlements and the numerous rivers that crisscross the country make grid electrification in many areas difficult and expensive. Solar power is often the most viable and sustainable way to provide power.

In 2002, the World Bank-financed Rural Electrification and Renewable Energy Development (RERED) project began using an output-based approach to address the issue of insufficient grid capacity in rural Bangladesh. Specifically, RERED makes solar home systems (SHS) available to households through a network of NGOs under a microcredit scheme. The project uses a dealer credit model, whereby customers use donor-supported credit to purchase the SHS from partner organizations (POs), comprised mostly of NGOs with a strong base in microfinance. The POs procure and install the systems in rural households, as per technical standards set by the project implementing agency, the Infrastructure Development Company Limited (IDCOL).

GPOBA became involved in 2010, contributing \$13.95 million to help subsidize the accessibility of the SHS via a three-year microcredit system. The SHS is purchased by households on a down-payment (10-15 percent of the cost net of grant) from certified POs. The remaining cost is repaid by the household under a microcredit scheme. After inspections and verifications of SHS installations, IDCOL releases refinancing (up to 70 percent of the microcredit extended to the household) and a fixed subsidy, provided by GPOBA per system.



The project exceeded the initial target, supporting the installation of over 480,000 SHS, benefitting over 2.4 million people in remote rural areas of Bangladesh. The subsidy amount has been gradually decreased (from \$50 per system when the GPOBA project was approved to \$20 per system currently). Because of the enormous success of this project, GPOBA intends to scale up the scheme to further expand access to solar energy.

The transition to solar power has created new jobs. Children are able to study longer, merchants to conduct business longer, and communities to feel an increased sense of security after dark. "My business is booming and my family lives much more comfortably with our increased income," stated one beneficiary, who runs a small teahouse business. "But most importantly, I now have electricity at home and my children can study at night." (Ahmad 2011)

Case Study 2. Backing a Biogas Support Program in Nepal

Over 80 percent of Nepal's population lives in rural areas, and attain their energy for the most part by burning firewood, agriculture residue, and dung. Yet biomass is one of the most health hazardous sources of domestic fuel, producing average smoke levels three times higher than clean fuel.

In 2007, GPOBA signed a grant with the government of Nepal (GoN) to increase access to clean, safe, affordable energy by subsidizing modern biogas plans for rural Nepalese households, as well as to further mainstream biogas as a renewable energy source. The GPOBA funds add to the fourth phase of a biogas support program (BSP-IV) initiated in 1992 by the Netherlands Development Organization (SNV) in collaboration with the GoN, which aims to subsidize biogas plants for 200,000 rural households. BSP-IV is a partnership between the GoN, the Netherlands government, the German Development Bank (KfW), the Community Development Carbon Fund (CDCF), and GPOBA.

This project is innovative for GPOBA and the wider development community on two fronts: it was GPOBA's first and only project involving biogas, a fuel source that uses anaerobic decomposition of organic material (mostly animal manure) to produce a flammable gas. Second, this was the first scheme where OBA approaches were used in combination with a carbon finance component, funded by the CDCF. The project demonstrates that carbon finance and OBA are complementary instruments, which can be combined to reduce carbon emissions, while at the same time servicing GPOBA's objectives: in this case, to overcome affordability issues and increase energy provision for the poor.

Under this scheme, GPOBA funds are used to subsidize biogas plants with a capacity of up to 8m³ in order to better target poorer populations. Subsidies are paid after verifi-

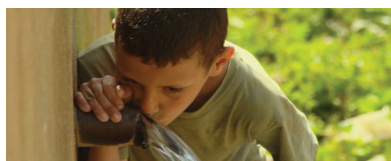


cation of installed plants and continuous use by the target population.

As an added benefit to Nepal's economy, the biogas project encourages private sector participation and the creation of local small and medium companies. Beneficiaries choose among 60 local biogas companies for installation, ensuring the market remains competitive. Participating companies receive training to produce quality, cost-effective plants. Because of the incentive structure built into the output-based design, companies are motivated to comply with quality standards.

By the time the project had closed in 2012, over 26,000 biogas plants had been installed. The project won an award from the World Bank for its innovative design, combining carbon finance with OBA approaches. Based on the project's success, GPOBA is working with the GoN to mainstream OBA in the country's renewable energy sector.

WATER SECTOR

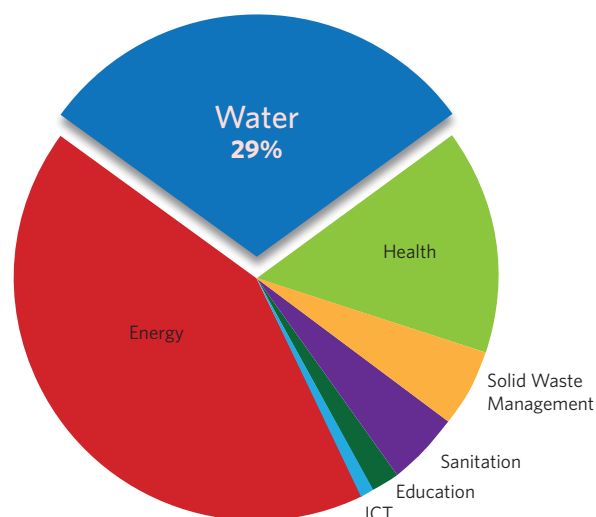


GPOBA in Water

GPOBA works to expand access to clean, quality water services to poor households. With experience working with public and private utilities and providing household water connections, yard taps, and public kiosk connections, GPOBA is demonstrating that OBA helps address some of the major prohibitive challenges to access to water throughout the developing world. These include lack of incentives for utilities to serve the poor, high connection costs for piped water services, poor service delivery, and lack of financing, especially in rural areas where providers tend to be small local operators, NGOs, or community organizations.

GPOBA support has increased access to clean water in urban areas from Indonesia to Morocco and in rural settlements from India to Uganda. In Kenya, GPOBA subsidies helped leverage commercial finance to support community water projects in peri-urban and rural areas. In Indonesia, GPOBA supported water access for informal communities through bulk supply, whereby utility asset ownership stops at the entrance of the community, thus alleviating legal constraints where poor residents lack proper land titles.

SHARE OF WATER PROJECTS IN GPOBA'S PORTFOLIO



With 13 unique projects and 30 percent of GPOBA's total grant funding, water represents the second largest sector in GPOBA's portfolio.

GPOBA PROJECTS IN THE WATER SECTOR

Host Country	Project	Grant Amount (US\$ millions)	Number of Beneficiaries*
Cameroon	Water Affermage Contract for Coverage Expansion	5.25	240,000
Honduras	National OBA Facility for Water and Sanitation Services	4.59	87,600
India	Improved Rural Community Water in Andhra Pradesh	0.85	77,900
Indonesia	Expanding Piped Water Supply to Surabaya's Urban Poor	2.41	77,500
Indonesia	Expansion of Water Services in Low-income Areas of Jakarta	2.57	58,200
Kenya	Microfinance for Community Water Services	3.09	202,000
Morocco	Improved Access to Water and Sanitation Services	7.00	62,100
Mozambique	Private Sector Contracts- OBA for Coverage Expansion	5.00	468,000
Philippines	Improved Access to Water Services in Metro Manila	2.85	171,400
Uganda	Kampala Water Connections for the Poor	2.53	470,000
Uganda	Small Towns Water and Rural Growth Centers	3.21	54,500
Vietnam	Targeting Service Expansion through Water Loss Reduction	4.50	176,700
Yemen	Water for Urban Centers	5.00	210,000
Total		48.85	2,355,900

* These figures are best estimates based on technical calculations and projections, and are subject to change.

Case Study 3. Providing Microfinance for Community Water Schemes in Kenya

In Kenya, community-run small-scale water systems play a critical role in supplying and improving access to water services in peri-urban and rural areas. But a host of problems complicate efforts to make these organizations reliable service providers, including their limited management capacity, low operating revenues, and lack of access to finance.

In 2004, the Water and Sanitation Program (WSP)-Africa began to work with a local commercial bank specialized in microfinance, K-Rep Bank, to explore structures under which a commercial financier would provide loan finance to community water projects. Two years later, GPOBA approved an innovative pilot project to be implemented by K-Rep Bank and supported by WSP-Africa to facilitate access to finance for community-based water providers by blending output-based subsidies with commercial finance. This was the first GPOBA funded project to use this combination of instruments.

Under the scheme, the community provides equity (20 percent of project cost) and K-Rep finances the remaining 80 percent through a loan with a maximum tenor of five years. Upon achievement of access and service level output targets, measured by the number of new connections and average monthly revenue generated by the system, GPOBA provides the community with a subsidy amounting to 40 percent of the total eligible project cost. The subsidy is used to refinance the loan, so the community is ultimately responsible for 60 percent of the total capital cost of the project. This ensures that monthly loan repayments—and thus tariffs—are more affordable for the community.

The project also funded support for project development and implementation to ensure quality during the project cycle, and helped create a local private sector market for business development services.

The experience in Kenya indicates that the sustainability of the systems is enhanced by the financing mechanism, as communities are obligated to generate sufficient operating revenues to cover operation and maintenance costs and



repay their loans. The commercial lender, which assessed the financial viability and technical feasibility of each community project, provided an additional level of oversight typically not found in publicly funded projects.

This project, which closed in 2013, has benefitted over 200,000 people with piped-water supply. Its successes have led to the preparation of a scale-up project to support urban water providers in accessing loan finance from the domestic private sector, with subsidies creating incentives for these providers to serve residents of low-income areas.

Case Study 4. Establishing a National OBA Facility for Water and Sanitation Services in Honduras

While Honduras has achieved a reasonable level of access to water supply and sanitation, gaps in coverage remain, especially in rural and peri-urban areas. Furthermore, service quality for those with access is often poor. To help the government of Honduras achieve universal coverage and improve service quality, GPOBA designed and implemented the first OBA Facility in Honduras to test the viability of an innovative OBA mechanism for financing water and sanitation services.

The OBA Facility, housed within the Fondo Hondureño de Inversión Social, designed a framework to receive, evaluate, and select project proposals for eligibility for subsidies. The objective of this selection framework was to provide a transparent and objective mechanism to allocate subsidy funding. The evaluation criteria selected projects based on a unit cost efficiency index, identifying proposals that offered to serve the greatest number of beneficiaries given the requested subsidy amount.

The OBA Facility started operations in 2007, making \$4 million available as subsidy funds for service providers or implementers at the national level. The OBA Facility formally assessed about 35 project proposals through 4 evaluation phases, and found 12 subprojects eligible for subsidy funding. The government of Honduras provided \$1 million in a revolving fund to provide bridge loans to public implementers.

The 12 subprojects were successfully implemented, expanding and improving quality water and sanitation services to about 14,600 low-income households. The implementation of this project demonstrated that it is possible to align incentives so implementers and service providers can indeed expand water and sanitation services to reach low-income households. A combination of different partnerships was developed in order to incur the financing and performance



risks required under an OBA scheme to deliver the outputs and services. The OBA Facility worked with public utilities, private utilities, municipalities, NGOs, and communities-based organizations as implementing agencies.

GPOBA is continuing to support the design and funding of OBA Facilities in developing countries as a window within the country and sector financing frameworks, to provide incentives to service providers to extend basic services to the poor.

HEALTH SECTOR

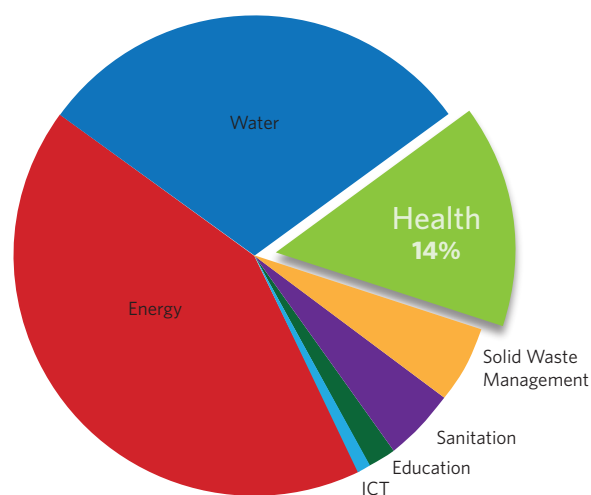


GPOBA in Health

Over the last decade, the development community has increasingly made health a priority, reflected in the fact that there has been a more than doubling of global health aid and major advancements in health technologies and medicines. Yet significant obstacles remain—from supply-side constraints such as poor infrastructure and lack of resources to demand-side constraints, including inability to pay, lack of insurance coverage, or lack of access—preventing lifesaving resources from reaching the poor people in developing countries who need them most.

GPOBA works to overcome these challenges through innovative OBA health schemes to increase access to affordable, quality health care services. GPOBA has supported reproductive health services in the Philippines, Uganda, and Yemen. In western Uganda, GPOBA, in partnership with KfW, funded a voucher scheme where users paid a low contribution for vouchers that could be used for services such as pre- and post-natal care, a birth attended by a trained medical professional, or screening and treatment of sexually transmitted diseases for couples. GPOBA supports a prepaid health scheme in poor areas of Nigeria, and access to quality health services at a new national hospital and filter clinics under a public-private partnership model in Lesotho.

SHARE OF HEALTH PROJECTS IN GPOBA'S PORTFOLIO



With five projects in health, this sector accounts for the third largest percentage of GPOBA funding, at 14 percent. While the number of OBA projects tested in health is still relatively small, the impact is substantial, with benefits expected to reach around 1.8 million people.

GPOBA PROJECTS IN THE HEALTH SECTOR

Host Country	Project	Grant Amount (US\$ millions)	Number of Beneficiaries*
Lesotho	Lesotho New Hospital Public-Private Partnership	6.25	808,700
Nigeria	Nigeria Pre-Paid Health Scheme	6.02	22,500
Philippines	Philippines Reproductive Health	3.65	786,800
Uganda	Reproductive Health Voucher Program	4.3	162,800
Yemen	Yemen Safe Motherhood Program	3.91	30,000
Total		24.13	1,810,800

* These figures are best estimates based on technical calculations and projections, and are subject to change.

Case Study 5. Launching a Reproductive Health Voucher Program in Uganda

About 435 women die per 100,000 live births in Uganda due to lack of access to health service facilities and professional health care, a 2006 study found. The majority of women still rely on traditional birth attendants with little or no formal training. Uganda's decentralized health system has left rural areas poorly resourced; some expectant mothers must walk more than nine miles to the nearest health facility.

In 2008, GPOBA launched an OBA voucher scheme, in partnership with KfW, to bring maternal and other reproductive health services to rural communities in western Uganda. The voucher system was used as a means to stimulate demand for facility-level health care services among those who were less likely to seek care without a subsidy, by giving them purchasing power to seek care from a wide range of available providers.



The outputs in this project consisted of a safe delivery package of four prenatal visits, a delivery attended by a trained medical professional and one postnatal visit, or a screening and treatment of sexually transmitted diseases (STDs) for couples. Users paid the equivalent of \$1.30 per voucher for a safe delivery package of services costing from \$70 to around \$100 for a complicated delivery, and \$0.65 per couple for STD-related treatment services costing \$11. Marie Stopes International (MSI) Uganda was contracted as the voucher management agency (VMA) to supervise overall operational management. Service delivery was contracted out to accredited, private, local clinics to offer services in exchange for prepaid vouchers. Once approved services had been delivered, service providers submitted claims for reimbursement to MSI-Uganda.

Important innovations in this project included the use of mobile phones to increase efficiency and communicate

with voucher service providers, as well as the locally created and maintained referral system. Providers initially faced challenges in providing effective referrals. Together with the service providers, the VMA addressed this by establishing a network of emergency care providers in two sub-regions. In one sub-region, a community group organized motorcyclists to transport mothers to the hospital for delivery.

After four years, the project succeeded in safely delivering around 66,000 babies and providing STD treatments to 32,000 couples. The project received recognition and awards from both the World Bank's Vice President for Africa and the IFC. Having provided evidence of successful results, the scheme is being scaled up by the Ministry of Health to expand the voucher program to rural communities and other districts of Uganda, as well as to build national capacity to mainstream voucher management functions.

Case Study 6. Supporting a Hospital and Clinics through a Public-Private Partnership in Lesotho

Before the Queen Mamohato Memorial Hospital (QMMH) public-private partnership (PPP) project was initiated, Lesotho's national referral hospital served only the capital city, Maseru, and a narrow fringe of its suburbs. This meant an extensive part of Lesotho's patient population had to be referred to South Africa, consuming much of the government's health care budget.

In 2006, the government of Lesotho contacted the IFC for assistance in building a new hospital and health care network. The government entered into a long-term (18-year) contractual agreement with a private sector consortium, Tsepong, to build and operate a new 425-bed national hospital and gateway clinic, and refurbish, upgrade, and operate three filter clinics.

To ensure a successful start-up of the new hospital, GPOBA was invited to join the partnership in 2009 to provide subsidy funding. GPOBA support helped leverage the partners involved to increase the accountability of the health service providers, expand the range and quality of services, make more efficient use of government resources, and provide incentives for efficiency and innovation. Under the scheme, funds were disbursed after three key performance indicators were met and verified: total outpatient visits, total inpatient admissions, and family and patient satisfaction.

The project closed in 2012, supporting quality medical services for over 800,000 patients. As the largest PPP in Africa, there are significant lessons to be gained from this project. This PPP leveraged the skills, knowledge, abilities, and resources of all its partners in two main ways. First, it extended the government's health care budget, which makes the financing for both the hospital and the clin-



ic network sustainable. Second, it marshaled local capital—an effort specifically tied to the introduction and initial management of OBA outputs. The OBA contribution was structured so PPP partners could easily assume responsibility for the monitoring and evaluation of the outputs when GPOBA's participation ended.

The innovative financing and implementation structure of the project positions Lesotho as a leader in health sector PPP arrangements. It has received wide recognition, from winning the World Bank's Sustainable Development Network Vice President award for its strength in leveraging partnerships across the Bank, to being recognized by the South-South Knowledge Exchange for providing a country-led development solution to the challenge of providing high quality, accessible health care services for the poor.

SOLID WASTE MANAGEMENT, SANITATION, EDUCATION, AND ICT



GPOBA in Solid Waste Management, Sanitation, Education, and ICT

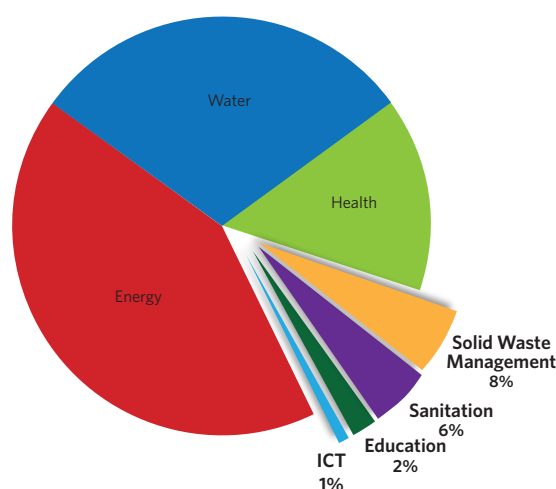
In addition to the well-tested sectors of water, health, and energy, GPOBA is implementing and learning from pilots in solid waste management (SWM), sanitation, education, and ICT.

GPOBA is piloting a SWM project in Nepal to address both supply-side and demand-side constraints. The OBA subsidy is designed to increase service quality, which should in turn increase consumer willingness to pay and enable municipalities to gradually recover greater proportions of service delivery costs from new consumers and increased user fees.

OBA subsidies can be used to support services along the “sanitation value chain,” from promotion of demand to collection/access, transport, treatment, and disposal/re-use of waste. GPOBA has two stand-alone sanitation projects in Senegal and Sri Lanka, increasing access to improved household sanitation through both on-site sanitation systems and networked sewerage.

In the education sector, OBA can be used to address not only issues of enrollment and attendance, but also of quality, as is being done in Vietnam.

SHARE OF SWM, SANITATION, EDUCATION, AND ICT PROJECTS IN GPOBA'S PORTFOLIO



With 7 combined projects in the pipeline and a total of 17 percent of GPOBA funding, projects in these sectors provide important lessons for future GPOBA pilots and the development community.

GPOBA has supported the expansion of Internet, telephone, and other ICT services to rural areas and district centers in Indonesia and Mongolia. In both projects, the OBA subsidy provided an incentive for private sector involvement in expanding services to rural areas.

GPOBA PROJECTS IN SWM, SANITATION, EDUCATION, AND ICT

Host Country	Project	Grant Amount z (US\$ millions)	Number of Beneficiaries*
Indonesia	Extending Telecommunications in Rural Areas	1.87	758,200
Mongolia	Universal Access to Telecommunications	0.26	22,300
Nepal	Municipal Solid Waste Management	4.29	800,000
Senegal	Access to On-site Sanitation Services	5.76	103,500
Sri Lanka	Increasing Household Access to Domestic Sanitation in Greater Colombo	5.08	77,000
Vietnam	Upper Secondary Education Enhancement	3.00	8,100
West Bank	Solid Waste Management	8.25	840,000
Total		28.51	2,609,100

* These figures are best estimates based on technical calculations and projections, and are subject to change.

Case Study 7. Improving Solid Waste Management in Nepal

Nepal is undergoing a political transition and significant demographic changes; most notably, Nepal's urban population has increased by over 67 percent over the past decade. This has placed considerable pressure on the urban environment and efforts to deliver urban services, including SWM. Where SWM services are available, they tend to be of poor quality due to chronic underfunding and weak institutional capacity, which also leads to a low willingness to pay for services.

In 2013, GPOBA signed its first grant in SWM to support improved SWM services in five low-income municipalities in Nepal. The project provides OBA subsidies to eligible municipalities that improve services, as evidenced by the achievement of pre-agreed technical standards, such as waste collection and cleanliness, and improved financial sustainability, as measured by an increase in user fee collections. Examples of service improvements include delivering formal SWM services to targeted users, extending services to zones not currently served, and implementing waste minimization measures.

The subsidy is transitional in nature, and subsidies will be paid to municipalities to “match” revenues collected from SWM services according to an agreed upon multiplier. The multiplier varies such that subsidies are increasingly phased out over the four years of the project and are replaced with user fees. The key chain of assumptions underlying the project is that the increased service quality brought about by the OBA scheme will increase consumer willingness to pay for better SWM services, and enable municipalities to gradually recover greater proportions of service delivery costs from new consumers and increased user fees.



The project design focuses on the results to be achieved, without prescribing any single service delivery model to achieve those results. Municipalities are provided with the flexibility to deliver services efficiently and as they see fit, provided that: service delivery is technically, socially, and environmentally sound; services are financially sustainable; and service provision remains accountable to beneficiaries and to national institutions tasked with overseeing the sector. Provided these conditions are met, delivering SWM services is the business of the municipalities. This approach is expected to lead to increased innovation in service delivery and to foster local ownership. The project is expected to benefit around 800,000 people in participating municipalities in Nepal.

Case Study 8. Supporting On-Site Sanitation in Senegal

In Dakar, more than a third of the population has no access to proper sanitation. Conventional sewerage is neither technically nor economically feasible in most parts of the city. It is difficult to implement because of the irregular patterns of housing settlements, and requires significant water usage, which many poor households are unable to afford. As a viable alternative, on-site sanitation can be implemented in irregular settlements and requires only low consumption of water.

In 2007, GPOBA signed its first grant in this sector to provide on-site sanitation facilities in Dakar. The project was designed to build on the success of the World Bank-financed Sanitation Program for Peri-Urban Areas of Dakar (PAQPUD). PAQPUD delivered over 63,000 on-site sanitation facilities between 2003 and 2005 in a demand-driven manner utilizing OBA-type approaches. The timing of the GPOBA project helped to maintain the momentum achieved by PAQPUD, in addition to meeting some of the demand left unmet.

The project made on-site sanitation facilities available to low-income households in targeted neighborhoods of Dakar through different types of facilities at varying costs. With the GPOBA subsidy, customers were required to contribute 25 percent of this cost prior to installation. During the first 28 months, only 7 percent of the planned facilities were realized, due to a number of factors: the economic crisis reduced willingness to invest in sanitation, there was a history of highly subsidized schemes and a lack of credit facilities in these neighborhoods, and the subsidy structure was prohibitive for some households.

When piloting OBA in new sectors, there will always be unexpected challenges and setbacks from which lessons can be drawn; this pilot provides an important example of this. The team responded by reallocating some of the project



budget to promotion activities to reinforce outreach. Neighborhood/community-based organizations, which had detailed knowledge about the targeted communities, helped to boost demand for the facilities and carry out activities such as hygiene promotion to encourage behavior change. The intervention areas were expanded, as was the technological package to include new service options and an in-kind contribution formula using simpler and less expensive materials for very poor populations.

By the time the project closed in 2011, GPOBA had supported the construction of around 11,500 on-site sanitation facilities, benefitting over 100,000 poor people. While the pilot faced initial difficulties, it demonstrated the importance of project flexibility and pursuing creative approaches to overcome challenges, and provided important lessons to strengthen future sanitation projects.

Case Study 9. Enhancing Upper Secondary Education in Vietnam

Over the last 20 years, Vietnam has achieved nearly universal primary and lower secondary education. However, approximately 20 percent of lower secondary students do not make it to high school, and 45 percent drop out from lower secondary school. There are still major disparities between advantaged and disadvantaged children, linked closely with factors such as gender, ethnicity, and household income. Drop-out rates among disadvantaged groups are high, generally because of economic hardship or low student performance.

In 2010, GPOBA signed its first grant in education to improve access to quality education for low-income students and strengthen student performance in upper secondary and professional secondary schools. GPOBA's subsidy funds tuition for targeted students admitted to the participating schools, covering 55 to 84 percent of the total cost of school. The user contribution from families entails all school-related expenses aside from tuition, including insurance, materials, travel, and lodging.

The project identifies beneficiaries by targeting poor provinces and relying on the "certificate of the poor" (an existing state proxy means-testing mechanism). Priority is given to students certified by the state as poor, disabled students, Agent Orange victims, orphans, and economically disadvantaged students from ethnic minority groups.

Under this scheme, the East Meets West Foundation (EMWF) serves as the implementing agency and grant recipient. The schools, which bear the performance risk by fully pre-financing tuition for these students, are later reimbursed upon verification that students maintain enrollment with an adequate attendance record, and achieve a passing grade at the end of each term. Standard exams are given to



assess student performance and the quality of education provided.

EMWF also bears pre-financing risks and has the incentive to minimize implementation costs, as built into the scheme. The Foundation must pre-finance half the variable operational cost, and is reimbursed only agreed outputs have been verified. In this way, EMWF is also incentivized to help participating schools perform.

As of June 2013, over 8,100 students had been enrolled, and about 85 percent had successfully passed the first term. The educational quality has been maintained, as evidenced by an average grade point average of 6.0 out of 10 per student, and only 2.4 percent of beneficiaries have dropped out of school due to economic hardship and/or poor performance. This pilot demonstrates that applying the OBA approach to education not only addresses the issue of access, but can also improve learning outcomes.

Case Study 10. Expanding Telecommunications Services to Rural Areas in Mongolia

Mongolia is the world's least densely populated country: 2.8 million people live across 1.5 million square kilometers. Given Mongolia's vast and challenging geography, the cost of providing rural communications infrastructure is very high. One-third of rural inhabitants live in 330 soum (district) centers, and the rest are herders, nomadic by occupation. These populations depend on communication means to connect with family and community members in remote areas.

In 2004, when Mongolia conceived its universal access program, the ICT sector was structured in such a way that most of the long-distance network was government-owned, with only limited capacity to expand rural services. Although operators were investing heavily and growing in urban areas, the networks' expansion of coverage to rural areas remained insufficient.

In 2006, GPOBA signed a grant to expand the provision of telephone services to herder communities, as well as both telephone and Internet services to soum center communities. The grant constituted a first step toward implementing Mongolia's universal access strategy. The project consisted of two pilots: the first provided public access telephone services to herder communities in approximately 27 villages, spread among six soums in two provinces; the second pilot provided wireless-based telephone and Internet services to the public, as well as Internet access for two schools.

The project engaged and strengthened Mongolia's private sector in ICT. GPOBA subsidies were used to reimburse



private operators, chosen through a competitive bidding process, which were responsible for pre-financing, installing, and operating the rural voice and Internet services. Estimated subsidy amounts for both pilots were calculated separately, so as to develop a benchmark upon which private operators would bid for the contracts.

By the time the project closed in 2008, about 20,000 members of herder communities had received telephone services, and over 22,000 residents of soum centers had received telephone and Internet services. Project benefits include not only reduced communication costs for people living in these communities, but also strengthened family ties, allowed for better coordination among herder communities in responding to harsh weather conditions and increased economic activity. The project approach managed to harness the power of the private sector by providing incentives to deliver services in rural areas. This is an important part of what makes output-based approaches both attractive and successful.

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