

News Release  
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## Nepal: 800,000 people to benefit from improved solid waste management services

**Kathmandu, March 27, 2013** – The World Bank, acting as administrator for the **Global Partnership on Output-Based Aid (GPOBA)**, has approved a grant of US\$4.3 million to improve access to high quality and financially sustainable solid waste management (SWM) services in participating municipalities in Nepal. The grant will finance service delivery subsidies for each participating municipality, over a four- year period, to cover the gap between the costs of delivering solid SWM services and the beneficiary revenues collected through SWM fees, provided that the said services meet verified minimum performance criteria. Subsidies will be paid to municipalities based on agreed multiples of verified beneficiary revenue collected upon the services' meeting pre-agreed minimum performance criteria.

*"This project is pioneering a new approach to providing much needed support to municipalities while also encouraging financially sustainable services. If successful, this model may be applicable to other sectors,"* said **Tahseen Sayed Khan, World Bank Country Manager for Nepal.**

The project will initially target five municipalities (Tansen, Dhankuta, Lalitpur, Leknath and Pokhara) and benefit an estimated total of 800,000 people. The **Solid Waste Management Technical Support (SWMTSC)** and the **Town Development Fund (TDF)** will jointly provide technical and project management support to the participating municipalities to implement the activities covered by the output-based aid (OBA) grant.

Nepal is undergoing significant political and demographic changes. Rapid urbanization over the past decade has placed considerable stress on Nepal's urban infrastructure and its municipalities are struggling to provide even the most basic urban services, including solid waste management. Existing municipal SWM services are of poor quality and are environmentally and financially unsustainable. Given this situation, the project is designed to provide incentives to enable the gradual development of a beneficiary charging mechanism for SWM services in order to enhance financial sustainability, improve service quality, and enable expansion of SWM service coverage.

*"This project will help put solid waste operations in a reasonable financial position at the end of the subsidy scheme, thereby strengthening each municipality's ability to commit resources thereafter to cover any shortfalls that may be needed going forward without compromising other municipal services,"* said **Dr. Sumitra Amatya, Executive Director, SWMTSC**

Consistent with the OBA approach, the design of the project includes a two-stage independent verification mechanism that will be used to trigger the release of OBA subsidies. A first verification will measure how municipalities perform against a scorecard of pre-agreed performance criteria. Where performance is satisfactory, municipalities will receive OBA subsidies in pre-agreed proportions to the amount of revenues they collect from beneficiary households and businesses.

This design aims at more than just triggering the release of OBA subsidies. The performance scorecard used for the verification represents a starting point for national efforts to benchmark and monitor SWM service delivery. Better monitoring will help target further sector reforms and enable municipalities to learn from one another. In addition, the project's methodology for setting OBA subsidy amounts is pioneering a model that could eventually help set SWM fees objectively and manage

investments in the sector. Advances such as these have the potential to deliver positive impacts long after this intervention.

*“It is expected that this project will enhance service quality through improvements in operations, which will in turn enhance the willingness of citizens to pay for services and enable municipalities to gradually recover greater proportions of service delivery costs in order to sustain higher quality services. The success of the project can open doors for more output-based financing projects through TDF in the municipalities in the near future,”* said **Sushil Gyewali, Executive Director, TDF**

Participating municipalities will each sign Tripartite Project Implementation Agreements with TDF and SWMTSC as a basis for participation in the project. The project requires participating municipalities to (i) prepare SWM service improvement plans identifying those service delivery improvements to be covered under the project; (ii) decide on the service delivery model; (iii) implement service delivery improvements as per agreed plans; and (iv) implement a designated SWM fee charged to all waste generators, and collect the revenues.

**Carmen Nonay, Program Manager for GPOBA**, added that *“This project is an important milestone in both GPOBA and the future of financing solid waste management projects, not only as this first of what we anticipate to be a model case study for this sector, but because it also demonstrates our partners’ vision to bring to fruition more projects in ‘new’ subsectors such as irrigation, sanitation, and renewable energy for the benefit of those counted among the poorest but who are no less deserving of quality and sustainable services.”*

This project complements the on-going World Bank-supported **Emerging Towns Project in Nepal**, which aims to improve the delivery of basic services and priority infrastructure in six municipalities, three of which are part of the initial selection for this OBA project.

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*GPOBA is a global partnership program established in 2003 and administered by the World Bank. It is a multi-donor trust fund used to develop OBA approaches across a variety of sectors including infrastructure, health, and education. Its portfolio of 36 OBA pilot projects, for which a cumulative total of \$83.6 million in disbursements has been made, has provided access to basic services to more than 4 million poor beneficiaries. The GPOBA grant for the Nepal Solid Waste Management project draws on funds from the Department for International Development (DFID) of the United Kingdom.*

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