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World Bank-administered GPOBA and IDCOL help low-income households in Bangladesh access electricity

Dhaka, May 13, 2010 – The World Bank, acting as administrator for the Global Partnership on Output-Based Aid (GPOBA), has approved two grants for a total of US\$8.3million to subsidize part of the costs for installation of Solar Home Systems (SHS) and renewable energy mini-grids for poor households in rural areas.

More than 140,000 households (or about 700,000 people) and 5000 small to medium enterprises like timber mills, poultry farms and irrigation pumps in remote rural areas of Bangladesh, are expected to benefit from access to affordable electricity through the SHS and mini-grid projects.

The GPOBA grants will complement the additional US\$130 million IDA credit approved in 2009 for the Bangladesh Rural Electrification and Renewable Energy (RERED) project. The RERED project has already installed about 500,000 SHSs in remote rural areas of Bangladesh and is considered to be one of the most successful SHS programs in the world.

“The GPOBA projects will support the Government of Bangladesh’s goal to ensure that the entire country has access to electricity by 2021. 80% of Bangladesh’s population live in rural areas and are also the group most affected by a lack of sufficient electricity generation. These projects will help 140,000 more households gain access to affordable electricity,” said **Zafrul Islam, Acting Country Director for Bangladesh.**

The approved GPOBA grants will be used to subsidize the cost of SHS or mini-grid installations for poor households. The Infrastructure Development Company Limited (IDCOL) will act as manager for both schemes.

“Our mission at IDCOL is to encourage private sector investment in energy and infrastructure projects,” said **Mr. Islam Sharif, CEO of IDCOL.** *“The output-based aid approach has an impressive track record to date because it helps low income households*

gain access to electricity and makes it attractive for the private sector to offer services to the poor.”

GPOBA will pay a subsidy of US\$50 towards the cost of a SHS and a maximum of 50% of the capital cost for a mini-grid system, once inspectors employed by IDCOL have verified the installation and compliance with specifications.

“The subsidy paid by GPOBA acts as an incentive for businesses to offer services to poor households,” said **Zubair K M Sadeque, Task Manager for the World Bank and GPOBA.** *“An output-based approach ensures that payment is only made when a qualifying rural household has access to electricity through a Solar Home System or mini-grid installation.”*

GPOBA is using funding from the UK Department for International Development (DFID) and additional funds will subsequently come from the Swedish International Development Cooperation Agency (SIDA) to continue the program’s support for the expansion and mainstreaming of the RERED parent project.

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About GPOBA

The Global Partnership on Output-Based Aid (GPOBA) is a global partnership administered by the World Bank. GPOBA was established in 2003, initially as a multi-donor trust fund, to develop output-based aid (OBA) approaches across a variety of sectors including infrastructure, health, and education. OBA subsidies are designed to create incentives for efficiency and the long-term success of development projects.

GPOBA’s current donors are the UK’s Department for International Development (DFID), the International Finance Corporation (IFC), which is a member of the World Bank Group, the Directorate-General for International Cooperation of the Dutch Ministry of Foreign Affairs (DGIS), the Australian Agency for International Development (AusAID), and the Swedish International Development Cooperation Agency (SIDA).

For more information on GPOBA, please visit: www.gpoba.org

For more information on the World Bank in Bangladesh,
please visit: www.worldbank.org.bd/

For more information on Additional Financing For Rural Electrification and
Renewable Energy Development Project, please visit:
<http://www.worldbank.org.bd/external/projects/main?pagePK=64283627&piPK=73230&theSitePK=295760&menuPK=295792&Projectid=P112963>