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NEWS RELEASE

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Results-based aid approach can improve access to basic services for the poor, says new World Bank study

WASHINGTON, DC, March 25, 2010—Output-based aid, an innovative approach that ties payment of aid to the delivery of concrete results, has proven advantages over traditional aid approaches and is helping to improve the delivery of basic services to the poor says a new World Bank study released today.

According to *Output-Based Aid: Lessons Learned and Best Practices*, output-based aid (OBA) is becoming more popular as a way to deliver energy, clean water, healthcare and other basic infrastructure and social services to the poor. OBA can help to make these services affordable for poor customers while at the same time giving service providers an incentive to offer them.

“Traditional approaches to delivering public support have not always led to the results intended,” said **Patricia Veevers-Carter**, Program Manager of the World Bank-administered Global Partnership on Output-Based Aid. *“The advantage of OBA is that it ties the disbursement of public funding to the achievement of clearly specified results. These results are independently verified, so donors and governments can monitor where their money has gone and what resulted from it.”*

“OBA is not a panacea. It is, however, one results-based financing mechanism that is showing clear promise,” said **Nigel Twose**, Director of the World Bank Group’s IDA/IFC Secretariat. *“Scaling-up of OBA approaches is still needed to make real strides toward improving access to basic services for the poor. The World Bank Group, donors, and governments can all play a role in making this happen.”*

Since OBA was first launched in the World Bank Group in 2002-03, its use has increased from 32 projects (value around \$1.5 billion) to 131 projects with a value of around \$3.5 billion. These projects are expected to benefit at least 61 million people in developing countries. Many other OBA schemes have been identified outside the Bank Group.

The study, co-authored by **Yogita Mumssen, Lars Johannes, and Geeta Kumar**, analyzes nearly 200 OBA projects in water and sanitation, energy, health, roads, telecommunications, and education. It finds considerable evidence of the advantages of OBA, such as shifting performance risk to service providers, improvements in operational efficiency, and leveraging private funding and expertise.

“OBA projects are delivering a range of essential services and are encouraging service providers to find innovative solutions to reach poor families. For instance, a project in Bolivia has subsidized solar home systems for households in remote rural areas, benefiting over 30,000 people who would otherwise not have access to electricity,” said **Yogita Mumssen**, Senior Infrastructure Economist at the World Bank and co-author of the study.

The report recognizes that OBA is just one part of the solution and that it may not fit every situation. For instance, OBA is likely to take stronger root where there is a supportive environment for public-private partnerships. The authors also identify challenges with the OBA approach, for instance, if service providers are small local companies they may find it difficult to access the finance they need to “pre-finance” the agreed outputs. One way to address this is by combining OBA with microfinance, an approach that is being successfully tested in a community-based water project in Kenya.

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For more information, please visit:
Global Partnership on Output-Based Aid: www.gpoba.org