



The Global Partnership on Output-Based Aid

OUTPUT-BASED AID – FACT SHEET

What is Output-Based Aid?

- Output-based aid (OBA) is an innovative approach to increasing access to basic services—such as infrastructure, healthcare, and education—for the poor in developing countries.
- OBA is used in cases where poor people are being excluded from basic services because they cannot afford to pay the full cost of user fees such as connection fees.
- OBA is one of a spectrum of results-based instruments. It is part of a broader donor effort to ensure that aid is well spent and that the benefits go to the poor.

How does OBA work?

- Unlike traditional approaches, OBA links the payment of aid to the delivery of specific services or “outputs.” These can include connection of poor households to electricity grids or water and sanitation systems, installation of solar heating systems, or delivery of basic healthcare services.
- Under an OBA scheme, service delivery is contracted out to a third party, usually a private firm, which receives a subsidy to complement or replace the user fees.
- The service provider is responsible for “pre-financing” the project until output delivery.
- The subsidy is performance-based, meaning that most of it is paid only after the services or outputs have been delivered and verified by an independent agent.
- The subsidy is explicitly targeted to the poor (e.g., by focusing on areas in which poor people live).

How does OBA contribute to aid effectiveness?

- Knowing who will provide and who will receive the subsidy and what it’s for helps ensure *transparency*.
- Payment on output delivery *shifts performance risk* to the provider by making him accountable.
- Having a predetermined subsidy provides incentives for *innovation and efficiency*.
- The subsidy acts as an incentive to mobilize *private sector finance and expertise*.
- The focus on outputs means that OBA schemes internalize *tracking of results*.

What makes a successful OBA project?

The evidence on what makes a good OBA project is still coming in, but some key factors have already been identified. These include:

- A sound regulatory environment.
- Finding a reliable and motivated service provider (private or public).
- Linking the payment of subsidies to appropriate outputs.
- Setting tariffs that cover at least operation and maintenance costs.
- Targeting the subsidies effectively to the poor.
- The availability of funds (either from the operators’ own resources or from banks) to “pre-finance” the outputs.

What has been the experience with OBA so far?

- So far, the Global Partnership on Output-Based Aid has identified about 131 OBA projects with a total value of about \$3.5 billion in the World Bank Group (WBG) and another 66 schemes outside the WBG. Funding for OBA has come from the WBG, GPOBA,

other donors such as KfW, and governments. Most OBA projects are in infrastructure and health, with some in education.

- To date, GPOBA has signed 31 grant agreements for OBA subsidy funding for a total of US\$124.9 million, with the first grant agreement signed in April 2006. Nearly 6.6 million people are expected to benefit from these schemes in 23 countries worldwide in both rural and urban areas. The average subsidy per capita is US\$18.8.
- As of June 30, 2010, GPOBA projects have disbursed US\$15.1 million based on independently verified outputs, directly impacting more than 564,000 people. This is encouraging as typically projects take at least a year to implement before the first outputs can be delivered and verified.
- Initial results from OBA pilots include *increased private investment* in basic services and efficiency gains due to competitive bidding.
- As more project results come in, GPOBA will continue to share them with the devel-

opment partners through its publications and outreach activities.

Contact us

If you are interested in pursuing OBA projects, have experience in OBA that you would like to share, or wish to obtain more documentation, please visit the GPOBA website (www.gpoba.org) or contact:

Cathy Russell
Communications Officer
GPOBA

Tel.: (+1 202) 458 8124 | **Fax:** (+1 202) 522 0761

Email: gpoba@worldbank.org

What is the Global Partnership on Output-Based Aid?

- The Global Partnership on Output-Based Aid (GPOBA) is a partnership of donors and international organizations working together to support OBA approaches to improving service delivery for the poor.
- GPOBA was established in 2003 by the UK (DFID) and the World Bank. Its other donors are the IFC, the Netherlands (DGIS), Australia (AusAID), and Sweden (Sida).
- As of June 30, 2010, donor funding for GPOBA totals US\$242.6 million (contributions and pledges).
- GPOBA provides three types of support: technical assistance for OBA schemes, dissemination of experiences and best practices in OBA, and grants for OBA subsidy funding.
- The program's focus sectors are water and sanitation, energy, telecommunications, transport, health, and education.



The Global Partnership on Output-Based Aid

World Bank | Mailstop: U3-306

Washington, DC 20433, USA

To find out more, visit www.gpoba.org

August 2010