

# **GLOBAL PARTNERSHIP ON OUTPUT- BASED AID**

*OPERATING PRINCIPLES AND ANNEXES*

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## **GLOBAL PARTNERSHIP ON OUTPUT-BASED AID**

### **OPERATING PRINCIPLES**

1. Output-Based Aid (OBA) is a strategy for applying public money, through performance-based contracts, to subsidize the cost of delivering basic services and target these on the poor. OBA involves the delegation of service delivery to an operating entity, under arrangements that tie the disbursement of funding to pre-specified services or outputs that are delivered.

2. A multi-donor program - the Global Partnership on Output-Based Aid (GPOBA or the "Partnership") - was established by DFID and the World Bank in January 2003. Since then additional partners have joined the program. The goals of GPOBA are to facilitate increased access to reliable infrastructure and social services by the poor in developing countries, by developing best practice techniques for, and encouraging the broader use of, OBA approaches for the provision of these services, and to facilitate the sharing of best practice and experience among the broader stakeholder community. The Partnership will operate according to the following principles.

#### **I. Partnership Objectives**

1.1 The GPOBA aims to facilitate learning on the potential contribution of OBA approaches to the delivery of basic services by:

- Supporting the design, implementation and evaluation of a program of individual pilot OBA schemes;
- Facilitating the identification and dissemination of knowledge on issues relating to the role and application of OBA; and
- Contributing to the financing of output-based payments for services under OBA schemes.

1.2 These objectives are to be achieved by supporting a range of activities as described below, pursuant to a memorandum of understanding ("MOU") or GPOBA Trust Fund administration agreement ("Administration Agreement") entered into between each donor, IBRD and the International Development Association ("IDA") (together referred to as "World Bank").

#### **II. Partnership Scope**

##### *Eligible OBA Schemes*

2.1 GPOBA resources may be applied to a variety of approaches under which public funding (whether sourced from donors, loans or grants from international financial institutions, or government budgets) to support the delivery of basic services is tied at least in part to the delivery of specified services or other outputs by service providers. Examples of schemes that might be supported by the Partnership include:

- Schemes intended to improve the affordability of consumption of basic services by

low-income populations (whether by subsidizing ongoing consumption or the one-off costs of connection to network services);

- Schemes intended to improve the efficient delivery of services that exhibit positive externalities; and
- Schemes intended to facilitate the transition to cost-covering tariffs.

### *Eligible Services*

2.2 GPOBA resources may be applied to OBA approaches to the delivery of the following services in accordance with donor specifications:

- The provision to consumers of basic infrastructure services (including energy, water and sanitation, transport and telecommunications);
- The provision to consumers of education services; and
- The provision to consumers of healthcare services.

2.3 Service providers may, subject to donor specifications, either be from the private sector (including both for-profit and not-for-profit entities) as well as the public sector, where the service provider is a municipality or other sub-sovereign entity, provided it is operating on commercial principles.

### *Eligible Activities*

2.4 GPOBA resources may be applied to the following activities:

- **Window 1:** Financing studies and other inputs to assist in the design, implementation and evaluation of particular schemes intended to pilot the application of OBA approaches to the delivery of eligible services. Those inputs may relate to, inter alia, the design of contracting and administrative arrangements for specific schemes and support to awareness raising, consensus-building and capacity-building activities for specific schemes.
- **Window 2:** Financing activities to help identify and disseminate emerging knowledge on issues relating to the role and application of OBA approaches to the delivery of Eligible Services that are not specific to the design, implementation or evaluation of particular pilot schemes. Those activities may include, inter alia, publications, workshops and conferences.
- **Window 3:** Contributing to the financing of output-based payments for services under OBA schemes. This will facilitate the piloting of OBA schemes and allow the Partnership to play a catalytic role vis-a-vis other funding sources.

### *Eligible Countries*

2.5 GPOBA resources may be applied to activities undertaken in any member country of the World Bank Group in accordance with donor specifications.

### *Eligible Expenses*

2.6 Subject to donor specifications, GPOBA resources may be applied to the following expenditures:

- Costs associated with identifying, supervising and delivering specific activities.
- Costs associated with the delivery of basic services under OBA arrangements.
- Costs associated with preparing and disseminating information produced by GPOBA.
- Costs associated with organizing workshops or conferences, including costs associated with participation by relevant international experts and, in appropriate cases, representatives of recipient governments.
- Costs associated with administering GPOBA.
- Other costs directly related to the fulfilment of GPOBA's objectives.

## **III. Partnership Participation & Fund Structure**

### *Participation*

3.1 The Partnership is open to participation by official donors or international organizations agreeing to make the prescribed minimum contribution to the Partnership (“Donors”).

3.2 Except as may otherwise be agreed in each Donor’s MOU or Administration Agreement, all Donors are required to make a minimum annual contribution to the Partnership equivalent to US\$250,000. For the purposes of this provision, “annual” shall mean each IBRD Fiscal Year (July 1-June 30 of each calendar year).

3.3 The World Bank may meet the required minimum annual contribution to the Core Fund through a combination of administrative budget and in-kind contributions.

### *Fund Structure*

3.4 Resources of the Partnership will be organized into a Core Fund and one or more Non-Core Funds.

**3.4.1 Core Fund:** The Core Fund shall comprise resources available for any Eligible Activities connected with any Eligible OBA Scheme or Eligible Service in any Eligible Country or Countries. The funds provided under the the Multi-Donor Trust Funds of the Partnership are Core Funds.

3.4.2 Non-Core Funds: Donors may also establish Non-Core Funds that limit eligible expenditures to particular regions, sectors, or themes within the scope of this Partnership.

3.5 The DFID Challenge Fund, the IFC Performance Based Grant Initiative Fund, the Dutch GPOBA Water and Sanitation Fund and the DFID Phase 2 Fund have been established as Non-Core funds, on this basis as described below, as well as in Annex 2.

*The DFID Challenge Fund*

3.6 The DFID Challenge Fund will be open to general applications from other IFIs, bilateral donors, NGOs, public and private infrastructure providers, governments and the World Bank Group. Projects with World Bank involvement will only be allowed up to a maximum of 15% of total funds awarded under the Challenge Fund. The Challenge Fund will be used principally to fund activities under Window 3 of GPOBA.

*The IFC Performance Based Grant Initiative Fund (IFC PBGI).*

3.7 The IFC PBGI Fund will be open to general applications from other IFIs, bilateral donors, NGOs, private infrastructure providers, governments and the World Bank Group. Except as provided for in the Administration Agreement dated June 26, 2006 and entered into between IFC and the World Bank, as amendment by Letter of Amendments dated July 10, 2007 and May 12, 2008, the IFC PBGI Fund will be used to fund activities under Window 3 of GPOBA.

*The Dutch GPOBA Water and Sanitation Fund*

3.8 The Dutch GPOBA Water and Sanitation Fund will be open to general applications from other IFIs, bilateral donors, NGOs, public and private infrastructure providers, governments and the World Bank Group. The Dutch GPOBA Water and Sanitation Fund will be principally used to fund activities under Window 1 and Window 3 of GPOBA in the Water and Sanitation sector.

*The DFID Phase 2 Fund*

3.9 The DFID Phase 2 Fund will be open to general applications from other IFIs, bilateral donors, NGOs, public and private infrastructure providers, governments and the World Bank Group. The DFID Phase 2 Fund will be used principally to fund activities under Window 3 of GPOBA.

#### **IV. Governance & Administration**

4.1 GPOBA will be governed by a Program Council made up of one representative from each Donor, including a representative of the World Bank who will serve as Chair of the Program Council. The Program Council will be responsible for:

- (a) Considering and defining GPOBA policies and strategies.
- (b) Approving an Indicative Annual Work Plan and financial plan.

- (c) Reviewing GPOBA performance.
- (d) Overseeing the Program Management Unit.

4.2 The Program Council will meet at least annually to approve an Indicative Annual Work Plan and review progress. The Program Manager will submit the agenda and papers for Program Council meetings at least one week prior to the meeting. The Program Council will establish mechanisms to provide appropriate supervision of and guidance to the Program Management Unit between Program Council meetings.

4.3 GPOBA will be administered by the Finance, Economics, and Urban Department of the World Bank, which will designate a Program Manager to lead the Program Management Unit. The Program Management Unit will report to the Program Council and carry out the GPOBA mandate and manage its day-to-day operations.

#### *Project Selection*

4.4 Project selection and approval will be in accordance with the provisions set out in Annexes 1 and 2. GPOBA's Project Review and Approval Process for Windows 1 and 2 is attached as Annex 1 and GPOBA's Project Review and Approval and Implementation Process for Window 3 is attached as Annex 2. In considering funding proposals that draw from GPOBA resources, the Program Manager will have regard to the following criteria:

- Consistency with the GPOBA's threshold eligibility criteria (Eligible Schemes, Eligible Services, Eligible Activities, Eligible Countries, Eligible Expenses).
- Consistency with Indicative Work Plans approved by the Program Council, or in the case of Non-Core Funds, with criteria specified by relevant Donors.
- In the case of individual OBA schemes, the commitment of the host government to the proposed scheme; the expected availability of funding for the output-based payments under the scheme; and the desirability of testing a variety of approaches to output-based aid in a variety of sectors and country contexts.
- Additionally: Funding should not be more readily available from other sources.
- Co-financing: GPOBA resources may cover up to 100% of the costs of an Eligible Activity. However, co-financing from other sources is encouraged.
- Value for Money: Activities should aim to ensure value for money, including adopting the lowest cost strategies consistent with appropriate standards of quality.

4.5 As far as the Window 3 is concerned, a Panel of Experts, made up of up to three recognized practitioners in the field of the provision of infrastructure services or, as the case may be, health or education services in developing countries will be assembled and tasked with evaluating projects recommended by the GPOBA Program Manager, and endorsing them or otherwise, prior to those projects being submitted for approval in accordance with the approval

mechanisms specified by the Donors. Grants will be awarded by the GPOBA Program Manager accordingly, and an authorized representative of the World Bank as administrator of GPOBA will enter into a Grant Agreement with the Recipient.

4.6 Each expert must be approved by all donors. Any donor may propose one or more experts to serve on the Panel.

### *Project Reporting*

4.7 The Program Management Unit will report to the Program Council on all projects approved, and the basis of each approval, on a quarterly basis.

4.8 The agreed reporting and auditing arrangements are outlined below.

4.8.1 For Core Fund (*to be provided to all Program Council members*):

- Quarterly financial statements (unaudited) on the use of previous contributions<sup>1</sup> (prepared within 90 days of the end of each quarterly period).
- Semi-annual progress reports on the status of Window 1, Window 2, and Window 3 activities (prepared within 90 days of the end of each semi-annual period).
- Annual Progress Report on the GPOBA dissemination efforts, and the replication of GPOBA-supported schemes (delivered at the Program Council Meeting).
- Periodic financial reports on anticipated future funding requirements to assist with payment scheduling and to help demonstrate proof of need.
- An annual report with a section on trends in the use of OBA, the results of outreach efforts to other donors and IFIs on the use of OBA and the extent of global replication of OBA programs (delivered at the Program Council Meeting).

4.8.2 In addition to the above, for Window 3 projects the following will be provided annually by the World Bank to the Donors :

- A budget for the following year and plan for the next three years including expected quantum and profile of subsidy payments.
- Semi-annual reports on the progress of activities financed under Window 3, including relevant project and financial information, implementation status of each activity and information on performance relative to approved criteria.
- Confirmation that GPOBA has undertaken due diligence on projects to ensure that:

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<sup>1</sup> Financial reports are prepared in US dollars and on a cash basis. Contributions are recorded when received, and disbursements are recognized when paid rather than when obligations are incurred.

- The underlying project is viable and sustainable in the long term; and
- The OBA scheme is well-designed in terms of targeting, consistency, and payment and monitoring mechanisms.
- Confirmation that the World Bank can fulfill its obligations to donors as trustee and that Window 3 resources are being used for the purposes intended.

4.8.3 For Non-Core Funds (*to be provided annually to the relevant donor at the Program Council Meeting*):

- Quarterly financial report (unaudited) on the use of previous contributions<sup>2</sup> (prepared within 90 days of the end of each quarterly period).
- Quarterly assessment (unaudited) of the anticipated future funding requirements for the coming quarter.
- Semi-annual progress report on the status of Window 1, Window 2 and Window 3 activities (prepared within 90 days of the end of each semi-annual period).

4.8.4 For all GPOBA activities (*to be provided separately to donors*):

- Management assertion, together with an attestation from the World Bank's external auditors, concerning the adequacy of the World Bank's internal control over the World Bank's financial reporting in respect of GPOBA (prepared within 6 months of the end of each fiscal year and paid for with World Bank resources).
- Annual audit prepared by the World Bank's external auditors (upon request by any Donor and in consultation with World Bank, scope and terms of reference to be agreed between such donor and the World Bank, costs of such audit to be paid for by such donor).
- Final report on GPOBA and a final financial statement (unaudited) (prepared within 6 months of termination of GPOBA).

*Use of World Bank Group Staff in Program Execution*

4.9 Execution of the GPOBA's mandate is expected to involve extensive use of consultants. The Program Manager may also use a portion of GPOBA resources to contract the services of World Bank Group staff to assist in identifying, supervising and delivering GPOBA-funded activities, provided that no more than 30 percent of GPOBA resources shall be applied to those costs.

*Procurement*

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<sup>2</sup> Financial reports are prepared in US dollars and on a cash basis. Contributions are recorded when received, and disbursements are recognized when paid rather than when obligations are incurred.

4.10 The Program Manager will designate a task manager for each GPOBA-funded activity.

4.11 For Window 1 and Window 2 activities which are typically World Bank-executed, the hiring of consultants and other expenditures will generally be initiated by a World Bank task manager in consultation with the Program Manager. Procurement will be implemented in accordance with relevant World Bank Group guidelines.

4.12 For Window 1 and Window 2 activities not executed by the World Bank but by other international institutions, organizations and donors, procurement will be implemented in accordance with relevant transparent and internationally acceptable guidelines as determined on a case by case basis.

4.13 For commitment of funds for Window 3 activities, the World Bank as administrator of GPOBA will sign a Grant Agreement with the relevant agency/institution in the country where the project is located. GPOBA will negotiate the terms of the Grant Agreement with the relevant agency/institution after projects have received Funding Commitment in accordance with the process described in Annex 2. For projects related to World Bank activities, procurement, financial management, and other fiduciary safeguards will be implemented in accordance with relevant World Bank guidelines. For projects related to IFC, MIGA and other international institutions, organizations and donors, procurement, financial management, and other fiduciary safeguards will be implemented in accordance with relevant transparent and internationally acceptable guidelines as determined on a case by case basis.

#### *Dissemination Strategy*

4.14 A critical component of the work of GPOBA is to disseminate OBA best practice and to encourage replication of OBA approaches globally. GPOBA's dissemination strategy will be provided annually during the Program Council Meeting.

### **V. AMENDMENT**

5.1 Except as regards the Annexes hereto, these Operating Principles may be amended only with the written consent of all Donors. Each Annex hereto may be amended only with the written consent of all of the Donors contributing funds through the Window which is the subject of that Annex.

## **Annex 1: Project Review and Approval Process – Windows 1 and 2**

1. The process for evaluating and approving proposals for GPOBA assistance has been designed to ensure consistency with Indicative Annual Work Plans. The evaluation and approval processes aim to strike a balance between speed, cost, comprehensiveness of evaluation, transparency and other considerations. The nature and rigor of the evaluation and approval process generally increases with the size of the support requested from GPOBA.
2. Proposals to GPOBA for activities under Windows 1 and 2 may be evaluated and approved either:
  - a. during annual meetings of the Program Council when Indicative Annual Work Plans are approved; or,
  - b. as part of formal submissions to donors by the Program Management Unit between meetings of the Program Council in accordance with the current agreed Indicative Annual Work Plan, criteria and processes.
3. Proposals may be funded by either Core Funds or Non-Core Funds. The expenditure of Core Funds and Non-Core Funds will be consistent with Indicative Annual Work Plans submitted to the Program Council and funds for projects in the amount of \$75,000 and under may be used for any purpose that is authorized by the GPOBA Program Manager in accordance with the Operating Principles. Funding of over \$75,000 for projects to be funded by Core Funds or Non-Core Funds will be subject to approval on a ‘no-objection’ basis by the relevant donor funding the activities within 10 working days, with copy to the other donors who will not provide funds for said activity.

### **Applications**

4. Proposals for GPOBA assistance may originate from any source. Consistent with the approval criteria, however, proposals relating to country-specific activities will require evidence of commitment from the government towards the project.
5. Proposals for GPOBA assistance are initiated by the completion of an application form that seeks to capture all key information required to assess the proposal. Application forms – together with supporting information – will be available on the GPOBA website, as well as in paper form to be disseminated widely.

### **Initial Screening**

6. The Program Management Unit will undertake an initial screening of all proposals to ensure that the application is complete and is consistent with the threshold eligibility criteria in relation to eligible countries, sectors, forms of private involvement, and nature of intervention. If required, the Program Management Unit may consult with the proponent to obtain additional information.
7. Proposals that meet the threshold eligibility requirements will then be subject to more intensive scrutiny according to the approval criteria and the current agreed Indicative Annual

Work Plans.

### **Technical Assessment**

8. Activities to be funded by Core Funds or Non-Core Funds will be consistent with Indicative Annual Work Plans subject to Program Council approval. For proposals that are to be funded by the Core Fund or Non-Core Funds, the Program Management Unit may undertake the evaluation from its own resources but may request an independent technical assessment from one or more specialists with relevant expertise, including those on GPOBA donor staffs. The findings and recommendations of such assessors shall not be binding on the Program Management Unit, but shall in all cases be recorded in the activity file and will be available to GPOBA donors. To ensure a rapid response capability, applications for Core Funds and Non-Core Funds shall be considered on a rolling basis as requests arise, without the need for a relative assessment of proposals through the periodic batching of proposals.
9. If the Program Management Unit is of the opinion that the proposed activity is technically sound but raises significant social, political or other sensitivities not fully addressed in the approval criteria, the Program Management Unit shall refer the proposal to the Program Council for further guidance.

### **Donor Coordination**

10. Proposals that meet the threshold eligibility requirements and are consistent with other approval criteria will be researched to ensure they are not in conflict with the programs or activities of donors. The Program Management Unit shall make this assessment by undertaking a review against information reasonably available on donor programs and activities.
11. For activities over \$75,000 to be funded by the Core Fund and all activities to be funded by Non-Core Funds, individual donors may wish to consult further within their own organizations on related programs or activities that may be in conflict with GPOBA proposals. Donors may also have internal consultations undertaken by donor staff regarding the merit of the proposal. These consultations will usually be undertaken through electronic mail inviting nominated persons to register any concern within 10 working days.
12. If the above processes reveal any issue of donor coordination, the Program Management Unit shall endeavour to resolve such matters through appropriate consultation. Matters that cannot be resolved in this manner may be referred to the Program Council for further guidance.

### **Approval Notification to Donors**

13. For activities \$75,000 and under to be funded by Core Funds or Non-Core Funds, the Program Manager is authorized to approve the proposal without further reference to the donor funding the activities. However, the Program Manager shall inform such donor of its approval activity through quarterly reports **Approval Notification of Proponent**
14. Applicants will be notified immediately following the acceptance of their proposal and all

approved proposals will be posted on the GPOBA website. If a proposal is rejected, an explanation will be provided to the applicant.

15. Once an activity has been approved and GPOBA funds are allocated, the Program Management Unit shall typically designate a World Bank Task Manager for the activity on the basis of relevant expertise. The task manager will be responsible for ensuring that all appropriate procurement, supervision and reporting procedures are complied with. Task Managers of approved proposals will receive formal award letters outlining the terms and conditions of the award, as well as further assistance from the Program Management Unit required to initiate the project and initiate funding activities.

## **Annex 2: Project Review, Approval, and Implementation Process – Window 3**

1. The process for evaluating and approving proposals for Window 3 projects will also ensure consistency with the Indicative Annual Work Plans. The project review and approval process for Window 3 projects requires greater information and more due diligence to be performed by the GPOBA Management Unit than is the case for Windows 1 and 2. It also has to take into account the greater uncertainty associated with the development and implementation of the service delivery projects to be funded under Window 3, and the need for GPOBA to ensure that scarce funds are not committed to projects that do not materialize.
2. Consequently, the process for approving projects for Window 3 involves two stages :
  - a. *Eligibility*: an initial assessment to ensure that the project is eligible for funding under Window 3, against the list of criteria set out below. Proponents of projects declared eligible would be informed that, assuming that the project is developed to fruition and the final project design is consistent with the eligibility criteria, then GPOBA will fund the project assuming resources are available at that stage.
  - b. *Funding Commitment*: a review of the project to determine that it is ready for implementation, and that the final structure and characteristics of the project meet the eligibility requirements of GPOBA.
3. Window 3 projects may be funded by either Core Funds or Non-Core Funds. The expenditure of Core Funds and Non-Core Funds must be consistent with Indicative Annual Work Plans and funds for projects of \$75,000 and under may be used for any purpose that is authorized by the GPOBA Program Manager in accordance with the Operating Principles. Funding of over \$75,000 for projects to be funded by Core Funds or Non Core Funds will be subject to the specific approval mechanism as determined by the relevant Donor and the processes described in this paragraph 3 and in paragraph 8.

The donor approval mechanism for Core Funds and Non-Core Funds under Window 3 is set out below:

<b>Approval Mechanism</b>	<b>DFID</b>	<b>IFC</b>	<b>Dutch</b>	<b>MDTF</b>
Eligibility	Country office reviews Concept Note– no-objection 10 working days	IFC Regional Director reviews Concept Note – no objection 10 working days	GPOBA Program Manager approves	Donors providing funds to the MDTF review Concept Note – no-objection 10 working days
Commitment	GPOBA Program Manager approves	GPOBA Program Manager approves	GPOBA Program Manager approves	GPOBA Program Manager approves

Donors which are not providing funding for a window 3 project will be copied on the approval

requests from the Program Manager to the donors financing the project.

### Criteria for Evaluating and Selecting Window 3 Projects

4. Window 3 applications may be received from international organizations, bilateral donors, NGOs, public and private infrastructure providers, governments and the World Bank Group. Window 3 projects to be funded out of Non-Core Funds will be evaluated and selected in accordance with the table below, as well as the criteria set out in paragraph 5.

Eligibility Criteria	DFID	IFC	Dutch
Contribution restricted to World Bank Group projects	Yes. up to £8.65 million for WB projects <b>under DFID Challenge Fund</b>	No	No
Eligible Countries	For DFID Challenge Fund: 60% for countries in columns 1 and 2 of OECD- DAC List 1. New connections to the poor and preference for frontier markets; 40% for countries in column 3 and 4 of OECD – DAC List 1.  For DFID Phase 2 Fund, <i>W3 activities should be implemented in Low Income Countries<sup>3</sup>, with a preference for South Asia.</i>	Preference for frontier markets	Preference for Africa.
Eligible Sectors	Private and Public Sector Infrastructure  DFID Phase 2 Fund pilot projects in untested sectors (e.g. transport, solid waste, irrigation). Scale up projects in mature sectors (e.g. water, energy)	Private Sector Infrastructure; and Private Sector Health & Education	Private and Public Sector Water and Sanitation
Amounts	No cap	Up to US\$7 million (more on exceptional basis)	No cap

5. All Window 3 proposed projects will be assessed to determine whether they are eligible for funding by GPOBA based on the following additional criteria:
- Well-conceived structure of the project and its OBA component so as to be sustainable in the long term, with (i) the operating performance risk transferred under contract to the operator at a reasonable rate of return; (ii) the subsidy to be designed at a minimum level to assure viable and sustainable project economics; and (iii) the subsidy term (for transition subsidies) not to exceed 7 years.
  - Positive externalities as a result of the OBA scheme and/or the number of poor people

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<sup>3</sup> Low Income Countries are those in columns 1 and 2 of OECD-DAC List 1.

(hitherto unserved or badly served) expected to receive services.

- Learning and demonstration benefits expected from the proposed project – i.e. new experiences given either the OBA structure or mechanism, the sector or sub-sector, service delivery mechanisms, region or institutional capacities involved.
  - Expectation of positive benefits in terms of one or more of the following aid effectiveness parameters:
    - a) Reduction in the subsidy required for connecting new consumers;
    - b) Reduction in the subsidy required for operation of a utility or provision of service, e.g. subsidy per kWh or cubic meter or per km of road, implying efficiencies through lower operating costs;
    - c) Improvement in service quality - e.g. quality of road surface, hours of water supply, number of electricity outages, technological improvements; improvement in environmental, social and health indicators;
    - d) Improvement in the targeting of the poor by donor funding provided, e.g. ratio of donor funding going to subsidize connections received by the poor; and
    - e) Mobilization of private resources for investment in these projects.
6. In order to assess eligibility under the above criteria, GPOBA will require applicants to provide the following information in a Concept Note in the form as developed by GPOBA:
- Background on the project (country, sector, region, locality or community within country).
  - Envisaged project structure and viability (sponsors, financing, basic project agreements, evaluation and risk assessment).
  - Preliminary scheme design: nature of OBA approach to be adopted, service providers to be used, overall cost of project, extent of OBA payments required and Window 3 funding required from GPOBA.
  - Criteria to justify support from GPOBA: income/poverty levels in regions and of consumers to benefit from scheme; expected volumes of private investment; innovation and potential for replication; expected benefits from scheme (increased connections, reduced subsidy requirements, improvements in reliability etc.); and consistency with the current Indicative Annual Work Plan as approved by the Program Council.
  - Commitment from host government and donors: initial assessment of (i) commitment from host government to OBA scheme, including sector reform required for implementation, and to use of GPOBA funding; and (ii) commitment from IFIs/donors to assist in the implementation of the project and follow-on funding for scaling-up.

- Implementation schedule: timeline of activities, including schedule of OBA payments to be required from GPOBA; resources required for project preparation, including from Window 1 of GPOBA; present stage of implementation; program of work to ensure that for (i) World Bank projects World Bank procurement, financial management and other fiduciary safeguards are to be respected; and (ii) projects related to IFC, MIGA and other international institutions, organizations and donors procurement, financial management, and other fiduciary safeguards will be respected in accordance with relevant transparent and internationally acceptable guidelines to be determined on a case by case basis; and identification of the team managing and supervising project development.
7. When a project is ready for implementation, GPOBA will require the proponents to return to GPOBA a full information package in the form of a Project Appraisal Document in the form developed by GPOBA that will enable GPOBA to recommend commitment of funding in connection with the project including:
- Full information on scheme design: nature of services to be subsidized, targeting of subsidies, mechanisms for monitoring and verification of outputs, and overall investment levels.
  - Criteria to justify support from GPOBA: income/poverty levels in regions and of consumers to benefit from the project; expected volumes of private investment; innovation and potential for replication; expected benefits from the project (increased connections, reduced subsidy requirements, improvements in reliability etc.).
  - Commitment from the government to OBA scheme, evidence of commitment from IFIs/donors to assist in the implementation of the project and follow-on funding for scaling-up.
  - Implementation readiness: key milestones for project implementation, schedule of OBA payments to be required from GPOBA; present stage of implementation; evidence that procedures to ensure that for (i) World Bank projects World Bank procurement, financial management and other fiduciary safeguards are in place; and (ii) projects related to IFC, MIGA and other international institutions, organizations and donors procurement, financial management, and other fiduciary safeguards will be respected in accordance with relevant transparent and internationally acceptable guidelines to be determined on a case by case basis; and identification of team managing and supervising project development. All projects will be required to present initial base-line data in relation to the applicable parameters, to enable the impact of the project to be tracked accurately.
8. Project proposals for eligibility and commitment will be accepted on a first-come-first-served basis by GPOBA. All projects will be assessed in accordance with the relevant criteria set out in paragraphs 4 and 5. In order to provide an independent source of expertise and to ensure impartiality for awards, a Panel of Experts, made up of up to three recognized practitioners in the field of the provision of infrastructure services or, as the case may be, health or education, services in developing countries will be tasked with reviewing all projects based upon the criteria set out in paragraph 5. GPOBA will adopt the following process:

a. Eligibility Phase

- When applications are submitted by applicants, the Program Management Unit will assess projects in accordance with the criteria set out in paragraphs 4 and 5.
- The Program Management Unit may, if necessary, seek additional information from applicants to determine whether or not a project is eligible for funding.
- For those projects deemed eligible, the Program Manager will send a Concept Note for each project to the Panel of Experts with its recommendation to endorse the projects as eligible.
- The Panel of Experts will meet to consider the projects and endorse eligibility or otherwise; the Panel will be required to operate within a time-bound process.
- Projects endorsed by the Panel of Experts will then be subject to the relevant approval mechanism set out in paragraph 3.
- The Program Management Unit will advise applicants whether or not their projects have been approved as eligible; the Program Management Unit will require the applicants to keep GPOBA informed on a regular basis including any significant changes to the project or scheme (such as changes in overall investment, subsidy level or target of subsidy) that would have a material impact on eligibility and the ability of GPOBA to fund the scheme, and keep the proponents advised of any likely funding constraints.

b. Funding Commitment Phase

- At the time of Funding Commitment, the Program Management Unit, if it is satisfied the relevant projects are still eligible for funding, will submit a full updated information package on the projects to the Panel of Experts, as indicated in paragraph 7, together with its recommendation for approval for funding commitment.
- The Panel of Experts will meet to consider the projects and endorse the recommendation of the Program Management Unit or otherwise; the Panel will be required to operate within a time-bound process.
- Projects endorsed by the Panel of Experts will then be subject to the relevant approval mechanism set out in paragraph 3.
- The Program Management Unit will advise applicants whether or not their projects have received final clearance for funding.
- For projects endorsed by the Panel of Experts and through the approval mechanism set out in paragraph 3, grant agreements will be drafted and negotiated with the relevant agency/institution in the country where the project is located. The Program Manager will ensure that any conditions precedent raised by the Panel of Experts

during their review have been incorporated, prior to the authorized representative of the World Bank signing the grant agreement with the recipient.

9. To ensure a full flow of information to project proponents and donors, GPOBA will maintain on its website up-to-date information on the projects that have been determined to be eligible for GPOBA funding, including for each project the amount of funding, the expected timeline to reach the stage of funding commitment and the date of approval of funding commitment, subject to any relevant confidentiality requirements.
10. The Program Management Unit will make known to donors and governments the possibility of funding under Window 3, through electronic media as well as presentations and workshops, to ensure a wide spectrum of applications for funding. This will be repeated on a regular basis until in the view of the Program Council GPOBA funds will be exhausted by the projects committed and those deemed eligible.

### **Technical Assessment**

11. The Program Management Unit may request an independent technical assessment from one or more specialists with relevant expertise, including those on GPOBA donor staffs, when assessing whether to declare projects eligible or to commit and approve funding at the implementation stage. The findings and recommendations of such assessors shall not be binding on the Program Management Unit, but shall in all cases be recorded in the activity file and will be available to GPOBA donors.
12. In all cases, if the Program Management Unit is of the opinion that the proposed activity is technically sound but raises significant social, political or other sensitivities not fully addressed in the approval criteria, the Program Management Unit shall refer the proposal to the Program Council for further guidance.

### **Approval Notification of Proponent**

13. Applicants will be notified immediately following the acceptance of their proposal and all approved proposals will be posted on the GPOBA website, subject to any relevant confidentiality requirements. If a proposal is rejected, an explanation will be provided to the relevant applicant.
14. Once an activity has been approved, the Program Management Unit shall designate a Task Manager for the activity on the basis of relevant expertise. The Task Manager will be responsible for ensuring that all appropriate procurement, supervision and reporting procedures are complied with and that other fiduciary responsibilities, such as audits of the use of grant proceeds, are undertaken. Task Managers of approved proposals will receive formal award letters outlining the terms and conditions of the award, as well as further assistance from the Program Management Unit required to initiate the project and initiate funding activities. The Task Manager may be from the Program Management Unit.

### **Supervision**

15. GPOBA will specify the reporting requirements for each project to ensure relevant data on

implementation and on impact and results from the project are available to GPOBA. GPOBA will assist where necessary Task Managers and implementing agencies in efforts to scale up the pilot projects and to secure additional IFI or donor funding or assistance where necessary.

16. At the termination of the Grant Agreement, GPOBA will require the Task Manager to prepare an Implementation Completion Report (ICR) in line with standard World Bank procedures. GPOBA will also require the Task Manager to ensure and demonstrate that standard project closing processes have been undertaken, including the return to GPOBA of grant funds advanced that have not been spent.