



Output-Based Aid (OBA) and Renewable Energy

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Output Based Aid - Core principles

OBA is a strategy for supporting the **delivery** of basic services – such as electricity – where policy concerns would justify **public funding** to complement or replace user fees. Subsidies are:

- **Explicit**
 - Greater transparency of use of funds
 - Greater probability that intended beneficiaries are reached through, for example, targeting. Most common form of OBA = subsidizing connections for the poor.
- **Performance-based**
 - Performance risk transferred to those best able to manage those risks: service providers
 - Providers paid largely *after* the delivery of specified outputs (e.g. electricity connections)
- **Mobilizing private capital** and management and allows for **competition** in the procurement of services and encourages efficiency and innovation.



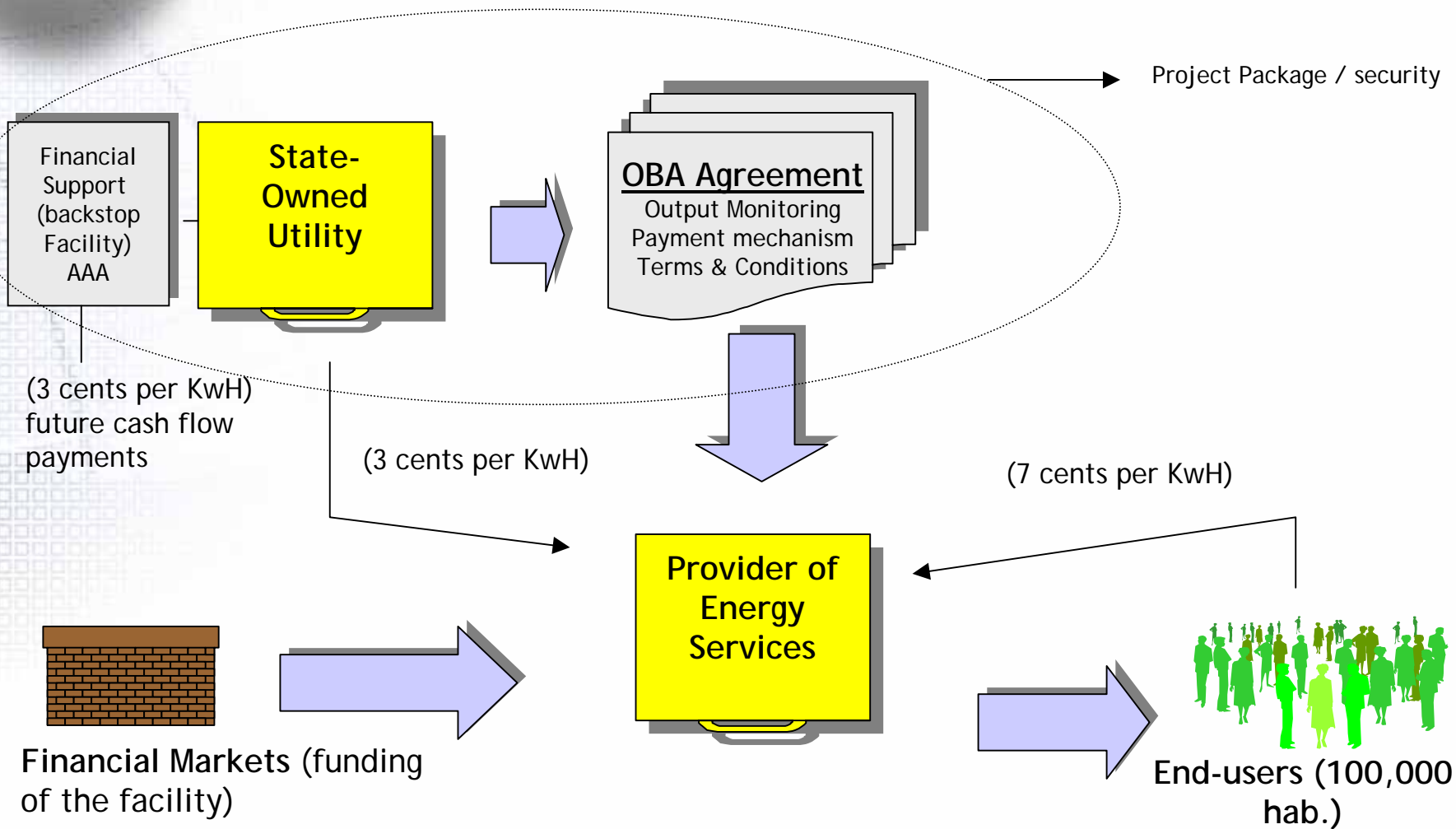
Example of OBA approach – Philippines

Rural Energy

- 3 **remote and off-grid** islands in the Philippines
- Government is offering OBA subsidies to new private provider of **wind-diesel energy** selected on competitive basis
- Bidding variable is lowest generation price given a certain level of subsidy
- Under OBA scheme, payment is paid upon consumption –**transitional tariff** for 15 years
- If the provider is not able to perform, then the subsidy will not be paid
- Geographical targeting – expect 100,000 to benefit over 5-10 year period
- **Private sector leveraging** – US\$28 million new investment, with subsidy of US\$3.2 million p.a. (compare to US\$8.2 million p.a. prior to scheme)
- Design for OBA scheme funded by the Global Partnership on Output-Based Aid (**GPOBA**), a multi-donor trust fund managed by the World Bank



OBA's : Leveraging with Private Participation





Thank you.

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