

 Education

 Electricity

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Contracting for public services

Output-based aid and its applications

Edited by **Penelope J. Brook** and **Suzanne M. Smith**



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Foreword

Access to good, reliable public services is critical for the poor in developing countries if they are to rise out of poverty. Safe water and sanitation, modern energy and communications, good-quality basic education and health services—all contribute directly to individual well-being, and all improve economic opportunities for low-income households.

This is not news. In recent decades developing country governments and bilateral and multilateral donors have focused massive efforts on improving infrastructure and social services. But these efforts have all too often ended in frustration—with investments in capital works failing to produce sustained flows of reliable services, and with subsidized service provision failing to translate into improved access for the poorest.

The primary challenge now is to ensure that aid- and tax-funded spending reaches the poor, that the services this money finances respond to their needs and preferences, that these services are delivered efficiently, and that public funds are used in a way that leverages private financing of service delivery.

For developing countries the stakes are high. Better delivery of services is critical to the well-being and economic potential of their citizens—and to economic growth more generally. Better use of the funds spent on public services is critical to fiscal viability. Governments seeking to recover from indebtedness, and to avoid it in the future, need to ensure that projects increase productivity and are financially sustainable. Better delivery of public services is also critical to improving governance. Governments that can run efficient, transparently financed programs for delivering public services reinforce their credibility with their own citizens and with the international community—both private companies that might invest in

service expansion and donors wearied by skepticism about the effectiveness of aid.

The cases gathered in this book tell of efforts to improve the delivery of services by contracting out their provision and linking the payment of subsidies to the delivery of services to targeted groups—illustrating aspects of an approach that we call “output-based aid.” The cases highlight varied attempts to sharpen the focus on the objectives of aid and public spending, to improve incentives for efficiency and innovation, to expand opportunities for mobilizing private financing to meet social objectives, and to enhance accountability in the use of public resources. It is our hope that these cases, and the checklist on designing output-based aid schemes, will help advance the debate on how to improve service delivery to the poor in developing countries and afford practical insights for all those committed to this goal.

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