

Paying for Sanitation Success

Phase 2 - 2025-2027



In partnership
with



Overview

The purpose of this document is to outline the key terms and design features of the outcomes-based finance contract for the second phase of "Paying for Sanitation Success" (PSS), part of the IDB's Outcomes for Change Fund (OCF).

The OCF is a outcomes-based finance mechanism launched by the IDB Lab in Haiti and is the first large-scale Outcomes Fund implemented in a fragile country context and small island developing state. It aims to change the narrative on results and aid effectiveness in Haiti. The OCF offers a catalytic platform for pooling funding, learnings, efficiencies, and impact through a facility dedicated to issuing outcomes-based funding contracts in priority issue areas in Haiti.



Recurring natural disasters have focused aid flows toward-saving lives in the immediate term while neglecting Haitians' long-term, everyday sanitation needs. As a result, Haiti lacks a centralized sewer system, eighteen percent of the population continues to practice open defecation and less than one percent of waste is safely managed.¹ With insufficient funds for traditional sanitation infrastructure, low cost and low infrastructure transitional sanitation solutions are needed to rapidly and cost effectively scale access to improved sanitation.

In the first PSS contract, IDB Lab and the Vitol Foundation provided outcome payments to Sustainable Organic Integrated Livelihoods (SOIL), a local social enterprise, to increase access to safely managed sanitation services, spur behavior change, and reduce open defecation in northern Haiti. Over the course of the first contract, SOIL installed nearly 1,550 clients, with a six-month retention rate of over 95%, and surpassed its installation target by over 70%. SOIL also increased access to improved sanitation in target neighborhoods by over 15% and increased its service footprint by over 40%, the largest single-year increase in the organization's history. These results show the potential of outcome-based payments to efficiently increase sanitation coverage, as well as SOIL's

¹ WHO/UNICEF JMP for WASH (2023).

ability to enable behavior change and increase households' willingness to pay for sanitation.



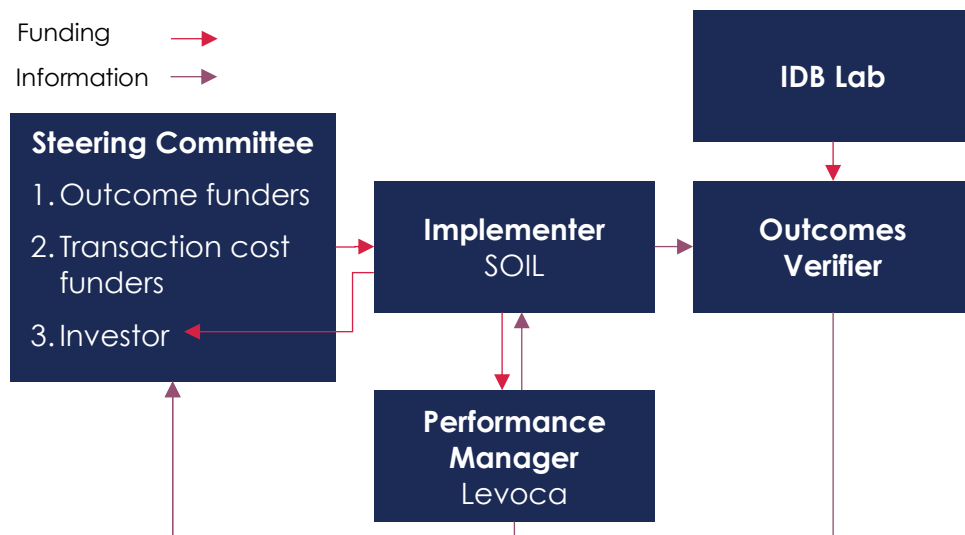
This second contract will begin to scale SOIL's services while reducing costs and increasing earned income to eventually deliver a net cost per user that the regional sanitation authority, OREPA Nord, can afford to sustain through ongoing payments.

While SOIL anticipates that it will need five years to reach its current installed capacity, 8,000 clients, this project only covers the first

two years of scaling. To enable its initial scaling over this period, SOIL is assembling a consortium of public and private funders, who sign parallel contracts with SOIL with terms aligned by a shared Technical Annex.

Critically, this contract features groundbreaking budgetary support from IDB WSA, enabling the Haitian Sanitation Authority, DINEPA, to contract SOIL and cover 30% of the program's cost. The first outcomes-based WASH contract funded by any LMIC government, this contract will also benefit from IDB WSA's broader technical assistance to DINEPA and OREPA Nord, including a special unit that IDB WSA and OREPA Nord set up to facilitate contracts with the private sector. Given OREPA Nord and DINEPA's long-term interest in working with SOIL as a private concessionaire of public sanitation services, over the project's two years, the parties will also explore opportunities for a longer term contracting relationship between SOIL and OREPA Nord, including concrete targets for the final net cost per client that SOIL must achieve when it reaches 8,000 clients.

Funding and reporting flows



Key terms and characteristics

Duration	April 2025-March 2027 (two years)
Impact and location	4,700+ households, Cap-Haïtien metropolitan area
Verification method	Remote performance audit of SOIL's administrative data
Total project cost	\$3,059,752
<i>Expected earned income</i>	\$255,696
<i>Net service delivery cost</i>	\$2,345,869
<i>Performance bonus</i>	\$234,587
<i>Transaction costs</i>	\$123,600 + verification cost
Funds raised to date	\$2,469,469
<i>Remaining to be raised</i>	\$234,587 (bonus)

Payment outcome targets and prices

Base Outcomes (Cover net service delivery cost)	
1. New clients installed	
Target	2,940 clients
Price	\$160/installation
2. Clients active at the end of the month	
Target	89,000 total client-months (3,708 clients per month avg.)
Price	\$21/client per month

Premium Outcomes (Cover performance bonus)	
3. Clients active at the end of two years	
Target	4,700 clients
Price	\$40 per client
4. Total earned income in Year 2	
Target	\$135,000 in earned income
Price	35% (\$0.35 per dollar earned)

Participants

Organization	Role
DINEPA	Outcome funder (distributed via OREPA Nord)
Grand Challenges Canada (GCC)	Outcome funder
Waterloo Foundation	Outcome funder
Vitol Foundation	Outcome funder
IDB Group	IDB WSA provides outcomes funding to DINEPA
IDB Lab	Pays verification costs, manages the OCF facility
Osprey Foundation	Pays setup and design costs
Pilot House Philanthropy	Pays for performance management costs
Dunn Family Foundation	Private investment for bridge financing
SOIL	Implementer
Centre Haïtien du Leadership et de l'Excellence (CLE)	Verifier
Levoca	Performance manager
Additional funders	Perf. bonus funders (234,587 to be raised)

Governance

Verification reports and major changes are approved by the **Steering Committee**:

- **Voting members:** Outcome funders, SOIL and (*optionally*) an investor
- **Observer members:** Transaction cost payers, performance manager, IDB Lab

Additional outcome funders who join Phase 2 after launch will automatically join the Steering Committee as voting members. All voting members have equal voting rights.

Finally, DINEPA may establish an advisory committee to review results and opportunities to deepen the government's capacity, and to advise DINEPA on decision making.

Payment mechanism

Payments are made once per quarter, once the verification report is accepted:

- **DINEPA** pays first, for a fixed amount of clients retained each month (Outcome 2).
- **All other funders** pay next, for the remaining base outcomes achieved (1 and 2).
- **Premium outcomes** are paid at the end of two years.

SOIL and the investor will provide up to \$500,000 in prefinancing to cover project costs until outcome payments are made.

Learn more and join the journey

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