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Results based aid and results based financing: What are they? Have they delivered results?

Mark Pearson

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The lack of a results focus is seen by many as a major reason why past aid efforts have yielded disappointing results. Donors are currently looking for ways to scale up support while, at the same time, demonstrating the results their aid is achieving. There is interest in the role results based funding might play. This paper describes the various types of results based funding, how they are supposed to work and discusses some of the lessons learned. It is based on a review of mechanisms managed by global health initiatives, donor countries, recipient countries and non state actors, including some approaches underway in OECD countries.

The paper concludes that, given the limited experience, lack of robust evaluations and risks of the distorting effects and incentives of results based funding mechanisms, there is a need for a positive but cautious approach. Results based approaches are new and as yet largely unproven; they are promising but need to be closely monitored in relation to their effects on health systems as a whole.

HLSP Institute Sea Containers House | 20 Upper Ground | London SE1 9LZ | United Kingdom
T +44 (0)20 7803 4545 | E institute@hlsp.org | W www.hlsp.org/institute

1. Introduction

Accelerating progress towards the MDGs will require, among other things, *better* aid as well as just *more* aid. The lack of a results focus is seen by many as a major reason why past aid efforts have yielded disappointing results. This is why 'managing for results' has been embedded as a key component of the Paris Declaration on Aid Effectiveness.

Donors are currently looking for ways to scale up support while, at the same time, demonstrating the results they are achieving. There is considerable interest in the role results based funding might play in this. In the UK, the new Secretary of State for International Development has clearly set out the need for a greater results focus (where appropriate) backed by rigorous evaluation as a key pillar of the UK's approach (Box 1).

Results based funding means different things to different people. There is no commonly agreed definition and different agencies use different terms (e.g. results based aid, payment by results, performance based aid, output based aid) to describe what are similar, and sometimes identical, concepts. DFID, for example, makes a clear distinction between results based aid (RBA) and results based financing (RBF). This distinction is used in Table 1 and explained in section 2 and in an annex. This paper uses the term results based funding in a generic sense to cover both RBA and RBF.

The purpose of this paper is to map out what results based funding is, set out how it is supposed to work and discuss some of the lessons from experience to date. It is based on a review of mechanisms managed by global health initiatives, donor countries, recipient countries and non state actors. It looks at mechanisms in both developed and developing countries, and at both supply and demand side measures at macro and micro levels. These are described in brief in Table 1.

Box 1. The need for a results focus *and* evaluation

"Independent evaluation of British aid is absolutely crucial. There is something a bit too cosy and self-serving about internal evaluation. Reviews that focus on process and procedure miss the real issue: what did the money achieve? What change resulted from it? How were lives made better?"

(Andrew Mitchell, Secretary of State, DFID. Speech to Oxfam and Policy Exchange at the Royal Society, London, 3 June 2010)

Table 1. Examples of results based funding schemes

Scheme	Category	Short description
Global Fund (GFATM)	RBA/RBF hybrid	Funding for years 3 to 5 dependent on overall performance achieved during first two years of grant implementation.
GAVI Alliance – Immunisation Services Support (GAVI ISS[1])	RBA	Initial investment based on (self reported) number of children expected to be vaccinated in year 1. Subsequent reward payments of $20 per child vaccinated above this baseline.
UK Quality and Outcomes Framework (QOF)	RBF	Payment made against performance by general practitioners in the UK against over a hundred quality based indicators.
UK Payment by Results (PbR)	RBF	Fixed payment (based on national average unit costs) paid to hospitals in the UK for delivering a specific health output (e.g. hernia operation).
US P4P (Pay for Performance)	RBF	Payment made to providers with level based on performance against a range of quality based output indicators.

[1] The review focused on GAVI ISS. The GAVI HSS window is more recent and evidence is just beginning to emerge.

Vouchers	RBF	Reimbursement made to accredited providers on the basis of services delivered to voucher recipients.
Conditional Cash Transfers	RBF	Payment made to targeted beneficiary in return for using specified services. Heavily focused in middle income countries using domestic funds.
Health Results Innovation Trust Fund (HRITF) *	RBA/RBF hybrid	Vehicle for supporting results based financing approaches. HRITF also focuses on raising resources and knowledge generation.
Global Programme for Output Based Aid (GPOBA) *	RBA/RBF hybrid	Multi-donor partnership and trust fund established to: i) fund and facilitate the preparation of OBA projects in which payment is made to an implementing agent (usually private sector but potentially NGOs, and usually in the utilities sector) for each unit of output supplied; and ii) document and disseminate lessons learned.
Poverty Reduction Budget Support (PRBS)	RBA	Payment made to government in return for commitment to good governance and satisfactory progress in poverty reduction. Variable or performance related tranche payments are a form of results based aid.
European Commission MDG Contracts	RBA	Payment made to government in return for commitment to good governance and satisfactory progress in poverty reduction. Variable tranche is a form of RBA. Schemes have been established but are new.
Cash On Delivery Aid (CODA)	RBA	A concept for making payments to government in return for achievement of specific results (e.g. increase in primary school enrolment). Yet to be established.
Millennium Challenge Account (MCA)	RBA	Payment made to government in return for demonstrable commitment to democracy, good governance, 'economic freedom' and pro-poor public services.

* Some of the mechanisms (marked *) are actually vehicles for RBA or RBF schemes and could incorporate a range of mechanisms (e.g. HRITF).

2. What is results based funding?

All aid is supposed to deliver results – otherwise why would we do it? Results based funding is just one way of trying to link funding more closely to results. Its defining feature is that it involves the establishment of an ex ante method of paying for results (you decide beforehand exactly what you will pay for and only release payment if these results are achieved; failure to deliver results has an *immediate* effect on funding – often irrespective of the reasons for the failure to achieve results). This is not too dissimilar from old style donor conditionality in which a donor sets out what it wants to be delivered and what it is willing to pay for it.

Recent approaches, emphasised in the Paris principles on aid effectiveness, have stressed the importance of country ownership and the development of jointly agreed strategies, expected results and goals. Here, the link between results and payments is less direct. Donors are more interested in rewarding *commitment* to achieve results than the actual *delivery* of results. This allows them to continue to provide support when factors outside the control of the recipient means results are not achieved. In addition, in the interests of promoting predictability, the correct response to a failure to deliver results through lack of commitment would be to reduce support in *future* periods, not the *current* period. So, it is not correct to say that traditional aid does not try and deliver results – it just does so in a different way.

All the results based funding mechanisms reviewed for this paper involved the establishment of a mechanism through which a funder (the principal) is willing to make payments to an agent who assumes responsibility for achieving pre-defined results. The key challenge is to ensure that the incentives of the principal and agent are aligned in ways which ensure the desired results are

delivered. The presence of incomplete information or information asymmetry (for instance the fact that only the agent knows how challenging any results are and how hard they would have to work to achieve them) makes both establishing a sound principle-agent relationship, and setting appropriate incentives, extremely difficult.

A distinction is often made between results based *financing* (RBF) and results based *aid* (RBA), though there is often disagreement on what it is. The World Bank, for example, suggests that results based aid involves a donor as the principal and a national government as the agent, while results based financing involves a national or sub-national government body (e.g. a Ministry of Health, a district health authority) as the principal and a range of possible agents (individuals, NGOs, sub national government).

DFID uses a rather different approach in which RBA and RBF are distinguished according to their funding sources and the contracting arrangements used. Approaches involving donor funding – and where the contract is between a donor and national government – would be classified as **results based aid**. Approaches using domestic funds and where the contract is between government or sub national entity (whether government or NGO) and the implementing partner (which could be a sub national level of government, an NGO or even an individual) would be classified as **results based financing**. A more detailed definition of these terms is annexed (page 11).

However, there are also examples of RBA/RBF 'hybrids' in which aid funds were used to contract directly with NGOs or the private sector. In some cases the donor might be acting on behalf of government – in effect acting as its agent. This might be done because it may simply be more convenient for the donor to contract the implementing partner directly than having an RBA contract with government and an RBF contract between government and the implementing party.[2] In other cases the donor could conceivably be operating against government wishes by going direct to the implementing partner. For the purposes of this paper we talk of results based funding as covering both RBA and RBF.

3. Results based funding can take many forms

Results based funding takes a variety of forms – there is no single approach. At a *fundamental* level the various mechanisms reviewed differ in terms of: a) who provides the funds; b) who delivers the results; and c) how performance is measured and monitored.

Who funds?
The principal could be a donor, as is the case for budget support, or it could be an NGO for a voucher scheme, for example (Fig. 1).

Who delivers the results?
The agent might be government, as is the case for budget support, or it might be a member of the public for a conditional cash transfer.

How is performance measured and monitored?
A range of levers may be used to influence performance (Fig. 2). Most of the mechanisms reviewed employed some form of agreement, ranging from more formal, legally binding contracts to looser, non-binding memoranda of understanding or other partnership arrangements. All included some form of financial payment. Some employed the use of targets, others did not. Only one published performance data. Some methods (such as vouchers) employed competition and choice. None used other methods such as legislation, taxation, performance management of staff or education and training. This is not to suggest that such approaches are unimportant, but highlights the fact that results based funding may need to be complemented by other measures.

[2] The latter (involving contracts between donor and government and government and implementing partner) would be more consistent with the Paris principles as it uses, rather than bypasses, national systems. It could be argued, therefore, that the only hybrids that should exist are where the donor contracts directly with the implementing partner because there is a strong case for bypassing national systems.

Figure 1. Funders and recipients by mechanism

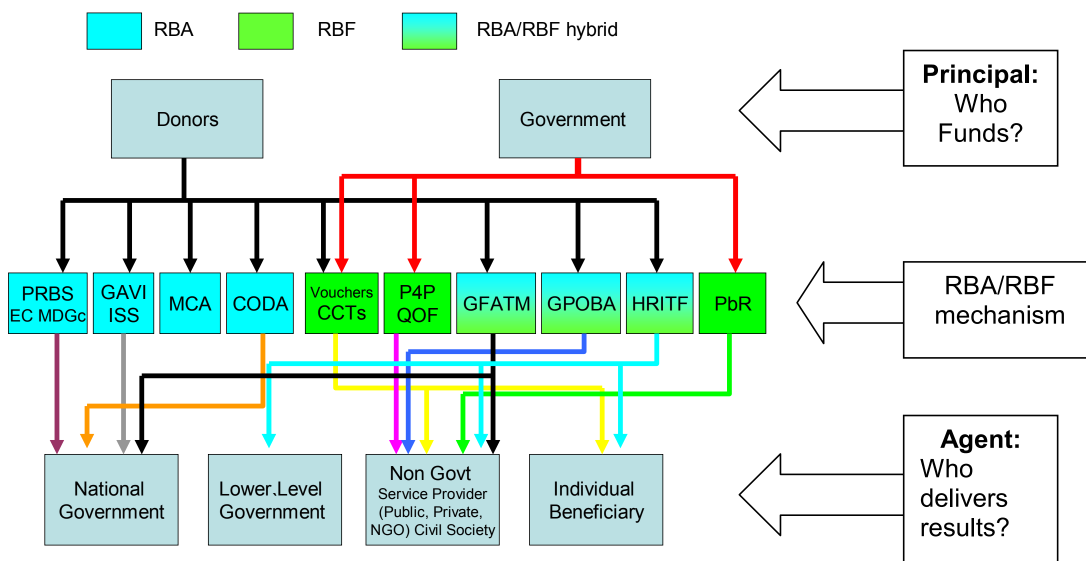
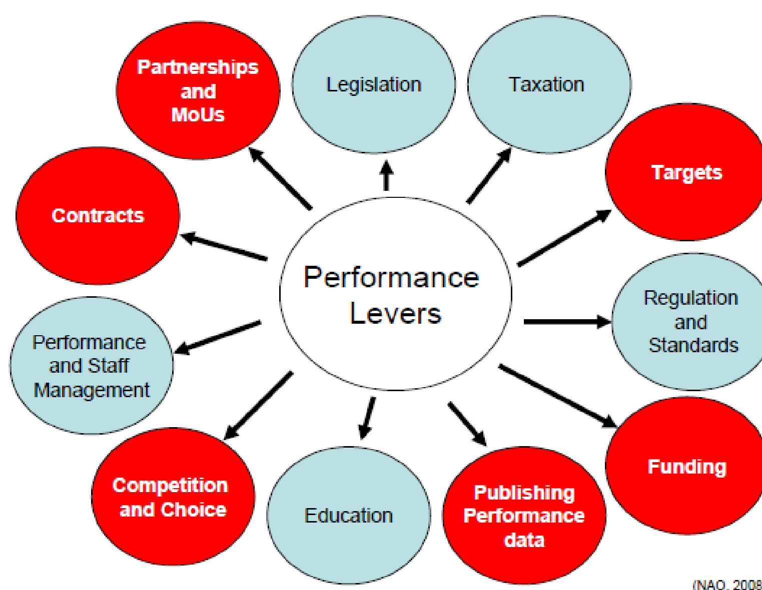
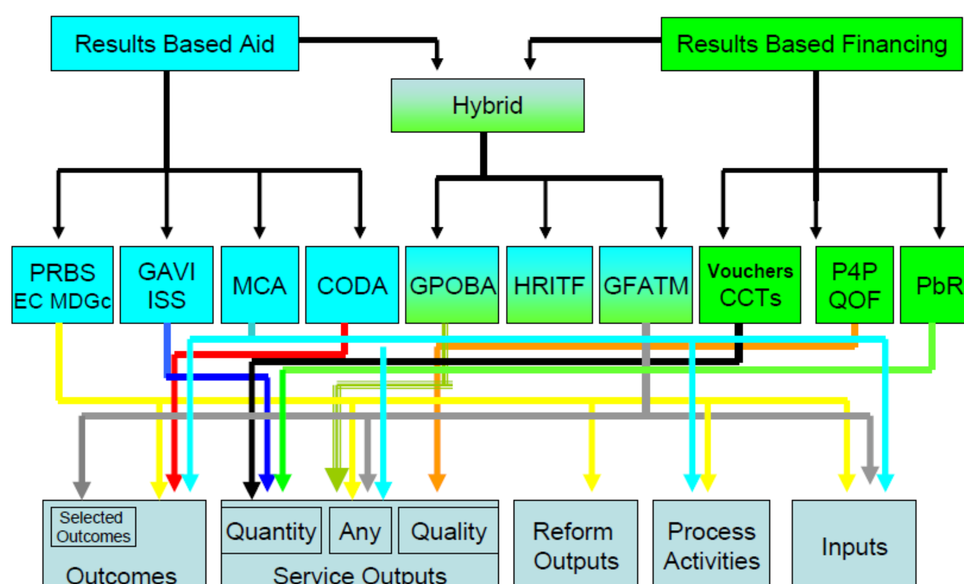


Figure 2. Possible performance levers



What is being measured and which results are targeted?
In some cases the approaches targeted health **outcomes** such as infant mortality rates. In other cases they focused on the **volume of outputs**. Under the GAVI ISS approach, for example, countries are given $20 for every child immunised above an agreed baseline. In the developed world where concerns often relate to over-provision rather than under-provision of services, the emphasis is often on the **quality** of service outputs. In some cases the focus may be on **system reforms** which, although difficult to quantify, often play a key role in addressing performance bottlenecks. Finally, results could be defined in terms of **inputs** (e.g. a minimum share of the budget to health, as is often the case in budget support mechanisms). Many mechanisms use a combination of results at different levels (Fig.3).

Figure 3. What do the schemes mean by results?



4. Design and implementation features

In addition to the differences related to which results are being rewarded, there are a number of specific design features with potentially important implications for agents' incentives, and subsequent performance. The following examples illustrate these features.

- **The degree of earmarking**. Budget support – a form of RBA – could, in principle, use any type of results. Other forms of RBA such as GAVI and the Global Fund by contrast, focus on results related to immunisation and malaria, TB and HIV/AIDS respectively. The tighter the earmarking the more likely the approach is to distort national priorities and undermine national systems (although this is not inevitable).
- **The extent to which funds are channelled through national systems**. Budget support always channels funds through national systems (although additional measures are sometimes needed). This is usually the case for GAVI Immunisation Support Services (ISS) and Health System Strengthening (HSS) funding but extremely rare in the case of the Global Fund.
- **The method of setting results and type of results used**. For some approaches, such as budget support, the results framework is set on a country by country basis through a process of dialogue between the principal and the agent. In the case of GAVI ISS there are no specific targets – payment depends purely on the additional number of children vaccinated – and there is a single globally determined reward. Countries have no say in the matter.
- **The relationship between the level of performance and payment**. In some cases the reward is all or nothing. If the required result is not achieved no payment will be made (even if significant time and effort has been put in by the agent). In such cases agents might think twice before even trying to deliver the required results. In other cases the reward reflects the degree of performance and is often proportionate to the required targets.
- **The level at which the reward is set**. The reward needs to be set by the principal at a level adequate to achieve programme objectives. Set too high it will bring windfall gains to the agent – set too low they will not bother to try and deliver the required results. Given that different agents provide services at different costs (in part perhaps due to greater costs e.g. because an agent may operate in a remote area, but also possibly because some agents are more efficient that others) this poses challenges. Should there be a single reward or different rewards for different agents? If there is a single reward should it be set at the level of the most expensive provider or lower? The reward might be set at average cost (thus providing a strong incentive for more inefficient agents to up their game). This is the case for Payment by Results in the UK which forces hospitals providing services at above average unit cost to reduce costs or operate at a loss. Alternatively the reward might actually be set below costs with the principal relying on other incentives to deliver the results. It should not be assumed it will be sufficient to reimburse the agents for the costs they incur.

Agents face a range of incentives of which financial incentives are only one. In the case of GAVI ISS, for example, although the value of the reward is below the cost of achieving the reward (and significantly so in countries with high immunisation coverage), progress has still been substantial.
- **The process for deciding whether rewards should be released**. In some cases this is done automatically once data is verified (e.g. GAVI ISS). In others the approach is more bureaucratic and the decision needs to be referred to a Board (e.g. the Global Fund). In general, more bureaucratic arrangements tend to reflect more complex monitoring arrangements and are likely to weaken performance incentives. The difficulties of measuring progress against the indicators which trigger reward payments have been highlighted by successive Annual Performance Reviews in the Bangladesh Sector Wide Approach, for example.
- **Timing of the payments**. With conditional cash transfers the agent is given funds up front. In most cases rewards are made after the results are delivered and have been verified.
- **Conditions placed on how rewards can be spent**. These may vary from full freedom to considerable restriction on how funds can be spent. Under budget support, where the agent is central government, funds are fully flexible. Where the agent is the Ministry of Health (e.g. for GAVI) although there are no specific conditions it is highly likely that funds will be spent within the sector. In the case of the Global Fund there is no flexibility since performance rewards must be spent as set out in the programme proposal, although there may be some scope for modifying this through dialogue at certain points of the project cycle.
- **The extent to which agents are given support to build capacity to enable them to secure rewards**. In the case of GAVI ISS countries are given up front funding to help build the capacity needed for them to perform. For budget support the approach is specifically focused on long term capacity building through the use, and development of, national systems. In other cases programmes are purely results based (e.g. cash on delivery aid) with no broader support provided.
- **The role of rewards as a share of the agent's overall income**. If the agent is solely reliant on reward payments for his/her income this provides extremely powerful incentives to perform. The risks of non performing can be devastating. For some approaches rewards only account for a modest share of income. Here the incentive remains but is less strong.
- **Rules on eligibility**. For some approaches the reward is an entitlement. Under GAVI HSS, for example, countries are entitled to an amount linked to their per capita income and number of new born children; under ISS they are entitled to $20 per additional child vaccinated. They will receive these amounts if they deliver the required results. Approaches such as the Global Fund provide no entitlement – countries must compete with other potential recipients.

Given the wide range of approaches and individual design features it is not possible to simply ask whether results based approaches work. Rather, individual approaches need to be reviewed on a case by case basis. Similarly the fact that different approaches are used in relation to specific design features does not mean one is right and one is wrong. It will depend on what you are trying to achieve, the context in which an approach is employed and how it operates in conjunction with all of the other design components.

5. How would we assess whether results based funding approaches work?

On the face of it, if an agent is paid X to do A, and the agent delivers A, it might be reasonable to assume the approach 'has worked'. But is this really the case? What we really want to know is whether the benefits of paying X exceed the costs. In that case we would be interested, in the first instance, in assessing whether A is *worth* more than X. However, X does not represent all of the costs associated with delivering A – a thorough analysis requires rather more. For example, there are transaction costs involved in adopting results based approaches. After all the principal will want to be sure that the results are really being delivered. Such costs can often be quite substantial (Box 2).

Box 2. Transaction costs can be huge

In Rwanda, a study found that the "validation of data is comprehensive and time consuming, illustrated by the example of a team consisting of five district health professionals using an average of five hours each per month just to validate data in one health centre".
(Olsen, 2009)

Equally, by simply focusing on A we may be ignoring other important effects. We should *not* assume that any results are *additional*. For example, perhaps by paying someone X to do A they won't do B?

Biacabe (2009) found some evidence of this in Cambodia, where health workers tended to give little attention to nutrition programmes as there were few incentives for them to do so despite it being a key health problem. Similarly, the agents could focus on the quantity of what is delivered rather than the quality. As a result they may deliver more of A, but it might be *worth* less than it costs (Box 3). Thus, if we just compare the values of X and A, we *certainly* underestimate costs and *probably* underestimate benefits (Box 4). This highlights the crucial importance of asking the right questions.

The current evidence base is weak but improving. Though there is no shortage of advocacy documents suggesting that results based approaches are associated with the delivery of better results, Eldridge and Palmer found only one example of a well designed study aimed at assessing the impact of a results based approach.[3] Therefore, a key conclusion would be the need for more rigorous evaluations (which is beginning to happen), with more robust design, but also an emphasis on asking the right questions.

Box 3. Overemphasis on quantity not quality of value

The Global Fund evaluation team found that "basing the GFATM's Performance Based Funding system largely on numeric output targets created unintended negative consequences, especially in terms of the quality of service provision. Implementers in more than half the Study Area 2 countries reported that, on at least one occasion, they had sacrificed quality of implementation in order to achieve a quantitative numerical PBF output target'."
(Macro International, 2009)

Box 4. Better to get a questionable answer to the right question than the right answer to the wrong question?

Wrong question: is the value of X (the investment) > value of A (the expected result)?
Right question: is the value of X+Y (the investment plus its associated costs) > value of A+B+C+D+E (the benefits, that may reach beyond the expected results)?

6. Emerging lessons and outstanding questions

Experience to date suggests that:

- **It is extremely important to focus on the right interventions and results**. Development assistance for health and population continues to be poorly targeted towards the most cost effective and equitable interventions.[4] Simply using results based approaches to support more of the same does not change this (though one could argue that if results based funding is more efficient, it might at least release resources for other uses). In fact results based funding may simply help us to deliver the wrong results more efficiently (or more inefficiently if it does not work). For example, little would be gained by employing results based funding to provide access to HIV/AIDS related services when a disproportionate amount of donor support is already going there – perhaps at the expense of maternal health services. Equally, there is little point in using the approach to focus only on facility and community based interventions to reduce maternal and neonatal mortality in areas where emergency transport and communications are not available.[5]

- **Results based funding is not a simple solution to concerns about attribution**. In times of economic austerity donors are under increasing pressure to demonstrate that their programmes offer value for money. Results based funding might seem to be a ready-made solution to this, though in practice sector reform and development rarely offer single, magic bullets. Progress is typically achieved through a package of approaches in institutional settings which are often quite fluid. It will often be extremely difficult to disentangle which factors are responsible for what. In

[3] This actually showed that the control performed better than the intervention.
[4] Shiffman 2006.
[5] Martinez and el Arifeen, 2010.

effect, implementing results based funding as a stand alone approach might allow easier attribution, but it may also reduce the chances of achieving results. In addition, and contrary to common belief, tighter earmarking of funds to a specific disease or intervention does not necessarily mean easier attribution of results to the funding source. The evaluation of GAVI HSS[6], for example, made it clear that it is extremely difficult to measure impact and attribute results for interventions targeting service delivery three years down the line (though this in part reflects the emphasis on more complex system interventions than simpler service delivery interventions).

- **We need to ensure that approaches involve payment for results rather than payment by results**. There is a crucial difference between rewarding *commitment* to achieving results and rewarding results achieved. For most of the RBA/RBF approaches adopted to date the focus has been on the latter. There is often no real discussion of why the results were not achieved and whether they were the fault of the agents (or even the donor) or factors outside their control (for example poor design by the principal leading to unrealistic expectations). This runs the risk of donors forgetting why they are working in poor countries in the first place, and lapsing back into old style conditionality, which is recognised as ineffective. In addition to having serious structural problems, low income countries tend to be extremely vulnerable to external factors, including unpredictability in aid flows; this might impair their capacity to deliver results. All these issues highlight the key question of whether results based funding is attempting to reward those who are *trying* to deliver the right results as opposed to those who are *able* to do so. Strong incentives may be insufficient when capacity is lacking; specific measures may be needed to provide support in such situations.

- **We need to ensure a higher degree of consistency with the principles of aid effectiveness**. Adherence to the key tenets of the Paris principles is variable, due not so much to results based approaches per se, but to the institutions that implement them. Budget support for instance is fully aligned, or at least very closely aligned with national systems. The Global Fund, almost without exception, channels funds outside government and uses parallel monitoring systems. There are also questions about whether results based funding approaches are truly owned by countries. If countries were to include results based approaches as integral components of their health plans, that would clearly signify local ownership. The situation is less clear (as is the case for the Health Results Innovation Trust Fund) where significant amounts of resources are available globally, but are earmarked solely for results based approaches. A proactive health ministry might access such 'additional' funds even if, in an ideal world, they would rather spend the funds on something else. One might question whether this constitutes true ownership.

- **We need a good understanding of the incentives faced by agents**. It is not simply a case of reimbursing agents the costs of delivering services. Different agents face different costs and respond to different incentives. It is simply not feasible to set a different reward for every different agent. The aim should be to know enough about the financial incentives required which deliver programme objectives. It will be next to impossible to ensure maximum value for money as some agents are always likely to receive more than they would have been willing to accept. In practice, it may often be worth paying a little extra to avoid the risk that the payment is too low (and that no agents are willing to deliver services). This will be particularly true when the services in question are recognised to be extremely cost effective and where a little inefficiency is a small price to pay.

- **We need to be cautious in assuming benefits are sustainable**. There are a number of reasons for being cautious about early positive results. Early adopters of any reforms are usually among the most energetic and motivated – this might not be the case for all agents. Secondly, there is the concern that agents will always find a way of staying one step ahead and continue to make economic rents as they continue to find ways to game the system. A final concern is that results based approaches might act as a 'sticking plaster', enabling a system to operate at low levels but preventing the crises which might precipitate more fundamental reforms. In the case of Cambodia, for example, one could ask whether it might not be better to replace the numerous government and donor sponsored results based funding initiatives with a more comprehensive approach to public sector reforms. It might, for example, make more sense to channel resources into increased salaries and strengthened supervision with results based funding playing a more limited role.

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[6] Martinez et al 2010.

- **We need to closely monitor impact on equity**. We usually want to ensure that many of the benefits go to poorer groups. There is a risk that countries, provinces, districts, facilities or individuals (depending on the type of scheme) with stronger capacities might be able to secure most of the rewards. This is a valid concern (see Box 5) though there is little evidence, to date, of this happening. Design is clearly a key issue, particularly the question of how targets are set. Where targets are locally set, equity is easier to incorporate. Where there are common global standards or targets this is trickier. GAVI ISS is an interesting case in that the rewards are set globally at $20 per child immunised. One might expect this to favour countries with stronger capacity. However the level of subsidy (and hence the financial incentive) is far higher for countries where immunisation rates are lower (as unit costs rise sharply with coverage).

Box 5. Poorer countries may be less able to benefit from results based approaches

The well known weaknesses of public sector service providers will continue to inhibit their ability to respond to increased demand stemming from demand side subsidies such as vouchers, but it can not be assumed that acceptable non-government service providers exist or will quickly emerge, especially in the most remote areas of the country.
(Bangladesh Annual Performance Review 2009)

- **Results based approaches do not remove risks – they just change their nature**. It might be argued that under traditional aid countries get their money irrespective of whether they deliver anything or not and that under results based approaches at least donors are guaranteed to get something. Under traditional aid the focus is on fiduciary concerns – was the money spent as it was intended? Under results based approaches there is generally less concern around what the money is spent on – risks are of a different nature. For example donors face the risk that the results they are told are being achieved are not real (see Box 6). Thus instead of a focus on fiduciary risk analysis donors need to pay more attention to the integrity of reporting systems.

Box 6. Risks of gaming

Even in Norway (ranking 11 in the Transparency International corruption perceptions index) there have been cases of systematic data fraud in the Diagnostic Related Group coding (used to fix the payment for specific services), in order to increase resources to hospitals.
(Olsen, 2009)

- **The approach does not necessarily remove the need for 'targets' – but just changes the way they are applied**. The issue of using centralised targets in the UK National Health Service was a major dividing line in the recent UK election campaign. Some denounce targets as undermining local initiative, others suggest this provides a welcome focus and clarity on priorities. In any case, it goes without saying that much depends on setting the 'right' targets. Setting the 'wrong' targets which do not contribute towards the desired outcomes is clearly bad. Equally, even where formal targets are abandoned, implementers of results based approaches presumably still need to have some idea of 'expected results' if they want to assess value for money. These, one could argue, act as informal targets even if they are not used more formally as a way of rewarding agents.

- **We need to build up the systems and promote a culture which support a greater results focus and more effective reporting and monitoring arrangements that involve both principals and agents**. RBA/RBF approaches imply a new way of working between principals, agents and other stakeholders. More importantly, they also require the right institutional arrangements (governance systems, mechanisms for policy dialogue and performance review, etc.) to be in place. Experience to date, especially with health SWAps and budget support, suggests that such mechanisms are often weak or simply do not exist in many low income countries, and that their development takes time, effort and dedicated staff. Ignoring this may cause considerable frustration, and result in RBF/RBA establishing parallel implementation and monitoring arrangements of dubious national impact. It may also lead some national stakeholders to believe that while RBF/RBA can look good on paper they can be so complicated to implement that they are not worth the effort.

7. Conclusions

The need for a positive but cautious approach. Results based approaches are new and as yet largely unproven. They offer promise but need to be closely monitored in relation to their effects on health systems as a whole.

Good design is essential. Approaches need to be tailored to local circumstances. Lessons from the effects of key design features on delivering results needs to be shared and applied. Monitoring and evaluation arrangements need to built and nurtured and should ask the right questions. Close attention should be paid to choosing the right results.

The approach may be better suited to some settings than others. Results based approaches are likely to be easier to implement, and work better, for simpler provider led approaches. In such cases performance is likely to be relatively easy to monitor, and achievement of results will largely be within the control of the agent (and not dependent on user behaviour). They are also likely to work better when providers have spare capacity for additional activities rather than at the expense of existing ones. Where reporting systems are weak, agents are likely to be less responsive to financial incentives (which is often the case in fragile states) and where users play a key role, implementing such approaches is likely to be more problematic. Nevertheless demand side financing approaches do have the potential to target efforts on particular population groups, help to reduce barriers to service use, and promote behaviour change and better access for the poor.

Results based approaches are unlikely to be sufficient to deliver desired results. Complementary actions will usually be required. This, and the fact that systems are continually in a state of flux (e.g. in relation to decentralisation and other public sector reforms) means that attribution to individual initiatives such as results based approaches will be extremely difficult, if not impossible.

The case for general budget support remains strong. If things are not working perfectly there is often a rush to find new approaches, but it is important not to overlook existing ones. Although not universally applicable, general budget support is a form of results based aid which is results focused, tried and tested, has a sound record of achievement (although it has not always been applied to maximum effect and lessons not always applied) and is fully aligned with national systems. This is more than can be said for many of the newer approaches.

The need to ensure approaches do not undermine health systems. There is a risk that intervention related results based approaches may serve to fragment rather than strengthen health systems, as different funders attempt to persuade health workers to deliver their own particular priority. One way to address this would be to ensure that funding is based on progress in delivering a package of essential services rather than individual services. In addition the approach could also be used to strengthen systems by paying accredited providers to deliver a range of services through insurance based mechanisms.

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Annex

DFID definitions of RBA and RBF

Results Based Aid (RBA)
RBA is an **aid partnership** between a donor and a partner government. It departs from input-based approaches where funds are made available for inputs such as development of policies, procurement of services, work and supplies, and payments for recurrent expenditure such as salaries. Instead, RBA introduces a **new concept of conditionality** whereby disbursement is tied to results, but where the donor otherwise takes a more 'hands-off' approach. In the 'pure' form of RBA, such as CGD's Cash on Delivery Aid model, the donor **does not make an up-front investment**. That is, the partner government must arrange finance for the cost of all up-front inputs itself and donor funding is only provided once results have been achieved and verified. However, there are other models of RBA, such as the GAVI Immunisation Services Support (ISS), where an initial investment is made. This assists in maintaining a baseline number of results; then in subsequent years, a results-based payment is made for each result achieved above the baseline. Whether or not to make an up-front investment is one of the key design issues for RBA.

Resulting Based Financing (RBF)
RBF is similar to RBA in that payments are tied to results. However, RBF is an approach to contracting a service provider or incentivising a beneficiary of services. Unlike RBA, it is not an aid relationship with the partner government. Voucher schemes, cash transfers and output-based contracts with service providers are examples of RBF schemes. RBF schemes are funded from either domestic government resources or aid (or both), with payments made to beneficiaries or service providers, usually through a third party. RBF schemes that make payments to beneficiaries are aimed at increasing *access* to services, while those that make payments to service providers such as teachers and health workers aim improve the *provision* of services. Some schemes provide funding to both beneficiaries and service providers.

As with RBA, RBF schemes can include an up-front payment to assist with start up costs. Subsequent financing can consist of funds in various forms, such as transfers to institutions/agencies or individuals; block grants; and subsidies (for example from central government to local authorities or service providers). Service providers in RBF schemes can be sub-national government, private sector or civil society organisations. As with RBA, detailed up-front negotiations are necessary to agree a 'unit price'. This will include the actual cost of delivering the results, the cost of securing initial financing (if there is no initial payment) and depending on the provider, an incentive or profit margin.

(Source: DFID)