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Deutsches Institut für Entwicklungspolitik | German Development Institute

RESULTS-BASED FINANCING

Evidence from Health

Preliminary Findings from a Discussion Paper in Progress

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1. Definition

	Results-based aid	Results-based financing
Principal	Donor	National or sub-national government body
Agent	National government	Implementing agency (private, NGO, sub-national government) or individual
Funds	Donor funds	Domestic or donor funds
Relationship	Aid partnership	Contract or incentive relationship
Examples	EC MDG Contracts, Cash on delivery, Millennium Challenge Account	Performance-based payment, Payment by Results, CCTs, Vouchers

2. Types of RBF

1. Targeting demand side:
   Conditional cash transfers (CCTs):
   - Targets individuals
   - Payment to targeted beneficiaries against complying with specific requirements
   - Relax demand side budget constraint
   - Set incentives for investment into human capital

2. Types of Results-Based Financing

2. Targeting supply side:
   Performance-based payment (PBP)/ Performance-based Financing (PBF)/ Pay for performance
   - Targets service providers
   - Payment against achievement of predefined indicators
   - Align goal of principal with those of agent
   - Set incentives for good performance

3. Combined approaches:
   - CCT + PBF, e.g. Red de Protección Social in Nicaragua
   - Vouchers

3. Evaluation Criteria

1. Targeting

- Implications for effectiveness, equity and costs
- Direct trade-off between precision and costs
- Most common forms: Geographic targeting, self-selection, means-testing, community-based targeting

2. Incentives and Conditions

- Measurement and indicators chosen affect incentives:
  Quality vs. Quantity, Long term vs. short term, Marginal vs. total effort
- Perverse incentives, gaming
- Predictability of response

3. Evaluation Criteria

3. Outcome Effectiveness

- Can results-based financing significantly improve healthcare supply, coverage and health outcomes?

4. Applicability

- How broadly is results-based financing applicable?
- Which preconditions have to be in place for results-based financing to succeed?
- Are there experiences with scaling-up?

4. Evaluation of Conditional Cash Transfers

Examples studied:

- Mexico: Oportunidades (formerly Progresa)
- Colombia: Familias en Acción
- Honduras: Programa de asignación
- Burkina Faso: Nahouri Cash Transfers Pilot Project (NCTPP)
- Red de Protección Social (RPS) in Nicaragua

Others:

Brazil, Ecuador, Jamaica, Chile; pilots in Kenya, South Africa, Nigeria,

4. Evaluation of Conditional Cash Transfers

1. **Targeting:**

- All programs targeted (rural) poor
- Mix of geographical and means-testing targeting
- Through conditionality, all CCT target by self-selection

2. Conditions and Incentives

- Usually set at healthcare coverage level
- Conditions focus on preventive health care, growth monitoring and nutritional supplements of children and prenatal care for pregnant women

4. Evaluation of Conditional Cash Transfers

3. Outcome effectiveness

- Significantly increased utilization of healthcare services
- Results with respect to health outcomes slightly more mixed
- RPS Nicaragua: significant improvements of healthcare coverage and health outcomes, especially for poor and very poor – but might be due to combination with PBF

4. Applicability

- CCTs can deliver results in low-income countries, including sub-Sahara Africa (so far only pilots)
- Preconditions: healthcare infrastructure with trained staff

➢ Additional strengthening of supply side might be necessary

5. Evaluation of Performance-Based Payment

- Haiti: USAID contracted NGOs to deliver basic healthcare services
- Afghanistan: World Bank pays NGOs for performance (funding by European Commission and USAID not PB)
- Rwanda: Dutch NGOs and BTC pay public and private non-profit healthcare facilities based on performance. Nationwide scaling-up by MoH, supported by Belgium, PEPFAR and World Bank.
- Cambodia: MoH contracted NGOs to deliver health services, supported by Asian Development Bank
- Red de Protección Social (RPS) in Nicaragua, supported by Inter-American Development Bank

5. Evaluation of Performance-Based Payment

1. Targeting:

- Most programs do not specifically target poor or remote population
- Setting incentives for providers to reach poor population and remote areas experienced as challenge, e.g. Afghanistan
- If contracts explicitly included targeting of poor, contractors were generally able to substantially improve delivery of healthcare services to these groups, e.g. Cambodia

5. Evaluation of Performance-Based Payment

2. Incentives

- Usually quantitative indicators at level of healthcare supply and coverage
- Percentage bonus of budget: up to 10% in Haiti and Afghanistan, but 95% remains fixed
- Payment per unit of healthcare supplied (Rwanda, Cambodia) or combination of both (Nicaragua)
- Attempts to control for quality (Rwanda)
- But **monetary incentives might be less effective** than assumed due to alternative funding sources, missing transfer of incentive to staff etc.

5. Evaluation of Performance-Based Payment

2. Incentives

- Insufficient evidence on perverse incentives
- Possible unintended non-monetary incentives:
  - Monitoring performance: comparison, reputation effects, team spirit etc.
  - Opportunity to qualify for program: perspective of reduced reporting efforts and increased flexibility

➢ Requires further investigation

- Flexibility of budgets also allowed healthcare managers to set up individual incentive systems for staff

5. Evaluation of Performance-Based Payment

3. Outcome Effectiveness

- Few rigorous evaluations → cannot exclude influence of other factors, e.g. increased autonomy + flexibility
- Experience suggests: PBP contributed to improve healthcare coverage and outperformed expenditure-based payment

4. Applicability

- Substantial monitoring efforts
- PBP can be implemented in fragile and post-conflict settings (but example lacks rigorous evidence for effectiveness)
- Targeting only supply-side might be insufficient in increasing coverage if demand side is resource-constrained

6. Summary and Outlook

	Conditional Cash Transfers	**Performance-based payment**
Target	Especially poor populations & remote areas	Not neccessarily poor
Incentives	Outcomes: healthcare coverage	Healthcare supply and healthcare coverage
Evaluation	Many rigorous evaluations, incl. RCTs	Lack of rigorous quantitative evaluations
Results	Improvements in healthcare coverage and health outcomes, but mostly short-term	Improvement in short-term healthcare supply and healthcare coverage

6. Summary and Outlook

- Incentives:
  - Effectiveness of monetary incentives?
  - Evidence for perverse incentives?
  - Influence of non-monetary incentives?

  ⇒ More research needed
- Other areas of research need:
  - Long-term effects of results-based financing
  - More rigorous evaluations of impact of PBF
  - Evaluate broad-based large-scale health CCTs outside Latin America

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Thank you for your attention!

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