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Deutsches Institut für
Entwicklungspolitik



Years | 1964–2014

German Development
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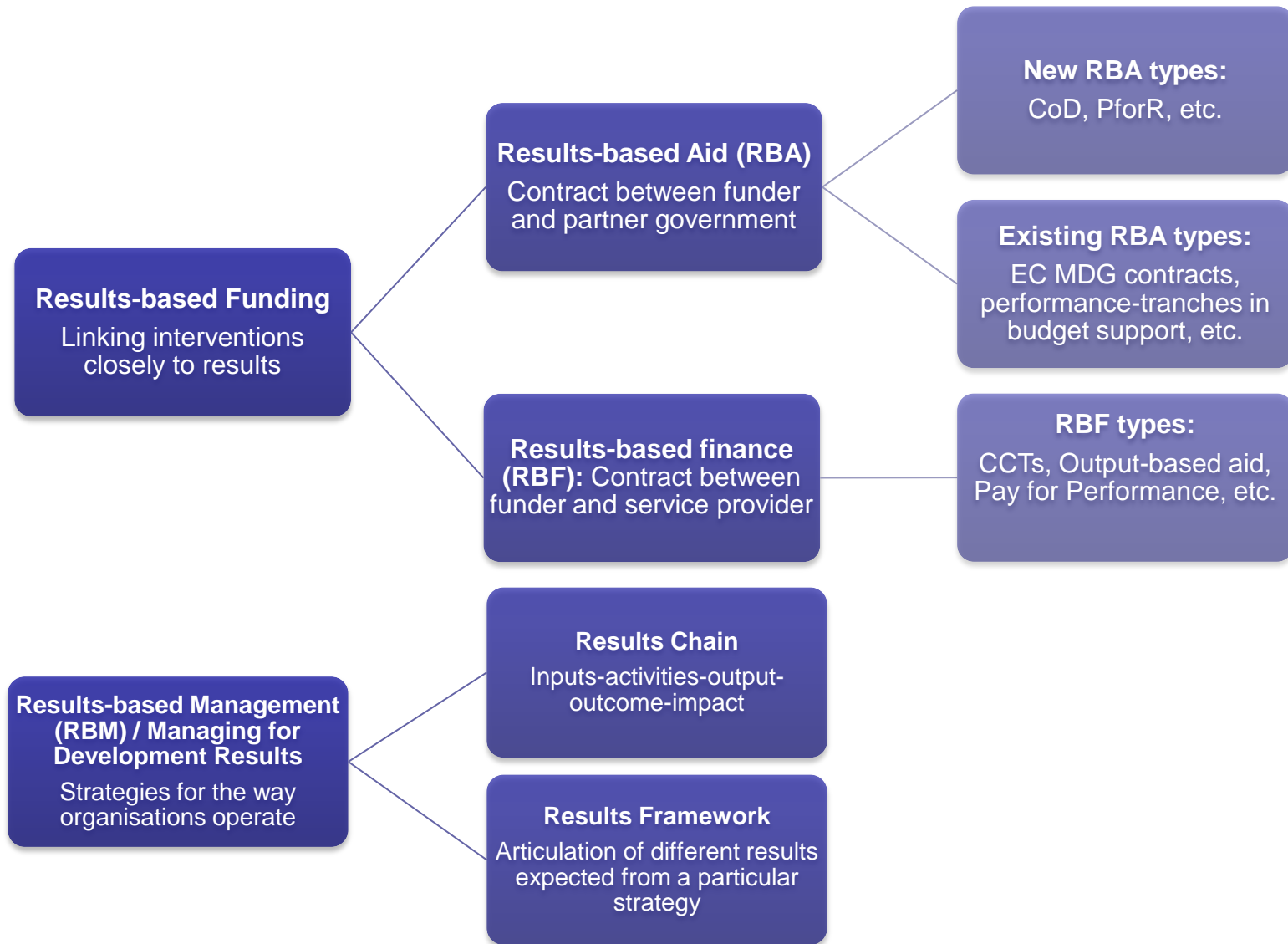
RESULTS-BASED FUNDING

Joint OECD / DIE workshop

Stephan Klingebiel

Paris, 19-20 May 2014

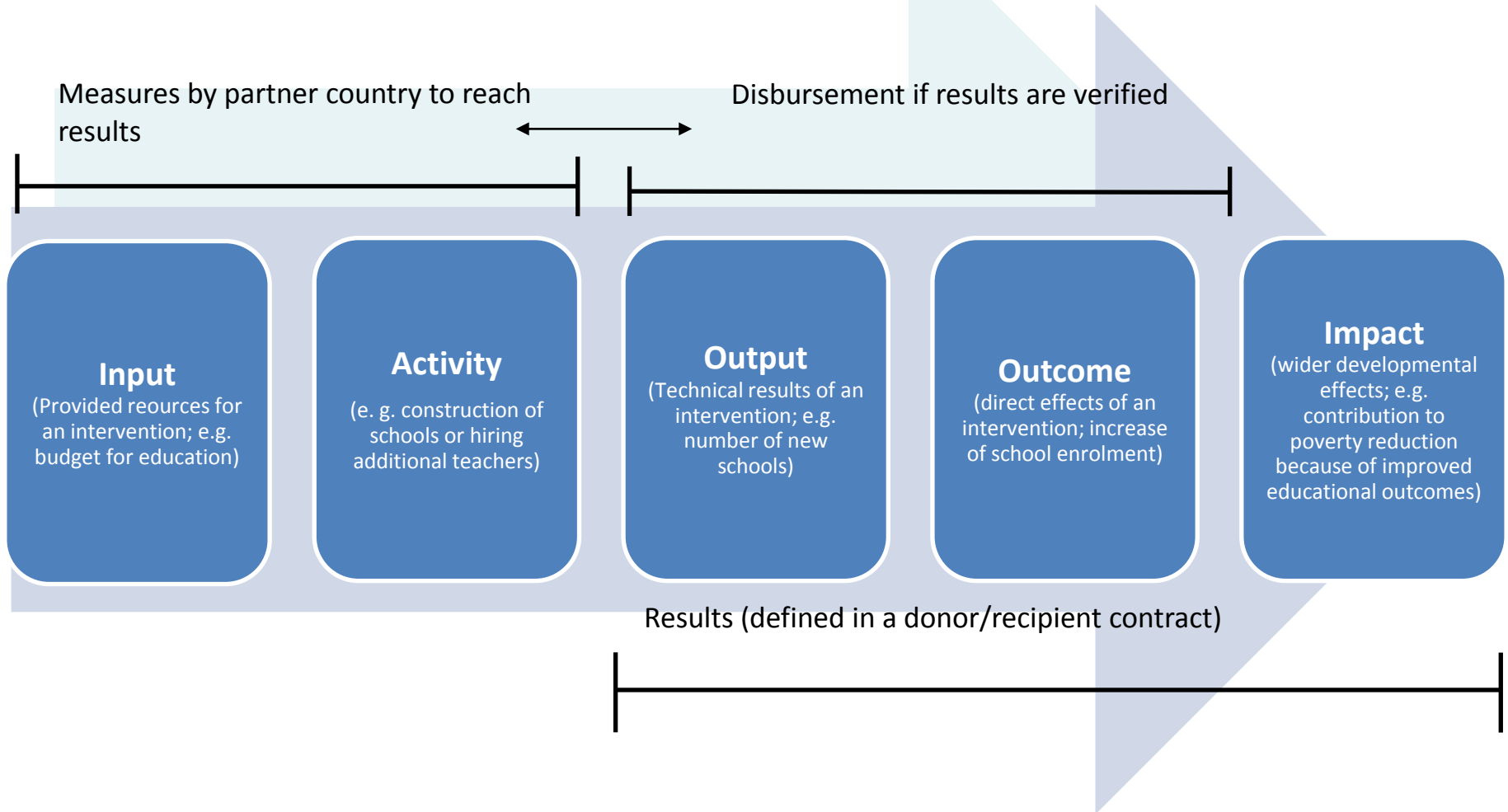
1) Definitions – The “Results Agenda”



1) Definitions – Common criteria for Results-Based Funding



Rationale: Typical aid interventions use inputs or contribute to processes; RBA / RBF is trying to address results directly



1) Definition and criteria – Results-based Aid



1. Approaches based on contract between funder and partner government, where partner takes **responsibility for results**.
2. Contract between funder and partner government has to be **transparent** (use of national systems).
3. Results have to be agreed on **in advance**.
4. Results should be
 - **Quantifiable**,
 - Achievable in **incremental** steps (e.g. unit price),
 - **Verified regularly** (e.g. annually).
5. **Independent verification** of results.
6. **Payments only upon achievement** of goal. No payments, if results are not achieved.

1) Definition – Common features of RBA



Selectivity / Allocation

- Millennium Challenge Corporation

Macro results-based funding

- Performance tranches in budget support

Sector-specific results-based funding

- Performance tranches in sector budget support

“One result”-specific approach

- CoD in education

2) Potential & Challenges



Possible advantages:

- Actions of all actors are focused on results
- Direct use of incentives
- Strengthened domestic accountability
- Improved verification of results

2) Potential & Challenges



Challenges:

- Misincentives, unintended consequences & non-systemic strategies
- Ambitious requirements → responsiveness of partners to incentives and sufficient capacity
- Tension with Aid Effectiveness Agenda
- Focus on quantifiable sectors
- Delinking of results-approaches and political context

3) Results-based Funding – a new development business model?



Challenges and open questions ahead → Discussions for our workshop

➤ Implementation and technical challenges

- (i) Does RBA cover ex-post investment needs or is there hardly any link to investment needs?
- (ii) What is the role of financial and non-financial incentives?
- (iii) Are results-approaches flexible enough to cover specific needs in different sectors?
- (iv) How to measure results? How to find a baseline and identify indicators?

3) Results-based Funding – a new development business model?



➤ How to put potential benefits of results-based funding into practice ?

Issues related to the political economy of partner countries and donors

Aspects related to partner countries:

(i) Results-based funding as part of the country envelope or additional money? Do partner countries have a choice: traditional projects / investments, budget support arrangements

ii) Impact on the political economy of main actors: Who is gaining from aid rewards? Who is losing? (MoF, line ministry, Head of State / PM, central / subnational level ...) How do donors deal with “pressure to disburse”?

Aspects related to donors:

Incentive system of aid administrations (role of disbursement rates ...) and consequences for donors because of partner country performance and choices...

3) Results-based Funding – a new development business model?



➤ **Results-based funding in a changing aid context (decreasing aid dependence, other instruments for collaboration with developing countries ...)**

(i) What is the catalytic potential of results-approaches?

(ii) How to define sustainability in the context of results-based approaches?

(iii) What is the potential of non-aid topics (climate change funding, etc.) for results-approaches?

Thank you for your attention!

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