Setting Incentives & Ensuring Sustainability

The Experience of Cash on Delivery

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How much is enough?: Arriving at an appropriate incentive amount

Characteristics of the incentive

Ensuring Sustainability After the Program Ends

Conclusion

Cash on Delivery is an aid model that has the potential to accelerate progress towards elimination.

A COD contract is an agreement between a donor and a recipient country where the country will receive a financial award for achievement of a pre-agreed indicator of progress.

- Currently being piloted by DFID for education in Ethiopia and Rwanda
- Global Fund has launched 1 grant, and plans 4-6 more
- Could be additional funding for achievement, or increased flexibility with current funds

Key Features of COD

- **Improved Outcomes:** Countries are incentivized to maximize results – optimizing impact, rather than input
- **Increased Efficiency:** COD rewards depend only upon independently verified outcomes, eliminating the transaction costs of interim reporting
- **Country Ownership:** COD funding is unrestricted and a country must decide how to spent it, increasing programmatic ownership
- **Low Donor Risk:** Payment is only made upon performance, maximizing value-for-money

Defining an incentive: what are we talking about

something that incites or tends to incite to action or greater effort, as a reward offered for increased productivity.

Incentives do not have to be equal to the cost of the service provided – they are not reimbursements. For example:

- The cost of procuring and distributing a mosquito net may be $8, but simply introducing an incentive for # of nets x cost may not yield to desire outcome
- The cost of testing and treating most at-risk populations in HIV care may be far less than a theoretical incentive would need to be for a government to intervene

Incentives do not have to equal Cost

For most reasonable outcomes, there is a financial value that would adequately incentivize success on the part of the recipient government.

Calculating a proper incentive amount is the result of a negotiation.

Ultimately, the amount of an incentive reward is the product of a negotiation. It’s a contract between a donor and a recipient and it’s exclusively up to these two parties to decide what certain performance is worth.

- Both parties should expect terms (e.g. targets, incentive amount, etc) to change during the grant development process
- The incentive amount is directly tied to the targets expected – these should be developed in tandem!

Things to consider

Gross Domestic Product
Annual Budget for Program
Annual Budget for Parent Ministry
Cost of Service to be Delivered
Barriers to Success (e.g. stigmas, difficult working conditions)
Total financing landscape (e.g. % donor dependency)

Financial restrictions and requirements are fundamental to the 'value' of the incentive within RBF models

- Countries are often burdened by reporting requirements of grant agreements.

- We must find a way to balance accountability to donors, with creation of a nimble programmatic atmosphere where efforts it focused on achieving impact, not writing reports.

- "Impact" is not an acceptable line-item for most accounting departments, but bednets and medicines (which are) are not impact….how do we reconcile programmatic goals with accounting requirements?

"€1 that must be spent for a specific purpose is fundamentally less valuable than €1 without restriction."

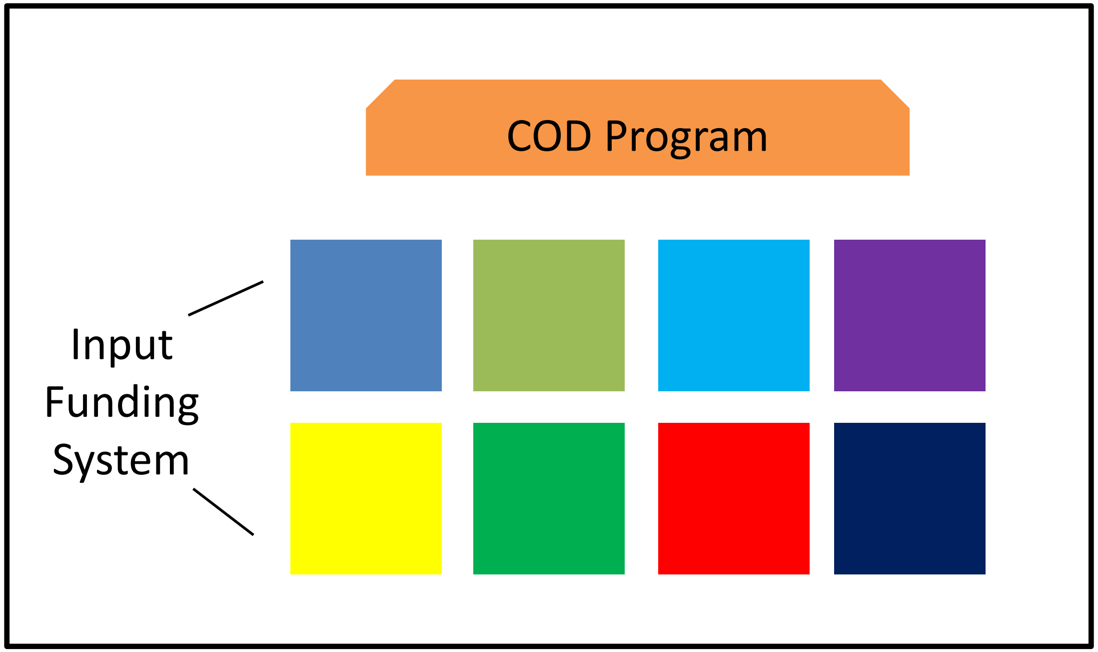
Vehicle Procurement in Vietnam	
18	number of months
150	number of government workers
5	number of vehicles procured

Source: Knack, 2006

Results Based Financing programs do not exist in a vacuum.

When talking about sustainability, RBF programs are often criticized for being short-sighted or not having sufficient succession plans. In most situations, RBF programs should be viewed as complementary and not as part of the 'input' funding for any given system.

- Accelerates and drives value for money within existing programs
- Addresses risk of non-performance leading to massive drops in funding levels
- Creates intense focus, and definition, of impact and success across relevant program or sector



Empowering governments: the key to ensuring sustainability

Ultimate sustainability cannot be achieved without total ownership of programming being transferred to governments. In the COD model, various elements contribute to amplifying the sense of ownership and building the skills requisite for total autonomy.

- **Financial flexibility:** program managers are empowered to allocate resources on a real-time basis, as priorities shift within their sector. This builds financial management capacity that is strategic, rather than procedural

- **Problem solving:** When donors are exclusively interested in impact, the “how” of programming is left up to the government, which is free to innovate, experiment and tailor global technical guidance to the local context. This process creates local leaders who are comfortable reacting and augmenting activities on their own.

- **Defining success:** Many staff of disease programs in developing countries view achieving outputs as success (e.g. holding a workshop or distributing bednets). This view is reinforced by donor requirements to this effect. COD is only interested in impact and has the potential to foster a culture that defines success as saving lives at the end of the results-chain. This shift must occur at some point for true sustainability.

Summary

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- Setting the right incentive amount is the produce of a negotiation; it does not have to be equal to the cost of service
- Fewer financial restrictions on RBF payments lead to a stronger incentive
- Programs do not exist in a vacuum…incentive schemes often serve to accelerate the pace of existing programs and make them more efficient
- Sustainability is driven by maximizing country capacity and ownership…hands-off model set the stage for further country autonomy