

Paying for Impact:

Results-based Approaches in Development Finance, Situating Canada's Efforts in a Global Context

KEY MESSAGES

by Aniket Bhushan and Rachael Calleja

Canadian International Development Platform, NPSIA

The aim of this brief is to summarize key messages from a forthcoming research paper, "Paying for Impact: Results-based Approaches in Development Finance, Situating Canadian Efforts in a Global Context". This paper is a primer on results-based approaches in development finance. It fills a gap in the availability of basic, accessible information on results-based approaches.¹

Our analysis is centered on five main areas or questions:

What are the different types of results-based approaches and how can they be classified?

- Results-based approaches can be defined as "models that aim to alter the incentive structure of aid allocation to link aid more directly to the achievement of quantifiable results, motivate behavioral change and or to catalyze innovation". Results-based approaches in development finance can be classified into four main types: results-based aid, results-based financing, hybrids and challenge-linked financing.

How do they stack up in terms of scale, both financial size as well as impacts?

- Based on the sample of results-based initiatives analyzed, we estimate the total global marketplace to be between \$24 billion and \$47 billion. These figures should be interpreted with caution, they are only meant to provide a sense of scale.

¹ While large and growing in importance, data on results-based approaches is rarely consolidated. In many cases these initiatives combine public and private resources, and not all inputs qualify as "overseas development assistance". As a result key information is not always available from conventional foreign aid data sources. The paper is based on a desk-based quantitative analysis of 20 results based initiatives which include some of the largest and most well known in the space. Data and other information collected as part of the research is consolidated and made available through the Canadian International Development Platform (www.cidpnsci.ca). Special attention is paid to initiatives where Canada is active.

KEY QUESTIONS

- What are the different types of results-based approaches and how can they be classified?
- How do they stack up in terms of scale, both financial size as well as impacts?
- What are their strengths and weaknesses?
- What is Canada doing in this space and how does it compare with other donors?
- How do results-based approaches communicate results and impacts?

Results-based approaches are a small fraction of the total foreign aid and development financing marketplace. Most initiatives are recent, i.e. launched after the Millennium Development Goals (MDGs) and influenced by the same. Results-based approaches have been growing in importance and scale in recent years.

What are their strengths and weaknesses?

- The theory of change underpinning results-based approaches to delivering assistance outlines several strengths: for instance, linking payments to recipient performance helps bring greater focus on shared goals; forges new thinking on measurement and measurability; and can enhance country ownership and policy space. However, these approaches are not without challenges. Most efforts are slow to take off as the logic of results-targeting and incentivizing change takes more time to materialize than is often anticipated. Other issues such as the risk of gaming, impact on aid predictability, ownership and capacity, tend to be more challenging than proponents argue. In general, despite significant recent experience, results-based approaches remain largely untested in terms of their efficacy and the evidence based on discernable 'incentive effects' is far from conclusive.

What is Canada doing in this space and how does it compare with other donors?

- The mainstay of Canada's efforts in this space are in the health sector. Canada's contributions are largely through multilateral initiatives, including the Global Fund and GAVI – Canada ranks among the top 10 donors in both. However, in recent years Canada has played a leadership role in experimenting with instruments such as 'pull mechanism' in the agriculture sector through AgResults, and challenge-linked financing such as through the SME Challenge and Trust Fund. The signature Canadian initiative in this space however is Grand Challenges Canada (GCC). Relative to donors like the US and UK, Canada is a relatively small player in the results-based space.

How do results-based approaches communicate results and impacts?

- We found significant variation in the level and type of results, outputs, outcomes and impacts data and information that is made available across the 20 initiatives analyzed. Three initiatives stand out in terms of good practice: The Global Fund, the Millennium Challenge Corporation (MCC) and the UK's Results-based Aid pilot projects (or Cash-on-Delivery). What stands out about these and other examples of good practice is that quantitative performance data are combined with qualitative narrative information, but presented in a systematic, machine-readable and relatively predictable manner, with appropriate identifiers and contextual information such that they can be combined with other data.

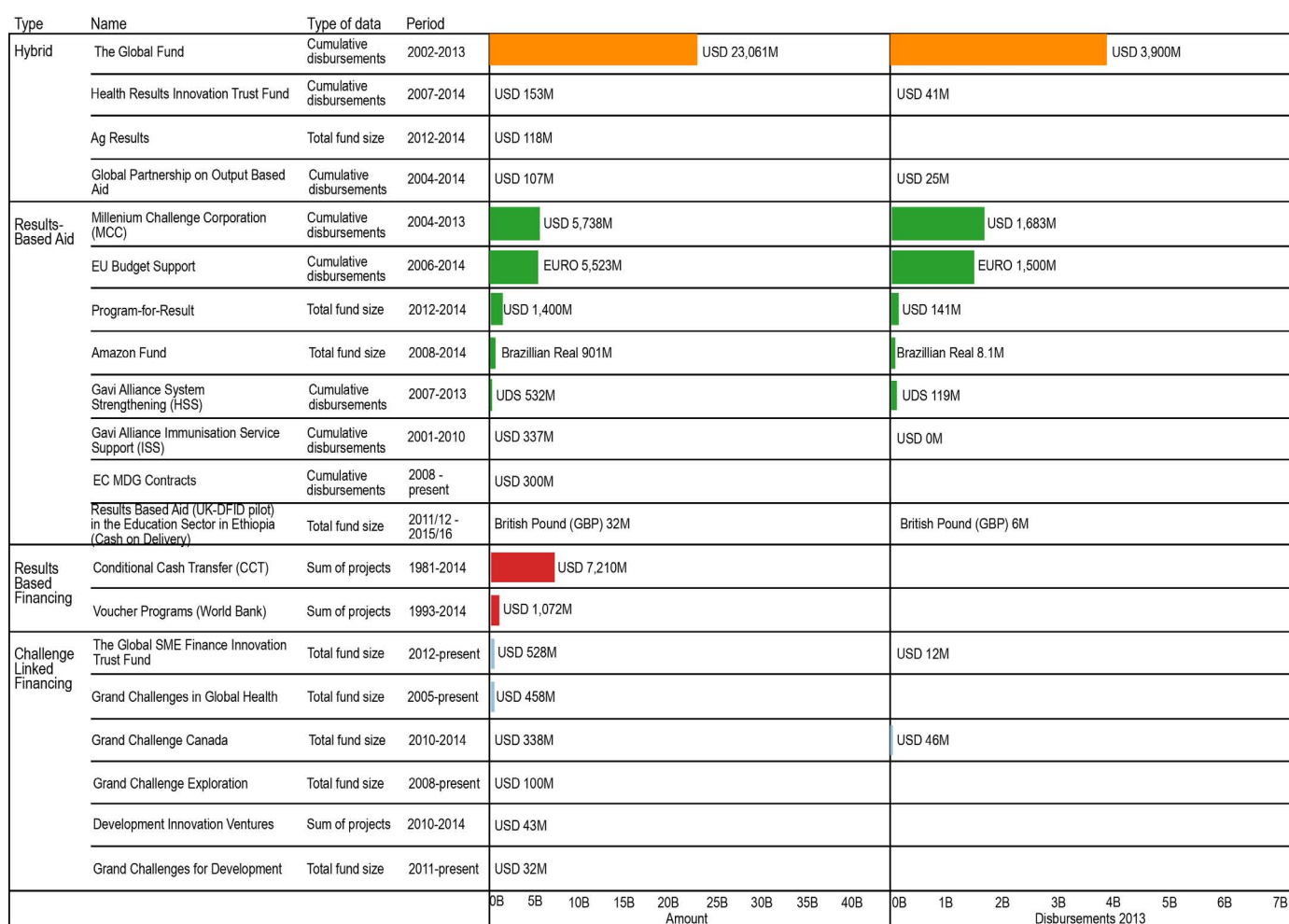
We conclude with recommendations aimed at three sets of stakeholders: public and public-private initiatives in Canada, civil society stakeholders advocating for greater innovation, and the open data, transparency and accountability community.

- Canada could use a white paper or strategy document on its approach to results targeting in development finance, much like other major bilateral donors in the space (DFID, 2014). Such a tool could help guide future efforts, which, from recent pronouncements, are expected to play an increasingly important role in Canadian aid going forward (Economic Action Plan, 2015).
- Specifically, Canada's signature initiative, GCC, should make more effort to standardize and consolidate information on its initiatives and their results and impacts. This could be done through a modernized data portal, or by publishing to international open data standards.
- Civil society stakeholders advocating for greater innovation and adoption of results-based approaches can and should do more to follow through, and not merely chase ideas for their novelty factor. A concrete example of follow through could be tapping their partners and networks in developing countries to

collect data through citizen engagement and direct feedback, which could serve as a valuable validation exercise but also help drive new and more compelling narratives around the impacts of innovative aid modalities.

- Results-based models should be of particular interest to the open data, transparency and accountability community, as expectations surrounding openly available information regarding these efforts are high. The open data community is at an important inflection point. The amount of open development data in the public domain has grown dramatically. However, its usage has lagged. One of the key reasons for this is that qualitative and quantitative results information and data are not being captured adequately through open data standards. The open data community should provide further guidance on how data standards could be leveraged to track, aggregate, communicate and better link results data.

FIGURE 1: Results-Based Approaches in Comparative Perspective



Source: author calculation based on primary sources.

Type	Name	Basic Description	Main Contributors	Results
Hybrid	The Global Fund	Contributes to the fight against AIDS, Tuberculosis and Malaria. Recipient countries are responsible for program implementation; funding beyond initial disbursement is dependent on results achieved.	26 OECD-DAC donors, 24 major non-OECD donors, 21 major non-governmental organizations, foundations and private contributors.	Results data are made available systematically publicly, both at the specific country/intervention level as well as aggregate. Since 2002, the fund has helped 7.3 million people receive anti-retroviral therapy for AIDS; 12.3 million people have been tested and treated for TB; 450 million insecticide-treated bed nets have been distributed to prevent malaria.
	Health Results Innovation Trust Fund (HRITF)	Promotes progress to achieve health related MDGs, especially MDG 1c, 4 and 5. The HRITF uses a variety of mechanisms to provide financial incentive for the achievement of predefined results.	United Kingdom, Norway (administered by the World Bank)	Results are reported for specific projects, but not aggregated.
	AgResults	Promotes agricultural innovation to improve food security and good nutrition in the developing world. AgResults uses pull-mechanisms to encourage actors to innovate, rewarding applicants for results achieved towards pre-defined program goals.	Australia, Bill and Melinda Gates Foundation, Canada, United Kingdom, United States	After the first year of the Nigeria Alfasafe Pilot, farmers yield more than twice the normal yield. Farmers sold maize at 1.8% to 13.2% above prevailing market price.
	Global Partnership on Output Based Aid (GPOBA)	Uses OBA approaches to improve basic service delivery. Under an OBA scheme, a third party (private or public) is contracted for service delivery, receiving a subsidy to complement user contribution. The service provider pre-finances and implements the project, receiving reimbursement for the delivery of specific outputs as verified by an independent verification agent.	United Kingdom, Australia, The Netherlands, Sweden, International Finance Corporation	Access to basic services provided for 7,000,000 people. Project outputs data is available for fully implemented projects in the GPOBA annual report.

Type	Name	Basic Description	Main Contributors	Results
Results-Based Aid	Millennium Challenge Corporation (MCC)	Allocates aid to 'reward' developing countries for a commitment to good governance and development as measured by a series of third-party policy indicators.	United States	Results data are provided systematically and publicly, at the specific intervention level and at the aggregate level. For instance, 148000 farmers trained and 82000 hectares of land under production; 4900 kilometers of roads under design and construction; over \$65 million disbursed in agricultural loans, reported in the latest available reports.
	EU Budget Support	The EU offers three budget support programs (Good Governance and Development Contracts, Sector Reform Contracts, and State Building Contracts) designed to address a specific development objective. The programs include fixed (base) and variable tranches. Fixed tranches are linked to eligibility criteria, while variable tranches are disbursed against progress towards specific indicators.	European Union	Results data are not available systematically publicly, for specific initiatives, or at the aggregate level.
	Program-for-Result	Provide incentives to enhance the quality and availability of services. Disbursement is linked to specified results.	World Bank, United Kingdom	Results data are not available systematically publicly, for specific initiatives, or at the aggregate level.
	Amazon Fund	Supports rainforest preservation, particularly in the Amazon region. The Fund uses an innovative fundraising model. International donors provide financial support to the Fund to 'reward' emission reductions achieved. Domestic actors then decide how to allocate funding across Brazilian states and actors to further reduce emissions and secure future funds.	Germany, Norway, Petrobras	33 environmental agencies strengthened; 71,472 km ² of land was registered; 1633 civilians were trained in firefighting techniques; 8121 km ² of conserved areas created; 53471 km ² of protected area created.

Type	Name	Basic Description	Main Contributors	Results
Results-Based Aid	GAVI Health System Strengthening (HSS)	The mission of HSS is to improve the health system (infrastructure, supply chain for vaccines) in the targeted countries to make sure that supplied vaccines really reach the children on site. HSS is split up into programmed budget and performance budget. Following an initial 100% payment of program budget in the first year, up to 80% of program budget can be paid in the following years and an extra amount is paid for every additionally immunised child.	17 OECD-DAC donors, 4 non-OECD donors, 14 major non-governmental organizations, foundations and private donors.	Results are aggregated and provided at the country level. Since 2010, the proportion of countries meeting the minimum benchmark for equity in immunisation coverage has increased from 51% to 57%.
	GAVI Immunisation Service Support (ISS)	The ISS scheme aims to increase immunisation coverage. GAVI makes an initial investment in a countries' immunisation service for two years after which countries receive a US\$ 20 payment for each additional child (compared with the previous year) who receives all three-doses of the DTB3 vaccine.	17 OECD-DAC donors, 4 non-OECD donors, 14 major non-governmental organizations, foundations and private donors.	Results are aggregated, and provided at the specific project level. Since 2001, an additional 76.5 million children were immunized.
	EC MDG Contracts	MDG Contracts are a special form of General Budget Support which includes a payment that depends on the performance of the recipient country. The performance component is disbursed on the achievement of pre-defined measurable progress towards meeting the MDGs.	European Union	Results are not publically available for specific initiatives, or aggregated.
	Results-based Aid (UK-DFID pilot) in the Education Sector in Ethiopia (Cash-on-Delivery)	Provides financial rewards for the achievement of a single (or very few), pre-defined, verifiable outcome(s).	United Kingdom	Results data are provided, systematically and publically through the IATI standard; at the specific (sub-national) level and at the aggregate level. 3.4% more girls completed G10; 3.2% more students passed G10 according to the 2013 review.

Type	Name	Basic Description	Main Contributors	Results
Results-Based Financing	Conditional Cash Transfer (CCT)	CCT is a result-based financing instrument which targets the demand-side. CCTs reward the behaviour of an individual, where payment is conditional and compliance must be observable (e.g. enrolment list of a school to observe attendance of child).	Can be utilized by any donor. Numbers reported are from World Bank, Inter-American Development Bank and Asian Development Bank.	Results reported for individual projects
	Voucher Programs (World Bank)	A voucher system can target demand- and supply-side mechanisms. Vouchers can be handed out to targeted individuals who then can redeem the voucher at service providers. Individuals can obtain vouchers for a cheap price and the service providers get reimbursed.	Notably, as reported here, by World Bank. Can be utilized by any donor.	Results reported for individual projects
Challenge-Linked Financing	The Global SME Finance Innovation Trust Fund	Promotes innovative ways to provide sustainable financing of SMEs in low-income countries. Using a public competition, the SME Finance Challenge, the fund identifies and supports new ideas to finance small and medium size businesses and help them grow.	Canada, United States, United Kingdom, Republic of Korea, The Netherlands, Germany, Austria Development Bank (OeEB), Calvert Foundation, KfW Development Bank, Deutsche Investitions (DEG), Netherlands Development Finance Company, Inter-American Development Bank's Multilateral Investment Fund and Inter-American Investment Corporation, International Finance Corporation, and Overseas Private Investment Corporation	Results data, against baselines, are provided at the specific initiative level. However the data are ad hoc (both in terms of format and updates) and only available through interim progress reports.

Type	Name	Basic Description	Main Contributors	Results
Challenge-Linked Financing	Grand Challenges in Global Health	Uses a family of grant programs to overcome bottlenecks in developing new tools and methods to improve health in the developing world. Using an open competition and tiered grant mechanism, top applicants receive financial support to pursue the development of their innovative idea or scheme. Successful initiatives are eligible for funding scale-up.	Bill and Melinda Gates Foundation	Results data are not available systematically publicly, for specific initiatives, or at the aggregate level.
	Grand Challenge Canada	Supports innovative ideas to overcome important health problems in low- and middle-income countries. Using an open competition and tiered grant mechanism, top applicants receive financial support to pursue the development of their innovative idea or scheme. Successful initiatives are eligible for funding scale-up.	Canada, Bill and Melinda Gates Foundation, United Kingdom	Results are aggregated and presented as "number of lives touched, or beneficiaries who accessed products and or services". 1,200,000 beneficiaries touched in 2013-2014.
	Grand Challenge Exploration	Uses a tiered grant mechanism to support innovative ideas to solve key health and development problems for those most in need. Using an open competition, top applicants receive financial support to pursue the development of their innovative idea or scheme. Successful initiatives are eligible for funding scale-up.	Bill and Melinda Gates Foundation	Results data are not available systematically publicly, for specific initiatives, or at the aggregate level.

Type	Name	Basic Description	Main Contributors	Results
Challenge-Linked Financing	Development Innovation Ventures	Supports the discovery of new and innovative ways to address complex problems. DIV holds open competitions to field bold development ideas. It uses a tiered funding method, piloting programs through the provision of small incremental funding and scaling up ventures that have the greatest impact and are cost-effective.	United States	Results data are not available systematically publicly. Some results are available for projects that receive multi-level funding.
	Grand Challenges for Development	Encourages global innovators to develop new ideas and technologies to address development challenges. Using an open competition and tiered grant mechanism, top applicants receive financial support to pursue the development of their innovative idea or scheme. Successful initiatives are eligible for funding scale-up.	United States, Sweden, Norway, The Netherlands, United Kingdom, Bill and Melinda Gates Foundation, Grand Challenges Canada, The World Bank, World Vision, Australia, Duke Energy, Overseas Private Investment Corporation, Germany, Open Society Foundation, Omidyar Network, Hivos, Institute of Development Studies, Ushahidi.	Results data are not available systematically publicly, for specific initiatives, or at the aggregate level.