

RBF Experience Review

Summary insights



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

State Secretariat for Economic Affairs SECO

Swiss Agency for Development and Cooperation SDC

Prepared by:



INSTIGLIO
TYING FUNDING TO IMPACT



Acronyms

CHF	Swiss Franc
CIFF	Children’s Investment Fund Foundation
COP	Communities of Practice
DFID	(U.K.) Department for International Development
FCDO	(U.K.) Foreign, Commonwealth & Development Office
GAC	Global Affairs Canada
GPE	Global Partnership for Education
GPRBA	Global Partnership for Results-Based Approaches
GTM	Gender-Transformative Mechanism
HIV	Human Immunodeficiency Virus
HR	Human Resources
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILF	Impact-Linked Finance
ILO	International Labour Organisation
KPI	Key Performance Indicator
LatAm	Latin America
LMIC	Low- or Middle-Income Country
MENA	Middle East and Northern Africa
MDB	Multilateral Development Bank
MCC	Millennium Challenge Corporation
MoF	Ministry of Finance
M&E	Monitoring and Evaluation
NGO	Non-Governmental Organisation

NORAD	Norwegian Agency for Development Cooperation
OECD	Organisation for Economic Co-operation and Development
PBC	Performance-Based Contract
PBG	Performance-Based Grant
PRM	Partner Relationship Management
PSD	Private Sector Development
PSE SI	Private Sector Engagement Strategic Initiative
QA	Quality Assurance
RCT	Randomised-Controlled Trial
RBF	Results-Based Financing
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SIB	Social Impact Bond
SIINC	Social Impact Incentives
SME	Small and Medium Enterprises
TA	Technical Assistance
TB	Tuberculosis
UBSOF	UBS Optimus Foundation
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development
USD	United States Dollar
WASH	Water, Sanitation, and Hygiene
WB	World Bank

Background

This deck documents the **key insights from the RBF experience review** conducted between September and December 2023.

The review involved desk research and interviews with staff members. It aims to:

- **Take stock** of SDC's and SECO's experiences with Results-Based Financing (RBF)
- **Map these experiences** across RBF instruments, sectors, and geographies
- Detail selected experiences as **case studies**, including results and lessons learned
- Better understanding the **demand for and constraints of using RBF** within SDC/SECO

The review aims to provide useful input to inform internal deliberations on **whether, where and how SDC and SECO can use RBF** to drive greater effectiveness of their funding.

These insights will be discussed with interested participants during a **workshop on January 30, 2024**

Table of content

Section 1: Introduction to RBF

Provides an introduction to RBF, its benefits, key applications, evidence, and insights on market trends and how peer funders are using RBF, including two case studies on MCC's and The Global Fund's strategic initiatives to expand the use of RBF.

Section 2: SDC's and SECO's experience with RBF

Documents SDC's and SECO's experience with RBF and emerging insights on opportunities to leverage RBF for greater impact. It provides an overview of RBF applications, including by instrument, sector and geography. It also contains 10 case studies from SDC's and SECO's experience of RBF and proposes an organising framework to assess the maturity of the practice and potential next steps.

Section 3: Emerging insights on institutional drivers, enablers and constraints of RBF

Documents emerging insights on drivers, institutional enablers and constraints of using RBF, which can inform potential strategies to expand and institutionalise the use of RBF.

Annex

Identified RBF experiences within SDC and SECO



SECTION I: INTRODUCTION TO RBF

Global development efforts are not yielding the desired impact



Governments in low- and middle-income countries spend **\$5 trillion** p.a. in critical public services (WB, 2021)

Governments in high-income countries spend **\$175 billion** p.a. in bilateral and multilateral development aid (OECD, 2021)



Education



Health



Forced displacement



Climate

Education

A recent World Bank review of 31 countries showed that **48%** of education programs evaluated showed **zero positive impact** on learning outcomes

Source: 71 education intervention evaluations across ~30 countries, compiled by the World Bank and FCDO as part of the Global Education Evidence Advisory Panel.

The 2018 World Development Report found that the relationship between changes in **public education** spending and **student learning** is often **weak** for various reasons, including **funding** not being utilised for its intended purpose, funding being **misaligned with expected learning outcomes**, and lack of capacity by governments to use funding effectively.

Source: The World Development Report 2018



Climate

A recent audit found that the European Commission's 15-year effort to help 80 countries address **climate change**, totalling €728.8 M, had **no demonstrable impact** on countries' climate resilience

Source: European Court of Auditors, 2023



Service Delivery

A Harvard study found that of 102 developing countries surveyed, **only 11 are on track to develop reliable service delivery capabilities this century.**

Source: Andrews, M., Pritchett, L. and Woolcock, M., 2017. Building state capability: Evidence, analysis, action (p. 288). Oxford University Press.

How do we improve the impact of public spending?

Huge amount of resources



Insufficient results



Results-based Financing (RBF) – a simple idea

“

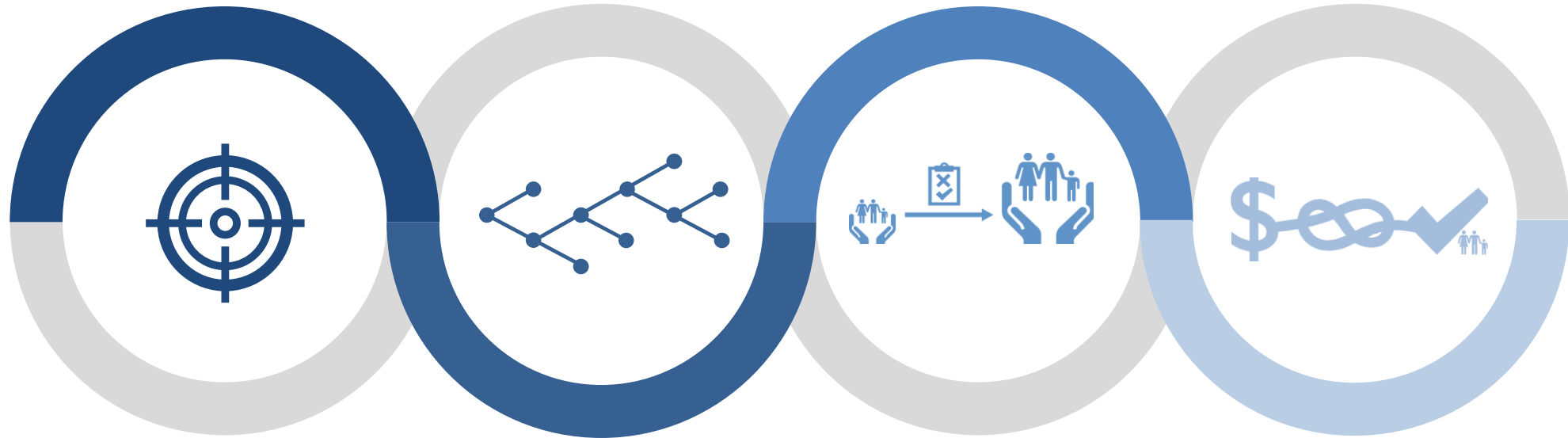
Tying funding to pre-agreed and verified results.

”



Results-based financing can radically improve public spending results

RBF focuses all actors on what matters, creates a performance culture, and demand for evidence



Measuring and drawing **attention to outcomes**

Providing **flexibility** to achieve results

Aligning financial **incentives** with beneficiary welfare

Improving **accountability** to beneficiaries

Beyond improved results, RBF can enhance...



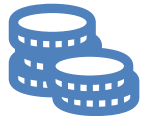
PERFORMANCE CULTURE

- Improved motivation and focus on results
- Use of data for decision-making, continuous learning, and embracing change
- Innovation and problem-solving



INNOVATION

- Outcomes-oriented experimentation to surface effective solutions
- Shift risk of failure to the private sector



VALUE FOR MONEY

- Improved operational efficiency
- Effective and efficient control systems

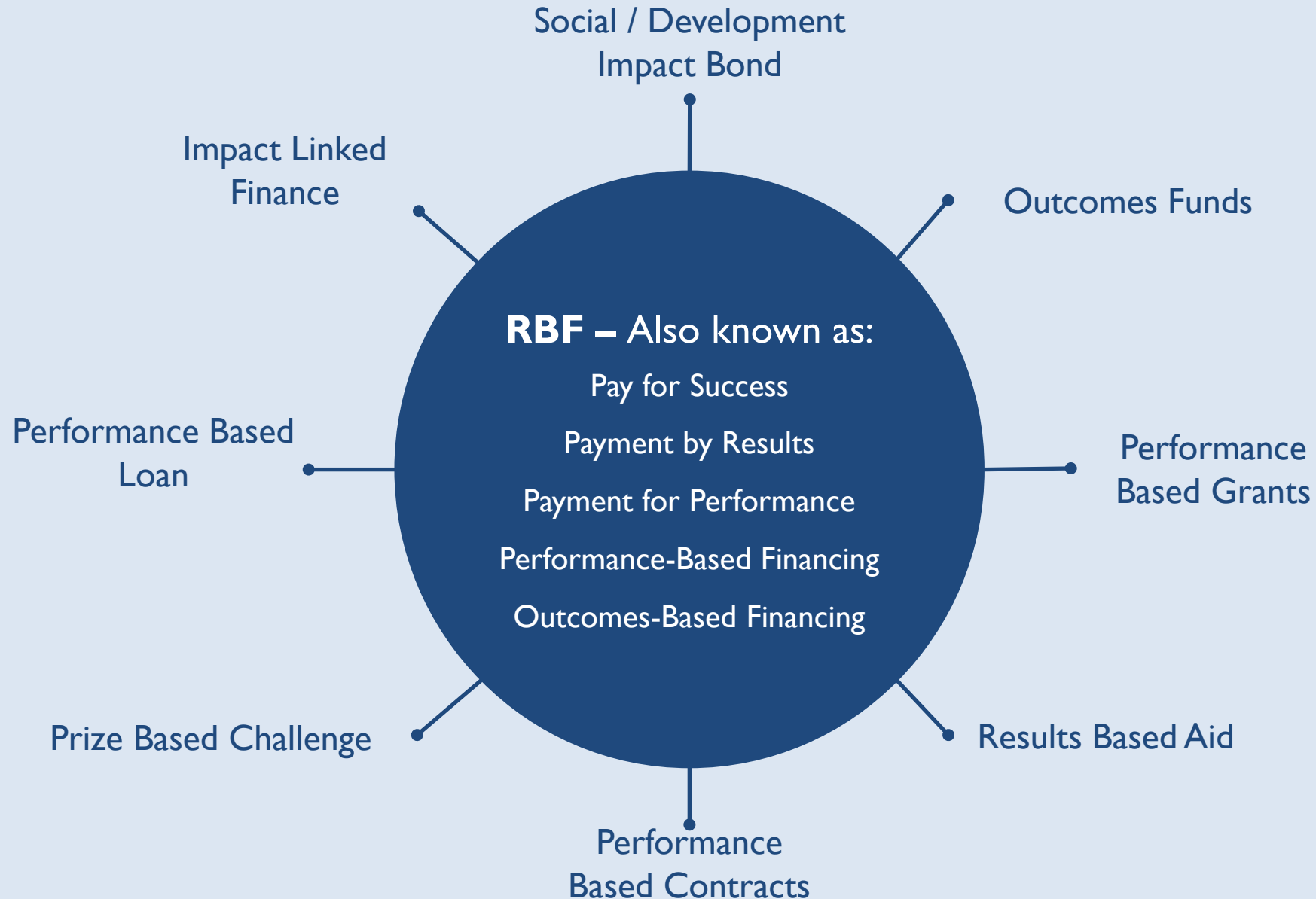


SUSTAINABILITY

- Build resilient and sustainable systems
- Increased ownership over delivery
- Integration of community-based monitoring



RBF: an umbrella concept with versatile applications



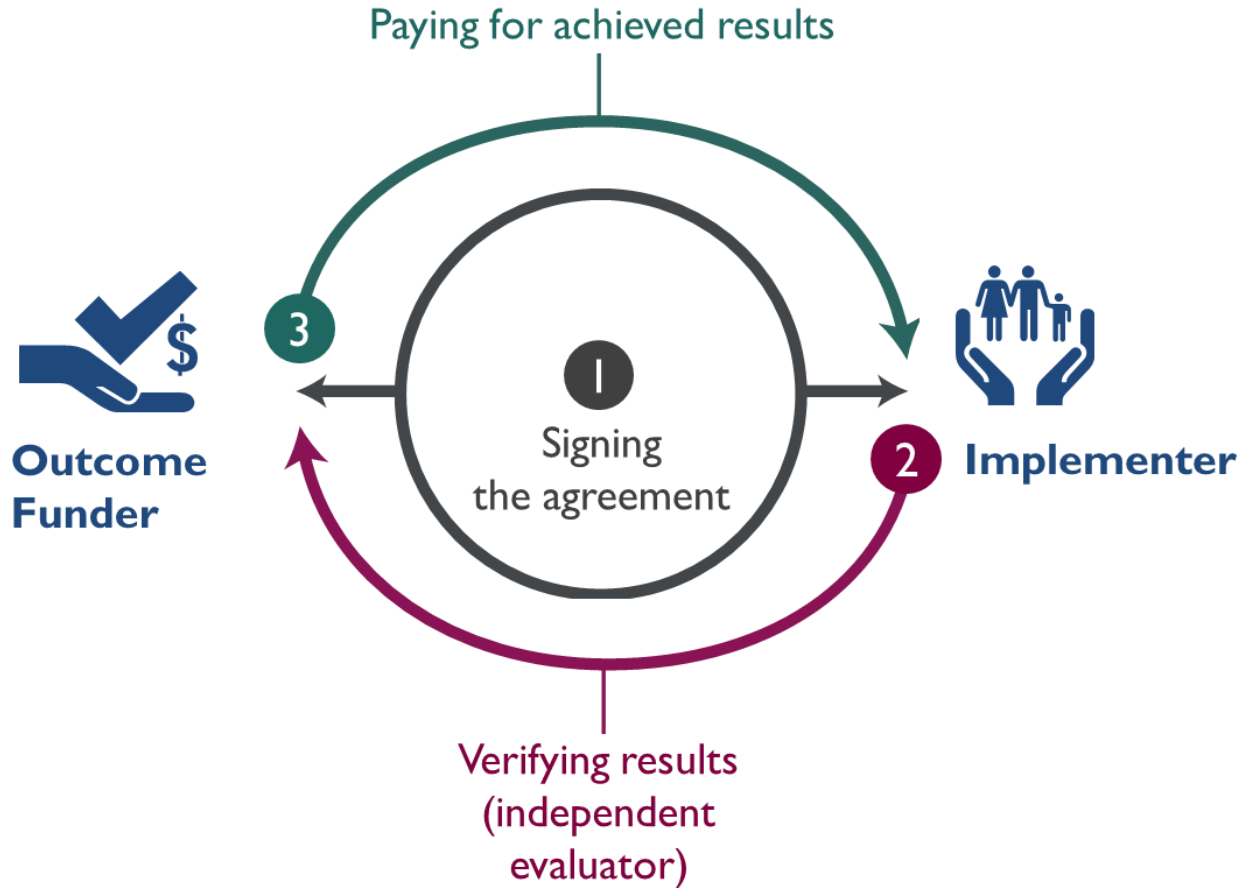
RBF instrument typology

The table provides one way to classify RBF applications (other typologies and terms exist)

RISK TRANSFERED TO:	INSTRUMENT	DEFINITION
CENTRAL GOVERNMENT	Performance Debt Buy-Down	A third party buys down all or a part of a loan between a government and a lending organisation if predefined results are achieved.
	Performance-Based Loan	A development bank provides a loan to the government with disbursements conditioned upon the achievement of pre-defined results.
	Cash on Delivery Results-based Aid	A multilateral agency or a foreign government awards resources to a government if predefined results are met.
LOCAL GOVERNMENT	Performance-Based Transfer/Grant	An intragovernmental fiscal transfer based on the achievement of predefined results.
PROVIDERS (PUBLIC OR PRIVATE)	Prize-Based Challenge	An open bid competition that awards a predefined prize for the best innovation developed in a predefined time.
	Performance-Based Contract, Social Impact Incentives or Performance-based Grant	A service provider receives payments if predefined results are met. Commonly used terms differ by implementer: Social Impact Incentives (social enterprise), Performance-Based Contract (other non-state actors) and Performance-Based Grant or Performance-based Financing (public provider, e.g., schools)
	Advanced Market Commitment	A donor or government commits to purchase a good or service at a pre-determined price and quantity
INVESTOR	Social Impact Bond & Development Impact Bond	An investor provides upfront capital to a service provider and only gets paid back by the government (SIB) or donor (DIB) if the predefined results are reached.

RBF can be applied with different actors...

- Governments
- Bi-/multilaterals
- Foundations



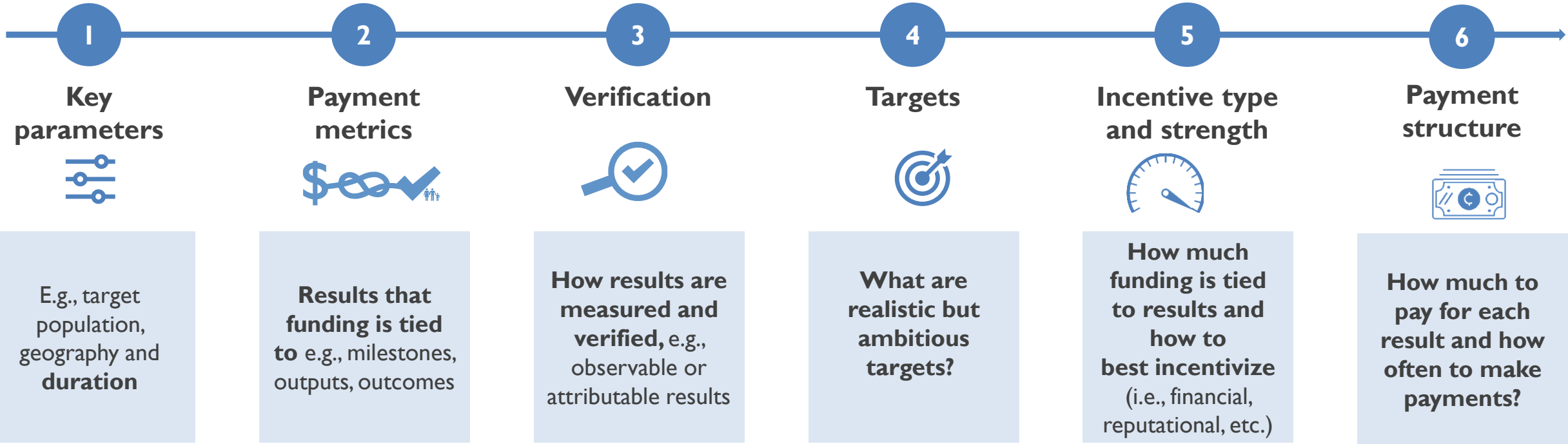
- Central government
- Local government
- Front-line service delivery units (e.g., schools, health facilities)
- NGOs
- Private companies
- Social enterprises
- Financial institutions

...and to achieve different objectives

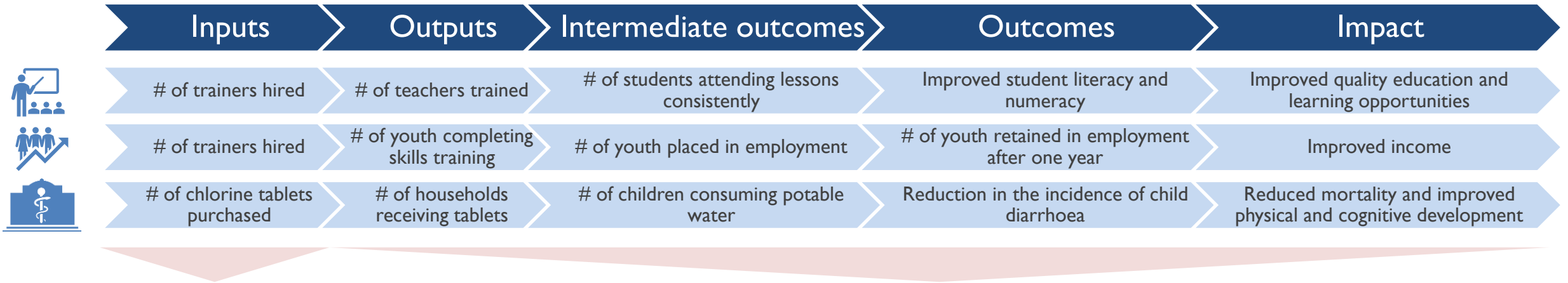
Actor	Why RBF?	How does it work?	Common instruments
<p>Private actors</p> <p>PROGRAM MATURITY</p>	<p>Outcomes-oriented innovation</p>	<p>RBF can boost the discovery of impactful solutions. By specifying desired outcomes, granting full discretion to several competing providers, and offering a prize for the winner, RBF establishes the right incentives to drive progress toward outcomes while transferring the risk of failure to the private sector</p>	<ul style="list-style-type: none"> • Prize-based challenges
	<p>Optimising promising programs</p>	<p>By offering incentives for results and flexibility, RBF can motivate promising programs to rapidly learn and adapt program design and delivery practices to improve and maximize their cost-effectiveness before scaling.</p>	<ul style="list-style-type: none"> • Impact bonds • Performance-based contract • Social impact incentives
	<p>Scaling impact</p>	<ul style="list-style-type: none"> • RBF can incentivise management and frontline service providers' frontline workers to keep their program's performance at the center of scale-ups. • RBF can accelerate and incentivise private sector players through volume-price agreements (subsidies), market guarantees, etc, that incentivise private companies to improve their social and environmental contributions. 	<ul style="list-style-type: none"> • Results-based procurement systems • Pull finance (e.g., advance market commitments)
<p>Public providers and actors</p>	<p>Improving institutional effectiveness</p>	<ul style="list-style-type: none"> • RBF can strengthen the results focus of policy dialogue, draw public attention to institutions' performance, and improve accountability of (sub-) national governments to implement results-oriented reforms and improve service delivery. • RBF can also focus the attention of public front-line delivery units (e.g., schools, health facilities) on results while providing them with some flexible funding to make targeted investments leveraging their detailed contextual insights. 	<ul style="list-style-type: none"> • Central: Performance-based Loan, Results-based Aid • Subnational: Performance-based fiscal transfers • Frontline: Performance-based grant

RBF as a practice to reshape institutional incentives, behaviors and performance, rather than a rigid set of instruments

While specific RBF instruments (e.g., impact bonds) are often applied in particular circumstances, RBF practitioners recognise that it is more useful to consider **RBF as a practice** and flexible tool that **can and needs to be tailored to the specific context** (e.g., capacity of the implementer, data availability) **and objectives** (e.g., innovation vs scaling) to deliver impact. Design choices, such as those outlined below, play a crucial role in determining the direction and strengths of incentives and autonomy granted to implementers as well as the complexity and cost of the RBF (e.g., verification), among other factors, ultimately influencing its effectiveness and value-for-money.



Payment metrics need to be carefully selected considering the objectives and results chain of a program (and causal links between results)



- **Traditional contracting mechanisms** rely heavily on **reimbursing** implementing partners **based on eligible incurred costs (expenses)**.
- Implementers prepare detailed program activities and budgets and must carefully track and document that **funding is spent for eligible expenses**.
- Provides incentives for **strong compliance- and financial management systems** and can reduce the focus on results and flexibility to adjust activities.

- **Results-based Financing** ties funding to **outputs and outcomes along the results chain**. Selecting the right results is critical for the success of RBF.
- **Paying for outcomes** is preferable to focus the implementer's attention on what matters, provide greater flexibility to innovate and achieve outcomes cost-effectively, and mitigate perverse incentives. However, they are often more difficult and costly to measure and verify and are more sensitive to external factors, reducing the manageable control of implementers and possibly the effectiveness of incentives.
- **Sectors and programs have different considerations**, and the specific challenge, objectives, and what is measurable (at low cost and scale) must be considered.
- For example, in health, RBF mechanisms often **pay for outputs** (e.g., institutional deliveries, preventative care, vaccines delivered) **strongly correlated with outcomes** as these are easier to verify and allow for more timely and frequent payments to implementers.
- In the education sector, at least some payment is often tied to learning outcomes, as other results or proxies, such as enrollment and attendance, are often only weak proxies for improved learning.

Evidence of RBF's impact

Compared to traditional financing mechanisms

A rigorous randomised evaluation of a World Bank **maternal health** program in **Rwanda** found that using RBF with health facilities contributed to improved results compared to traditional input-based funding, including a **23% increase** in the number of **institutional deliveries** and a **132% increase** in the number of **preventive care visits**.



In **DRC**, Shapira et al. (2023) find that an **RBF with health facilities**, one of the largest RBF programs introduced in LMICs to date, led to **significant improvements in several health system domains** compared to comparable unconditional financing provided to facilities in a control group.



Among other results, health facilities that received results-based payments increased **service coverage by 12%** and **quality by 5-9%**.

In **Uganda**, RBF was associated with a **2.5 times better performance** compared to traditional, input-based mechanisms. The RBF provided results-based payments to private-not-for-profit health facilities operating in disadvantaged post-conflict communities. The evaluation found that facilities in the **RBF region achieved 50%** of the available performance points while more traditionally financed **control region achieved only 20%**.



In **Afghanistan**, RBF contracts with NGOs led to a substantial improvement in service delivery at lower cost despite a very difficult security situation. The RBF enabled a **22-percentage point** increase in service delivery outcomes compared and **15% reduction in costs** compared to non-RBF contracts.



Evidence of RBF's impact

Impact of programs using RBF

Radically improving education results for girls in India

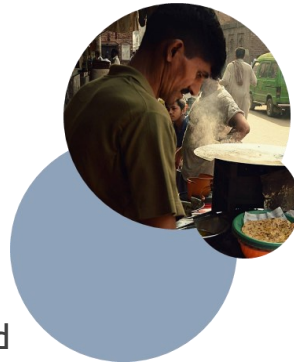
The Educate Girls Development Impact Bond in **India** delivered **116% and 160%** of targets in terms of **improved enrolment and learning outcomes**.

These targets were benchmarked on a previous RCT, allowing to identify the “RBF effect” in improving the cost-effectiveness of the program by 60% in just 3 years.



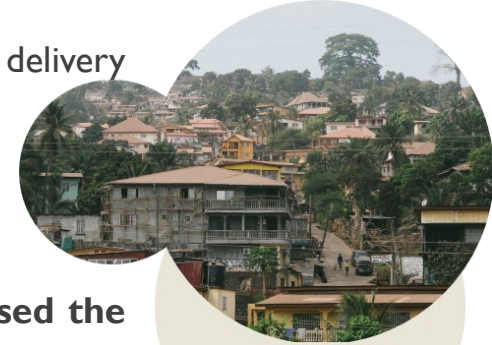
Driving improved employment outcomes in Nepal

An evaluation of a World Bank RBF **employment** program in **Nepal** found that it enabled job placements for **40,000 Nepalese** youth and increased non-farm employment by **15-16 pp** and average monthly income by **72%**, with larger effects for women than men. In **Ethiopia**, a similar RBF program trained **2000 youth** by the third year, with **76% getting job placements**



Transforming the water utility of Freetown

An RBF in **Sierra Leone** transformed the delivery performance of Freetown's **water utility** including expanding coverage and quality of water distribution for Freetown's population of over a million residents. It contributed to improved sustainability as it **increased the utility's revenues by 33% in just 1 year**. More broadly, it improved the results focus and performance culture within the utility as well as regulatory outcomes.



Reducing crop contamination in Nigeria

The Aflasafe RBF prize competition in **Nigeria** increased the **uptake of Aflasafe-treated (AT) maize by 56 percentage points** among smallholders. This project incentivised maize aggregators to procure AT maize from more than 13,000 farmers. The evaluation also found that the competition **increased smallholders' annual net income from maize by 16%**.



Evidence of RBF's impact

Impact of programs using RBF

Driving innovation to improve on-farm storage in Kenya

The AgResults **Kenya** challenge, an RBF prize competition, led to the creation of an emerging market for on-farm storage (OFS) technologies. By incentivising private companies to develop and improve OFS, the project improved **OFS adoption by 23 percentage points in Eastern Kenya** (with 28% of farmers reporting full adoption) and 6 percentage points in the Rift Valley region (with 10% of farmers reporting full adoption).



Transforming the water utility in Uganda

Establishing various incentive mechanisms, the National Water and Sewerage Corporation in **Uganda** was able to drive substantial efficiencies. These included innovative managerial techniques aligning management and corporate performance goals and setting performance targets for strategic areas. Studies showed that **service coverage increased from 52% to 70%**, while the **water network coverage increased by 49%** thanks to these initiatives. In addition, new connections increased from 4,317 to 28,312 per year.



Improving the education system in Peru

In **Peru**, a Performance-Based Grant between the Ministry of Education and 246 local and regional education agencies achieved important improvements in several results, including student learning outcomes. **Reading comprehension results and math scores increased by 10% and 17% between 2012 and 2016, respectively.** A local think tank recognised the performance-based transfer system as a 'Good Practice in Public Management'.



RBF implies a departure from ‘business as usual’ for funders & implementers

To unlock its benefits, RBF needs to be designed carefully

- 1. Adapt design to the context:** focus on diagnosed barriers, implementers’ incentive environment, capacity and autonomy to adapt their behaviour.
 - In Afghanistan, an evaluation of an RBF that provided supply-side incentives to health facilities found only minimal impact. The authors suggest that one reason for the ‘failure’ was that the **intervention paid insufficient attention to demand-side factors and bottlenecks.**
 - In Sierra Leone, lessons suggest that the RBF for one of the electricity utilities was not effective in part due to a relatively **small incentive amount and a complex existing incentive environment** in which the utility operated (e.g., other donor-financed projects, a management contractor that had different KPIs).
 - Similarly, even though an RBF can be designed to grant flexibility, **other requirements may that de facto limit implementers autonomy** to adapt delivery
- 2. Align incentive strategy to long-term impact:** using not only short-term indicators and ensuring sufficiently long implementation periods for implementers to respond to incentives and invest in innovation/changes that may only pay off in the medium term
 - Implementers under the "Girls’ Education Challenge Fund" perceived that **payment metrics provided incentives to prioritize short-term results over long-term results.** They said that the way literacy and numeracy outcomes were measured could have led a focus on teaching to the tests and that the situation drove headquarters to disregard more sustainable approaches in favour of shorter-term measures, although they claim to not have responded to this pressure
 - A review of DFID’s WASH Results Program suggests that the RBF structure, which included different phases, led suppliers to consider outcomes only after output delivery, meaning they **neglected the most important longer-term elements**
 - The main reasons given for not achieving impact in the Results-Based Aid education project in Ethiopia were the relatively small incentives in comparison to its **complexity and duration.** A **mismatch between the timeframe** of the RBF and the time needed to really affect change were also cited as constraints in the Rwandan Results-Based Aid education project and the RBF program “Big Results Now!” in Tanzania.
- 3. Anticipate, mitigate and monitor perverse reactions, such as neglecting harder-to-reach areas or populations.**
 - In Tanzania, an education RBF program, “Big Results Now!”, chose pass rates as the payment metric. This created **perverse incentives for schools to artificially increase pass rates** by preventing weaker students from progressing to graduation years, or sitting the tests..

RBF implies a departure from ‘business as usual’ for funders & implementers

Complementary strategies may be needed as well

4. Build performance management capacities of implementers:

- Sufficient consideration needs to be given to the **baseline capacity of implementers**. Those who have not collected data on program activities and results before engaging with RBF may require additional support to establish M&E systems that provide relevant and timely data to decision-makers. Additionally, there may be a need to build capacity to transform data into insights and insights into improved results.

5. Support governments/donors to make timely results payments and adapt standard procedures of input-based contracts

- Delayed payments can reduce the **strength of incentives** and cause cashflow problems for implementers
- Funders place insufficient attention on **removing input-based requirements** (e.g., financial reporting) or even hold implementers accountable for both results and inputs. Such dual requirements can undermine possible gains in autonomy and innovation.
- In the Girls Education Challenge Fund, an evaluation reports that implementers felt that the process for requesting changes to milestones, outputs or budgets was felt to be **too cumbersome** and presented a barrier to adaptation.



These and other lessons from earlier RBF programmes provide useful insights on how to avoid common pitfalls and more regularly unlock the impact of RBF

RBF implies a departure from ‘business as usual’ for funders

Zoom into the common constraints to scaling RBF for donors and governments

The rising demand for enhanced cost-effectiveness, value-for-money, market-driven solutions, accountability, innovation, data-driven decision-making, and locally-led development has brought RBF to the forefront. However, **structural barriers impact the adoption of RBF** by governments and donors, including:

1. RBF often requires **technical mastery** (results definition, pricing) **and significant upfront investments** for proper design, posing a barrier for capacity-constrained governments and funders.
2. **Pressures to achieve short-term results** within political cycles may hinder investments in longer-term systemic changes.
3. **Financial regulation and oversight that are incompatible with RBF.** Accounting and finance departments may also fear that RBF will make some of their activities redundant and relatively disempower their role within the organization. Further, the misuse of funds by implementers is seen as a higher reputational risk for funders than lack of results.
4. **Annual budget cycles** reduce flexibility to adopt RBF and pay for medium-term results.
5. **Political patronage** as RBF upgrades the standards of civil service performance or pressure to reduce the influence of political considerations in staff appointments
6. **Political disincentives** arise as RBF can create reputational risks by exposing delivery failures through transparent and consequential measurement.
7. RBF introduces the **risk of non-disbursement** for funders and governments, which may affect future budget allocations, leading to lower uptake of RBF or the selection of easily achievable results and targets, potentially limiting its impact.



RBF represents a significant departure from traditional contracting and operating models which is “complex and requires cooperation and collaboration across the entirety of a donor agency” and needs to be supported by “high-level leadership and widely recognized as a strategic imperative” (CGD, 2021)

RBF emerged in response to commitments to aid effectiveness

- 1 Over the past two decades, the international development sector has undergone a shift away from traditional, input-based funding toward **results-based approaches** in response to commitments to greater aid effectiveness.
- 2 Since the early 2000s, **RBF has grown significantly year-to-year** from 1 billion in 2007 to > 26.5 billion in 2017. A greater number of bilateral funders have piloted RBF in sectors such as **health, education, employment, and utilities**.
- 3 MDBs have (a) integrated into their **core business model** (results-based loans) and (b) support governments partners to integrate RBF in **intra-governmental transfers or procurement systems** and (c) use “**Top-up**” **results-based grants** by trust funds to pressure large-scale financing (loans) to deliver desired results.
- 4 **There is a shift underway in the sectors where RBF will likely grow**, moving from traditional areas (e.g., education, health, employment) to **global public goods** (climate, migration, and pandemic preparedness.), reflecting donor priorities and pressure to demonstrate results in these areas
- 5 Despite a greater focus on quantity than quality (in traditional sectors), we continue to see a **larger community of champions advancing RBF in their programs, moving towards departmental/ regional, and in some cases institutional adoptions** (e.g.: MCC, Global Fund, USAID regional Caribbean team)

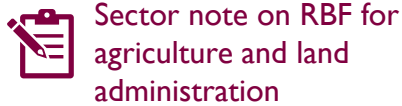
Case study: MCC's journey with RBF: from experimentation to institutionalisation

2015

MCC began RBF pilots in Morocco (Employment) and Sierra Leone (Water and electricity utilities)



Increasing staff awareness and capacity:

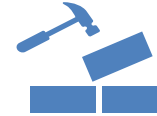


2019

MCC created a four-year RBF initiative to advance MCC's use of RBF. The initiative focuses on three main areas:



1. Expanding MCC's RBF experience by providing TA to build a pipeline of RBF projects



2. Building MCC staff awareness and capacity through brown bags, panels, trainings, tools, and guides



3. Aligning RBF with MCC's policies and procedures

2023

MCC launches another 5-year initiative to institutionalise the use of RBF within MCC

MCC's investment has delivered progress on several fronts:



Growing country team demand and uptake: A growing RBF country pipeline of USD 40m across 14 countries



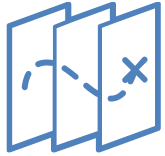
Growing awareness, engagement, and capacity: Increasing numbers of MCC staff are aware of MCC's RBF work and have direct project experience



Effective alignment of RBF with MCC policies in some areas

MCC's journey with RBF: from experimentation to institutionalization

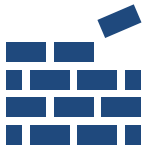
Key lessons learnt



Recognising the centrality of change management



- Building a **clear and consistent narrative** on the case for change and potential of impact
- **Establishing support** and authorization across the entire organization
- Achieving and communicating **early successes**
- Ensuring **visibility, accessibility, and engagement**



Building bottom-up demand and ensuring strong executive sponsorship



- Building **bottom-up demand** through a needs-focused approach
- Maintaining **strong executive sponsorship** is important for resolving roadblocks



Building project pipeline, creating a core team, and staying flexible



- Building a **project pipeline** is key to **growing capacity** and enabling **policy evolution**.
- Creating an **effective core team** with sufficient time
- **Staying flexible** to respond to demands and lessons and providing technical and **change management expertise**

Case study: In 2020, The Global Fund launched a 3-year strategic initiative to pilot RBF in several countries and develop policies and guidelines



The Global Fund for HIV, Tuberculosis and Malaria predominantly uses **cost reimbursable grants** with implementers – funding is tied to complete and compliant documentation



In 2020, The Global Fund launched a Private Sector Engagement Strategic Initiative (PSE SI), aimed at supporting their grant recipient countries to **harness the potential of non-state actors to deliver more impactful responses** to the three diseases (HIV, TB and Malaria) through the adoption of **results-based approaches**.



The initiative involved two phases: Phase 1: Opportunity mapping to identify RBF and performance management solutions tailored to each county (e.g., disease area) and Phase 2: Two and half years of hands-on, in-country Technical Assistance (TA), building country capacity to mobilize and implement the selected RBF and performance management solutions



As part of phase 2, **ten countries** received support to design RBF contracts or strengthen the performance management capacity of implementers. In addition, the initiative created **fit-for-purpose tools** and guides to support the adoption and scaling of RBF within The Global Fund.




Demand from country teams has already led to the **replication of RBF in other countries**.

Key lessons from Global Fund's strategic initiative

Lesson 1	Sustain leadership sponsorship: It is critical to cultivate and sustain leadership sponsorship over time and prepare for transitions, particularly when RBF is not yet anchored in policies & institutional processes or there is demand from a critical mass of influential departments.
Lesson 2	Get the core staffing of 'RBF unit' right: Ensuring a core team with multi-disciplinary skills, a strong understanding of institutional practices and networks is established and staffed to support the initiative.
Lesson 3	Generate internal buy-in: Identifying and cultivating internal champions, translating the RBF work to country-level priorities, and providing hands-on technical assistance were critical to creating demand from and keeping capacity-constrained country teams engaged.
Lesson 4	Be user-driven, for example, when developing guidance and toolkits.
Lesson 5	Align with regulatory framework: Working closely with risk, finance, procurement, and legal departments is key to evolving standard procedures and support timely and effective implementation of RBF
Lesson 6	Support implementers: Implementers may need support to adapt systems, internal processes, and HR resources to effectively implement RBFs and maximize the impact,
Lesson 7	Managing expectations on how quickly RBF will lead to improved results and efficiencies.
Lesson 8	Give change time to stick and demonstrate its value: Staying flexible to respond to windows of opportunity and ensuring a sufficiently long-time horizon to generate evidence that can support institutional demand is key.

SECTION 2: SDC'S AND SECO'S EXPERIENCE WITH RBF

SDC and SECO have a rich and diverse body of RBF experience and the key ingredients to scale it

 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

5 | RBF experiences

Covering private and public sector, diverse sectors, geographies and instruments

Among these...

3 Impact Linked Finance

Several **SIINC**s across sectors and geographies

Evolution towards the use of impact-linked funds (4) for greater scalability

8 RBF in employment

Nepal Employment Fund

Scaled to 8 additional countries in partnership with Helvetas

SIBs.CO Colombia: several impact bonds

- Locally-led replication in Colombia
- Replication in Peru, Tunisia, and Morocco

5 Performance-based grants with subnational public actors *(government, utilities)*

- PBGs are part of SECO's new budget support strategy

+ Contributions to multi-donor trust funds that use RBF (e.g., GPE, SCALE)

Key insights on SDC's and SECO's use of RBF

Use of RBF

There are **several experiences with RBF** across SDC and SECO, within both the **private and public sector** and covering **diverse sectors and geographies** (see next slide). However, based on our conversations, the use of RBF is often **ad-hoc and champion-driven** and with **limited systematic consideration of where RBF can add value and diffusion of knowledge within the organisations**.

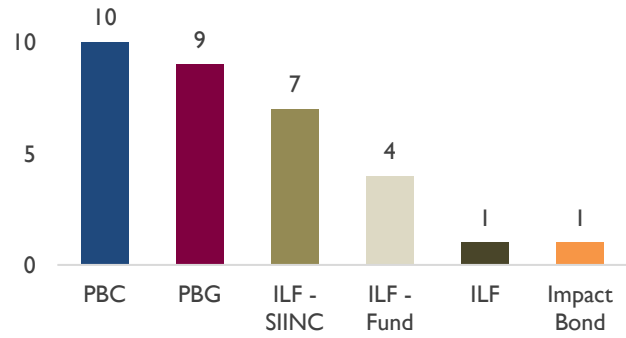
- In total, we have identified **51 RBF experiences** (excluding contributions to multilaterals) across the two organisations (32 experiences in SDC and 19 experiences in SECO), covering diverse sectors and geographies.
- In terms of **RBF instruments**: both organisations have experience using **PBGs with subnational governments or public utilities** (9 applications in SDC, 6 applications in SECO) and with **impact-linked finance** instruments (particularly SDC), covering project-specific applications (e.g., Clinicas del Azucar in Mexico) as well as the establishment of impact-linked funds (4) that fund several projects. Both organisations also have experience using **performance-based contracts and impact bonds**, particularly in the **employment sector**. Overall, the experience with impact bonds is nascent, considering that the four impact bonds funded by SECO are part of the same program (SIBs.CO)
- In terms of **departments**:
 - **SDC's and SECO's PSD teams** have championed the use of RBF and have built substantial RBF expertise. This includes impact-linked finance across sectors and geographies, RBF applications in employment and competitiveness and piloting impact bonds.
 - **SDC's governance team** has significant experience using performance-based grants with subnational governments.
 - **SECO's Macroeconomic Support team** uses RBF in their budget support and has also supported performance-based grants with subnational governments, e.g., in Peru and Ghana.
 - **SECO's Infrastructure Financing** team has also used RBF (e.g., Albania, Tajikistan) and is interested in RBF's potential for its work with utilities and as a strategy within the Utility of the Future Framework

Furthermore, we hypothesise that there are **more experiences within SDC** that we have not been able to identify yet due to SDC's more decentralised operations, limited systematic knowledge diffusion on RBF and no interviews with country teams. For example, despite SDC's leadership and success in piloting RBF as part of the Nepal Employment Fund from 2008 to 2015 and the substantial adoption of RBF in employment across countries by Helvetas, there was limited awareness within SDC. Similarly, the thematic teams we engaged (e.g., PSD, climate, education, governance, health) had limited knowledge of whether and how RBF is applied in their sector at the country level (except for the governance team).

SDC's and SECO's RBF experience in numbers*

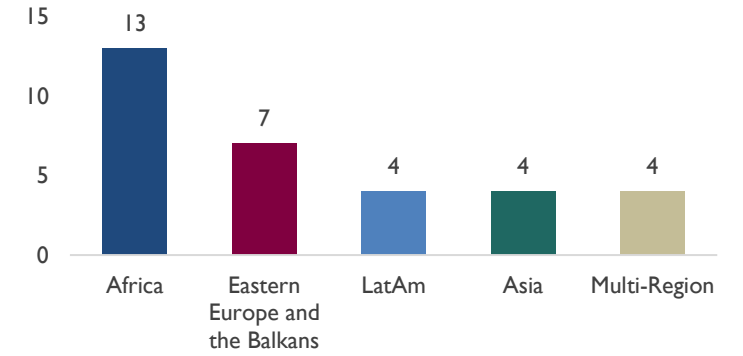
SDC

Instrument

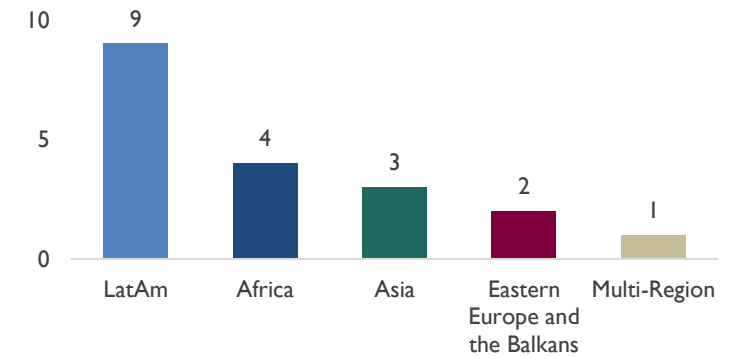
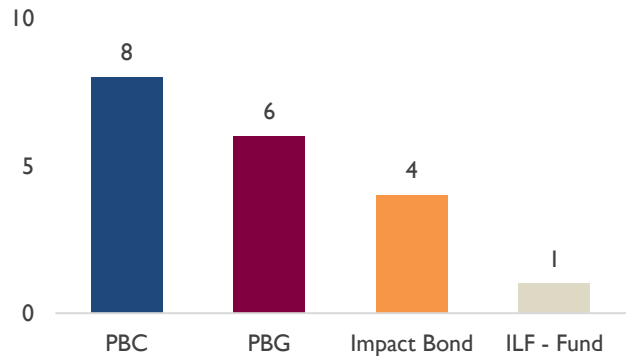


Sectors

Region



SECO



**

**Includes three programs in design phase: RBF employment in Morocco, RBF employment in Tunisia and Mas Pago Por Resultados in Peru (which also includes additional sectors)

* Based on experiences mapped available in [Annex I](#), excluding contributions to multilateral partnerships, but including SDC's support to Swiss NGOs.

Key insights on SDC's and SECO's use of RBF

Rationale for using RBF

- Across the organisations, the common rationale for using RBF is to **pursuit greater impact** by deploying funding with **stronger accountability and incentives** to implement programs and reforms effectively and efficiently. More specifically, interviewees mentioned the following reasons or benefits for using RBF:
 1. Promote a **stronger focus on results in program planning and implementation** (including a more results-oriented policy dialogue and collaborative approach with local partners)
 2. Strengthen **local data systems, contribute to data availability at SDC/SECO and support data-driven decision-making** within implementers, and SDC/SECO's future resource allocation and program designs,
 3. Provide greater **flexibility** to implementers to adapt activities to the local context and based on learnings, and stimulate **innovation** in program design and implementation,
 4. Contribute to more **locally-led development** by providing greater ownership and autonomy to local partners.
- In addition, interviewees recognised the specific value-add to (1) support **decentralisation, local governance and subnational government reform efforts** (performance-based fiscal transfers) and (2) supporting **market-based solutions** and growth of social enterprises (impact-linked finance).

Experiences and lessons

While the use of RBF is still in the early stages for most departments/sectors, the **experience has been overall positive**, with **promising results**, and **emerging best practices and lessons** that the institutions can leverage to drive greater effectiveness and efficiency and move toward a **more accessible and systematic approach**.

Positive RBF experiences include:

- The **Nepal Employment Fund** increased non-farm employment by 15-16 pp and average monthly income by 72%, with larger effects for women than men. The Government of Nepal has adopted many of the RBF practices and SDC, in partnership with Helvetas, has adopted RBF in at least eight other countries.
- The **SIBs in Colombia** have driven improved employment outcomes for vulnerable populations, with both SIBs surpassing its placement targets. This success has led to the institutionalisation of RBF within the Colombian government and the creation of an RBF ecosystem with more actors adopting RBF, including in new sectors.
- The **use of PBGs with subnational governments** has shown positive results. For example, SDC's Municipal Development programme in Eastern Serbia was successful in creating institutional and legal reform momentum for municipalities, and had positive spillovers, such as the simplification of the property tax law and the implementation of an IT system for property tax, enabling greater transparency on the long-run. In SECO's Decentralised Budget Support programme in Ghana, PBGs have initiated policy dialogue through discussions on performance targets, which has helped maintain a pro-poor orientation in the Government's policy and expenditures. Both SDC and SECO are supporting the scaling of PBG with subnational governments, and it is an explicit strategy in SECO's Budget Support Strategy.

Key insights on SDC's and SECO's use of RBF

Experiences and lessons

- **SDC piloted the first SIINC in 2016**, followed by multiple pilots in Latin America to test the concept and generate evidence. The successful pilot programs led to the expansion of similar initiatives across sectors (agriculture, health, energy access). The impact evidence generated from these pilots enabled SIINCs to enter frameworks and gain wider adoption, such as the integration of SIINCs in the OECD impact investment policy framework. SIINCs' journey of increased scalability was achieved through the use of ILF Funds, such as the Southern and Eastern Africa Fund, the Education Fund, Gender-inclusive Fintech Fund, and the WASH Fund.

Best practices, lessons, and challenges: Many of the lessons and best practices outlined on slides 21-23 and slide 57 apply to SDC/SECO.

- **Planning and designing for sustainability:** Bringing a performance-based mechanism into the partner country's system is essential for long-term impact. The process is often gradual and evolves over time. SIBs.CO planned to implement several SIBs from the beginning, allowing it to improve the design over time and to build capacity and ownership of the government. For PBGs, the experience has shown that it is important to understand legislative frameworks, PFM systems and the audit process of countries and rely as much as possible on existing government systems from the outset.
- **Long-term horizons and complementary strategies:** The experience with PBGs has demonstrated the importance of complementing incentives with policy dialogue and capacity-building strategies and planning for long-term engagements (e.g., 10-15 years) to improve absorption capacity and drive improved institutional capacities at the local level over time. Well-designed capacity-building support targets specific areas that pose institutional barriers to improving performance and are at least partially demand-driven.
- **Importance of being problem-driven and building a strong case for RBF.** E.g., in the case of the HIB, stakeholders acknowledged that efforts were driven by the desire to test an innovative finance instrument and that a more effective approach would have been to identify the key barriers to results and assess how RBF can help to address these.
- **Ensuring sufficient involvement in design and implementation decisions:** Because SECO/SDC's contributions can be small relative to other donors, it can reduce SECO/SDC's influence on design and disbursement decisions. Remaining involved in the steering committees gives SECO/SDC more control to influence operations but also requires greater time commitments.
- **There are opportunities to better anchor PBGs in the overall democratic process** by co-designing the mechanism with and integrating feedback from civil society actors, the private sector or citizens in the performance assessment.
- **Attention is increasing on promoting local climate actions** through performance-based grant systems.

Roadmap for testing, scaling and institutionalizing RBF

Introduction

To assess the level of maturity of the practice of RBF by instrument, within sectors or within the department, we propose a **Maturity Framework** on the next slide. The framework outlines three key dimensions that define the maturity of a new practice and identify the potential actions to drive greater sophistication, adoption and impact.

- (1) In-country adoption and impact:** to what extent are country-level programs designed to repeatedly drive high and sustainable levels of impact, generate institutional buy-in and capabilities of local actors, and influence policy and institutional change?
- (2) Organisational level adoption and management:** to what extent do internal practices, internal guidelines and procedures, capabilities, culture, and systems enable systematic, efficient, standardised and high-quality replication and scaling of RBF?
- (3) Global adoption and policy work:** to what extent are SDC/SECO leveraging their learnings, best practices and evidence at the country level to influence broader global adoption by peer funders, multilateral partners and other actors? What is SDC's/SECO's role? Who are the scale partners? How to influence them?

This framework is **meant to facilitate conversations with relevant teams** on the maturity of their practice and potential next steps to drive greater impact/efficiency.

Roadmap for testing, scaling and institutionalizing RBF

Dimensions	Maturity level				Key outputs
Global adoption and policy work		Raising awareness with other actors	Advocating for and supporting experiments by others	Structured policy influence	Several actors are using RBF systematically and with quality
Internal adoption and management	Champion-led	Loose community of practice	Formalized and resourced communities of practice	Formalized, budgeted, staffed structurally supported and codified practice	High-quality and mature practice area <ul style="list-style-type: none"> • Evidence and demonstrations • Support from leadership and other departments, incentives for adoption • Culture, capacity and expertise • KM and learning systems • Adapted policies and procedures
In-country adoption and impact	Piloting	Replication	Locally-led replication	Mainstreaming	Institutionalization <ul style="list-style-type: none"> • RBF anchored in national legislation • Support from MoF, several line ministries, procurement and audit agencies • Dedicated RBF unit/capacity, • KM and learning systems • Strong local ecosystem of actors

Scale up of RBF and impact

Opportunities to mature and expand the use of RBF

Low-hanging fruits

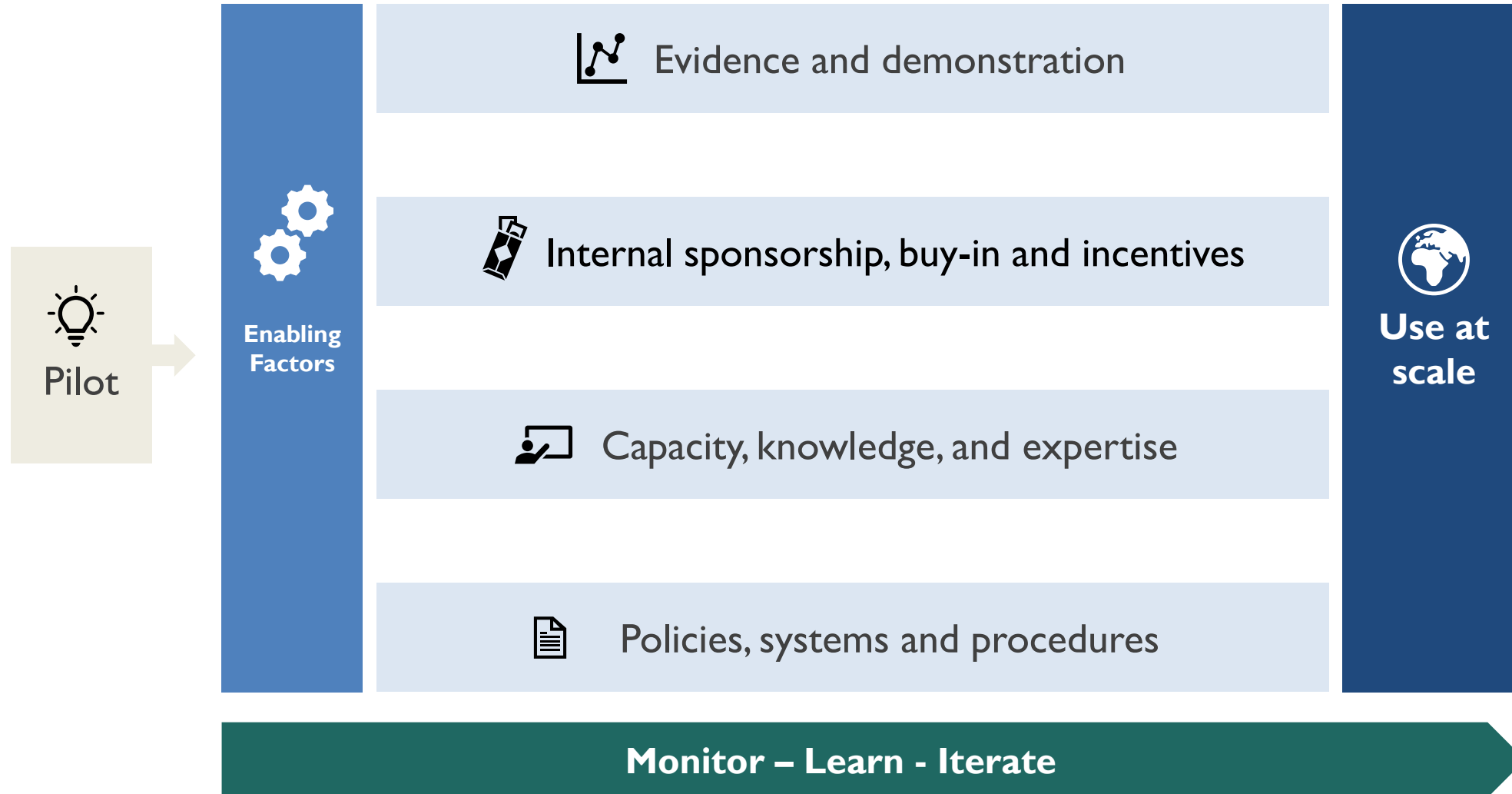
- 1 Replicate **employment sector RBFs** in more countries, while putting a greater focus on in-country institutionalization pathways
- 2 Continue to promote scaling and adoption of **ILF instruments** by other actors globally, through strategic investments and evidence consolidation
- 3 Build on positive experiences of **PBGs with subnational public actors** to promote a more systematic use of RBF and expand PBGs to fragile contexts and sector-specific applications

Other opportunities

- 4 Support demonstration projects in **new sectors** where RBF has some track record (e.g., health, education, **WASH**) and invest in evidence generation
- 5 Define the institutional strategy with regards to RBF's use and value add in **climate** and support demonstration projects to generate evidence in this sense
- 6 Articulate a clearer direction on effectiveness of **multilateral contributions** and how to measure, manage, and maximize value for money of multilateral contributions

SECTION 3: EMERGING INSIGHTS ON INSTITUTIONAL DRIVERS, ENABLERS AND CONSTRAINTS OF RBF

Key ingredients of scaling new approaches



Institutional drivers and barriers to scale RBF in SECO/SDC

Evidence and demonstration

1

Significant experience with RBF, encompassing multiple instruments, sectors and geographies. Emerging **best practices and lessons** that the institutions can leverage but **more evidence needed**

Internal sponsorship, buy-in and incentives

2

Strong momentum and interest from several departments who recognize the value of RBF and are keen on expanding its application

3

Increased pressure and **appetite to demonstrate results and greater effectiveness** from within and outside the organisations

4

Opportune timing to think about a more intentional strategy for RBF adoption/scale for the 2025-2028 cycle

5

Disbursement pressure can make RBF unappealing

Capacity, knowledge and expertise

6

Growing community of at least 20 champions with experience in RBF

7

Limited bandwidth of teams and limited practice consolidation

Policies and procedures

8

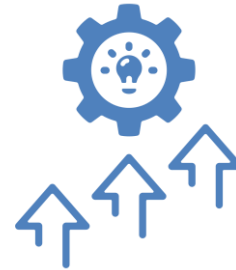
An emerging blueprint for how to engage with and manage RBF modalities: initial experiences with RBF suggest it is possible to achieve greater impact while effectively managing risks and other institutional objectives.

Tactical opportunities to take RBF to the next level for SECO/SDC



Strengthen internal sponsorship, buy-in, incentives, and central support

- Integrate RBF in strategic plan and assign **leadership's sponsorship**
- Creating an **RBF core team** that provides RBF support and provides internal coordination
- Activating a **group of internal ambassadors** representing the different departments
- Organize a **yearly RBF week** to celebrate and reward milestones



Make it easy for staff: Codify practice, invest in capacity-building and make TA accessible

- **Codify practice in guidebooks** (e.g., sector notes) and **offer trainings**
- Providing **on-demand technical assistance** to teams for more complex RBF designs or new sector areas (e.g. climate)
- Organizing **tailored knowledge exchange sessions** with peer organizations



Increasing evidence base

- Compiling **evidence and lessons** from existing RBF projects
- Investing in simple **learning agendas** for selected projects

Identified RBF experiences within SDC and SECO

SDC's RBF experience (1/3)

Project	Instrument	Geography	Sector	Status
Clinicas del Azucar	ILF - SIINC	LatAm	Health	Complete
Agri-Lending in Latin America*	ILF - SIINC	LatAm	Agriculture	Complete
ACELI	ILF - SIINC	Africa	Agriculture	Ongoing
EnDev SIINC	ILF - SIINC	Africa	Energy	Complete
CEI	ILF	Africa	Energy	Design
Skills and Employment SIINC**	ILF - SIINC	LatAm	Employment	Complete
Scaling Impact Enterprises of Bangladesh (SIE-B)	ILF - SIINC	Asia	Private Sector Development	Complete
SIINC for WASH***	ILF - SIINC	Multi-Region	WASH	Complete
ILF Fund Education***	ILF - Fund	Multi-Region	Education	Ongoing
ILF Fund Gender-Inclusive Fintech***	ILF - Fund	Multi-Region	Private Sector Development	Ongoing
ILF Fund Eastern and Southern Africa	ILF - Fund	Africa	Private Sector Development	Ongoing

* This includes transactions in Colombia, Costa Rica, Guatemala, Honduras, Mexico, Nicaragua and Peru.

** This includes transactions across Latin America and the Caribbean.

*** Multi-region transactions

SDC's RBF experience (2/3)

Project	Instrument	Geography	Sector	Status
ILF Fund WASH	ILF – Fund	Multi-Region	WASH	Ongoing
Nepal Employment Fund	PBC	Asia	Employment	Complete
Tanzania YES*	PBC	Africa	Employment	Complete
RisiAlbania	PBC	Eastern Europe and the Balkans	Employment	Ongoing
Haiti PROFESE*	PBC	LatAm	Employment	Complete
Madagascar MIASA*	PBC	Africa	Employment	Complete
Mozambique HOJE*	PBC	Africa	Employment	Ongoing
Mozambique SIM	PBC	Africa	Employment	Design
Myanmar S4E*	PBC	Asia	Employment	Ongoing
North Macedonia E4E@MK	PBC	Eastern Europe and the Balkans	Employment	Complete
Ethiopia SKY*	PBC	Africa	Employment	Complete

SDC's RBF experience (3/3)

Project	Instrument	Geography	Sector	Status
Humanitarian Impact Bond	Impact Bond	Africa	Health	Complete
Kosovo DEMOS	PBG	Eastern Europe and the Balkans	Decentralisation	Ongoing
Bashki te Forta Albania	PBG	Eastern Europe and the Balkans	Decentralisation	Ongoing
MEG Bosnia and Herzegovina	PBG	Eastern Europe and the Balkans	Decentralisation	Ongoing
Municipal Development in Eastern Serbia	PBG	Eastern Europe and the Balkans	Decentralisation	Ongoing
NALAS Decentralization Observatory	PBG	Eastern Europe and the Balkans	Decentralisation	Ongoing
Fiscal Transfers Burundi	PBG	Africa	Decentralisation	?
Fiscal Transfers Benin	PBG	Africa	Decentralisation	?
Fiscal Transfers Mongolia*	PBG	Asia	Decentralisation	?
Tanzania Health Basket Fund	PBG	Africa	Health	Ongoing

SECO's RBF experience (1/2)

Project	Instrument	Geography	Sector	Status
Green Credit Trust Fund*	ILF	Multi-Region	Climate	Complete
SIBs.CO - Empleado Futuro (1)	Impact Bond	LatAm	Employment	Complete
SIBs.CO - Cali Progresiva con Empleo (2)	Impact Bond	LatAm	Employment	Complete
SIBs.CO - Empleado (3)	Impact Bond	LatAm	Employment	Complete
SIBs.CO - CREO (4)	Impact Bond	LatAm	Employment	Complete
SIBs.CO - Bogota Mayor's Office Employability Programme	PBC	LatAm	Employment	Complete
SeCompetitivo	PBC	LatAm	Value Chain Competitiveness	Ongoing
Colombia Mas Competitiva	PBC	LatAm	Value Chain Competitiveness	Ongoing
Green Agenda Programme Serbia	PBC	Eastern Europe and the Balkans	Climate	Ongoing
RBF in water PPP in Uzbekistan	PBC	Asia	WASH	?
General Budget Support Ghana	PBG	Africa	Decentralisation	Ongoing

SECO's RBF experience (2/2)

Project	Instrument	Geography	Sector	Status
Decentralised Budget Support Peru	PBG	LatAm	Decentralisation	Ongoing
Budget Support in Tunisia	PBG	Africa	Decentralisation	Ongoing
Smart Energy Municipalities Project Albania	PBG	Eastern Europe and the Balkans	Energy	Ongoing
Water Rehabilitation and Water Supply Improvement in Tajikistan	PBG	Asia	WASH	Ongoing
Energy sector reform in Kyrgyzstan	PBG	Asia	Energy	?
Morocco Employment	PBC	Africa	Employment	Design
Tunisia Employment*	PBC	Africa	Employment	Design
Mas Pago Por Resultados Peru*	PBC	LatAm	Multi-Sector	Design

