



Results Based Finance – the Swiss Experience

I. Results Based Financing in the context of aid effectiveness

For the past two decades, the international development sector has been shifting away from traditional, input-based funding toward results-based approaches in pursuit of greater aid effectiveness. Donors' disappointment with the outcomes achieved through decades of development assistance initiated discussions about aid effectiveness in the late 1990s. These discussions culminated in international agreements such as the Paris Declaration on Aid Effectiveness in 2005, the Accra Agenda for Action in 2008, the Fourth High-level Forum in Busan in 2011, and the Paris Declaration in 2015. These agreements emphasize principles such as country ownership, accountability, managing for results, and results-based payments and conditionality.¹

Results Based Financing (RBF) is a powerful funding mechanism increasingly employed by development agencies and governments to drive impact and ensure value-for-money in development spending. RBF incentivizes all actors to maximize the results that matter, fosters a culture of performance, and generates local evidence. By conditioning some portion of program funding to measurable results, RBF introduces performance incentives and, when well-designed, can significantly increase the social outcomes achieved. For example, a rigorous impact evaluation found that RBF led Rwandan health facilities to increase maternal and child health outcomes by up to 132% in just three years.²

Since the early 2000s, RBF has experienced significant year-on-year growth, rising from USD 1 billion in 2007 to over USD 26.5 billion in 2017, primarily in sectors such as health, education, employment, energy, and WASH. Pioneering bilateral donors like DFID have played a crucial role in testing, demonstrating, and advocating for RBF. Other bilateral donors have followed suit, with some, like the Millennium Challenge Corporation, spearheading agency-wide adoption of RBF. Multilateral development banks such as the World Bank have integrated RBF into their core lending model for developing countries. For the World Bank, RBF now constitutes more than 15% of all development lending and is regularly incorporated into its major trust funds. This donor-led movement has also prompted government partners to begin integrating RBF into intra-governmental fiscal transfers and procurement systems in countries such as Peru, Rwanda, and Ghana.

Looking ahead, we anticipate continued growth of RBF as an increasingly trusted yet still under-utilized aid effectiveness tool. The fastest adoption is expected in sectors addressing urgent global public goods such as climate, migration, and pandemic preparedness, where the global community demands rapid and widespread results.

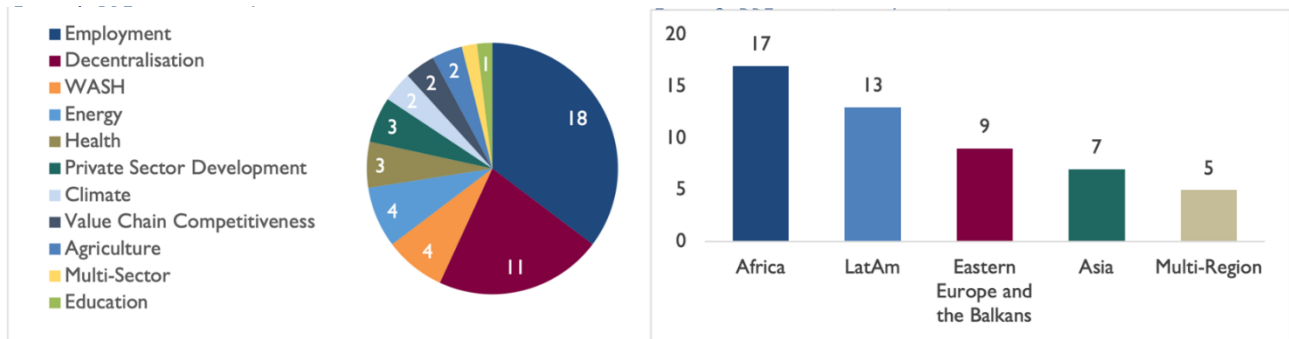
¹ The Accra Agenda for Action (2008) mentions that “Developing countries and donors will work together (...) with a view to reinforcing country ownership (...) by increasing emphasis on harmonized, **results-based conditionality**,” and the Paris Declaration (2015) “Recognizes the importance of adequate and predictable financial resources, including for **results-based payments** (...) for (...) positive incentives for reducing emissions (...)”.

² Basinga, P., et al. (2011) assessed the effect of RBF on the use and quality of child and maternal care services in health-care facilities in Rwanda. To do so, 166 facilities were randomly assigned at the district level either to begin RBF funding or to continue with traditional input-based funding. The analysis concludes that the use of RBF was associated with improved results, with facilities operating under RBF experiencing a 23% increase in the number of institutional deliveries and a 132% increase in the number of preventive care visits by children between 24 and 59 months of age.

2. RBF growth, successes, and evolution within SECO and SDC

A rich and diverse experience with promising results

Especially over the past decade, SECO and SDC staff have joined their donor peers in exploring various modalities of RBF in their programming efforts. **This has resulted in a rich and diverse body of experience comprising 51 RBF applications across the two organizations. RBF has been utilized to incentivize both private and public sector actors across a wide range of sectors and geographies.**



On the private sector front, SDC's and SECO's private sector development teams have championed the use of RBF to incentivize private actors to deliver higher quality services and programs. SDC piloted the first Social Impact Incentives (SIINCs) in 2016 in Mexico, which were replicated in additional sectors and geographies, ultimately leading to the establishment of impact-linked funds that launch multiple transactions. Both organizations also have experience using performance-based contracts and impact bonds, particularly to incentivize non-state actors to drive improved employment outcomes for vulnerable populations. This portfolio of experiments demonstrates RBF's value in strengthening and enhancing the effectiveness of partnerships with private sector actors.

On the public sector side, SDC and SECO have utilized RBF with subnational governments to support high-quality decentralization, promote stronger local governance, and advance institutional reform efforts with a greater focus on results. SDC's Governance team has employed performance-based grants to incentivize subnational governments to improve the quality of basic service delivery, while SECO's Macroeconomic Support team has utilized RBF in budget support and to incentivize subnational entities in countries like Peru and Ghana. Additionally, SECO's Infrastructure Financing team leverages RBF in its programs (e.g., Albania, Tajikistan) and is currently exploring its role in incentivizing reforms in public utilities within the "Utility of the Future Framework". This unified approach across teams demonstrates RBF's versatility in accelerating development goals through government partnerships.

Staff observed that RBF has consistently: 1) promoted a stronger focus on results in program planning and implementation, 2) introduced greater accountability and incentives to achieve results, 3) stimulated innovation by providing greater flexibility to implementing partners to adapt activities to the local context, and 4) produced stronger data systems and local evidence base regarding what works. **The experience has been pioneering and largely positive, yielding promising results. The appendix includes some examples of RBF projects and their impact.**

The organizational experience and evolution

RBF has organically grown through a bottom-up process of experimentation, with staff members initially exploring its potential through pilot projects. Over time, successful pilots have been gradually expanded as the science and art behind the instrument are refined. **This approach has resulted in the emergence of several thoughtful practice areas within SDC and SECO, and has also generated significant organizational assets to facilitate further growth of RBF, namely:**

1. **Capacity, knowledge, and know-how:** Through a learning-by-doing process, staff involved in RBF programs have become practitioners with deep expertise and capacity to steer the high-quality design of a wide range of RBF modalities across multiple sectors. In some cases, these champions have also supported the creation of learning agendas and have started to build the evidence base. This is a solid foundation for further codifying practices and making them accessible to a broader community within SDC and SECO.
2. **Motivation and interest:** The diverse portfolio of experiences has served as a powerful demonstration, fostering a growing community of at least 20 RBF champions within SDC and SECO, which includes senior leaders. These champions recognize the value of RBF and are keen on expanding its application in existing practice areas, experimenting with it in new sectors, and overall, transitioning towards a more consolidated, refined, and well-supported institutional practice. On January 30, 2023 more than 20 staff from SDC and SECO joined a half-day workshop focused on reflecting on the organizations' RBF experiences and discussing the opportunities and strategies to expand the use of RBF to drive better results.
3. **An emerging blueprint for process management:** RBF represents a departure from business as usual, as it involves the evolution of success indicators, funding modalities, budgeting and pricing approaches, and requires organizational controls to focus less on inputs and more on outcomes. Initial experiences with RBF suggest that it is possible to achieve greater impact while effectively managing risks and other institutional objectives. This provides an emerging process guideline on how to engage with and manage RBF modalities.

These assets form the foundation for a more centrally supported, streamlined, consolidated, codified and accessible RBF practice within SECO and SDC.

3. The vision for the future

The operationalization of the new strategy and funding cycle for 2025-2028 present an opportune moment to consider a more intentional strategy for adopting and scaling RBF. As in most donor countries, the upcoming cycle is likely marked by tighter budgets, increased national scrutiny regarding the value of international assistance, and a heightened sense of urgency to address pressing global challenges, such as the climate crisis. RBF has the potential to assist SDC and SECO in responding to these pressures and driving greater value for money across their programmatic areas, while also helping to align the Swiss aid brand with effectiveness.

Concretely, SDC and SECO could invest in three areas to support the systematic expansion of RBF for multiplying its impact:

1. **Strengthen the organizational mandate and capacity to leverage RBF by providing centralized support and coordination.** Currently, there is no designated resource person to guide

RBF adopters and support them in making the right selection and design choices. RBF is also siloed within sectors or departments, with limited knowledge exchange across them. These factors mean that adopters must explore RBF with minimal guidance and cannot fully leverage existing knowledge within the organization. In time-constrained institutions, these barriers slow down adoption. Establishing a small steering team of internal experts, tasked with providing technical guidance, coordinating information flows, and supporting practitioners, would be the most impactful investment for SECO and SDC.

2. **Strengthen existing practice areas where there is significant demand and opportunity to increase RBF applications.** These areas include the Private Sector Development teams, SDC's Governance team, and SECO's Macroeconomic Support team and Infrastructure Financing teams. The next step must be tailored for each team, but typically involves a combination of codifying practices and internal guidelines on why, where, and how to deploy RBF, staff training, and allocating resources for technical assistance in more complex RBF designs.
3. **Support exploration in new sectors where RBF has a track record but is currently underutilized in SDC and SECO, such as health, education, WASH, and energy.** Additionally, RBF can be critical in SDC and SECO's climate strategy, where other peers and the World Bank have already made RBF a central component of their approach. Investments in these areas would focus on providing sector guidance notes, organizing tailored knowledge exchange sessions with peer organizations, and offering targeted technical assistance to teams to support pilot initiatives.

Annex: Examples of RBF projects and their impact

Some examples of RBF projects that SDC and SECO have supported, and their impact include the following.

1. SDC's "**SIINC to Unlock Finance for Early-Stage Agricultural Businesses in Latin America**" unlocked financing for agri- small and medium-sized enterprises (SMEs), generating \$48M revenue for the enterprises and \$41M income for 9,000+ smallholders in 2 years. Over 75% of loans enabled likely would not have occurred otherwise.³ Since then, SDC has gradually scaled this instrument (e.g., by establishing thematic or regional focused Funds) and supported its wider adoption (e.g., by integrating SIINC in the OECD impact investment policy framework⁴).
2. The **Nepal Employment Fund** increased non-farm employment by 15-16 percentage points and average monthly income by 72%, with larger effects for women than men.⁵ The Government of Nepal has adopted many of the RBF practices and SDC, in partnership with Helvetas, has expanded this RBF experience to at least eight countries.
3. The **Social Impact Bonds in Colombia** have driven improved employment outcomes for vulnerable populations, with both SIBs surpassing their placement targets and generating substantial new evidence. This success has led to policy influence, the institutionalization of RBF within the Colombian government and the creation of an RBF ecosystem with 50+ local actors adopting and advancing RBF, including in new sectors.
4. The **use of Performance Based Grants with subnational governments** has shown positive results. For example, in SDC's Municipal Development program in Eastern Serbia RBF was successful in accelerating 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 Decentralized Budget Support program in Ghana, PBGs have influenced policy dialogue to focus 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.

³ Root Capital. (2022). "[How Impact-Linked Finance Incentivizes High-Impact Investment in Agricultural SMEs: A Case Study of Root Capital's Social Impact Incentives \(SIINC\) Project](#)".

⁴ OECD. (2019). "[Social Impact Investment: The Impact Imperative for Sustainable Development](#)".

⁵ World Bank, Social Protection and Labor Global Practice Group & Gender Cross-Cutting Solutions Area. (2016). "[The Role of Training Programs for Youth Employment in Nepal: Impact Evaluation Report on the Employment Fund](#)".