Payment by results: transferring risk for delivery

100% funding on delivery

100% funding upfront

Traditional ‘input’ financing

Direction of travel

Performance tranches

Global P’ship Outp Based Aid

Health Results Innovation

Girls Education Challenge

Development impact bonds

RBA (COD) Ethiopia

Common but differentiated approach

Partner govs

Suppliers

Investors

Inputs

Outputs

Outcomes
Why and where PbR? We need more evidence

<table>
<thead>
<tr>
<th>Potential Benefits</th>
<th>Potential limitations</th>
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<tbody>
<tr>
<td>• Risk sharing</td>
<td>• Measurement</td>
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<tr>
<td>• Incentives</td>
<td>• Evidence</td>
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<tr>
<td>• Innovation</td>
<td>• Poorly designed PbR could:</td>
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<tr>
<td></td>
<td>- increase costs</td>
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<td>- risk perverse incentives</td>
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</tbody>
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• Trade off between benefits and risks. We think PbR works best where:
  • Indicators can be defined and independently measured
  • Sufficient institutional capacity and control to deliver intervention
Emerging lessons

- It ain’t easy! (skills, finance, time)
- Complementary measures?
- Performance management tool
- Simplicity & communication matter
- Context

Warning: this isn’t evidence!
Questions for discussion

- **Rationale?** (aid effectiveness, value for money, risk transfer)
- **Circumstances?** (sector, country/context factors)
- **What do we already know?** (evidence, process lessons)
- **How to build better evidence?** (kinds, questions, methods, comparability)
- **How to build capabilities?** (skills, processes)
Thank you

Ellie Cockburn

E-cockburn@dfid.gov.uk