



## **Summary of Results-Based Aid: Workshop on implementing Cash on Delivery Aid and other outcome-oriented approaches**

18-19 April 2012 – Bonn, Germany

### **Overview**

The Center for Global Development (CGD) and the Deutsches Institut für Entwicklungspolitik/German Development Institute (DIE) convened a workshop at DIE in Bonn, Germany with approximately 30 representatives of various organizations, including several development agencies and think tanks, to discuss their experiences with results-based approaches. The workshop covered implementation issues, practical challenges, and theories of change behind results-based aid.

In his opening comments, Stephan Klingebiel described the context of the workshop as part of broader discussions about looking for more effective approaches to aid and finding better evidence of the role of aid in achieving development progress. He also pointed out the distinction between results-based financing (involving contracts to service providers) and results-based aid (involving government-to-government aid relationships), as the differences between various approaches to paying for results are often unclear.

Bill Savedoff pointed out that the way most aid programs are set up is not consistent with the goal of focusing on results. Cash on Delivery Aid and other forms of results-based aid can shift the focus to results, reveal more information about project outcomes than is typically generated, and change the way that funders relate with recipient governments. The extent to which incentives matter in results-based aid was a topic that came up throughout the workshop; several people raised questions about the incentives to recipient country governments created by results-based aid. Others argued that, unlike results-based financing programs, which focus on incentives to individuals, results-based aid is less about incentives to governments and more about changing the design of programs so that money is flowing according to the outcomes of interest.

Throughout the workshop, participants drew attention to political issues and perceptions of what it means to be paying for results. Representatives of several agencies discussed their plans to design strategies that would focus less on inputs and more on higher level political discussions about results. A few commented that this involved a change in mindset, requiring more attention to internal communications and messaging.

### **Implementation Challenges**

Several people at the workshop are now grappling with the choice of indicators and verification strategies for pilot RBA programs. They related a number of issues regarding the choice of indicators such as concerns about perverse incentives. Furthermore in some sectors, as diverse as sanitation and governance, it has proven difficult to identify single outcome indicators. In other sectors, such as malaria control, measurement and verification strategies were clearer.

Participants expressed concerns about high costs for verification relative to program costs, although there was general agreement that there has not been enough effort devoted to the measurement of development outcomes and that verification will lead to better information about programs and the outcomes they are able



to achieve. Others noted that verification could be a way to counter concerns about corruption. Participants argued that using independently verified results data to trigger disbursement can give funders more confidence in their funding decisions if they are aligning payments with results. Participants also noted that there is a tradeoff between investing resources up-front to get the measurement component right, and less “hands-on” management later in the project.

Several questions were raised about budgeting and disbursement mechanisms. Reallocating funds in cases where progress is not commensurate to maximum funding levels is a challenge for development agencies. Participants discussed the possibility of setting up funds to absorb any committed money that is not disbursed, which could potentially be applied to programs in other countries. Additionally, a discussion about earmarking revealed a potential problem: if results-based programs create new reporting requirements for outcomes while continuing to require that funds be used for particular activities, then the approach will create an additional burden rather than simplifying transactions. However, in practice, most results-based aid programs are disbursing to general budget support (as with the EC programs) or earmarking funds to the sector (as proposed by DFID).

The question of attribution came up several times, particularly in the context of gaining political support for results-based approaches. By committing to a “hands-off” approach, donor agencies may have a difficult time attributing observed changes to their individual aid programs. However there was general consensus around the idea that there should be a clear theory about the expected contribution of an aid program, and clarity on whose behaviors the program is attempting to change, but that attribution is impossible and should not be the exclusive focus.

Several participants agreed that it was useful to compare this type of approach with the existing alternatives or a counterfactual approach; many of the concerns, including the possibility of creating perverse incentives, do not only apply to results-based aid.

### **Workshop conclusion**

It was noted at the workshop that there is skepticism about how results-based aid relates to the broader aid effectiveness agenda. Some argued that results-based aid is a clear response to the Paris Declaration tenets of aid effectiveness. Others felt that the links, particularly on harmonization among donor agencies, were less clear.

Participants agreed that there is great value to a knowledge exchange about existing programs and implementation challenges. The European Commission, in collaboration with several donor agencies, is working on the development of a results-based aid learning platform. DIE is also working with BMZ on a research project on results-based approaches.

Participants noted that the debate around results-based aid and Cash on Delivery Aid has led to more critical thinking about the shortcomings with various approaches to aid, and expressed interest in continued learning, technical support and discussion.