



Department  
for International  
Development



## Sharpening incentives to perform: DFID's Strategy for Payment by Results



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# Foreword

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Since becoming International Development Secretary I've been determined to ensure that every pound we spend has the biggest possible impact on the ground. I have brought in new financial controls to give ministers more oversight of spending decisions and greater transparency so the taxpayer can see exactly where their money is being spent. DFID is also becoming a world leader in pioneering innovative Payments by Results programmes for tackling complex development problems.

We are pioneers of 'Results Based Aid' which incentivises partner governments to demonstrably transform peoples' lives. Already our Payment by Results programmes are helping more children to stay in school, more women to give birth safely with the help of a skilled attendant and more people to have access to water.

As this strategy sets out, we are determined to take this approach further. DFID recently launched the inception phase for one of the world's first Development Impact Bonds to invest in preventing the deadly but neglected sleeping sickness in Uganda, which passes from cattle to people. This project will bring together private and public investment to fund schemes that will treat infected cattle before the disease spreads and investors will earn a return if the programme is a success.

I want Payment by Results to be a major part of the way DFID works in the future. We will develop a framework to ensure that for all of our Payment by Results projects, there are rigorous, independent, comparable evaluations in place, so we can learn more about what works best, in what circumstances. We are committing to making those evaluations public, so that others can learn from them too.

As we scale up our use of Payment by Results, it is clear we will require a particular set of skills and capabilities within DFID. This strategy also outlines our plans for reshaping the Department and ensuring we are properly equipped to make the most out of Payment by Results. This will include reforming our funding systems to make Payment by Results easier to administer.

If we can get this right then Payment by Results will help us to make our development budget go much further, bring more people out of poverty for good and ensure we are getting the greatest value for money on behalf of the British taxpayer.

A handwritten signature in black ink, appearing to read 'Justine Greening', with a long, sweeping underline.

**Justine Greening, Secretary of State for International Development**

# 1. Rationale & Scope

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## A strategy for Payment by Results

**1.1 DFID is increasingly making use of Payment by Results.** As the number of programmes grows, DFID needs a consistent approach and a clear way forward. This strategy sets out our objectives for the use of Payment by Results and the actions we will take to achieve these. Section 1 outlines the background to Payment by Results: what DFID means by the term; why we use it; what we know already; and where the gaps in our knowledge lie. Section 2 sets out what DFID is already doing on Payment by Results, in terms of programmes and corporate systems of support. Section 3 establishes DFID's objectives for Payment by Results and gives an overview of the actions we will take to achieve them.

## What is Payment by Results?

*Payment by Results can be applied in different ways in different circumstances*

**1.2 There is no common international definition of Payment by Results.** In DFID, we include any programme where payments are made after the achievement of pre-agreed results, rather than being made up front to fund future activities. This means sharing more risk for delivering results with those who are implementing development programmes, for example contractors or partner governments.<sup>1</sup> Within that broad definition there are many different types of Payment by Results programme.

**1.3 Payment by Results can be designed in different ways to get best value for money.** DFID wants to find the best ways to design and deliver Payment by Results, and will continue to adapt our guidance on best practice as evidence and learning grows. There are three main design choices:

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<sup>1</sup> Even when 100% of payments are made on delivery, DFID will retain some risks, for example, reputational.

- **The level of payments on delivery (or extent of risk sharing):** the proportion of payments made once pre-agreed results are achieved, from 100% on delivery, to only a small amount, with the majority up-front. A key question to consider is the extent to which the implementing organisation is able to manage the additional risk of Payment by Results. A large organisation with strong systems may be able to hold more risk, but a small organisation that is less able to absorb risk may require a significant upfront payment, with only a small proportion of payment on delivery. Another way of getting more money up front to implementers who are less able to manage risk while still paying on results could be a Development Impact Bond (see Box 1). In this arrangement, the risk is shared with investors, who put money into a development intervention and are repaid (by a funder such as DFID) based upon results achieved.<sup>2</sup>
- **The type of organisation** (partner government, supplier or investor) payments are made to. A key question to consider here is the level of influence the relevant organisations have over the results in question. The more influence organisations have on results delivery, the greater the potential to base payments on their achievement.
- **The type of result that the payment is linked to** (see Figure 1 for more detail on the results chain): A key question here is the scope for flexibility and innovation in delivering the intended results. The more open a problem is to innovation and flexibility, and the broader the sphere of influence the type of organisation has, the more scope there is for Payment by Results to be applied higher up the results chain (linked to outcomes not processes). A practical question will be on the type of result that can be measured, for example, what indicators are routinely measured already?

#### Box 1: DFID terminology for different types of Payment by Results

DFID differentiates Payment by Results by the type of organisation payments are made to as different approaches are needed with different organisations:

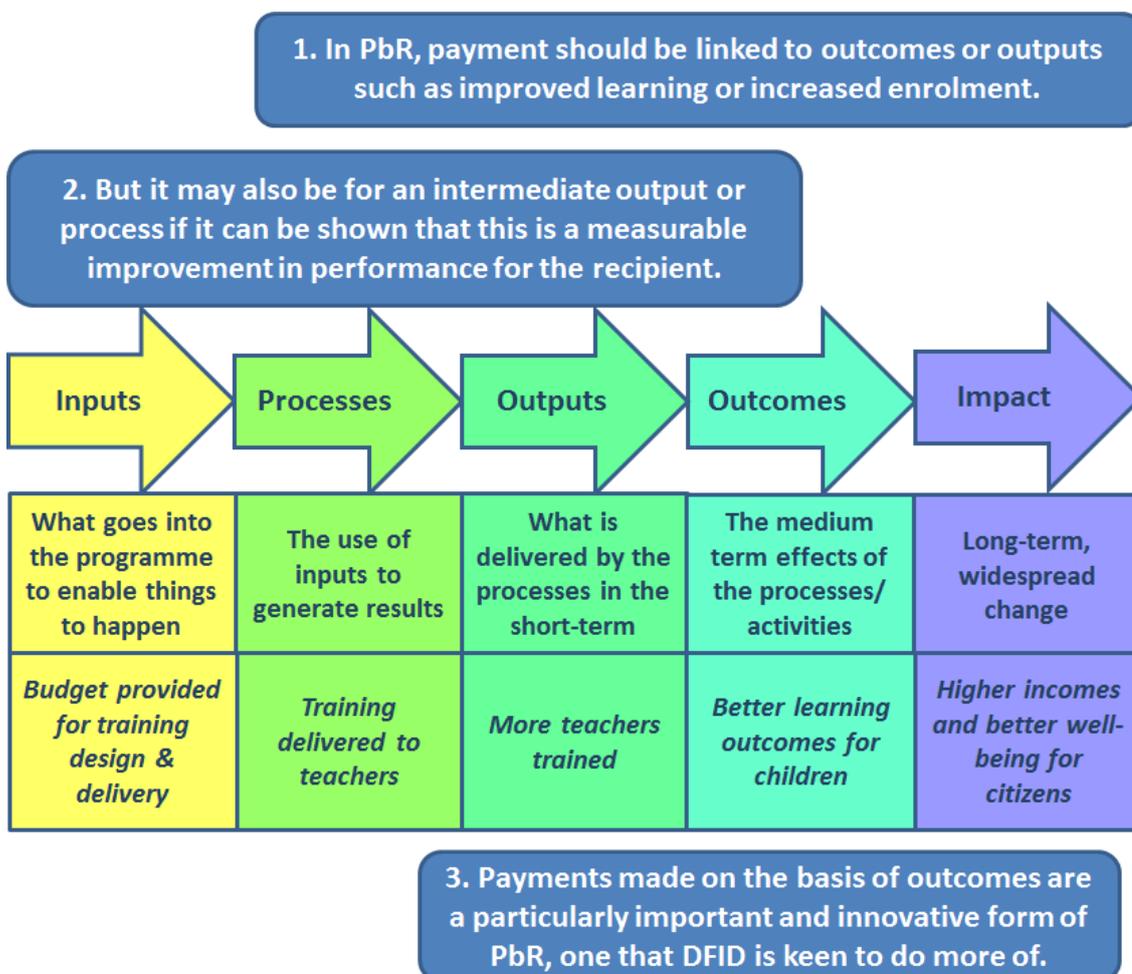
- Payments from funders to partner governments are categorised as **Results Based Aid**.
- Payments from funders or government to service providers are classed as **Results Based Financing**.
- A newly emerging form is **Development Impact Bonds** where investors are paid for delivery of results.

<sup>2</sup> See the CGD and Social Finance co-chaired working group on this issue: [http://www.cgdev.org/section/about/cgd\\_europe/development\\_impact\\_bonds](http://www.cgdev.org/section/about/cgd_europe/development_impact_bonds).

**1.4 A further design choice is around the kind of capacity development** (technical support or training) that is needed to ensure that the programme can deliver the results in question. For example, should support be focused on performance management, technical capacity building or on strengthening data systems?

**1.5 DFID does not stipulate the type of organisation we work with or a minimum amount of payment on delivery, but an intervention will only be regarded as Payment by Results if payments are made for pre-agreed results, rather than inputs.** Development is a complex process and what constitutes a “result” will vary according to context. To count as Payment by Results, payments have to be for **measurable improvements in performance**. The results chain is illustrated in Figure 1 below, using examples from the education sector.

**Figure 1: The results chain**



## Box 2: Designing Payment by Results in Practice in Rwanda and Uganda

### *Different kinds of support in different countries<sup>3</sup>*

DFID continues to learn about the best way to make Payment by Results work in different circumstances. For example, in theory the fact we don't specify how results are to be achieved incentivises increased ownership and flexibility for implementing organisations. In practice, however, implementers may initially lack planning and management experience, or confidence to steer decisions. Therefore, patience and technical assistance may be needed. Lessons learnt below are taken from early stages of evaluations. These pilots are still being implemented and evaluations will fully assess impact.

#### **Rwanda**

In a Payment by Results programme in Rwanda, DFID emphasised the importance of recipient discretion, without targeted technical support.

The Government's response to the Results Based Aid (RBA) agreement was very positive, with strong messages sent down through the system regarding the results to be achieved. Though it is too early to expect significant evidence of impact, early indications from the evaluation are that RBA has a high level of government ownership and has prompted the strengthening of this message.

	<b>Education Results Based Aid in Rwanda</b>	<b>Health Results Based Financing Uganda</b>
<b>Results</b>	Improved completion of education, measured by sitting key grade exams.	Improvements to key maternal and child health indicators.
<b>Risk</b>	100% paid on delivery of results, a component of a mixed-modality education disbursed as Sector Budget Support.	Essential medicines and small seed grants paid up front.
<b>Who gets paid?</b>	Government of Rwanda, Ministry of Education.	Individual health facilities.
<b>Technical Assistance (TA)</b>	No initial TA given – recipient discretion emphasised.	TA to business planning, financial management, supply of drugs, and District Health Teams for independent monitoring of services.

#### **Uganda**

In Northern Uganda, DFID is running a Results Based Financing (RBF) health programme. Significant support was given upfront in terms of planning, seed money and financial management, as the capacity of the service providers was judged to require it. Early indications from evaluations are that the RBF has been associated with improved treatment practice, higher customer satisfaction, and improved value for money.

<sup>3</sup> Information is taken from Northern Uganda Health (to be published later in 2014) *Lessons Learnt Paper* and Upper Quartile (2014) [Evaluation of Results Based Aid in Rwandan Education: 2013 Evaluation Report](#).

## *Payment by Results won't always be the best instrument to get best value for money*

**1.6 There are key questions to ask when working out whether a particular programme is suitable for Payment by Results.** For example, if a results indicator can't be identified and measured, or if verifying it is too costly, a different way of providing development assistance may be preferable. Early experience indicates that when considering if Payment by Results is the best mechanism to get value for money, two questions are key:

- **Does the programme need an improvement in overall performance that could be helped by a strengthening of incentives?**<sup>4</sup> Considerations include:
  - What is holding back the achievement of development results?
  - What can overcome these constraints? Would targeting specific actions unblock them? In which case it may be more appropriate to pay for actions not results. Alternatively, would access to finance or technology provide the solution?
  - For Payment by Results, implementation challenges will be predominantly institutional, with improved overall performance requiring a stronger focus on incentives and accountability for results.
  
- **Are the potential benefits from using Payment by Results likely to outweigh the costs, relative to other mechanisms?**<sup>5</sup> Considerations include:
  - Whether existing systems and capacity are sufficient to apply and monitor Payment by Results. Will the recipient be able to fund activity upfront, monitor results achieved and respond/ reallocate resources to increase results? Can these issues be solved by targeted upfront finance or technical assistance? If not, Payment by Results may not be appropriate.
  - What are the probable costs of design, verifying results achieved, contract oversight, risk sharing, and any technical assistance?
  - What are the probable benefits that can be realised from incentive payments, such as improved results, stronger management or data systems?

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<sup>4</sup> World Bank (2013) [\*A new instrument for Development Effectiveness: Program-for-Results Financing.\*](#)

<sup>5</sup> Clist P (2014) [\*The Conceptual Basis of Payment by Results.\*](#)

**1.7 You can't answer these questions without also considering how the programme would be designed, as outlined above.** What results can be measured? What proportion of payments should be linked to delivery? What is the right type of organisation to work with and what level of control do they have over the results in question? What are the implications of these choices for costs and benefits?

## **Why Payment by Results?**

*Payment by Results offers an opportunity for DFID to transform the delivery of development assistance by paying once results are achieved*

**1.8 DFID's move towards Payment by Results is part of broader reform to make sure we get good value for money from the development budget,** including stronger programme and commercial management. By paying on delivery of outcomes, Payment by Results can be used to directly drive DFID's priority results, such as economic development, empowerment and accountability, and improved outcomes for women and girls.

**1.9 Payment by Results is part of cross government reform,** and several other government departments are using Payment by Results to transform the delivery of public services.<sup>6</sup>

**1.10 Payment by Results is also starting to gain momentum in international development,** with DFID one of the leaders in the field.<sup>7</sup> Several aid organisations are starting to pilot or scale up the approach, with organisations such as the World Bank using exciting new Payment by Results approaches including the [Program-for-Results](#), where governments are paid on the delivery of results and the [Health Results and Innovation Trust Fund](#), where service providers are paid on the improvement of key health results. The Centre for Global Development has been a thought leader with its comprehensive work on ["Cash on Delivery"](#), and more recently [Development Impact Bonds](#).

**1.11 By paying on delivery of real results rather than upfront, Payment by Results helps DFID to improve value for money for citizens of the UK and developing countries.** Payment by Results can be used to:

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<sup>6</sup> Payment by Results is strongly referenced in the Cabinet Office's [Open Public Services White Paper](#), and [Open Public Services 2012 Update](#), which set out the Government's priorities for civil service reform.

<sup>7</sup> See, for example, [Performance Based Financing An international review of the literature](#), Canavan et al. (KIT Development Policy & Practice, 2008).

- **Re-balance accountability.** In traditional aid, by paying upfront DFID accepts the bulk of the risk of programme failure. Payment by Results redresses this balance by sharing the risk for delivery with partners. This sharpens incentives for implementers to perform.
- **Increase innovation and flexibility in delivery.** By not specifying *how* results should be achieved, implementing organisations are free to innovate to improve outcomes.
- **Increase transparency and accountability for results.** Through being open about agreed results, everyone is clearer about what is being targeted and whether it actually gets done, driving up empowerment and accountability for results.
- **Create a strong focus on performance in service providers.** By being paid on results, partners are strongly encouraged to examine what is, and isn't, working, driving up performance standards, management and measurement.

## What does the evidence say?

### 1.12 Evidence about how Payment by Results can be most effective is still at an early stage.

This is primarily because these are relatively new mechanisms and to date there have been few good evaluations of those programmes that have been in place.<sup>8</sup> This is particularly true for more innovative mechanisms, where payments are linked to outcomes. In addition, the majority of past activities and evaluations have been in the health sector and related to payments to suppliers (Results Based Financing) rather than to partner governments (Results Based Aid) or investors (Development Impact Bonds). There are early indications that in the right circumstances Payment by Results can lead to better delivery of services.<sup>9</sup> A DFID sponsored report, published in 2013, synthesised findings from Payment by Results evaluations to date and concluded that we need to develop better evidence about when and how these incentives work in practice.<sup>10</sup>

### 1.13 To build the evidence base and learn how to apply Payment by Results well, DFID's strategy will focus on expanding the scope and use of the mechanism and ensuring robust

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<sup>8</sup> *Evaluation of Payment by Results: Current Approaches, Future Needs*, Burt Perrin (DFID, 2013). <https://www.gov.uk/government/publications/evaluation-of-payment-by-results-current-approaches-future-needs> p, 20, 25.

<sup>9</sup> Meesen et al (WHO, 2010) *Performance-based financing: just a donor fad or a catalyst towards comprehensive health-care reform?* <http://www.who.int/bulletin/volumes/89/2/10-077339/en>.

<sup>10</sup> Perrin, *op cit*.

**and well-designed evaluations are in place.** Evaluations will be prioritised in those areas where evidence is most lacking, and in a way that brings together learning from across activities. We will also make use of evidence generated by others, including partners in the UK and those working internationally.

### **Box 3: Early lessons: Improving performance in Rwanda and Uganda**

The examples above provide some early indications of the benefits of Payment by Results in practice.

#### ***Improving results data***

In Uganda, local government teams check the results data for consistency prior to payment. This has led to early indications of a reduction in discrepancy rates between reported and verified data.

#### ***Strengthening empowerment and accountability***

In Rwanda, every year, the Rwandan media publishes league tables on the number of children passing exams in each district. This year, the media also reported the percentage that sat exams out of those that registered to do so, encouraging a public debate around the causes of drop out and school completion.

#### ***A strong focus on performance & efficiency***

There is also early evidence of implementing organisations using results information to focus effort and resources where they are needed most. In Rwanda the Director General of the Rwanda Education Board said that he could use it to push his team to achieve more and better results by using data to identify where further improvements in results could be made. In Uganda, there are early indications that the tool is leading to more efficient use of resources and better value for money.

## 2. What have we done so far?

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### DFID's current activities

#### *DFID uses Payment by Results widely and increasingly across its operations*

**2.1 Payment by Results is already a core part of DFID's work.** DFID is increasingly using Payment by Results by default, wherever it offers best value for money. In the 12 months to end September 2013, 71 per cent of contracts for services issued centrally by DFID have a performance-based element, where payment is conditional on verification of a result being achieved. DFID is moving towards using more innovative forms of Payment by Results in our contracts. For example, we are increasingly using contracts where payments are made on the delivery of longer-term results ('output-based contracts').

**2.2 DFID's provision of general budget support is reducing, and where financial assistance is provided to governments, most programmes use performance tranches,** attaching a proportion of funds to indicators in monitoring frameworks. These indicators are situated at various points in the results chain (see Figure 2), including at outcome level. For example, DFID provides up to £15 million of funding directly to the Government of Sierra Leone's budget. £5m of this is based on the Government's performance against a set of around 20 mutually agreed targets tracking progress in specific reforms and development outcomes linked to the country's development strategy.

**2.3 The use of these performance tranches has been increasing over the past few years, and continues to increase.** Roughly one third of general budget support funds are already tied to performance. Our work with governments also includes Results Based Aid, one of the most innovative forms of Payment by Results, where payments are linked to outcomes such as improved completion in education, encouraging governments to deliver more results in the most pressing areas. A strong pipeline of potential new Results Based Aid programmes is developing, in sectors such as health, infrastructure, and water and sanitation.

**2.4 We use Payment by Results in our contribution to global funds.** As global funds are able to innovate in a way that other organisations can struggle with, we are funding some global funds

to push the boundaries of Payment by Results, exploring payment by outcomes in areas like health, infrastructure and education. One example is explored below in Box 4.

## **Box 4: Case Study: The Health Results Innovation Trust**

### ***What are we doing?***

The Health Results Innovation Trust Fund (HRITF) is a World Bank hosted trust fund supported by DFID and the Norwegian Agency for Development Cooperation, with a total value of \$530m over 10 years. It pilots and evaluates the ability of Payment by Results approaches in the health sector to increase the quantity and quality of child and maternal health services. HRITF currently supports 32 pilot grants in countries, impact evaluations of these, and smaller learning and evaluation programmes in non-pilot countries. HRITF has significant overlap with DFID priority countries and is funding programmes in 14 of these. A further three programmes are in the pipeline.

### ***Building evidence***

HRITF is producing evidence about results-based financing approaches which DFID and others can draw on to inform our own programming. Assessments, case studies, papers, and evaluations (plus an impact evaluation toolkit) can all be found at [www.rbfhealth.org](http://www.rbfhealth.org).

### ***Is it working?***

Early results are now available for 11 grants, with data showing initially positive results. For example between 2010 and 2012:

1. The number of deliveries with skilled birth attendants supported by HRITF grants in two countries (Afghanistan and Burundi) increased 83% from 190,000 to 347,130.
2. The number of children fully vaccinated with program's support increased 67% from 281,200 to 469,600.

## **2.5 We are using Payment by Results in our funding to civil society organisations (CSOs).**

For example, the Girls Education Challenge Fund (GEC), which is helping up to a million girls transform their lives through education, uses Payment by Results extensively across its programmes: currently 25 out of 37 projects have a Payment by Results component, many of which are CSO implemented, with others being run by private sector contractors.

**2.6 Payment by Results is supporting delivery of DFID's priority objectives**, for example on women and girls, economic development and generating feedback from beneficiaries. DFID is working with the Government of Sierra Leone to develop a Gender Tracking Tool, and a Portal which will track progress on delivery for women and girls. We will also help capitalise the Ministry of Finance's "Women and Youth Empowerment Fund", which will be used to reward line ministries for delivering pre-agreed results for women and girls, like increasing the percentage of women

accessing micro-credit and reducing gender based violence. These will be measured through the Tracking Tool. Work is currently ongoing to determine which results will be measured. Through local grassroots organisations, beneficiaries will have a role in rating the ministries through a scorecard on the Web Portal, which will help determine the levels of payment to those ministries.

## Moving towards payment by outcomes

### Box 5: Case study: Development Impact Bond (DIB), Sleeping Sickness, Uganda

#### *What problem are we trying to solve?*

Sleeping sickness is a parasitic infection which attacks the central nervous system and can prove fatal. It is estimated that 9 million are at risk in Uganda (and over 60 million in sub-Saharan Africa). Drugs and insecticides have been shown to be an effective control. Historically the key challenge has been the sustainable delivery of this control.

#### *How are we trying to solve it?*

The Development Impact Bond could offer DFID a more flexible contracting structure: implementers could choose how they deliver the treatment.

DFID will fund the pre-implementation phase (baselining, piloting and setting of output and outcome targets). The bond could then be offered to the market if it offers value for money. Social investors would be approached with a detailed proposal inviting them to fund the delivery of the programme.

DFID would make repayments on the basis of an independent verification of outputs and outcomes (see opposite). The total payment/return to social investors would be dependent on the outputs/outcomes achieved. If the outcomes are not achieved the investors would make a significant loss, but if it is achieved, they would make a modest return.

#### *How will we evaluate what we've done?*

As Development Impact Bonds are so new, it is particularly important to get evaluation right. We are therefore commissioning a study to identify the most appropriate evaluation approaches and methods.

**Delivery Channel:** Private sector veterinary practices.

**Metrics:** number of cattle treated (output); reduction in prevalence of parasite determined by blood sampling (outcome).

**Timeline:** We have started the inception phase (2014). This will be followed by presentations to investors and contracting. Programme implementation could take place in early 2015.

*DFID is focused on increasing the use of the most promising forms of Payment by Results – where payments are made for outcomes*

**2.7 The most innovative kind of Payment by Results links payments to outcomes** (although outputs are often used as proxy indicators – see Figure 2 for more information on how outputs differ from outcomes). DFID is at the forefront of global efforts to build the evidence base for this kind of Payment by Results in international development. As of June 2014 there were 21 outcomes-based programmes that use DFID financing underway, including seven funds which constitute around 100 separate projects.<sup>11</sup> These involve working with governments and suppliers to deliver a wide range of outcomes, from children completing education, to safe deliveries for women, and to families having access to water points.

**2.8 There are also at least 17 more outcome-based Payment by Results programmes** still at the planning stage. These are in a wide variety of different countries and sectors. They are at various stages of development. Programmes or scoping work have been proposed across all sectors of DFID's work; and across all types of Payment by Results, including for two Development Impact Bonds.

**2.9 For our most innovative Payment by Results projects, we have independent evaluations in place**, which are investigating both results achieved and the processes used to achieve them.

## **Building an enabling environment for Payment by Results**

### *Understanding the factors that will help Payment by Results to flourish in DFID*

**2.10 DFID's experience to date has taught us that doing Payment by Results well requires upfront investment of time and effort.**

**2.11 DFID is building up Payment by Results relevant skills and changing systems** through the following measures:

- **Increasing our skills and capabilities.** We are addressing our skill needs in line with UK Government Civil Service Reform, with emphasis on commercial capabilities, finance, and technical competencies.

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<sup>11</sup> As tracked by DFID departments and countries.

- **Networking and knowledge sharing:** DFID has set up a Payment by Results community of practice to encourage learning and innovation. This network meets regularly to share knowledge and best practice. External experts such as the Centre for Global Development and Social Finance attend regularly. We also share knowledge with other government departments using Payment by Results in the UK.
- **Guidance and support.** DFID's central departments offer support and advice where requested, with central guidance available.
- **Financial planning** for Payment by Results programmes can be more challenging due to the inherent uncertainty of the results the implementing organisation will be able to deliver (and hence the overall costs of the program). At present DFID departments are required to manage this uncertainty within their overall programme budget. This is a challenge common to Payment by Results in all sectors, domestically as well as internationally, and cross-government discussions are on-going about whether and how to update budgeting systems to take account of it, and whether alternative approaches to managing uncertainty in costs could work better.

# 3. What more will we do?

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## DFID's Objectives for Payment by Results

*Using Payment by Results to improve the value for money of our development interventions through sharpening incentives to perform*

**3.1 The objectives of DFID's Payment by Results work are to:**

- **Expand the evidence base on what works best.**
  - Expanding the scope of Payment by Results in the right areas to strategically address evidence gaps.
  - Establishing rigorous, independent, and comparable evaluations of Payment by Results.
  - Influencing and learning from others working on Payment by Results both domestically and internationally.
- **Build capabilities for doing Payment by Results in the right ways.**
  - Translating evidence into action across DFID.
  - Addressing systematic and incentive changes required to expand the scope of Payment by Results, focusing on leadership, resourcing, culture and behaviour change management, and commercial improvement.
  - Building skills and competencies relevant to Payment by Results, in our partners and DFID.

## **We will expand the evidence base**

*We will continue to expand the scope of Payment by Results where appropriate, with a view to strategically addressing evidence gaps*

**3.2 Payment by Results is already an important part of how we do business and ensure value for money.** This provides us with a solid starting point for expansion into new areas. We will focus on the following areas because they address gaps in the domestic and international body of evidence about how, when and where Payment by Results works most effectively.

### **We will:**

- **Use Payment by Results instruments in new sectors.** For example, we are planning projects in agriculture and private sector development, and we will explore whether and how Payment by Results might be appropriate in humanitarian programmes.
- **Use new types of Payment by Results instruments,** for example, Development Impact Bonds (see Box 5 and Figure 1 for more details).
- **Make Payment by Results our ‘business as usual’ approach in our contracts with suppliers** rather than the exception.
- **Provide specialist funds to get the money and support to the front line to help deliver the most innovative forms of Payment by Results.** For example, a ‘concept fund’ to help grow the market on Development Impact Bonds.

*Rigorous, independent and comparable evaluations, in order to learn what works*

**3.3 We will strengthen our support and direction of evaluations,** with special attention devoted to the most innovative projects. We will start by scoping out the options for making central resources available for learning and evidence-building, and by commissioning a study on the best ways to evaluate Development Impact Bonds.

**3.4 We will provide a framework for Payment by Results evaluations** to ensure a strategic and consistent approach. We will synthesise the results of these evaluations, and integrate our findings with evidence from other organisations. Value for money will be our primary focus throughout.

## *Leading by example, influence, link with and learn from others applying Payment by Results both domestically and internationally*

**3.5 We will remain at the forefront of international work on Payment by Results**, focused on the most innovative kinds of projects, where most gains are to be had in influencing our partners. We will work closely with our partners to ensure we grow the evidence base together, and learn from each other's experience. For example, we will engage closely with the World Bank's review of Program-for-Results, integrating relevant findings into our own work.

**3.6 We will continue to make the most of formal and informal networks** within DFID, across UK government and across the world to build the evidence base, share knowledge and promote best practice.

**3.7 We will adhere to best practice on transparency**, taking into account the principles underpinning UK civil service reform and emerging international standards on transparency. In particular, we will ensure relevant guidance, project documentation and evaluation lessons are published openly for all who would benefit from them.

## **We will build capabilities for doing Payment by Results the right way**

### *Translate evidence into action across the organisation*

**3.8 DFID has detailed guidance on how to do Payment by Results.** We will update this regularly with lessons learnt as a result of our continuing work to build the evidence base on Payment by Results. We will ensure that the guidance is accessible to all who need it. For example, we will produce tools like a 'quick start' guide to Payment by Results and refine our checklist of criteria for what makes a programme suitable for Payment by Results.

**3.9 We will also use our internal and external networks** to build and share experiences, evidence and expertise.

### *Address systematic and incentive changes required to expand the scope of Payment by Results in DFID processes*

**3.10 We will ensure our funding and management systems are better suited to managing and financing Payment by Results.**

- **We will scope ways of improving financial planning when using Payment by Results mechanisms**, to help manage the uncertainty around Payment by Results costs.
- **We will ensure our information management systems are set up to gather appropriate information on Payment by Results.**

**3.11 Payment by Results has the potential to transform every part of DFID, and so we will continue with our extensive two-way internal engagement.** We will communicate throughout our departments and country offices, and seek further input on what we need to do to make successful the strategy outlined here. We will steer and obtain buy-in from corporate, policy and regional divisions to drive cultural change. And we will continue to further develop Payment by Results approaches with implementing organisations, including scoping out use of the mechanism with other government departments where appropriate.

### **Box 6: Strengthening our commercial approach to Payment by Results**

We will improve our commercial approach through:

- Introducing and implementing a new contract model to link all payments to measurable outputs where this is identified as a best Value for Money delivery route.
- Ensuring the design of programmes includes consideration of PbR options in order to plan how delivery will be achieved.
- Including commercial aspects of Payment by Results in commercial and procurement training courses and events, including integrating training into Programme Management accreditation.
- Capturing lessons learnt and disseminating areas for improvement to programme teams.
- Providing support on commercial aspects of Payment by Results through DFID's Commercial Adviser network and dedicated support provided by the central procurement and Commercial Department to country/programme teams.
- Building a case study library of best commercial practice for Payment by Results and key commercial considerations as well as undertaking regular reviews/evaluations to feed lesson learning.
- Increasing knowledge and awareness of commercial aspects of Development Impact Bonds in collaboration with other government departments and the private sector.
- Continue to engage with DFID's main contracted supplier group on the implications for them of output based contracts.

## ***Building Payment by Results-relevant skills and competencies, in our partners and in DFID***

**3.12 We will provide formal and informal training**, guidance, and networks for sharing expertise, in order to ensure DFID staff have the skills, capability and confidence to deliver Payment by Results effectively. We will scope out the options for providing technical assistance to DFID teams (and where appropriate, other partners) delivering the most innovative forms of Payment by Results, as outlined above.

**3.13 We will continue to support partner governments** in developing the skills and capabilities they need to negotiate agreements, deliver results successfully, and strengthen data systems that allow results to be rigorously verified.

**3.14 We will work with global funds to share learning on Payment by Results** and, where appropriate, use our influence to increase its use.

**3.15 We will also work with suppliers and other implementing organisations, including private sector organisations, civil society organisations and NGOs** to help them understand the advantages of the Payment by Results approach, and identify any development or change management needs they have in order to successfully bid for and complete Payment by Results contracts. At the most innovative end of Payment by Results, we will provide funding and specialist support to grow the market on Development Impact Bonds, so that more competitive tendering will help us get the greatest possible value for money.

The Department for International Development:  
leading the UK government's fight against world poverty.

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