SWIFT

Consortium for Sustainable Water, Sanitation & Hygiene in Fragile Contexts

SWIFT Consortium learning brief

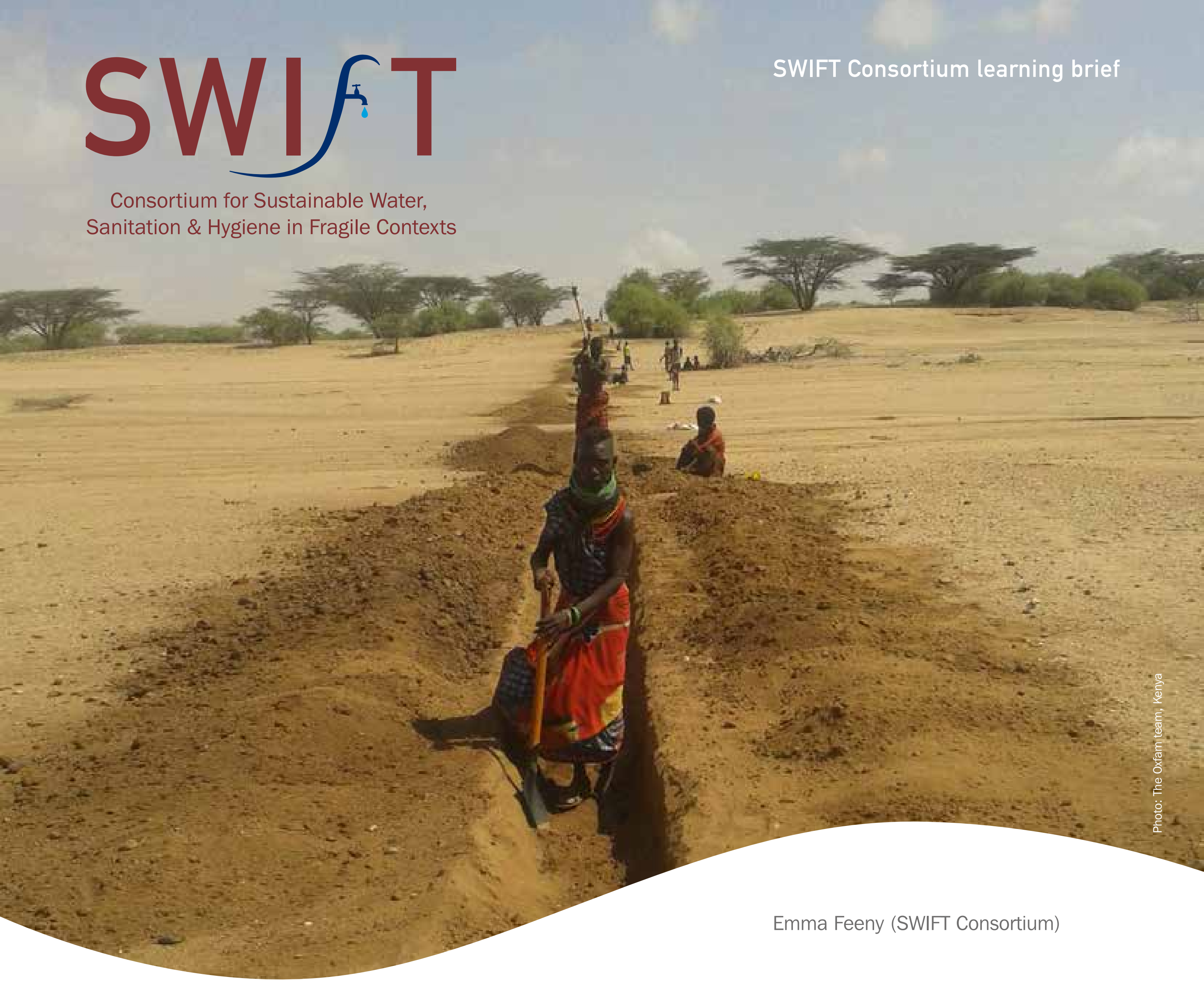
Photo: The Oxfam team, Kenya

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# Implementing WASH programmes in a Payment by Results context

**The UK Government's Department for International Development (DFID) wants Payment by Results (PbR) to be a major part of the way it works in future, and other donors look set to follow suit. What does this mean for the WASH sector, and particularly for NGOs and their partners seeking to implement WASH programmes at scale?**

In 2014, DFID launched a WASH Results Programme which aims to reach 4.5 million people by December 2015, supporting achievement of the Millennium Development Goals. The programme is financed on a PbR basis: the three delivering consortia receive payments only upon third-party verification that they have achieved a set of agreed results.

Based largely on an internal review of the SWIFT Consortium's experience of delivering the WASH Results Programme (see box on page 2), this learning brief identifies a number of key issues to consider in incorporating the requirements of a PbR contract into the design, implementation, monitoring and evaluation of a WASH programme.

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## Bidding to deliver a WASH programme under a PbR contract – a checklist

PbR contracts are a recent development in the WASH sector, and there is not yet a great deal of learning on which to draw upon among implementing partners, donors or providers of monitoring, verification and evaluation services (MVE). Below are some of the issues that should be considered when putting together a tender.

### The need for a clear, detailed idea of what a PbR framework entails

It's essential that all partners understand how the contract will work in practice, and how implementing it will differ from implementing a grant-funded programme.

### The need to price sufficiently for risk

Under a PbR contract, financial risk is transferred to the implementing agencies, who won't get paid if they don't deliver results to the required standard. Under DFID's WASH Results Programme, they must also deliver within a set timeframe, and won't receive full payment if services fail over the longer term. The risk of not delivering results may be particularly acute in fragile contexts. Careful thought will be needed around how to manage this, and how to ensure sufficient contingency funding is in place. Consideration will also be required as to how much risk to pass on to implementing partners; or, if none, how to ensure their motivation.

### The need to price sufficiently to meet monitoring and reporting requirements

A PbR programme requires more robust budgeting for monitoring and evaluation (M&E) than programmes funded with conventional grants. Time and resources may be needed to build the capacity of staff and establish and test new systems, and M&E processes may require logistical support, staff training costs, back-office staff availability, IT functionality and new internal systems. Given the significance of reporting under a PbR contract, a higher level of management oversight from head office is also likely to be required to ensure that evidence of sufficient quality is submitted. In addition, it will be more expensive to comply with monitoring and verification requirements in fragile contexts lacking in infrastructure.

### The need to base the bid on a realistic price per beneficiary

Given the innovative nature of the contract, there may not be an evidence base to provide guidance on pricing, and the cost of reaching beneficiaries will vary widely between contexts, outputs and implementing partners. Delivering sustainable services in fragile contexts will incur higher costs in terms of logistics, materials, management and human resources.

### Opportunities to shape the design of PbR programmes

At this stage, funders seeking to apply PbR frameworks may be open to ideas about how to

### The SWIFT Consortium

The SWIFT Consortium aims to deliver sustainable access to safe water and sanitation and encourage the adoption of basic hygiene practices in the Democratic Republic of Congo and Kenya. Led by Oxfam, the consortium includes Tearfund and ODI as Global Members, and Water and Sanitation for the Urban Poor (WSUP) as Global Associate, along with many implementing partners in the two focus countries.

The SWIFT programme's objective is to provide water, sanitation and hygiene (WASH) services (at least two of the three) to nearly 850,000 people by December 2015, and build capacity until March 2018 to ensure interventions are sustainable, helping to bridge the gap between humanitarian and development programmes.

The SWIFT Consortium is funded with UK aid from the British people under a 'Payment by Results' contract. Instead of a grant, payment is tied to outputs and outcomes: non-delivery will result in non-payment, and non-sustainability will result in reduced payment.

PHOTO: THE TEARFUND TEAM, DRC

structure contracts; for example, by mixing grant-funding for recurring costs or for activities, with PbR for the achievement of outcomes. This can reward innovation and enable partners to focus on working with communities and government, rather than being locked into a costly cycle of verification of activities and outputs.

### The need to agree payment milestones and triggers

Ideally, payments will be based on clearly defined results, measured by unambiguous indicators that are straightforward to verify. However, contracts that are 100% PbR may require more complicated payment formulae in order to address cash-flow challenges; for example, with payments made for intermediate results. These 'results' may be time-consuming to evidence as well as difficult to verify, and it may be better to consider measures such as including some kind of mobilisation advance; agreeing payments for partial as well as total achievements of an indicator; or agreeing payments linked to the achievement of outputs such as baseline surveys or action plans.

Outcome results may be particularly difficult to negotiate; what, for example, is an adequate outcome target for sustained hygiene behaviour change, and how can this be verified to everyone's satisfaction? There is still a lack of evidence on the effectiveness of many WASH interventions in terms of sustained behaviour change, and it's important that outcomes and how they will be measured are clearly defined at the outset so that all partners understand the goals they are working towards.

### The need to negotiate a degree of flexibility in the contract

It may be helpful to have a mechanism to transfer targets between partners or countries, or to take a portfolio approach, with consolidated milestones/payment triggers, so that under-achievement in one area can be balanced by over-achievement in another.

### The need to strike the right balance between upward and downward accountability

Given the innovative and often complex nature of PbR contracts, there is a risk that the focus on meeting the requirements of the external verifier may eclipse accountability to beneficiary communities and/or to local and national governments; it's important to retain the ethos of an NGO.

## The design phase – targets, triggers, milestones and matrices

Ideally, the design phase of a PbR programme will be an iterative process; plans are likely to be modified and adapted during the inception phase (see below) as monitoring and reporting requirements are agreed and all parties come to an understanding of what will be required to demonstrate results. Key issues to consider when designing a PbR programme include:

### Targeting communities and selecting activities

The need to achieve results in order to receive payment, particularly under a tight deadline, may lead some NGOs to avoid targeting the most remote or vulnerable communities, particularly in fragile contexts where the situation on the ground may be fluid and unpredictable. It may also result in a weaker emphasis on 'soft initiatives' such as community engagement and institutional strengthening, which are difficult to measure and verify, and a bias towards those activities which can be more easily counted as payment triggers.

To avoid this, programmes should be designed with a high degree of flexibility and an adequate budget for the risk of under-performance; for example, if the need to focus on tricky but essential governance and relations work means some outputs targets are missed. In this way, it should be possible to ensure that the most vulnerable will in fact benefit not only from the opportunities a PbR framework can provide to foster innovation, but from the opportunity PbR contracts offer all target communities to hold NGOs to account for the delivery of services and support.

### Payment matrices/schedule

Under a PbR contract, the traditional NGO logframe setting out programme goal, outcome(s), outputs, activities and accompanying M&E framework must be translated to a 'payment matrix', setting out the verification requirements for payment indicators and milestones. This needs to be done in such a way that all partners understand the relationship between the two and a 'disconnect' is avoided. There may be a requirement for additional indicators which don't have a payment attached to them, but which need to be tracked to

PHOTO: THE OXFAM TEAM, KENYA

PHOTO: THE TEARFUND TEAM, DRC

meet government or implementer requirements; e.g. impact on vulnerable groups. It may be advantageous to use both a logframe and payment matrix to track the programme's progress.

### Working with local partners

Local partners may be funded by the contract-holder on a more familiar, pre-financed grant basis, but they and their staff share the potential risks and rewards involved in implementing a PbR contract, as well as the burden of meeting monitoring and reporting requirements. The challenge for programme managers is to increase understanding of PbR frameworks among local partners, and encourage them to respect the terms of PbR contracts, which may involve adapting to a very different way of working. This may be done through rigorous monitoring and feedback to the partners involved, and/or drawing up specific agreements with them; in some cases, implementers may consider transferring some financial risk to local partners.

## The inception phase – getting to grips with the practicalities

Given the innovative nature of PbR contracts in the WASH sector, it's essential to build in an adequate inception phase for a 'verification learning curve', during which the external verifier and implementing partners can agree expectations in terms of monitoring and reporting, and systems and capacity-building can take place if required. It may be that the verification framework will be based on existing M&E systems, with 'light touch' verification based on the assumption that implementers are motivated by factors other than payment to deliver high-quality, sustainable services. Equally, there may be a requirement to modify or enhance systems, and an expectation that verification should be undertaken as an audit.

Time will also be needed for all partners, including field staff, to learn about the PbR approach and the adaptation of M&E, human resources and finance systems that it requires, and for NGO finance skills and competencies - which have been developed to manage restricted funding in the form of grants - to be adapted to large commercial contracts.

During the inception, implementing partners should identify aligned deliverables and indicators for different partner approaches and contexts. They will need to agree with the external verifier what the indicators of the programme's deliverables will be, and the methodology and evidence that will be used to verify that they have been met. It's also the time to collect baseline data and ensure survey methodologies are both robust and pragmatic; for example, thinking through how to design and implement representative household surveys when changes to target communities may be required as the programme goes on, as a result of insecurity or other factors.

The external verifier for DFID's WASH Results Programme follows a systems-based approach based on three core elements: a regular appraisal of implementing partners' monitoring and reporting systems, at both HQ and country level (a 'systems appraisal'); verification of supplier-generated evidence; and verification using evidence generated by the external verifier based in-country. These elements are captured in bespoke forms for each deliverable, and DFID's payment decisions are based on an aggregate analysis of the three core elements. In total there are nine stages to the verification cycle, from systems appraisal to payment action.

Payment triggers are formulated around indicators relating to quantity and quality, and are based on both assessment by the implementer, and independent assessment by the verifier. For a PbR programme engaged in taking a demand-led approach to sanitation, for example, the number of latrines built might be a payment trigger, as well as the first indicator that the payment trigger had been reached. Evidence for this indicator might take the form of a report listing the locations of the latrines, the community name, the implementing partner, and an estimate of the number of people reached by each latrine built.

A second indicator might be the supplier's assessment of the quality of the latrines, with the evidence being details of the minimum standards used, how those standards are checked and a report showing that an assessment has taken place. A third indicator might be the external verifier's assessment of the quality of the latrines provided, with the evidence in this case being a site visit by a country verifier who completes a quality assessment report. For the supplier to receive payment, it may be that all three indicators need to be verified.

PHOTO: FRANK GREAVES, TEARFUND

**Developing a 'Field Operation Manual' in DRC**

The Tearfund team in DRC developed and rolled out a 'Field Operation Manual' (FOM) to support the implementation of the SWIFT programme at field level, training staff in its use. The FOM was created in response to the significant changes in implementation, monitoring and evaluation, and activity reporting necessitated by SWIFT's PbR contract and focus on sustainability. The requirement for activities to be verified by a third-party monitoring, verification and evaluation supplier created a further need to revise standard M&E, accountability and learning systems, as well as reporting lines between the field and head office.

The FOM is divided into four modules. Module 1 outlines the innovative MEAL systems and toolkit that were developed at the field level to meet the MVE provider's requirements in terms of reporting and the submission of evidence. Module 2 focuses on reporting structures and the flow of information from the field to sub-base, to coordination hub, and onwards to the UK. Module 3 highlights the multiple tools used to track activities and results in order to observe programme and financial progress. Module 4 is comprised of key resources and documents which form the backbone of the SWIFT programme at field level.

## The implementation phase – the pros and cons of putting PbR into practice

Significant systems and capacity-building may be needed before an NGO is able to comply with the continuous cycle of monitoring and reporting demands that a PbR programme entails once implementation begins. These demands may include:

- Providing both qualitative and quantitative evidence;
- Disaggregating data by partner, activity and location;
- Presenting a unified monitoring and reporting framework across a range of different deliverables, partners and contexts;
- Tailoring monitoring and reporting systems to specific verification requirements to enable the external verifier to carry out a systems appraisal.

Collecting, collating and uploading evidence may be particularly problematic in fragile contexts and those with little infrastructure, and may incur significant expense in terms of staff time and travel to ensure the evidence gets to where it's needed in time to meet verification deadlines. In general, meeting MVE requirements may incur both financial and opportunity costs if it has not been adequately budgeted for, as delays or less implementation means that fewer people are reached or key strategic activities are not carried out.

Other perceived disadvantages of implementing a PbR programme are that it entails higher financial and reputational risk and greater cash-flow demands, and that there is a need for frequent re-forecasting as targets are re-phased. There is also a risk that too much M&E attention may be paid to payment triggers, rather than outcome indicators, and that the demands of data collection may leave little time for learning.

However, many staff will appreciate the increased accountability of a PbR contract; the discipline it enforces in terms of monitoring and reporting; and the application of greater 'rigour' in data collection. The need to enhance and modify existing M&E systems may lead to some strong practical learning; for example, SWIFT Consortium partner Tearfund developed and rolled out a 'Field Operation Manual' in DRC (see above), based on its experience of meeting the M&E requirements of a PbR contract.

Other advantages of a PbR framework include the flexibility and space for innovation it may provide, by enabling activities to be changed provided results are achieved. In addition, the focus on sustainability and building resilience is in line with sector perceptions around what implementing partners should be aiming for with WASH programmes in fragile contexts (see next page).

## The sustainability phase – ensuring outcomes that endure

PbR contracts are distinguished by their focus on the achievement of sustainable outcomes, on which at least a proportion of payments typically depend. DFID's WASH Results Programme, for example, requires WASH outputs to be delivered by December 2015, but will continue to measure outcomes until March 2018, when the final payment decisions will be taken.

Capacity-building is a key part of achieving sustainability. One of the biggest challenges for both donors and implementers in designing PbR programmes is to consider how the framework can work to build local systems, and ensure that the incentives and constraints PbR creates do not work against this; for example, by discouraging investment in 'soft' initiatives such as institutional strengthening that are difficult to measure.

WASH programme implementers may consider working with local and national government departments; utility companies; private-sector actors delivering WASH; and local implementing partners, as well as communities, to ensure they have the skills and experience to continue to manage water, sanitation and hygiene services long after the programme has ended, as SWIFT is doing in Kenya (see below).

In addition, there are a number of specific measures that may be adopted to help ensure the sustainability of water, sanitation and hygiene outcomes, among them:

- the alignment of a programme with a national approach (for example, SWIFT's adoption of the DRC Government-approved *Villages et Ecoles Assainis* or Healthy Villages and Schools approach);
- the use of an environmental assessment tool (see the SWIFT learning brief 'Introducing the SWIFT tool for environmental assessment and risk screening for rural water supply'); and
- in fragile contexts, the application of conflict and context analysis.

### Building capacity to ensure sustainability in Kenya

The SWIFT Consortium is working with a wide range of partners in Kenya to build capacity and ensure WASH outcomes are sustainable to March 2018 and beyond, including:

- **Utility companies:** SWIFT is working with utilities including WAJWASCO in Wajir and LOWASCO and KAWASE PRO in Turkana, drilling and equipping boreholes and conducting capacity-building activities. It is also working with the Nairobi City Water and Sewerage Company in the capital to reduce the amount of water that is produced but 'lost' before it reaches customers.
- **Broadcasters:** SWIFT is training radio stations in Kenya to produce locally relevant WASH-related programmes, building the professional capacity of the media sector in the process and facilitating dialogue on WASH issues between citizens, civil society and government.
- **Local government:** SWIFT is working with local government in Turkana to drill and equip boreholes with pumping systems. It is also working with the county department of health in Marsabit, building its capacity to train promoters in Community-Led Total Sanitation (CLTS).
- **Communities:** In addition to training community health volunteers in implementing the CLTS approach in the Arid and Semi-Arid Lands region, SWIFT is working with schools and communities in Nairobi's informal settlements to install toilets that are managed and maintained by local residents.

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