INTRODUCTION

Results-based financing (RBF) arrangements have gained popularity in the education sector in recent years due to their potential for improving education services by making funding more effective, efficient, and accountable. Payments, which are linked to the achievement of predefined, verified results, typically target national or local governments, frontline workers such as teachers, or beneficiaries such as students. But how well do these measures actually work?

Both results-based financing interventions and RBF research within education in low- and middle-income countries have primarily focused on country governments (finance ministry or education-line ministry), frontline workers (teachers and school directors), and beneficiaries (students and households), because the impact of such measures is generally easier to quantify. Little research in the education sector has focused on subnational, or meso-level, actors, despite the critical role that this group plays in the delivery of education services. According to survey results in the “Learning What Works” paper published by REACH, a wide majority (84 percent) of respondents consider meso-level actors to be the most important group to incentivize in the education sector.
Situated in the middle of the education value chain, meso-level actors and institutions are in charge of education-system management and administration at the local government level (e.g., provincial, regional, district offices) or school level (e.g., district education officers, school management committees, school directors). They also include nongovernmental service providers offering services on these actors’ behalf. Previous research suggests that many national governments in low- and middle-income countries have implemented RBF measures, such as performance-based transfers or output-based disbursements, to incentivize subnational actors, including district and provincial offices. Indeed, subnational governments are responsible for providing education services in most countries, and account for over half of total public education spending. They thus play a critical role in translating, transferring, brokering—and potentially disrupting or hindering—the gains in education services sought by actors at other levels. Results-based financing directed at the meso level has the potential to incentivize these players to improve their performance. RBF interventions can also help to cascade the effects of incentives to other levels of the education system value chain, helping to align actors at different levels towards the same defined goals.

Current theoretical and empirical research leaves a gap in explaining the unique characteristics of the roles played by meso-level actors in education-service delivery, specifically in serving as a link between levels. This study aims to fill the gap through an examination of the motivations of, and incentives for, subnational government and other meso-level actors as potential brokers or disruptors of the causal chain underpinning how results-based financing can improve effectiveness, efficiency, and accountability in education financing.

This study uses qualitative data analysis to derive both theoretical and practical lessons from results-based financing interventions targeting the meso level of the education sector, particularly in low- and middle-income countries. It draws upon the experiences of those who have designed, implemented, or researched such initiatives, through a review of academic literature and project documents, a global survey, and interviews with key stakeholders. Applying the Principal-Agent framework, where the Principal is the one who wants a task completed and the Agent is the one delegated to complete it, the study highlights differences between how results-based financing works theoretically and how it works in actuality on the ground at the meso level (see Box 1). Based on these findings, the authors recommend ways to adapt results-based financing to more effectively target meso-level actors and improve education-service delivery.
BOX 1: PRINCIPAL-AGENT THEORY

In the Principal-Agent theory, the Principal wants a task completed and the Agent is delegated to complete it. The two often do not share the same priorities, so the Principal seeks a contract that motivates the Agent to achieve the Principal’s desired optimum outcome.

Traditionally, the Principal provides compensation to the Agent based on effort and result, but Agent effort can prove difficult to measure and may not maximize desired results. Results-based financing makes Principal payments to the Agent contingent on actual, verifiable outputs or outcomes. The Agent theoretically has greater autonomy over how to deliver the results but bears the failure risk; the Principal forgoes some control but pays only for results achieved.

The Principal-Agent theory can provide a basic framework for examining RBF agreements but other factors can influence success. One aspect to consider is the cascading relationship between Principal and Agent. At the meso level, the RBF contract is typically between a Principal organization, such as a ministry, and an Agent organization, such as a subnational office, but individual employees in the Agent organization can also play a critical role. Their goals should be aligned with those of Principal and Agent, potentially with cascading incentives from the Agent.

Traditional incentive theory assumes workers are motivated by material self-interest, but some Agents may be motivated by nonfinancial goals. Payment can be “low powered” (weakly linked to the output, such as based on working time) or “high powered” (strongly linked, such as with a bonus). Financial incentives can also include career progression with salary increases, or benefits like housing. Nonfinancial incentives can involve motivational elements, such as social or moral motivation.

Potential negative effects of incentives include Agents focusing on delivering a service linked to an incentive but reducing efforts on other tasks, or delivering only on measured results. High-value incentives can lead to gaming or cheating. Other potential undesired effects include reduced team cooperation from competition and free riding with group bonuses.

When considering how to define results, the Principal and Agent should agree what the result indicators are and make them clear to all actors. Where these are difficult to define, indicators for effort may be used as a proxy.

The engagement of an independent verifier to audit the results indicators provides transparency and accountability, especially since the Agent tends to have more knowledge about what can be—and what ultimately is—achieved, while the Principal must measure and observe.

The Principal-Agent theoretical framework reflects an ideal functioning of an RBF mechanism. An examination of concrete results-based financing programs can strengthen understanding of how practice aligns with theory and how RBF programs can be improved to more effectively and efficiently incentivize Agents delivering education services.

See additional resource list at the end of this document.
METHODOLOGY

This study used qualitative data analysis to generate lessons from diverse experiences with results-based financing at the meso level of the education sector, particularly in low- and middle-income countries. It drew from the experience of those who have designed, implemented, or researched such initiatives, considering four different data sources: (1) academic literature; (2) project documents; (3) a global survey; and (4) key stakeholder interviews.

(1) A systematic literature review of theoretical and empirical research captured the RBF research findings to date at the meso level. The review gave priority to literature focusing on the education sector, but also included research articles on RBF at the meso level in general and for other sectors such as health to enrich the analysis. The authors reviewed a total of 699 articles, among which 408 included theoretical and/or practical considerations of RBF at the meso-level and 128 focused on the education sector. The review helped to crystallize the key theoretical discussions in results-based financing at the meso level in education and across sectors, along with the impacts of initiatives on education systems in low- and middle-income countries.²

(2) The analysis of education project documents elicited important findings on design and operational data. The authors reviewed more than 300 education projects in low- and middle-income countries to identify those that explicitly outlined a component involving the use of RBF to target the meso level.³

(3) The authors distributed a project-identification survey to 2,000 education sector professionals via email. The survey was distributed further through the Network for International Policies and Cooperation in Education and Training’s (NORRAG) social media channels (Facebook, LinkedIn, and Twitter). After a thorough review of project designs from all sources, the authors identified 51 as having RBF interventions at the meso level of education.⁴ The team analyzed nearly half (24) of these projects in depth to gather additional data on various elements of their design and implementation.

(4) Based on the criteria of maximum variation in the type of Agents, education level, and geographic region, the authors further selected seven projects out of the 51 for interviews with their key stakeholders.⁵ These interviews provided a richer understanding of how results-based financing plays out at the meso level of the education sector, including its practical opportunities and challenges.

A total of 699 articles were analysed, among which 408 included theoretical and/or practical considerations of RBF at the meso-level and 128 focused on the education sector.
FINDINGS

The trend in RBF education initiatives at the meso level in low- and middle-income countries differed considerably from cases examined in the literature, with output and process indicators typically used to trigger financing.

Most RBF initiatives at the meso level of education used multiple results indicators to trigger financing to the Agent, with a predominance of results representing outputs or processes, with the most common related to student participation (e.g., attendance, retention, enrollment). The second-most-common indicator type related to management processes for the Agent to adopt or improve on to achieve results (e.g., preparing school development plans, timely hiring of teachers), followed by learning outcomes.

The reviews showed RBF aimed at meso-level actors had a mixed impact on educational outcomes, with some pointing to positive association with student learning outcome and managerial behavior change.

Among programs that showed positive effects on education indicators were RBF initiatives targeting schools and local governments, including two initiatives in Pakistan incentivizing school leaders, which resulted in increased levels of participation and higher test results for students; and a system-reform initiative in Peru that provided additional budget support to local government departments, which had a potential indirect, positive impact on students’ learning outcomes. However, in many cases, the outcomes could not be attributed to the RBF arrangement.

FIGURE 1: Distribution of Identified Research Publications on Results-Based Financing at the Meso Level

- Over half of education initiatives were focused on higher education.
- Within education initiatives focused primary and secondary schools.
- 51 meso-level initiatives were identified in low- and medium-income countries.
RBF initiatives designed for meso-level Agents diverged significantly from the Principal-Agent theory in response to specific conditions in their education system.

According to an analysis of program documents and interviews, it was essential for programs to modify the design of their RBF initiatives from the “ideal” theoretical model to respond to the specific contexts of different education systems. Divergences arose due to a number of factors, including the presence of multiple Principals, lack of operational funds, challenges in defining results, and lack of Agent autonomy. However, the level of success of the intervention also depended on how much the envisioned causal mechanism behind the results-based financing was diluted.

A meso-level RBF contract may identify one Principal but the Agent typically has multiple reporting relationships with actors at different levels of the education system.

Public sector management is made up of multiple tiers of Principal-Agent relationships, with meso-level actors representing one layer. While the RBF contract identifies one Principal, Agents at the meso level in fact must respond to multiple Principals who may or may not have aligned objectives. This can weaken an Agent’s incentive to deliver on results for any of the Principals, including ones in the RBF contract. Entities that meso-level Agents may need to respond to include: school management committees and parent groups, intermediary agencies tasked by the Principal to manage the Agent, independent NGOs tasked by donor groups to verify results, and students, who are both the

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**FIGURE 2: Distribution of RBF Initiatives at the Meso Level of the Education Sector in Low- and Middle-Income Countries by Type**

- **29%** Conditional School Grant
- **13%** Impact Bonds
- **13%** Performance-Based Grant
- **13%** Intergovernmental Transfer
- **10%** Performance-Based Contract
- **8%** Public-Private Partnership
- **4%** Payment by Results
- **4%** Performance-Based Bonus
- **2%** Reward Payment
- **2%** Results-Linked Budget Transfers
beneficiaries and ultimate Principal. Local government Agents in a decentralized education system must also deal with multiple layers of Principals in the bureaucracy; for example, a district office may be answerable to a state or provincial office and to the national government. Figure 4 illustrates the network of relationships that exist around meso-level actors to create a relationship network.

**Many RBF interventions are designed to provide part of the payment to the Agent prior to the achievement of results so the Agent has funds to undertake planned activities.**

Results-based financing traditionally disburses funds after the achievement of results. However, this isn’t always practical when targeting meso-level actors in education. The majority of these actors work in the public administrative system and have very low levels of unallocated funds so would have to seek additional, outside capital to cover the input and process costs.

Several meso-level interventions featured an alternate RBF design where the Agent received partial funding prior to achieving verified results. In at least 10 of the 51 initiatives reviewed, full payment to the Agent appeared to be triggered based on a commitment to achieve results—either or both with a signed agreement and an approved implementation plan to achieve results in the future—but without requiring any verified education results or even processes. At least 36 of the initiatives appeared to make at least a portion of the payment after the verification of achieved results.

Larger nongovernmental or private-sector organizations and those with adequate liquidity may be more open to traditional RBF agreements and to receipt of payment based on actual deliverables.
Impact bonds offer another solution by having an Investor pay the initial outlay to the Agent before results are achieved. This arrangement essentially incorporates two Principal-Agent relationships. First, the Outcome Payer (e.g., government or donor) contracts with the Investor to repay the Investor’s investment plus a financial return if a certain result is achieved. Second, the Investor enters into a contract with a Service Provider to produce the result; this second contract may or may not be results-based.\(^7\)

**Defining the results of education service delivery by meso-level actors can be a complex task.**

Defining and agreeing on results and indicators to measure them can be relatively straightforward where the supply of the service often results in the expected outcome, for example, injecting a vaccine. Educating an individual to achieve learning involves a more complicated process, taking time to achieve and involving a series of actors and external factors. Except for inputs such as the number of students or schools, education-process and learning-outcome indicators are not as simple (or as cheap) to measure as indicators for some other sectors.

Education projects can use four types of indicators to measure results: input (e.g., set number of textbooks delivered to the school), process (e.g., an effective curriculum put into place), intermediate (e.g., number of schools inspected with reports published on the government website), and outcome (e.g., demonstrated improvement in student test scores).\(^8\) In reality, education projects do not consistently use outcome measures; among the 51 initiatives studied, only half (25) used some form of learning-outcome indicator. Results indicators often adopt process indicators, including management process, financial management, data management, teaching process, and teacher support.

The widespread use of process indicators to define results (at least 49 indicators among the initiatives) shows that even when RBF is used at the meso level, the Principal often incentivizes effort and the process to achieve results rather than paying for the result itself. RBF is being used to incentivize Agents for their action, but without guarantee that the action will lead to the desired results. Including some process and output indicators as milestone targets to trigger payment installments to the Agent can support incremental changes in the Agents’ mode of operation so they eventually achieve the target results. Establishing a results chain linking process and outputs to eventual outcomes could reward the Agents for behavioral change, to focus on results.

**Many meso-level actors may lack the autonomy to achieve targets under RBF interventions.**

The infrequent linkage of result indicators to outcomes could reflect the challenges faced by meso-level Agents in influencing results such as learning outcomes. Results-based financing arrangements are supposed to provide the Agent with greater autonomy over tasks\(^9\) on the assumption that the Agent has better information than the Principal on the level of effort and strategies needed to achieve results. This is especially relevant for meso-level Agents who are closer to the local context of education service delivery, and is a rationale for decentralization in education. While the authors’ analysis suggests the level and breadth of autonomy of meso-level actors—such as the authority of district education officers or school directors to supervise teachers—may impact the success of the RBF intervention, past empirical research has not demonstrated the presence of management autonomy of Agents in Results-Based Aid (RBA) projects.\(^10\) Even in decentralized systems, the devolution of management decision-making autonomy to meso-level actors is not a given.\(^11\) The true level of Agents’ management autonomy in the interventions reviewed was difficult to discern but several examples point towards a lack of autonomy. For example, in most conditional school grants, the school director did not have decision-making power over the recruitment or compensation of teachers. Potential reasons for the lack of autonomy in such interventions include an absence of pure forms of RBF interventions; trade-offs by Agents to forego...
autonomy in exchange for funding reliability; and Agent unwillingness to take on additional work.

**A differentiated approach towards results-based financing could initially link funding to the creation of conditions necessary for implementing an “ideal” RBF mechanism.**

While all of the interventions examined had a definite focus on results, they did not always follow the traditional RBF structure. Modifications may be necessary, but the focus on results for fund disbursement must be made explicit, or key stakeholders may not accept the model or may fail to implement critical elements. One way to address this problem is by viewing results-based financing as a set of wider reforms in results-based management that focus on results planning and budgeting, alignment of stakeholder interests, and systems-strengthening for monitoring results. This would expand the RBF definition to include linking funding to results rather than disbursement only after the achievement of results. It would also allow RBF strategies to be introduced within the project or system financing prior to the implementation of an “ideal type” of RBF, and could provide a useful starting point for introducing RBF at the meso level of education (and potentially other sectors).

**Performance-based budgeting offers some lessons on how a broader definition of results-based financing could work.**

Performance-based budgeting (PBB) seeks to strengthen the efficiency and effectiveness of public expenditure by linking government agency funding to results the agencies deliver. As with results-based financing, this approach relies on performance information in the budgeting process. However, PBB does not necessarily disburse funds after the delivery of results; instead it focuses on achieving expenditure efficiency by strengthening the link between funding and results and thereby strengthening the credibility of target-setting itself. Under PBB, the most fundamental tool for improving Agent performance is to focus on results—explicit specification of objectives, the measurement of performance against those objectives, and the setting of performance targets—and to link those results to budget allocation or disbursement.\(^{12}\)

PBB takes various forms, differing in the degree to which funding is linked to results and the level of performance information required. Marc Robinson in his seminal publication on PBB, *Performance Budgeting: Linking Funding and Results*, categorizes three forms of PBB reforms: funding-linked performance targets; agency-level budget performance incentives; and purchaser-provider model.\(^{13}\) These three forms of PBB can be thought of as differentiated types of RBF implementation, where early-stage interventions start with linking funding to results and more advanced-stage RBFs make entire intervention funding contingent on the verification of achieved results. The type of RBF that can be designed and implemented should be based on whether the identified problem can be solved with modifications in financing arrangements; what level of data is available and utilized in decision making for education planning and implementation; and how much control and autonomy meso-level Agents have over decisions on activities that yield results. Among the 51 meso-level RBF initiatives reviewed, 46 fall under one or more of the three PBB categories.\(^{14}\) (See Box 2 for details.)
BOX 2: PERFORMANCE-BASED BUDGETING

Performance-based budgeting (PBB) seeks to strengthen the efficiency and effectiveness of public expenditure by linking government agency funding to results the agencies deliver and can be grouped into three categories. These can be thought of as differentiated types of RBF implementation, and can be applied to differentiate results-based financing for the meso level of education.

Type 1: Funding-Linked Performance Targets

PBB
Fund disbursement primarily links the level of funding to measurable result targets (output or outcome) that the Agent is expected to deliver. The exercise can seek to improve the Agent’s work in terms of either or both effectiveness (where result targets are outcome measurements) or efficiency (where result targets are outputs). This form of PBB is often implemented as “contracts” between ministries and agencies, or civil service managers and their staff, where the Principal pays the Agent on the basis of the Agent’s costs for delivering results. The priority is use of performance information for financing prioritization.

RBF
RBF designs that link financing to performance targets can be utilized in contexts in the early stages of adopting a focus on results in education-sector financing, e.g., where there is low availability and use of performance data. This approach can be useful where the Agent requires operational funds to undertake activities needed to achieve the results.

PROJECTS
This model was evident in 10 interventions. Interview respondents in Brazil, Cameroon, India, and Senegal indicated that while the RBF intervention did not disburse funds after the verification of results achieved, it aligned the recipient with the goals of the disbursement authority. All respondents believed that once stakeholders become more familiar with RBF, future interventions could make payments contingent on achieving results.

Type 2: Agency-Level Budget Performance Incentives

PBB
The Agent receives payment after verification of performance. These incentives introduce financial rewards and sanctions to motivate Agents to improve performance or achieve results, where strongly performing programs or agencies receive additional funding and poor performers lose money. This is essentially a performance bonus-incentive structure.

RBF
This model can be implemented when the Agent does not need additional funds to undertake the activity but could utilize existing funds more effectively. Improved results could generate a future fund increase for the Agent to supplement core funding. This approach requires robust agency-performance data systems, which both Principal and Agent can utilize to measure progress.

PROJECTS
Based on project design documents, 21 RBF initiatives fell under this category, including initiatives in higher education in Eastern Africa, Southern Africa, and India. Several interventions introduced competition between schools by awarding grants only to a certain share of top-performing schools.
Expanding the definition of results-based financing to a set of wider reforms that link funding to the delivery of results is a useful starting point for assessing how and when financing arrangements can improve education outcomes. The report offers some specific recommendations to guide those seeking to design RBF interventions at the meso level of education systems.

Recommendation 1:
Conduct a situation analysis to understand any existing experience with RBF and determine whether there is a culture conducive to results-based management and if there are educational challenges that RBF can help solve.

An understanding of the existing management of the education system is an essential prerequisite for designing an RBF arrangement. A situation analysis will help the designer consider the level of results-based management culture that already exists within the education system and help choose what sort of RBF approach to use. It is essential to remember that complex RBF mechanisms may be unsuccessful in contexts that lack necessary preconditions (especially operational funds and data management systems). If the education system has an existing culture of results-based management and some previous experience with results-based financing, it is possible to introduce agency-level budget performance incentives (Type 2), while in contexts where linking financing to results is a new concept, a gradual introduction of funding-linked performance targets (Type 1) may work better.

Recommendation 2:
Agree on a shared theory of change with all stakeholders, especially Principals and Agents, which will ensure sufficient autonomy for Agents to achieve results.

A theory of change for an RBF intervention should establish the logical sequencing of how the performance agreement and the linking of payments to results would result in the Agent achieving the

Type 3: Purchaser-Provider Model

PBB
The Principal pays the Agent a price per result achieved, whether output or outcome. This model treats the Agent as a “standalone business” responsible for finding funding to cover operational costs. The Agent makes a profit or loss based on costs to achieve results and payment for the results, with autonomy on how to spend the funds. This approach can maximize the efficient use of funds by the Principal, who only pays for activities that yield results.

RBF
Previous attempts to implement this model for public agencies have not succeeded even in high-income countries because the relationship between results and costs is too uncertain for government agencies, which typically rely on budget transfers from higher levels of government for operational funds.

PROJECTS
The use this model appears to be in the early stages in the examined interventions, with 15 initiatives under this category, nearly all with nongovernmental organizations, which often have alternative revenues sources, as Agents. Impact bonds are a special case of this approach. The Investor, not the Principal, provides capital to the Agent to undertake activities, and sees a financial loss if results are not achieved.
specified outputs and outcomes. This theory of change process is different from the typical results framework development process in most donor-funded projects, where specified activities are linked to expected outputs and outcomes. By contrast, in an RBF arrangement, the Agent has the flexibility to choose the activities that will reach the desired output. A theory of change (and the corresponding results framework) for RBF should stipulate the causal mechanism by which outputs and outcomes will be achieved through the financing arrangement with the Agent rather than through specified activities.

An important aspect of having an agreed theory of change is to ensure that the Agent has sufficient autonomy. Even in many decentralized systems, the Agent lacks sufficient autonomy to implement the programs as the Agent thinks best. This must be changed, for example, by making policy exceptions to give the Agent sufficient autonomy. Another consideration is to ensure that a clear and common understanding exists among all stakeholders, especially in the case of donor-funded projects where negotiations typically occur between the donor and national government, and the Agent may not interact with the donor.

**Recommendation 3:**
**Define result targets that can be transparently and objectively measured.**

Defining the expected result is the most essential part of any RBF intervention where financing is linked to achieved results. At the most fundamental level, it helps make the Principal’s objectives explicit to the Agent and facilitates alignment between the two sides. It also makes the RBF intervention visible to the entire education system and facilitates alignment among all stakeholders in the education value chain, down to the classroom. Results should be established based on the objective measurement of data in order to offset the information asymmetries between Principal and Agent. That does not necessarily mean quantitative data measurement, and in fact, some qualitative assessments should be included. A strong result-data system benefits both Principal and Agent in assessing their progress towards achieving the results.

The appropriate initial levels for targets may depend on how long the RBF has been in place. In some cases, initial expectations have been set quite low to ensure success and build support for future, more significant RBF interventions. The initial use of process indicators can support the adoption of foundational activities to establish a system focused on results and build consensus for the theory of change. This was the case in Cameroon, where schools and school management committees had to take only a few simple steps to establish accountability systems and get the first grant, but subsequently had to achieve more specific improvements in school management. Target setting should take place in conjunction with the identification of incentives and assignment of financial weight to each target; the establishment an upfront agreement on how to verify results; and consideration of the cost effectiveness of result-measurement systems.

**Recommendation 4:**
**Design an incentive structure that cascades financial and nonfinancial incentives at both organizational and individual levels.**

When results-based financing targets meso-level actors, it also needs to incorporate incentive structures that motivate the Agent organization and its individual employees. Agency-level budget performance incentives (Type 2) can motivate individual performance if agency-level funding rewards link to individual incentives. In purchaser-provider arrangements (Type 3), the Agent organization theoretically has autonomy to implement an incentive system for its employees. Even in simpler types of RBF arrangements where payments are linked to budgeting rather than achievement of results (Type 1), the Agent organization budget should incorporate incentives for work teams and individuals.
Incentives that are purely financial may introduce perverse motivations and work contrary to the nonfinancial motivation of public employees to provide a public service. Where results (especially outcomes) are less measurable or are not directly caused by Agents’ actions, incentives should be considered for the Agent’s effort, as this could encourage changes in Agent behavior that will lead to the desired outcomes in the long run. Some experiments with group incentives have shown positive effects at the school level, such as in Uganda, where teacher attendance improved when school directors and parents collectively reported teacher absence and the school directors received a bonus payment. Other interventions combine financial and nonfinancial incentives for meso-level Agent organizations and their employees to effect. In Tanzania’s Improving Student Prospects Project, the Government of Zanzibar provided funding for in-service training to teachers along with a higher salary for finishing training and a recognition award for performance.

Recommendation 5:
Provide capacity-building support and technical assistance to foster a culture of focusing on results.

Shifting from input-based to results-based financing requires fostering a culture of result orientation for activity planning and implementation. To strengthen this culture, it is necessary to build the capacity of various actors to collect and utilize results data, and to provide finance and technical support to strengthen data management systems. Such support is especially needed in contexts with little or no previous experience with RBF. Fifteen of the 24 projects subjected to in-depth document review included capacity building or technical assistance activities explicitly related to improving data management and utilization. The India TEQIP and West and Central Africa ACE programs each included capacity building within the RBF incentive payment structure itself. But under the Ethiopia Pilot Project of Results Based Aid, where regional bureaus received payments for improving the number of students sitting and passing secondary school exams, the bureaus had no capacity to administer a reward-based system despite it being a prerequisite for success.

Recommendation 6:
Ensure sustainability with a plan for moving through the differentiated RBF types and phasing out external funding over time.

RBF interventions falling under type 1 (funding-linked performance targets) and type 2 (agency-level budget performance incentives) can progress over time to type 3 (Purchaser-Provider model). While experience with each type strengthens both RBF awareness and institutions (Principals and Agents), it is helpful to have a plan from the beginning on how to move to the next type. Evidence suggests interventions tend to overlook such planning. Even when a general (if implicit) expectation exists that Agency-level budget performance incentives or the Purchaser-Provider model will eventually be implemented, stakeholders usually have not thought about timing or the need to first pass through funding-linked performance targets. Indeed, it appears that most type 1 or type 2 interventions have not even been distinguished as different approaches to RBF.

Interventions have generally also failed to address the issue of broader sustainability. It is especially important to consider sustainability when donor or other external time-bound funding is used for results financing or for capacity building of institutions and data systems. In the case of the former, government financing should progressively replace external financing. For the latter, a plan should be in place for institutions that reach appropriate capacity before external funding ends. And all domestic stakeholders should have full ownership of the RBF intervention before then.
CONCLUSION

No theoretical framework offers a one-size-fits-all intervention, and contextual realities must always be factored into the design. A broad framework that takes into consideration as many contextual variations as possible and outlines the preconditions needed for successful implementation could lead to an intervention design that responds to contextual realities while preserving the intent of the intervention. The differentiated types of results-based financing provide a starting point for designing interventions that link financing to results while considering the preexisting conditions within the education system. However, financing modalities, including results-based financing, cannot solve the challenges in education-service delivery alone and will need to be considered in conjunction with other reforms. Given the popularity of results-based financing in development, it is critical to design interventions that respond to the contextual realities to ensure acceptance by all stakeholders and to minimize unintended negative consequences.

Further research is needed on RBF arrangements at the meso level of the education sector in low- and middle-income countries. Additional intervention evaluations should investigate whether the causal mechanism of linking financing to results leads to improved outcomes. In-depth comparative case studies can deepen understanding of the conditions under which results-based financing is likely to be a successful financing strategy for the meso level of education. Finally, research findings should inform dialogue with key stakeholders to develop a shared theory of change and intervention design that can strengthen the performance of meso level actors in education.
Endnotes


2 A pattern analysis of the literature and the initiatives identified in this review can be found in Section 4 of the full report Results-Based Financing in Education for Sub-national Government and School Administrators: A Conceptual Framework and Practical Recommendations, with more details provided in Appendices 1 and 2 of the full report.

3 Relevant project design and monitoring documents were collected from the following project databases: World Bank and its REACH program; Global Partnership for Education (GPE); Brookings Institution (for impact bonds); Global Partnership for Results-Based Approaches (GPRBA); Asian Development Bank (ADB); UK Foreign, Commonwealth, and Development Office (FCDO); and United States Agency for International Development (USAID). Ideally, the researchers would have opted to search for projects that were not funded by external donors. However, this proved to be an extremely time-consuming exercise as no consolidated database of such projects is currently available.

4 See full report, Appendix 3, for summary of key features of these interventions.

5 See full report, Appendix 6, for the list of interviewees.

6 See Appendix 3 in the full report: Brazil Support to Upper Secondary Reform, Cameroon Education Reform Support Project, Chile Programa de Convenios para el Desempeño, Democratic Republic of Congo Project d’Amélioration de la Qualité d’Éducation, India Odisha Higher Education Program, Madagascar Basic Education Support Project, Mexico Programa Integral de Fortalecimiento Integral, Senegal Quality Improvement and Equity of Basic Education, Tanzania Education and Skills for Productive Jobs, and Vietnam Enhancing Teacher Education Program.

7 This is a theoretical financial arrangement in impact bonds. In practice, other stakeholders such as intermediaries and guarantors are often engaged to mitigate risks to investors.


13 Robinson. 2007.

14 The categorization of individual initiatives and their key features are provided in the full report, Appendix 3. Table 2 in the full report summarizes the data and financial context, along with the benefits of each type.
The Conceptual Basis of Payment by Results

Does Results-Based Aid Change Anything? Pecuniary Interests, Attention, Accountability and Discretion in Four Case Studies

Cash on Delivery A New Approach to Foreign Aid