



RESULTS BASED FINANCING (RBF) IN EDUCATION

QUICK-AND-DIRTY OPERATIONAL NOTES

THINGS TO CONSIDER WHEN DESIGNING PERFORMANCE-BASED SCHOOL GRANTS

**Small group discussion on lessons
learned**

This series consists of summarized conclusions and key discussion points from operational clinics and other events organized by the REACH Trust Fund.

These events bring together experts working on RBF to share their experiences and operational “trade secrets.”

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The Results in Education for All Children (REACH) program in the World Bank’s Education Global Practice supports efforts to implement results-based financing (RBF). It is currently funded by the Governments of Norway, the United States of America, and Germany. See more at www.worldbank.org/en/programs/reach

Introduction

World Bank teams working on performance-based school grants were invited by REACH to discuss the best way to design and implement such grants to improve *school performance* and ultimately *learning*.

Research in this area shows that grants can be effective in boosting enrollment (especially for girls), ensuring access for all, reducing teacher and student absenteeism, and reducing grade repetition and dropouts. However, there is little evidence that school grants can improve learning outcomes.

Since school grants feature to a significant extent in the World Bank's education projects, many teams are thinking of ways to help governments to make these grants more performance-oriented with the hope of ultimately improving student learning.

The discussion between the teams highlighted some of the main questions that need to be asked when starting to design and implement performance-based school grants.

1. Objectives and Indicators

What is the *objective* of the school grant?

- The objectives of school grants can vary significantly, which influences the types of indicators that a team might choose. Grants can be introduced as a component of public sector reform or as a way to involve parents in school decision-making, to increase accountability, to help to cover the basic service delivery functions, or to provide missing educational items or fund infrastructure repair or construction) to give some examples.
- It is important to keep in mind that objectives can develop and change over time. For example, in **Mexico**, the program started by giving grants to parents, then evolved to give grants to parents and school directors, and later became a national program. There is now a national policy of school autonomy and school-based management in Mexico. This took 15 years. Policymakers began by laying a foundation down that relied on a public financial management system that was functional (which is not always the case in other countries).
- Sometimes, especially in fragile states, the objective of school grants can be twofold: (1) to maintain services and (2) to encourage the government to fund their own programs.
 - In **Haiti**, the first generation of grants focused on improving infrastructure with the idea of encouraging the government to improve the general performance of the education sector, while later versions of the grants program would target learning and learning conditions.
- The issue of sustainability is important because often when grants are funded by donors, especially in low-capacity countries or regions, they are used to fund basic service delivery, but these expenditures are not taken over by the regular government budget after the grant program ends.

What *results* can we realistically expect?

- What teams can expect to get out of a school grant depends on the circumstances, and the funds allocated. Ensuring that the funding for the program is aligned with its objectives is critical so that the outcomes can be achieved.
- While larger grants can address more complex issues, they can also be more susceptible to gaming.
- In many of the client countries, it is important to address the basic deficits *first* before introducing other reforms. If a school needs the grant money to buy books, then books should be considered a basic-level indicator.
- Many projects end up having two to three different generations of grant programs. Many start with basic indicators such as those related to infrastructure and resources to help gather information on the recipient schools and then move on to tackle more complex indicators such as teacher absenteeism and on-time hiring.
- The balance between inputs and outcomes is important. While it is necessary to address basic deficits, once those are addressed, the indicators should get increasingly more meaningful (at the outcome level).
 - In **Haiti**, it has been shown that even the weakest schools can improve as just getting money to schools on time, with some soft accountability, ensures better service delivery. The project team had high expectations and produced a list of all of the aspects of the sector that they wished to be improved and used this list as a basis for parallel discussions with the government.
- The school grant program in **Cameroon** is testing how to use RBF indicators to establish how schools can become eligible for a grant (for example, what are the minimum criteria for a school to participate in the program?). In this program, if a school meets only one criterion, then some of its funding can go towards meeting the next criterion, such as developing a budget or financing plan.

2. Enabling Environment

Is an enabling environment in place for the implementation of performance-based school grants? Can it be created?

- At the outset, teams need to establish whether the necessary public financial systems are in place and whether the mechanisms needed to transfer money to schools exist.
- It is advisable to conduct a public financial management (PFM) assessment to identify what is possible in any given situation. The grant recipients should fulfill certain preconditions to ensure that they have the capacity to produce and sustain the expected outcomes.
- In some cases the grant can be a catalyst to developing the preconditions. It can help engage the recipients, who can then be supported to build the systems that can lead to more meaningful and sustainable results later.

What other *support* is needed for the grants to have an impact?

- Technical assistance (TA) is very important as funds may otherwise remain unused because of a lack of capacity or for fear of negative consequences.
- It is important that the rules and regulations governing the use of the grants are effective at the school level.
 - For example, in the school grants program in **Pakistan**, initially three signatories were required in order for schools to withdraw money, but this was impractical because generally only two people could fit on the school's motorbike. Therefore, teams should be very vigilant about such context-specific issues.
- If the team cannot provide TA to every school, it might be best to provide targeted support to the worst performers.
- If possible, capacity should be built at all levels (central government, school leaders, and schools), and countries should be helped to become technically ready to scale up the grants program.

3. Incentives

Which *incentives* work?

- To come up with the right incentives, the task team leader (TTL) him or herself needs to develop a deep understanding of the circumstances and political economy of the country and sector in question. If the team leader does not have this fundamental understanding, the team will not be able to create the right incentives or achieve their desired goals.
 - As an example of political economy considerations, in **Haiti**, the school directors are not appointed by the Ministry of Education, but by the parliament, so the team had to bear the power relationship between the ministry and parliament in mind when designing incentives.
- It is important to identify who must do what at each level to make the incentive(s) work.
- Both financial and non-financial incentives need to be considered.
- Communicating the details of the grants to the recipient is crucial for the incentives to work. The grant giver needs to be explicit about the aspects of education that it thinks matter most, be it teachers, infrastructure, or issues important to parents for example.
- It is generally a bad idea to link incentives to high-stakes deliverables, due to gaming. In **Australia**, the local governments experimented with performance-based funding in an attempt to reduce hospital wait times, but this caused hospitals simply to admit fewer people to waiting rooms. Now the national government is considering implementing hospital grants that are conditional on outputs.
- Incentives need to be aimed at the correct actors to create the right enabling environment. To change someone's behavior, you must target them (not their manager or their subordinate) and make sure that what you want to change is something over which they have control.
- Teams need to be clear about who gets the money, how much of the money, and what type of money (for example, public sector versus donor or top-ups versus core funding).
- The level at which the incentives are implemented also matters. Community-level incentives can often work well but might require even more TA and thus become expensive.

- It is important to invest enough time to understand how people respond to incentives and sanctions, including the risks of gaming and how incentives may have unequal implications for different stakeholders.
- Health sector evaluations have taught us that it is advisable to build in incentives for both the district and school levels at the same time due to political economy issues.
- From the governance perspective, there is the question of whether to focus on getting systems in place or focus on outcomes. This often comes down to the capacity of the country or region in question. In low-capacity countries, incentives should focus on improving management and putting effective systems in place.
- Sometimes incentives are more effective if backed up by sanctions. If school grants are given to every school in a given region, then there are no incentives *per se*, but schools can be incentivized to produce at least the minimum expected outcomes if sanctions are included in the program.

4. Sanctions

What *sanctions* are we prepared to issue and how?

- In **Sierra Leone**, the sanctions are “procedure confined.” This means that, if a school does not complete a particular required task, a procedure exists that will eventually exclude them from the grant process if they do not comply.
- In **Cameroon**, part of the grant is meant to fund an increase in the training and coaching of school management committees (SMCs). The sanctions start to apply one year after the schools have been through the training and relate to falsification and fraud (data). There are three warnings and after the third warning, the case goes before a district-level committee that decides whether the school should still receive the grant or not.
- Teams should consider whether non-performing schools should be sanctioned, possibly as a condition to maintain their eligibility for top-ups or bonuses.
- Teams should also consider whether sanctions should be applied after a certain period of time. Should the schools that have not improved after a certain number of years be granted a probation period or just be eliminated from the program?
- Teachers’ perceptions of their own efforts need to be factored into the sanctions process. A recent study found the lowest performing teachers assessing themselves very highly in terms of the efforts they were making. If you sanction those teachers, their resentment will grow so the sanction must be accompanied by a very clear and strong description of how their performance has fallen short.
- If teams decide to sanction schools for non-performance, there should be a mechanism in place to support them in improving their outcomes so that the program avoids sanctioning the students as well.
- It is not always necessary to sanction a lot of schools to have the desired effect. In the health sector, it was found that sanctioning just four clinics reduced gaming.
- Before implementing full-blown sanctions, teams may choose to create soft accountability mechanisms to signal to schools that they are being monitored. These mechanisms might include a report card, a monitor, and/or phone calls to school directors to remind them of the need to comply with the program’s requirements. The Bank must recognize its role in the political economy of the countries when introducing sanctions. In countries and regions with limited resources, there is often a lot of corruption and there might be political interference in

the implementation of the sanctions. The Bank may be best positioned to intervene. If the district is pushing the Project Implementation Unit, sometimes the Bank can interfere and prevent the use of the grant for certain reasons.

5. Verification

How much should be invested in *monitoring*?

- For the data on a school grants program to be credible, it is often worth investing in verification efforts even if they are expensive.
- Monitoring is often hard to do, especially in places where the conditions are poor (for example, when it is difficult to access schools by car because of poor roads), so it can sometimes be neglected, especially when there are not enough funds available.
- Teams must also decide if the verification should be at the project level or at the national level. This decision is often affected by the team's concerns about possible gaming.

6. Sustainability

How to ensure *process, impact, and financial sustainability* from the outset?

- The sustainability of the program and the systems associated with its implementation should be taken into consideration from the beginning of the project, which is a statement that is often made but is not acted upon.
- The government should make a commitment to sustain processes beyond the grant. Too often, everything goes back to business as usual once the grant funds have been used up.
- School grants should be seen as an investment in strengthening the capacity of school management. Even if the grants are temporary, teams need to consider how they can leave a legacy behind (technical sustainability).
- The grants program should not depend solely on external financing as this is likely to mean that it will not be able to operate beyond the lifecycle of the externally funded project.
- Most of the grants are projects or pilots and are not embedded in the country's public financial management system. The World Bank teams should try to work closely with the governance Global Practice early on to gain a full understanding of the country's budget systems and resource flow issues.
- For a clearer perspective, teams should look at the size of the grant as a proportion of overall education funding rather than just in relation to the absolute or overall cost of the grant program.
- Trade-offs between impact and sustainability need to be considered. Sometimes getting out-of-school children in school is a more immediate priority than ensuring future funding for the grants.

List of Experts (& country of school grant experience)

In attendance:

1. Samer Al-Samarrai (Senior Education Specialist, Program Manager, REACH)
2. Jaime Saavedra (Senior Director, Education Global Practice (GP), The World Bank)
3. Sachiko Kataoka (ECA, EAP)
4. Emanuela Di Gropello (Cameroon)
5. Melissa Ann Adelman (Haiti)
6. Jessica D. Lee (REACH team)
7. Peter Anthony Holland (Mozambique)
8. Kesha Lee (REACH team)
9. Minna S. Mattero (REACH team)
10. Peter Darvas (Sierra Leone; Liberia)
11. Mariam Nusrat Adil (OPCS)
12. Kathleen A. Whimp (Governance)
13. Emily Elaine Gardner (Guinea Bissau)
14. Juan Baron (Haiti)
15. Andaleeb Jahan Alam (Sierra Leone)
16. Dewi Susanti (GSURR, Indonesia)
17. Omar Arias (Practice Manager, GEAK, Education GP)
18. Vincent Perrot (Cameroon)
19. Innocent Mulindwa (Malawi)
20. Marcela Gutierrez Bernal (EDU GP Front Office)

Others:

1. Celine Gavach (Cameroon)
2. Fadila Caillaud (Morocco)
3. Tsuyoshi Fukao (Cambodia)
4. Simeth Beng (Cambodia)
5. Lars M. Sondergaard (East Asia and Pacific Region)
6. Andreas Blom (Madagascar)
7. Rary Adria Rakotoarivony (Madagascar)
8. Toby Linden (Kenya; South Africa)
9. Rafael E. De Hoyos Navarro (Mexico)
10. Kirsten Majgaard (Niger)
11. Samuel Thomas Clark (GSURR, Indonesia)
12. Tanya June Savrimootoo (Madagascar)
13. Rija Lalaina Andriantavison (Madagascar)
14. Bernardo da Cruz Vasconcellos (Guinea Bissau)

Full list of guiding questions:

INDICATORS

1. What is your framework/results chain leading to the indicators?
2. What are your selection criteria?
3. How do you determine the right balance between having a set of indicators that are too wide ranging as opposed to not comprehensive enough?
4. Can the indicators be reliably measured by the relevant people and/or organizations within a reasonable time frame?
5. What is a reasonable administrative cost for using the data?
6. How will you measure quality without encouraging the manipulation of the data?

INCENTIVES (demand and supply)

1. What underlying problem are you trying to address?
2. How can you include counterparts in determining the incentives?
3. How can you engage local communities?
4. At what level should you incentivize - parents/teachers, schools, or at the meso (district) level?
5. Should the incentives be related to performance, outcomes, or processes?
6. To whom should the incentives be directed and to what extent?
7. What is the range of workable alternatives and which of these should be considered before implementing the program? Should you implement a pilot using different levels of incentives?
8. What incentives does the target group prefer? Consider fielding surveys to find out.
9. Should the incentives be financial or non-monetary?
10. What level of autonomy should be granted?

SANCTIONS

1. How can sanctions be designed to avoid any unintended effects such as using the sanctions as an acceptable “cost” of non-compliance that still benefits the receiver?
2. How can stakeholders be involved in designing the sanctions?
3. What will be the sanctions procedure? Who will investigate and decide on their application?
4. What are the steps of the sanctions process (non-compliance, falsification, fraud, malpractice)?

VERIFICATION

1. Is verification used as a learning process?

2. Are you partnering with the government? Is the government clear that they need to pay for the verification?
3. What has worked in other sectors?
4. Who does the verification? What local or other third party verifiers are available and involved?
5. Are there any existing verification systems or organizations to use or partner with?
6. Is there any technology available that would improve the data collection process?
7. Are the systems in place that will enable the verification process to be changed as lessons are learned?

SUSTAINABILITY

1. How can you determine what level of incentives is both effective and affordable?
2. Is the program aligned with the country's priorities?
3. Is the government contributing or committing part of its budget to the program?
4. Are existing systems being built on and strengthened?
5. Are political realities being taken into consideration ("appropriate" level of financing, or high or low powered incentives)?
6. Are there systems in place to ensure the incentives to be adjusted over time so that they can have a continuous effect?