RESULTS BASED FINANCING (RBF) IN EDUCATION

QUICK-AND-DIRTY OPERATIONAL NOTES

HOW ARE SCHOOLS LIKE CLINICS?

Expert round tables to identify common elements in RBF approaches in the human development sectors

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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Introduction

Staff members from the three human development sectors at the World Bank (Social Protection and Labor; Health, Nutrition, and Population; and Education) came together in late 2016 to discuss their experiences with results-based financing (RBF), to identify the key lessons learned in each sector, and to discuss to what extent those lessons apply to all three sectors.

In the course of the discussions, it became clear that there are many similarities among the sectors, and portable lessons on how to link service provision to demand, guarantee the quality of services, identify indicators and other process related issues and verify the results. However, delivering and obtaining services is different in schools and clinics, particularly because the results chain and protocols in health are often (although certainly not always) clearer than in education where additional internal and external factors influence how much and what children learn in schools.

The event was led by the Chief Economist of Human Development, Roberta Gatti, who emphasized in her summary of proceedings that there are many dimensions to incentives beyond monetary rewards and that perhaps a more important issue than high-powered incentives is the need to improve measurement of outcomes.

This note includes the conclusions of the various expert round tables that focused on the following key areas complete with a list of the participants who provided the key information for this note:

1.System-wide lens
Samer Al-Samarrai, Sachiko Kataoka, and Peter Holland (EDU) and Ronald Mutasa and Mickey Chopra (HNP)

2.Indicators
Michael Crawford (EDU) and Aneesa Arur and Maud Juquois (HNP)

3.Incentives
David Evans, Melissa Adelman, Cristian Aedo, and Waly Wane (EDU) and Alaka Holla and Marion Cros (HNP)

4.Demand-side incentives
Harry Patrinos (EDU) and Damien de Walque and Rifat Hasan (HNP)

5.Sustainability
Andrea Guedes (EDU), Emanuela Di Gropello (SP&L), and Magnus Lindelow and Andrew Sunil Rajkumar (HNP)

6.Verification
Luis Benveniste (EDU) and Petra Vergeer (HNP)

Additional resources and contact information are provided in the end of the note.

Key Conclusions

SYSTEM-WIDE LENS

- **What level to incentivize?** Front-line actors have limited capacity to address underlying systemic issues. In education, incentivizing individual teachers may only produce a short-term impact and one-time gains. Incentivizing schools can have a bigger and longer-term impact, but in order to impact systemic change, it may be more effective to incentivize actors at the meso (for example, district) level. Sometimes intervening simultaneously at different levels of the system can have a complementary effect.
- **What to incentivize?** A choice must also be made on whether to incentivize performance, outcomes, or processes. Focusing incentives on processes may help focus attention on key constraints within the system and address long-term barriers.
- **Declining impact of incentives:** The strength of incentives can decline over time. It is relatively easy to incentivize service providers when there is lots of room for outcomes to improve, but it gets more difficult once outcomes have improved. Also, heavy verification requirements can have a demotivating effect on those targeted by the incentives in the long run. (See the verification section for guidance on how to prevent this by changing the verification strategy based on the recipient's experience and track record.)
- **Other pitfalls of incentives and sanctions:**
    - How incentives are paid (to whom and how much) can have unintended negative effects. Therefore, it is important to take into account the beneficiaries' perception of each other's contribution and the risk of rivalry between recipients and non-recipients when awarding monetary incentives.
    - Sanctions can also have unintended effects. In Israel, financial penalties used by kindergartens to compel parents to pick up their children on time resulted in parents leaving their children there for longer as making the payment made them feel less guilty about imposing upon teachers beyond the end of the school day.

INDICATORS

- **Focusing on the results chain:** A strong results chain helps to determine the desired results.
- **The selection criteria:** As an example, in the health sector it has been determined that the indicators should:
    - Be easy to measure accurately and independently.
    - Have a causal link to the ultimate outcomes of interest.
    - Be indicators that the countries are already reporting on regularly (for example, through the national health information system) to minimize the administrative burden.
    - Focus on areas that require the most attention and on limiting constraints**.**
    - Constitute a comprehensive package of preventive and curative services and have a broad focus.
- **Finding a balance:** Signaling is an important element of RBF. Therefore, the indicators should not be too wide-ranging, especially when there is a specific area that needs additional improvement. At the same time, the range of indicators needs to be

comprehensive enough not to result in an unbalanced focus on a single dimension. The challenge is to find the right balance.

- **Constraints and shifting focus:** The binding constraints to improving outcomes tend to change over time. Skills and knowledge have been the primary constraint in RBF projects in the health sector. To address this, some health RBF projects have revised their indicators over time to include those that relate to the skills of health workers. However, the indicators need to encompass how skills are built rather than just measuring the skills themselves**.**
- **Measuring quality:** Quality is difficult to measure, but it has a significant effect on outcomes and is therefore important to include. Indicators of the quality of services need to take into consideration any instinct among staff to falsify the data. This is why for example linking teacher rewards to their students' performance as captured by test scores is problematic. If the tests are administered by the teachers and scores provided by them, there is a high probability of gaming.
- **Impact of indicators:** For the indicators to be meaningful and effective, they need to be regularly measured and constantly verified. Also, significance of each indicator decreases when they are grouped together into just one rating.
- **Non-incentivized indicators:** Non-incentivized indicators have been known to improve performance in some instances, but they need to be balanced with incentivized indicators. This balance is not easy to find.
- **Individual versus group incentives:** Incentives in education tend to be set at the individual level more often than in the health sector where the incentives are aimed at facilities who then further distribute them to their individual workers to incentivize teamwork. However, this can be complicated in situations where health facilities are not given full autonomy to use the money as they see fit.
- **Use of indicators:** The education sector is moving towards data-informed instruction, which involves identifying knowledge gaps at the student level, then setting goals to fill those gaps and measuring the progress being made in those areas. This is a promising development on the use of indicators.

INCENTIVES

- **How to:** Incentives should be implemented on a case-by-case basis and should answer the following questions:
  - What is the underlying problem (for example, lack of motivation or negative attitudes)?
  - Will the incentive be provided at the individual or group level?
  - Should the incentive be financial or non-monetary?
  - What is the budget?
- **Understanding the country context:** Understanding of the structural and cultural conditions of the country or region in question is essential for determining which incentives will have the best outcomes.
- **Need for evidence**: More and better evidence is needed of which incentives work in which environments.
- **Informing the decision about incentives:** It can be useful to carry out a survey of the target group (for example, teachers) to find out which incentives they would prefer and are most likely to succeed.
- **National programs:** When incentive programs are implemented by the country's government, the improved outcomes are more sustainable than if they are funded by

donors. In low-income countries incentive schemes can provide a way to prioritize and use the limited resources more effectively. With initially donor funded schemes, the objective is that when results materialize this motivates the government to make a commitment.

- **Process:** Determining the incentives needs to be a process, and it is critical to involve country counterparts in each step. They need to be given an opportunity to see the numbers and understand the various scenarios before making the ultimate decision.
- **Piloting:** Experimenting with different levels and kinds of incentives can yield evidence of the range of options that may be effective. This enables planners to consider various alternatives before implementing an incentive-based program. In the health sector, programs are typically piloted in one district for one year, sometimes with different levels of incentives and other variables. It should be noted that very short pilots can lead to impressive initial improvements that may not be sustainable over the longer term.
- **Emerging evidence on effectiveness:**
    - Teacher incentives have been successful in the past when it was made clear to them what they needed to do differently to benefit from the incentive (for example, show up at school regularly when they did not do so before). Reversely, such incentive schemes have been unsuccessful in situations where the required changes were not as straightforward and clear to the teachers. (for example, in the in the No Child Left Behind program in the US).
    - It seems to matter for the success of the program that the incentives are provided frequently.
    - Evidence is mixed on whether group or individual incentives work best. See http://www.rbfhealth.org/blog/what-do-we-know-about-linkage-between-rbf-and-health-worker-performance-and-motivation
- **Importance of respect:** Being valued is an important incentive, but financial rewards are often the best way to show this. In high-performing education systems, there are no teacher incentives, but there is a highly professional, well-respected teacher force. In the health sector, an Human Resources for Health (HRH) study revealed that staff tend to focus less on the monetary value of the RBF incentive than on the indication that they are being valued and respected as professionals.
- **Redistribution:** Providing higher incentives to specific target groups or for working in remote or otherwise underserved areas can help to redistribute services, but it is not easy to find the right level of incentives to encourage health care workers or teachers to relocate. When higher incentives are provided in such locations or to such groups, it is very important to monitor and verify that the services are provided as agreed.
- **Incentives linked to purchase of services:** In the health sector, there are typically payers (insurance companies) that purchase services from clinics, and incentives are linked to those purchases. Voucher systems in education are somewhat similar to the insurance system in the health sector in that they use student attendance rates as the measure on which the incentive is based. However, most performance-based incentives (PBI) in the education sector are provided based on favorable outcomes, which means that verifying them takes time.
- **Delivering incentives in schools versus health facilities:** Determining the size of individual incentives may be easier in schools where a teacher is usually responsible for delivering a service than in health facilities where services are delivered by many different health workers. However, there have been many examples of incentives being shared among a team of staff based on individual performance and responsibilities.

DEMAND-SIDE INCENTIVES

- **Understanding the country context:** Planners need to understand the structural and cultural conditions of the country in question to determine which demand-side incentives are required. The choice of incentives should be based on a thorough analysis of the barriers to look for and use services.
- **Need for supply-side improvements:** Supply-side reforms are often needed to accompany the demand-side incentives. If there are insufficient capacity and resources to secure the continuous provision of services demanded, this will negatively affect the program's outcomes.
- **Interdisciplinary approach**: Combining demand-side and supply-side incentives requires collaboration among the health, education, and social protection sectors. This is not always easy in countries where the three sectors are managed by three separate ministries, but it can be made easier if the Bank teams work together.
- **Ownership**: When it comes to leveraging the impact of an incentive program, government ownership is essential. Some government entities are typically more reluctant to engage than others, especially when it comes to demand side incentives.
- **Engaging local communities:** Local communities can play a critical role in achieving better results. Results-based mechanisms can be used to incentivize communities to build ownership in the program's priorities and to mobilize behind them.
- **Surveys:** To discover the full effects of incentives, client-satisfaction surveys can be carried out to gather information on how communities evaluate and perceive the services that they receive.

VERIFICATION

- **Verification as a learning process.** The collection and use of data can be improved throughout the process and should be carried out in partnership with the government. It is also important to carefully plan the verification process from the outset and learn from what has worked in other sectors.
- **Who verifies?** Verification can be done by a variety of actors, but it is most reliable when done by a third party. The third party does not have to be an international firm, but can be for example a local organization, NGO or an internal auditor as well.
- **How to verify?**
  - Use existing systems where possible or improve on existing ones.
  - Involve outside actors such as community organizations, universities, think tanks, and survey companies, especially organizations that have an existing verification role.
  - Budget in an acceptable level of error that will diminish over time.
  - Function like the IRS by identifying the highest error rates and outliers as spot checks.
  - Change the verification strategy based on the recipient's experience and track record. As the data collection improves and the error rate goes down, it might be possible to reduce the sample size or frequency.
  - Use technology (tablets, mobile tech, and e-systems) to facilitate data collection and to make it easier to verify the data.
- **Cost of verification:** Governments are responsible for paying for the verification process, and it needs to be confirmed that all parties are aware of this. Costs can be reduced

through economies of scale if different sectors combine their verification efforts. Each sector will benefit from verification in all three sectors.

- **Perceptions:** The perception of verification is improving. Policymakers are starting to see that it is not a policing effort but can yield valuable lessons for policymaking. Also, verification is not just to ensure the accuracy of the outcomes but to signal that business is no longer being conducted in the same way as before.

SUSTAINABILITY

- **Building sustainability into the design phase:**
  - Ensure that the government commits part of its budget to the program from the beginning (through co-financing or a disbursement condition in the legal agreement).
  - Decide on a level of incentives that is both effective and affordable.
  - Align the program with the country's priorities.
  - Build on existing systems.
- **Sustainability in scaling-up:** Financial sustainability also needs to be factored into any plans to scale up the program.
- **Institutionalization:** Institutionalizing the incentive program, especially the verification function, is important for the program's sustainability. (See the verification section for more arguments in favor of using existing systems or organizations that already do verification.)
- **Transfer mechanisms**: In the education sector, the existence of a transfer mechanism within the government's budget can help to establish incentive programs in places where the budget is decentralized from the national to the subnational or school level.
- **Politics**: Sustainability often also depends on political realities; on what is considered an appropriate level of financing in the existing political climate, or which incentives should be high or low-powered.
- **Pitfalls:** Performance-based pay incentives can quickly be incorporated into salaries so they need to be regularly adjusted to have a continuous effect.

ADDITIONAL RESOURCES

- RBF Education; Results for All Children in Education (REACH) Trust Fund: http://www.worldbank.org/en/programs/reach
- RBF Health; The Health Results Innovation Trust Fund (HRITF): https://www.rbfhealth.org/#
- Kandpal, Eeshani. "Completed Impact Evaluations and Emerging Lessons from the Health Results Innovation Trust Fund Learning Portfolio": http://www.rbfhealth.org/sites/rbf/files/IE%20and%20emerging%20lessons_Eeshani%20Kandpal.pdf
- The World Bank. Health Results Innovation Trust Fund. "The Golden 10 Operational Lessons from PBF in Health: Learning from Implementation" HRITF presentation: https://docs.google.com/presentation/d/1HNvMTR_Rf_tVXBFlSn6Y3Biw81lO3xJSD5PeU-YdkLE/edit?usp=sharing
- Patrinos, Harry, and Oni Lusk-Stover. (2014) "Education for all: the private sector can contribute" in Private Sector and Development. Proparco's Magazine. No 20, December 2014: https://issuu.com/objectif-developpement/docs/proparco_ps_d_20_uk

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- Gill, Brian P., Jennifer S. Lerner, and Paul Meosky. (2016). "Reimagining accountability in K–12 education." https://mathematica-mpr.com/our-publications-and-findings/publications/reimagining-accountability-in-k12-education

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