



SNAPSHOT

The Rise of Results-Based Financing in Education

2015

Education is one of the surest means we have to end poverty and boost shared prosperity, but much of this potential is lost if students do not acquire the literacy and numeracy in school that they need to succeed in life.

Achieving learning for all children and youth will require moving beyond simply financing the inputs that education systems need, to strengthening these systems to deliver results. This, in turn, implies aligning governance, financing rules, incentives, and management practices with the ultimate goal of better learning outcomes, especially for children from the world's poorest families—for whom access to quality education remains deeply inequitable. There is growing demand from countries for Results-Based Financing (RBF), which is a promising set of tools to help achieve this critical alignment within education systems.

This brief outlines the World Bank Group's increasing level of support for RBF in education—following the successful adoption of a related approach in the health sector—and the strategic implications of this trend in the post-2015 period. RBF could have a substantial impact in terms of achieving results that matter in education, and in helping countries leverage the financial resources needed to achieve the ambitious Sustainable Development Goals agenda.

The Case for Results-Based Financing in Education

Education is a powerful driver of development. It is one of the strongest instruments for reducing poverty, raising incomes and resilience in the face of crises, and promoting economic growth and shared prosperity. It also helps improve health, empower women, and establish peace and stability. Education is central to

development strategy, because no country has ever succeeded in the long run without sustained investment in human capital. With 121 million children still not enrolled in primary and lower secondary school today and 250 million unable to read or write though many have been to school, ending extreme poverty and boosting shared

prosperity depends on smarter investments in quality education and learning. When education systems are strengthened to deliver results, they stand a much better chance of attracting the resources needed to finance ambitious new education targets enshrined within the post-2015 Sustainable Development Goals.

The right incentive structures in education systems can help overcome the challenges that impede more and better education services for the most excluded children and youth. These challenges can be grouped into two broad categories: low quality of

services, and inequitable provision. Too many young people leave school without even basic knowledge and skills, unprepared for life and the world of work. This is deeply inequitable because the greatest learning deficits are among children who live in

extreme poverty, in urban slums and remote rural areas, and in fragile and conflict-affected environments; as well as those from ethnic minorities and marginalized communities, and those living with disabilities. Incentive structures that favor these children, for example, by

BOX 1. Results from Pioneering RBF Projects in Education

In **Pakistan**, the first country to use RBF in an IDA education project, the Second Sindh Education Reform Project has recruited 16,800 teachers through a test, merit, and need-based recruitment process, set up and supported over 22,400 school management committees to address repairs and learning needs, and conducted a student achievement test for 2013-14 in all schools across Sindh in Grade 5 and 8. As many as 223,000 students took the test. The government is also supporting 664 low-cost private schools with subsidies in rural parts of the province following a third party verification to confirm the unavailability of any type of school in the vicinity. The schools support approximately 100,000 students, who would otherwise have been out of school due to absence of any type of school in the area.



*Schoolgirls in Sindh, Pakistan.
Credit: Visual News/World Bank.*

In **Bangladesh**, the WBG together with 9 other partners has used RBF to deepen ongoing education reforms, especially related to raising quality and equity. Tangible results include more enrollment and reduced social disparities in primary school, more children completing primary education, a better-quality learning environment, and measurement of student learning. These are the building blocks that will in future underpin better student learning outcomes. As of July 2015, the project is already very close to meeting some of its final targets, having achieved a 97 percent net enrollment rate (target 98 percent); a 79 percent primary cycle completion rate (target 80 percent); and decreased disparity in access to schooling (measured by family income levels) of 0.77 (target 0.80).

In **Jamaica**, the use of RBF focusing on areas that have been proven to improve learning has been very effective in the Jamaica Education Transformation Capacity Building Program, resulting in an improvement in Grade 4 numeracy achievement rates from 45 percent of students in 2009 to 58 percent in 2014 and Grade 4 literacy achievement rates from 70 percent to 78 percent over the same period. Also, the share of Grade 6 students passing an achievement test in mathematics has risen from 55 percent in 2009 to 61% in 2014 and English language from 53 percent to 63 percent. Going forward RBF is also being used to improve child development, nutrition status and school readiness in children 0 – 6 years through the Early Childhood Development Program benefiting over 300,000 young children.

rewarding schools for reaching those living in the most remote areas, can help correct these inequalities.

Some countries have adopted RBF as a promising instrument to strengthen education systems and align incentives with desired outcomes.

In broad terms, RBF programs are those that reward the delivery of education outcomes through financial incentives, upon verification that the agreed-upon result has been delivered, and do so in a manner that can be credibly sustained over time. In Tanzania, for example, the government's Big Results Now in Education program links financing with pre-agreed results, such as deploying teachers more equitably and improving student achievement by the end of Grade 2. In World Bank Group-supported education programs such as this one in Tanzania, RBF is organized around the following principles:

- Country systems can be strengthened to focus more on results;
- Some approaches are proven to be effective, others are promising;
- Innovation and evaluation are therefore critical to developing the evidence base;
- Results can be broadly defined, including both outcomes and outputs;
- Much can be learned from the RBF experience in health; and

- Efforts must be client-driven to be successful.

In education, the World Bank Group's support to RBF is characterized by a strong link to its overall systems strengthening strategy and evidence-based approach in the sector.

Two initiatives that are already in place will help RBF to be employed strategically—the Systems Approach for Better Education Results (SABER) set of tools; and an overall push for impact evaluation of education interventions, supported by the Strategic Impact Evaluations Trust Fund (SIEF).

- a. **SABER** is a World Bank Group (WBG) initiative in collaboration with multiple partners to collect detailed, comprehensive data on education policies around the world and to help countries identify areas where policies could be strengthened. For example, in Angola, it helped government officials set priorities for activities to strengthen the country's assessment system. It also underlined the need for trained staff and stable funding to underpin future assessment reforms. The government established and trained a technical group in the Ministry of Education and put in place a new budget line for assessments. It then implemented Angola's first-ever assessment of early-grade reading. These efforts

provided the foundation for a much larger set of assessment reforms and activities in Angola. SABER is also used by partners; for example, the World Food Programme uses it to strengthen school feeding programs.

- b. **Education impact evaluations** offer valuable insights into what works in education. The WBG runs a major program of impact evaluations on various topics such as early childhood development, scholarship programs, and school autonomy—helping countries to innovate based on the best global knowledge, and then to evaluate and adapt innovations. We also use cutting-edge research and evaluations to guide policymaking. Impact evaluations in Jamaica, Indonesia and Mozambique, for example, showed that investing early in children's education leads to substantial improvements in long-term potential. With our support, 900,000 children are benefitting from preschool programs in those countries.

RBF has been used successfully in health programs in some of the poorest countries in the world and can yield rich lessons for RBF in education. The WBG now supports RBF in health with investments of over US\$420 million for 38 RBF programs in 32 countries which is linked to US\$2.4 billion financing from IDA. Some of the carry-over lessons from the

health sector include the careful and systematic use of RBF pilot programs on a small scale before scaling up across provinces or nationwide, extensive stakeholder consultation and engagement of NGOs and civil society, customization of RBF according to the needs and priorities expressed by the country, strong technical assistance in RBF implementation to countries that have decided to adopt it, and built-in impact evaluations in every country that implements RBF.

- For example, in Burundi, a recent impact evaluation of a nationwide program showed that RBF increased the probability of women delivering

in an institution by 21 percent; the probability of using antenatal care by 7 percent; and the use of modern family planning services by 5 percent (Igna Bonfrer, 2013).

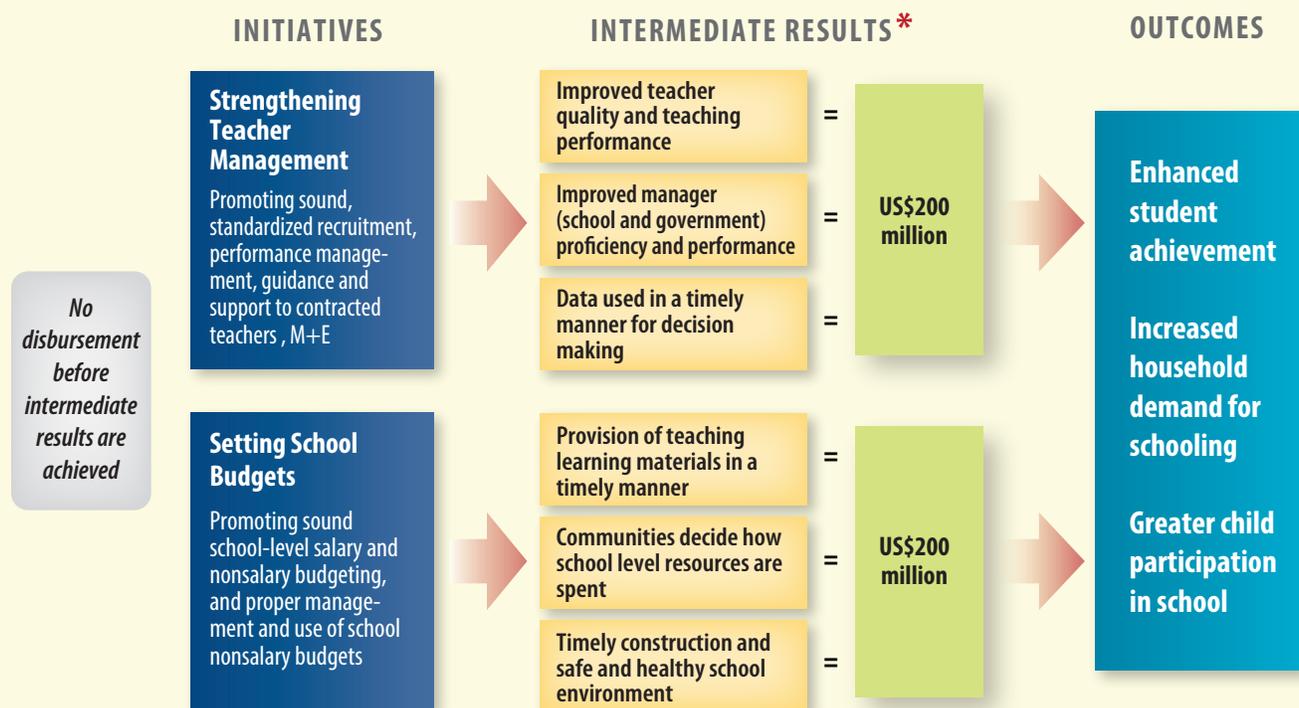
How RBF Works in Education and Implications for Programs and Policy

The WBG’s support to RBF in education can be defined the same way as in its support to health. As defined simply in the context of the Health Results and Innovation Trust Fund (HRITF),¹ RBF is an umbrella term that refers to “any program that

rewards the delivery of one or more outputs or outcomes by one or more incentives, financial or otherwise, upon verification that the agreed-upon result has actually been delivered.” In education, as in health, incentives may be directed to ministries, provinces, districts, or service providers such as schools (supply side), program beneficiaries such as students or parents (demand side), or both. It can refer to donor financing, government financing, or both.

There are a number of ways that financing can flow conditional upon results. The central idea of these mechanisms is that a

FIGURE 1. Example of Disbursement-Linked Indicators (DLIs) from the Sindh Education Reform Program in Pakistan



* Specific indicators tied to the intermediate results are independently verified before disbursement occurs

resource transfer is made only when performance or results criteria have been met. In some cases payments may be on top of traditional financing for inputs, such as with teacher bonuses, or with some school grant mechanisms. Independent third-party verification of agreed upon results is typically a core part of any scheme. Among the examples of RBF in education are performance-based incentives, pay for performance, performance-based contracting, conditional cash transfers, cash on delivery, and others. For example, *conditional cash transfers* are commonly used to denote payments or near-cash transfers to beneficiaries when specific conditions, such as school enrolment or attendance.² *Cash on delivery* refers to aid paid when an agreed set of outputs has been achieved.³ *Pay-for-performance* and *performance-based incentives* refer to providing extra payment for meeting certain pre-established indicators of good performance, such as incentive pay for teachers who complete extra training. *Performance-based contracting* pertains to using contracts that are drawn up with non-state actors, such as non-governmental organizations, for the delivery of a set of services.

In WBG-supported projects and programs, RBF can be based on the achievement of pre-specified results referred to as **disbursement-linked indicators** (DLIs). These can include intermediate outcomes and

implementation performance or institutional change indicators, and are aimed at increasing efficiency and effectiveness in the education sector. DLIs can range from providing missing facilities in schools, to ensuring teacher recruitment occurs in a transparent manner, to improved student learning outcomes. In WBG operations, DLIs are found in different types of projects, including the institution's newest lending instrument, Program for Results (PforR).

Identifying the most suitable and impactful incentive mechanism in any context is challenging. Some research evidence exists on the effectiveness of various RBF schemes, but more evidence is needed, especially on newer approaches, such as school finance systems that e.g. reward learning outcomes. In education, conditional cash transfers and pay-for-performance have been used more widely than the other schemes. The health sector has gained far deeper experience with the implementation and effectiveness of these mechanisms and will be a central source of learning for education.

The WBG is boosting its capacity to meet the growing demand for delivering on education results through RBF. Building this capacity and knowledge will enable WBG teams to better serve client countries in this growth area, whether the financing is from

donors, or domestic education financing. Building capacity in this area is also crucial in order to fully leverage the Global Partnership for Education's commitment to RBF, since the WBG serves as supervising entity for a large share of GPE projects.

Stocktaking Recent Trends

Since 2010, slightly more than 2.5 billion has been invested using RBF modalities.

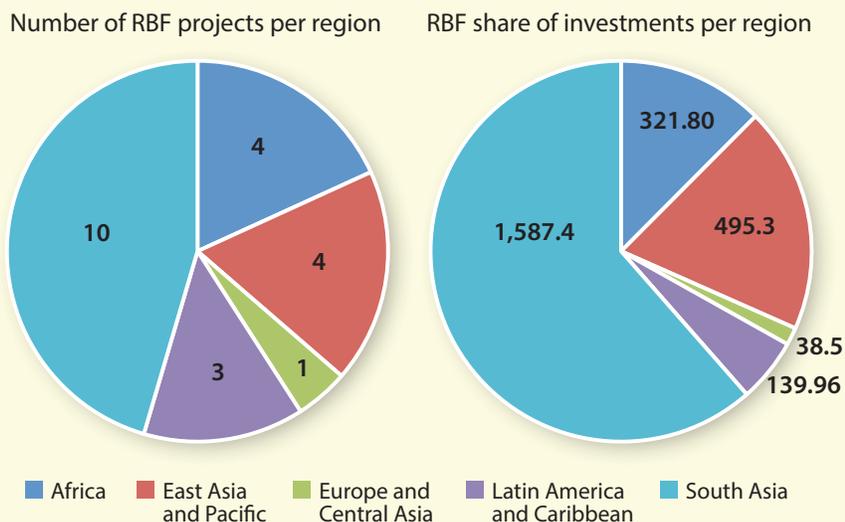
In 2010, only about 3 percent of WBG financed projects in education featured RBF, a number that reached 24 percent 2014.

The Latin America and South Asia regions have the longest tradition of RBF in education.

Among pioneering countries where the WBG financing began to be more results-based are Brazil and Jamaica. In the last few years, RBF programs have been featured in Bangladesh, India, and Pakistan, making South Asia the leader in both total RBF financing, and as a proportion of projects that feature RBF (more than 40 percent).

Going forward, the WBG has committed to double the share of RBF in its portfolio over 2015–2020, as compared to 2010–2015. This will require bolstering its own capacity to support countries and establishing partnerships both at the global and country level. Fulfilling the WBG's commitment to RBF is achievable given the

FIGURE 2. World Bank Group RBF Investments in Education



BOX 2. The Incheon Commitment: World Bank Group to Invest US\$5 Billion for RBF in Education (2015–2020)

A growing body of evidence shows that linking financing to results works. Over the period 2010–2015, RBF has grown to about US\$2.5 billion, or 20 percent of the World Bank Group’s total investments in education—in countries as diverse as Pakistan, Jamaica, and Bangladesh. At the World Education Forum in May 2015 in Incheon, The Republic of Korea, President Kim announced that the WBG would double results-based financing to approximately US\$5 billion over the period 2015–2020. This will help accelerate progress toward the post-2015 Sustainable Development Goals agenda. This growing trend in the World Bank Group’s portfolio will help hold both governments and development partners accountable for real and sustainable improvements.

In 2015 alone, RBF programs in education (supported by the World Bank Group) have been launched in Tanzania through the US\$122 million Big Results Now in Education Program, and in two states in India through the US\$250 million Bihar Enhancing Teacher Effectiveness Program and the US\$300 million Madhya Pradesh Higher Education Program.

increasing degree of interest in and demand for this approach shown by countries. However, it will require an intensification of efforts across all regions as the institution gears up to meet this challenge. It will also require close partnerships with clients and donors active in this area, such as the Global Partnership for Education, the Governments of Norway and Germany, USAID, and DfID, among many others. The main channel through which bilateral donors can contribute to this push for results is the Results in Education for All Children (REACH) Trust Fund.

The Results in Education for All Children (REACH) Trust Fund

The overarching goal of the Multi-Donor REACH Trust Fund is to improve the learning outcomes of millions of children and young people who are enrolled in school, increase the numbers who stay enrolled until they finish the secondary level, and ensure that the remaining out-of-school children are enrolled and learn. As of 2015, REACH is co-financed by Norway and USAID. The Trust Fund is closely linked to the WBG’s commitment to increase support to RBF over the period 2015–2020.

REACH strives to target investments toward those most in need of better education. REACH focuses on countries and areas where there are a large number of out-of-

school children and young people, where students are dropping out of school before completing the basic education cycle, and where education quality and learning indicators are low. REACH also centers its attention on countries where government clearly prioritizes education spending. Within countries, efforts that target those excluded from education systems, such as girls, children from minorities, and children and youth with disabilities, are given preference.

Programs are expected to offer innovative approaches to improving teaching and learning. Efforts at the early childhood development (ECD), primary and secondary levels, and in incorporating those currently excluded from education systems, are likely to feature prominently. In the countries supported, REACH will build political support for performance-based and results-based financing.

Stream 1: Knowledge, Learning and Innovation Grants to Expand the Knowledge Base

Knowledge, Learning and Innovation (KLI) grants will expand knowledge about how results-based financing can be used to strengthen education systems in low and middle income countries. The objective of the KLI Grants is to strengthen the evidence-base

for RBF in education. Proposals for these grants have been shortlisted for financing based on criteria that include the technical merits of the proposed

activities, methodological rigor, relevance of contributing to the state of knowledge beyond the proposed country, the strategic opportunities for long-term

BOX 3. Haiti: From Access Results to Learning Results

The Government of Haiti has successfully increased primary school enrollment through a results-based mechanism called the Tuition Waiver Program, which pays schools fees for enrolling poor children in non-public schools. It intends to build on this achievement by providing financial incentives for schools to improve conditions, instruction, and learning outcomes for poor children in these schools, while reducing grade repetition and dropouts. The KLI grant would enable Haiti to develop the capacity and systems necessary to develop a functioning RBF mechanism so as to inform future Bank and other donor funding, and, more importantly, national policy. Haiti's experience of establishing these preconditions would generate knowledge about how to lay the foundations for RBF in low-income, fragile situations.

BOX 4. Tanzania: Incentives for Students to Stay—and Succeed—in School

In Zanzibar, almost half the students entering secondary school drop out before secondary completion. The Ministry of Education and Vocational Training Zanzibar (MoEVTZ) intends to reverse this trend. The KLI grant would enable the research team to generate clear guidance to MoEVTZ on how to design performance-based incentive schemes for students to maximize learning impacts and reduce dropouts at secondary level. The research would answer questions about whether individual targets or a team tournament is likely to be more effective to incentivize poorly performing students, and how RBF can help overcome psychological barriers that might prevent students from responding to performance-based incentive. This research would inform the body of evidence on how financing demand-side incentives can lead to better results.

engagement on the topic, the demonstrated commitment of clients, and the impact on country systems. Results can be broadly defined, including both outputs and outcomes. At the end of the grant cycle, each research team will contribute a policy note or similar knowledge product to contribute to the growing body of global evidence and knowledge on RBF in education. The shortlisted applications represent a range of situations from low-income, fragile and conflict-affected countries to middle-income economies across three regions. Proposed initiatives cover a range

of topics and education systems, such as teacher policies, school accountability and autonomy, and Education Management and Information Systems.

Stream 2: Country Program Grants to Support Client Interventions

Country Program Grants (CPG) design and implement RBF schemes in client countries. In its pilot year (2015), REACH has awarded a CPG to Nepal to strengthen school data and financial management systems. This grant will support the Government of Nepal in establishing two necessary

conditions for more effective results-based education sector financing: independent verification of the School Sector Reform Program self-reported Education Management and Information System, and strengthening of financial record-keeping and auditing at the school level. These reforms will allow schools to accurately record the number of students enrolled, leading to more efficient education sector spending by government, which funds schools on a per capita basis. The CPG will be accompanied by an impact evaluation to estimate the effects of the intervention.

More information on Results-Based Financing in Education: www.worldbank.org/education/rbf

More information on REACH Trust Fund: www.worldbank.org/reach

1 https://www.rbfhealth.org/sites/rbf/files/RBFglossarylongrevised_0.pdf

2 Fiszbein, Ariel, Norbert Schady, et al. 2009. Conditional Cash Transfers, Reducing Present and Future Poverty. Policy Research Report. Washington, D.C: World Bank.

3 Birdsall, Nancy and William D. Savedoff (with Ayah Mahgoub and Katherine Vyborny). 2010. *Cash on Delivery, A New Approach to Foreign Aid with an Application to Primary Schooling*. Washington D.C: Center for Global Development.