MCCU Results-Based Financing Activity: Learning Agenda Brief

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Guma Valley Dam. Digital Image. Advisian. June 16, 2017.

RBF is a powerful tool to improve service delivery

In light of the growing pressure experienced by governments and donors to achieve greater cost-effectiveness of social spending, the international development sector has begun shifting away from traditional, activity-based funding towards results-based approaches.

Results-Based Financing (RBF) is a powerful concept that can be used by donors, developments agencies, and governments to drive impact and ensure value-for-money in service delivery.

By tying the funding of public services to measurable results, RBF introduces performance incentives in service delivery that can **radically improve the results** that are achieved.

RBF Activity overview and objectives

The **RBF Activity** is part of the four-year, USD 44.4 million Sierra Leone Threshold Program (THP) funded by the Millennium Challenge Corporation (MCC) and implemented by the Millennium Challenge Coordination Unit (MCCU) on behalf of the Government of Sierra Leone (GoSL). The THP aims to create a foundation for effective and financially sustainable provision of essential water and electricity services by implementing policy reforms, building institutional capacity, and improving governance in the water and electricity sectors in Sierra Leone. By providing payments to the electricity and water utilities conditional on the achievement of pre-defined results, the RBF Activity aims to **drive improvements in planning, coordination, and operational and financial efficiency at the utilities**. In addition, the RBF Activity aims to **strengthen the role and capacity of the utility regulator** by providing results-based payments based on its performance in executing core regulatory functions and by giving the regulator a role in assessing performance improvements of the utilities as part of the RBF Activity.

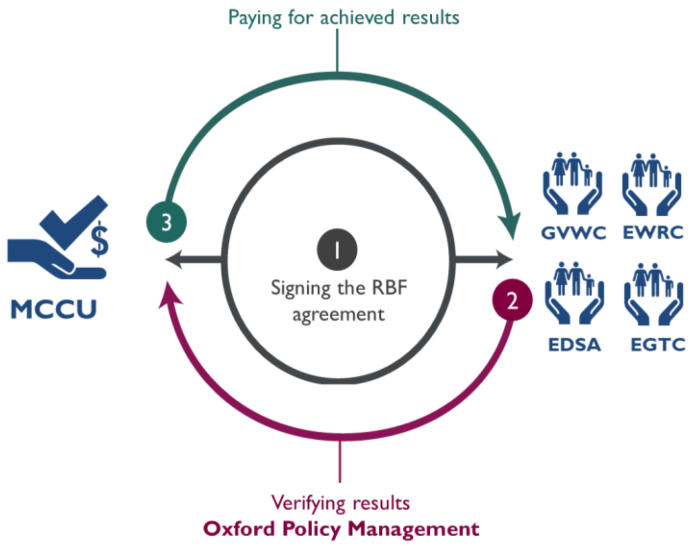
RBF Activity learning agenda objectives

An integral component of the RBF Activity was the implementation of a learning agenda that sought to (1) evaluate the **effectiveness of the RBF** in driving performance improvements, (2) understand the specific **RBF drivers that motivated improvements**, and (3) identify **factors that supported or constrained the RBF effectiveness**. The remainder of this brief summarizes key findings and recommendations uncovered during the learning agenda evaluation.

RBF stakeholders and structure

The RBF Activity was implemented over one-year from June 2019 to May 2020. Figure 1 describes the structure and stakeholders involved. MCCU acted as the outcome funder, providing payments to the four incentivized institutions (listed alongside Figure 1) based on their performance relative to contractually defined, pre-determined results.

Figure 1. RBF Activity stakeholders and structure



- **Guma Valley Water Company (GVWC).** The government-owned water service provider for Greater Freetown.
- **Electricity Distribution and Supply Authority (EDSA).** The government-owned company responsible for all distribution and sales of electricity in Sierra Leone.
- **Electricity Generation and Transmission Company (EGTC).** The government-owned company mandated to generate and transmit electricity for all of Sierra Leone.
- **Electricity and Water Regulatory Commission (EWRC).** The independent regulatory body that oversees all organizations engaged in the electricity and water sectors.

The other RBF actors included Oxford Policy Management, who served as the independent verifier, and Instiglio who designed the RBF in collaboration with other stakeholders, provided implementation support, and implemented the RBF Activity's learning agenda. MCCU, Instiglio, EWRC and key GoSL stakeholders— the Ministry of Water Resources (MoWR) , the Ministry of Energy (MoE), and the National Commission for Privatization (NCP) —participated in the RBF steering committee meetings, which were held quarterly to review verified results and resolve any issues or disputes that arose during the quarter. A summary of RBF payment metrics by institution is outlined in Figure 2.

Figure 2. RBF Activity payment metrics by institution

GVWC metrics

- **Total collections:** Increase in total collections above baseline
- **Government collections:** Increase in total collections above baseline
- **Leak repairs:** Number of leaks repaired
- **Saddled connections:** Number of saddled connection installed for clients
- **Submain installations:** Meters of submain pipes installed replacing spaghetti pipes
- **Valve regulation:** Number of days when valves are opened/ closed on time
- **Reporting to EWRC:** Timely and complete quarterly reporting of KPIs to EWRC
- **Tariff review application:** Submission of one tariff application to EWRC

EWRC metrics

- **Submission of regulations:** Number of regulations submitted within a certain timeframe
- **Passing of regulations:** Number of regulations submitted within a certain timeframe
- **Utility reporting analysis:** Number of correct steps in analyzing utility reporting
- **Support to the verifier:** Number of points awarded in assessments of work supporting the verification process
- **Performance monitoring planning:** Completion of quarterly utility performance monitoring process
- **Government perceptions:** Percentage improvement in score on assessment of government perceptions of EWRC
- **Public outreach:** Number of radio-based outreach programs conducted
- **Tariff adjustment:** Number of correct steps completed in the tariff adjustment process

EDSA metrics

- **Meter installations:** Number of meters installed for priority uses
- **Audit performance:** Number of audits completed with issues resolved if necessary
- **Fault clearance:** Number of faults cleared within 24 hours
- **Reporting to EWRC:** Timely and complete quarterly reporting of KPIs to EWRC
- **Tariff review application:** Submission of one tariff application to EWRC

EGTC metrics

- **Capabilities for Bumbuna:** Percentage improvement on a capabilities assessment
- **Capabilities improvement plan:** Completion of a plan for improving staff capabilities
- **Reporting to EWRC:** Timely and complete quarterly reporting of KPIs to EWRC
- **Tariff review application:** Submission of one tariff application to EWRC

RBF impact: performance improvements and institutional changes in response to RBF incentives

Of the three institutions included in the learning agenda,[1] GVWC and EWRC exhibited strong performance during the RBF Activity, achieving 114% and 88% of the targeted performance improvements, respectively.

GVWC met or exceeded targets for six of eight metrics, with performance below targets on the remaining two metrics likely driven by factors outside of GVWC's control. Particularly noteworthy is GVWC's strong performance on total collections (a 33% increase above historical performance) and submain installations (a total of 8,000 meters of verified submain stalled), which directly contribute to increased revenue and reduced technical losses, respectively.

> *"RBF pushes us to a higher level of performance than we have ever achieved."*
>
> *~ GWVC interviewee*

> *"RBF came at the right time. It really motivated us, pushed us."*
>
> *~ EWRC interviewee*

EWRC achieved or exceed the targets for three of eight metrics, while performing above 70% for three further metrics. Particularly noteworthy is the submission of all nine targeted regulations, eight of which were passed by Parliament during the RBF Activity, and the strengthening of EWRC's performance monitoring role with utilities. Having regulations in place and experience monitoring utilities' performance are critical for EWRC to execute its core mandated functions in future years.

For both GVWC and EWRC, evidence confirms that the *RBF incentives motivated* the institutions to implement performance enhancing changes that were *consistent with the RBF theory of change* (see Figure 2). Considerable improvements in staff motivation and results-orientation were observed during the RBF Activity, with interviewees attributing this directly to the RBF. Additionally, GVWC also made substantial advances in data and performance management practices to both comply with the RBF's reporting and verification requirements and improve performance during the RBF. Both GVWC and EWRC credited the RBF Activity with motivating critical operational changes that supported the achievement of RBF results, including improved coordination, greater advanced planning and resource management, results-orientated procedures and practices, and more accountable human resources. Further, both institutions attributed significant progress on stakeholder engagement, including better coordination and cooperation between each other, to incentives provided by the RBF. Lastly, interviewees also described how the RBF had played a role in GVWC's motivation and ability to implemented strategies to reward strong performance and reinforce staff motivation, including recognition-based awards, improvements in the work environment, and promises to share financial incentives if performance on the RBF Activity was strong.

> *"Under the RBF, I get more data on how area offices are performing…and I analyze it. I see if they are on track to achieve targets and if something doesn't look right, then I call them to try to understand and make sure we take the right [corrective] measures."*
>
> *~ GWVC interviewee*

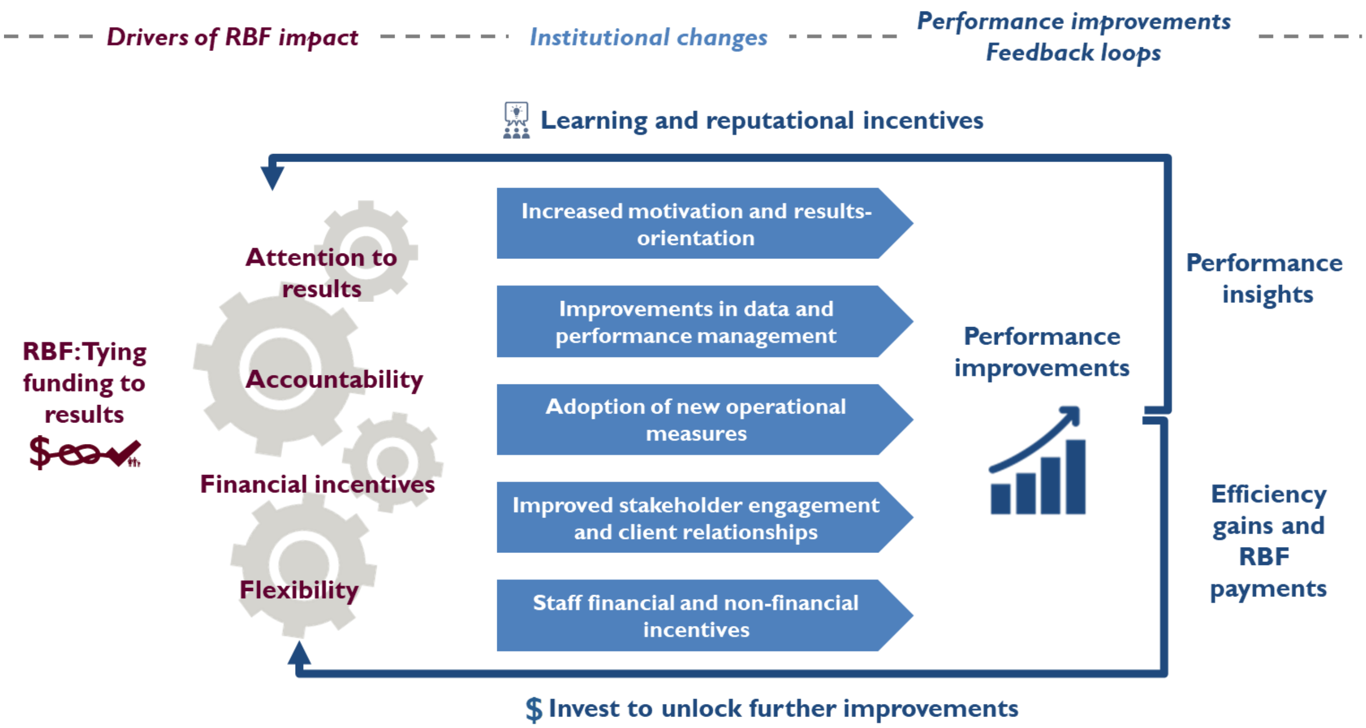
Conversely, the RBF was not as successful in driving performance improvements for EDSA. EDSA underperformed relative to targets, only meeting the target on one of its five metrics. While several factors, including delays in upfront investment materials, a limited understanding of reporting requirements in the first quarter, and an ambitious baseline for fault clearance, may have contributed to EDSA's lower performance relative to targets, there is limited evidence that EDSA responded to the RBF incentives, particularly early in the RBF Activity. Although some improvements were observed in later quarters of the RBF, results remained below target, and EDSA unlocked less than 50% of the expected RBF payments for four of its five metrics. Further, the learning agenda analysis identified only limited changes implemented to improve performance on payment metrics.

[1] EGTC was not included in the learning agenda report due to the revised RBF implementation timelines that did not concur with the learning agenda timelines.

RBF drivers of impact

As outlined in Figure 3, the core drivers of RBF impact observed within the incentivized institutions were **increased attention to results, greater accountability, financial incentives, and flexibility**. These drivers activated responses, in the form of changes implemented by institutions to achieve greater RBF results (discussed prior and outlined in Figure 3), which led to performance improvements. These improvements were an integral part of the RBF Activity's feedback loops that facilitated **learning and reputational incentives**, as well as strategic **reinvestments**, further strengthening the ultimate outcomes of the RBF Activity. The remainder of this section details how the drivers and associated feedback loops impacted the performance of incentivized institutions.

Figure 3. RBF Activity drivers of impact, changes, and feedback loops



Attention to results

Institutions were incentivized to pay greater *attention to results* and engage in *problem-solving* during the RBF Activity. Paying for results requires measuring and verifying results. Thus, the RBF Activity drew the attention of incentivized institutions to what matters (results), rather than to the activities performed. Further, by tying funding to results and performance targets, the RBF Activity increased the stakes and rigor of the design process compared to traditional activity-based programs. The increased rigor of the RBF Activity design process activated and strengthened institutions' attention to results through two channels.

First, for institutions that had no history of clearly defined performance goals or where goals were not sufficiently challenging, setting **ambitious but realistic performance targets** through the RBF Activity enhanced institutions' attention to results and commitment to improving performance.

Second, by **tying funding to results that incentivized institutions perceived to be outside of their control**, the RBF Activity signaled that institutions had greater power to influence results and challenged them to engage in problem solving to achieve targets.

> *"RBF gave us a goal to aspire to for the first time."*
>
> *~ GVWC interviewee*

Accountability and reputational incentives

By tying funding to results, rather than inputs or activities, the RBF Activity established greater *accountability* and *reputational incentives* for institutions to perform. Committing to achieve performance targets formalized through contractual agreements, as well as creating visibility around whether results were achieved, enhanced accountability for results and created high reputational stakes for institutions to perform well. The RBF was viewed as an opportunity to improve credibility with stakeholders, such as MCC, GoSL stakeholders, and clients. Interviews revealed that this was an equal, if not greater, factor than financial incentives in motivating institutions' performance improvements.

By verifying and publicizing results, the RBF Activity provided stakeholders with *reliable information* on institutional performance and a *platform to exercise accountability roles,* which *enhanced reputational incentives.* Through the quarterly verification processes, the RBF provided third-party confirmed evidence regarding institutions' performance on key metrics, increasing the availability of reliable information. Further, by publicizing results to key GoSL stakeholders and having them participate in RBF steering committee meetings, the RBF ensured critical stakeholders were aware of the performance and had a platform to (1) identify, question, and put pressure on institutions with performance issues and (2) recognize and reinforce strong performance from institutions. Consequently, stronger accountability pressure on institutions from GoSL stakeholders led to reputational incentives for the institutions to perform.

> *We know that the [GoSL] is watching and seeing how we perform on the RBF, so it is important to show good progress.*
>
> *~ EWRC interviewee*

***Positive feedback* from MCC and clients for early performance improvements further enhanced the reputational effect.** Clients, a key stakeholder, were noticing the performance improvements and vocalizing their appreciation despite not having knowledge of the RBF Activity. This positive public response was described as a major force motivating staff, demonstrating the role of feedback in reinforcing reputational incentives.

Financial incentives and reinvestment

The RBF Activity also provided *financial incentives,* driving greater effort to improve performance. The presence of financial incentives played a role in in realigning incentives with improving performance and reducing unnecessary inefficiencies. The additional effort then put in by staff was then able to translate into improved performance.

Relatively *high level of autonomy over the use of RBF payments* enabled institutions to make strategic reinvestments to achieve greater results. In the RBF Activity, RBF payments were hypothesized as a key driver of impact in the second half of the RBF, with early RBF payments meant to provide funds to purchase materials and supplies necessary to achieve targets in later quarters. This was the case for all incentivized institutions.

Flexibility

***Implementation flexibility* provided by the RBF Activity helped drive improvements for GVWC.** GVWC exceeded the overall target on total collections, a metric that offered high flexibility. In interviews, GVWC management highlighted how critical flexibility was to this performance, particularly in allowing GVWC to *prioritize* among the over 20 strategies outlined in its strategic performance improvement plan (SPIP), as well as innovate and *deploy strategies not originally outlined* in the SPIP.

However, less flexible and *more focused output metrics* had greater success in driving impact at other incentivized institutions. For ESDA and EWRC, flexibility did not appear to drive performance improvements. Instead, concrete output-level metrics were more successful in motivating performance improvements by providing clear goals, possibly because of the short duration of the RBF.

> *RBF makes you work harder because you are incentivized.*
>
> *~ GVWC interviewee*

Barriers and enablers to RBF impact

The presence of factors that served as enablers or barriers may explain the differential impact of RBF across the incentivized institutions. These factors have been collated into three categories, covering **(1) design, (2) incentive environment and institutional, and (3) technical assistance**.

Design factors

> *Ideally, the RBF would be longer to allow the culture to really set in. Three to four years of RBF, at the end of which it would be quite difficult to go back to old habits.*
>
> *~ GVWC interviewee*

Given the RBF Activity's *short, one-year duration* (pre-determined by the end of the THP), frequent feedback loops, in the form of a *quarterly verification and payment schedule,* were critical to provide sufficient *learning opportunities* to the institutions, For example, the first quarter verification provided useful feedback on how institutions could improve data collection and reporting, which led to improvements in subsequent quarters. Further, quarterly RBF payments also enabled institutions to *strategically reinvest* early payments to achieve greater results in later quarters. For example, GVWC used first and second quarter RBF payments to purchase materials necessary to achieve targets for leakage management metrics, while EWRC reinvested payments in securing radio slots for greater public outreach results in the second half of the RBF.

However, *long feedback loop and payment timelines* (i.e. the time between the end of a quarter and sharing of verified results and payments) likely limited learning and reinvestment effectiveness. Findings indicate that quarterly results were not shared with institutions until two-to-three months after the end of a quarter. As a result, any learnings from the first quarter results were likely not implemented until the third quarter, effectively eliminating one iteration cycle from the RBF Activity. Further, while the hypothesized reinvestment channel for RBF payments occurred, this was significantly limited due to long timelines between quarter-end and payment disbursement (particularly in the first quarter). For instance, GVWC management described how first quarter payment was not received until approximately one-third of the way through the third quarter, limiting the reinvestment impact to primarily the fourth quarter.

Based on direct observation, *governance meetings* were an important reinforcing mechanism and trigger for reputational incentives. MCC and MCCU's significant and visible involvement in both results review meetings and steering committee meetings played a critical role in generating high reputational incentives for the incentivized institutions to perform well for a critical development partner. However, reputational incentives may have not reached their full potential due to more limited involvement from GoSL stakeholders than targeted through the design.

***Upfront investment,* in the form of MCCU-procured supplies, was important in addressing investment barriers for some metrics, although delays in material procurement may have negatively impacted results**. Upfront investment may have been even more important than initially hypothesized due to the long verification and payment timelines, described prior, which limited the ability of institutions to reinvest their RBF payments to procure additional materials. For instance, for GVWC, upfront investment materials were critical to unlocking performance improvements for material-reliant, leakage management metrics. Conversely, for EDSA, delays in receiving upfront investment materials may have hindered the result achieved for fault clearance.

> *Having upfront investment materials changed the whole dynamics of the program.*
>
> *~ GVWC interviewee*

Incentive environment and institutional factors

RBF objectives that were *well-aligned to the existing institutional incentives*, facilitated by stronger engagement of institutions as part of the THP, appeared to play a role in enabling the drivers of RBF impact to motivate institutional changes by creating a more coherent incentive environment for the RBF. Evidence indicates that MCC's position as a major development partner created stronger accountability for the RBF objectives, and interviews highlighted how broader engagement in the THP both (1) increased the importance of the RBF Activity for institutions and (2) ensured that RBF incentives were well aligned with objectives of the THP, which were a significant source of existing institutional incentives.

> *"Just before the RBF design began, we completed our organizational strategic plan with MCC support. Then in the RBF design, we were able to link each payment metric to one of the strategic goals [in the plan]…so the RBF is very aligned with our goals and has actually enabled us to better focus on achieving the goals."*
>
> *~ EWRC interviewee*

Further, strong *buy-in to the RBF Activity and engagement* from institutions during the inception and design phases contributed to a stronger institutional understanding of RBF incentives and an RBF design that was well-aligned to institutional priorities, thereby creating an enabling environment for institutions to achieve results. Management took time to explain institutional priorities, barriers to improved performance, and past challenges, while also providing all requested data and arranging interviews with key staff to support the target- and price-setting process. Additionally, institutions brought critical staff to workshops during the RBF design to understand the proposed RBF design and provide feedback.

> *"On the senior management level, everyone is focused on performance since the RBF began…we are committed to achieving RBF results and improving as an organization."*
>
> *~ GVWC interviewee*

Finally, various characteristics of *leadership and institutional culture* were identified as critical success factors. Senior management at high-performing institutions demonstrated strong commitment to achieving results and high accountability, as well as a growth and solution-orientated mindset, which set an example for staff and laid the foundation for a performance-driven institutional culture. Further, management was able to create internal support for the RBF Activity, strengthen accountability, and motivate employees by investing in work environment improvements and providing financial and non-financial (e.g. public recognition) incentives. Finally, a strong understanding of the institution and its performance challenges, higher existing trust from staff, and familiarity with incentive schemes likely helped enable senior management to implement changes in response to RBF incentives.

Technical assistance

***Technical assistance* provided under the THP likely enabled the achievement of RBF results** by supporting the development of critical, performance-improving capacities and systems in the performance areas targeted by the RBF Activity. For example, capacity-building and technical assistance programs under the THP were integral in many of the strategies used by GVWC to increase collections, including supporting human resources changes and customer outreach and sensitization programs. Further, interviews confirm that technical assistance played a significant role in the development of the data collection tools and processes used by GVWC for leakage management metrics, as well as supporting GVWC management to analyze performance and identify potential corrective actions.

Recommendations

Instiglio identified several recommendations to improve the impact and sustainability of future RBFs in Sierra Leone and similar contexts. The key recommendations identified have been collated into four categories, covering **(1) RBF timelines, payment schedules, and complementary strategies, (2) accountability and reputational incentives, (3) flexibility, and (4) generating buy-in and adapting to low data environments.**

RBF timelines, payment schedules, and complementary strategies

The RBF Activity's one-year duration constrained the time available for institutions to learn and develop strategies in response to the RBF incentives. Considering this limitation, a quarterly verification and payment schedule was an effective strategy to generate greater learning opportunities for incentivized institutions. However, a longer duration and quicker feedback and payment timelines could have strengthened RBF's drivers of impact and increased its sustainability.

To enhance the impact and sustainability of future RBFs, outcome funders should consider the following:

Longer RBF implementation timelines. Performance improvements are more likely to be sustained if RBF runs for more time, allowing new practices and a results-driven culture to be institutionalized. An RBF's duration should consider the time required for institutions to understand RBF incentives and develop capacities and strategies in response. When reputational incentives and enhanced accountability from other stakeholders are critical drivers of impact, an RBF duration should also consider the time needed for these stakeholders to understand performance, increase their support or oversight in response, and for this to reflect in performance improvements.

Frequent and timely verification and payment schedules. When the duration of RBF cannot be extended, investing in frequent verification and payment schedules, as well as short timelines between the end of a performance period and finalization of verification, may strengthen RBF's drivers of impact. However, this needs to be balanced against the increased cost of frequent measurement and verification and quicker verification feedback. Additionally, complementary strategies (discussed below) may also help to accelerate performance improvements when RBF duration is limited.

Upfront investment, in the form of MCCU-procured supplies, and THP technical assistance supported the achievement of results under the RBF Activity by addressing resource and capacity barriers to results that incentivized institutions faced.

To support the effectiveness of future RBFs, outcomes funders should conduct rigorous assessments of the main barriers that constrain institutions' ability to respond to RBF incentives. Insights from such an assessment can be used to calibrate the RBF design and implement complementary strategies when needed, including:

Upfront investment. In cases where utilities do not have adequate resources to finance the investments to improve performance (e.g. for material-reliant results), relatively small amounts of upfront investment can serve a critical role in supporting performance improvements until sufficient RBF payments are earned. When outcomes funders cannot provide flexible funding upfront, the RBF Activity demonstrated that procuring materials for institutions can be a successful strategy. However, proper identification of materials that will support the achievement of RBF results and accounting for procurement timelines is essential.

Technical assistance and performance management system investments. Limited systems and capabilities, particularly at the managerial level, can significantly constrain institutions' ability to respond to incentives. Technical assistance and/or performance management system upgrades can provide management with the skills and tools to generate performance insights, enabling achievement of greater RBF results. Lastly, as demonstrated by GVWC, internal incentives can be a critical strategy to motivate staff. Hence, providing technical assistance to help institutions translate institutional-level incentives into adequate staff-level incentives may be appropriate.

Accountability and reputational incentives

Improved accountability and reputational incentives were critical to the success of the RBF Activity. Additionally, by enhancing visibility of sector performance, the RBF Activity may have strengthened mutual accountability and heightened reputational stakes for stakeholders responsible for oversight of incentivized institutions. Ultimately, this driver may be a more sustainable strategy to generate performance improvements under RBF, particularly if the reputational effect from non-funding stakeholders can be enhanced.

Identifying ways to maintain accountability and reputational incentives even after financial incentives are gone can contribute greatly to the sustainability and impact of future RBFs. Outcomes funders should integrate strategies such as:

Conducting a consultative design process and require government commitment. Identifying the stakeholders that carry reputational weight for incentivized institutions and strengthening their visible participation in the design process (e.g. meetings, workshops, etc.) can ensure reputational incentives are heightened. Further, requiring financial contributions from government towards the RBF, even if small, can be a powerful strategy to generate greater government buy-in and enhance reputation incentives, while also increasing the sustainability prospects of the RBF.

Increasing visibility of RBF results and performance challenges. Sharing succinct and easy to understand RBF performance summaries with all stakeholders that carry reputational weight for incentivized institutions is a critical tactic to heighten reputational incentives. Summaries may also benefit from objective performance narratives that transparently outline barriers to achieving RBF results. Further, engaging key stakeholders in the RBF governance structure and implementation activities (e.g. steering committee) may further enhance reputational stakes for both the incentivized institutions and the stakeholders.

Flexibility

Performance patterns and insights from interviews indicate that both outcome-level metrics, which offered high implementation flexibility, and more focused output-level metrics were successful in driving performance improvements in the RBF Activity.

In future RBFs, carefully assessing an institution's ability to utilize flexibility effectively when selecting payment metrics is important. Outcome funders should consider the following guidelines:

When incentivized institutions display relatively high capacity and have strong performance management systems (or these can be built quickly), selecting metrics that provide greater flexibility can enhance RBF impact. Flexibility was a critical driver of impact for GVWC, an institution with arguably higher capacity and better performance management systems. However, GVWC could not be given greater flexibility on metrics aimed at reducing water loss due to measurement issues. Therefore, in other contexts with similar capacity and where measurement is feasible, paying directly for a reduction in water losses can further increase the impact of the RBF by allowing incentivized institutions to prioritize among several strategies to reduce losses, including preventing leaks or increasing the speed of leaks repairs.

When incentivized institutions lack the capacity and performance management system foundations necessary to harness the power of flexibility, using output-level metrics may be more impactful. On the other hand, flexibility was not a key driver of impact for EDSA and EWRC. Both institutions performed better on output-level metrics, which largely prescribed specific activities while offering some flexibility on how to implement these activities to increase effectiveness. Therefore, in similar contexts, forgoing flexibility for more targeted output measures may be an effective strategy to drive impact. Alternatively, technical assistance and longer RBF implementation timelines can better enable institutions to utilize flexibility provided, while helping to build important long-term capabilities.

Generating buy-in and adapting to low data environments

RBF objectives that were aligned to the existing incentive environment, stronger buy-in to and engagement with the RBF, and an accountable and committed management were identified as factors that enabled RBF Activity success.

In future RBFs, outcomes funders should thoroughly analyze institutional incentive environments to better calibrate RBF incentives and consider strategies to generate greater RBF buy-in or manage the risks associated with low buy-in, such as:

Allocate adequate time and resources to generate buy-in to the RBF. RBF is likely a new mechanism for incentivized institutions, and outcomes funders should set aside sufficient time and resources to improve institutions RBF knowledge and generate buy-in. Explaining that the provision of high-quality data and participation during the design phase is essential to ensure the RBF design is contextually-appropriate may be a critical early step in engagement.

Institute transparent requirements for RBF participation and attach consequences to failure to comply. Lack of institutional buy-in to the RBF reduces RBF's effectiveness and increases the risk that outcomes funders spend valuable time and resources without achieving the desired results. To manage these risks, outcomes funders can consider instituting requirements to participate in an RBF or to unlock RBF payments. For example, an institution could be excluded from the RBF if it does not meet engagement and data sharing standards during the design phase.

The RBF Activity was largely successful despite the limited data environment of institutions, which limited metric selection and made target-setting and verification more difficult.

Several strategies proved to be useful in adapting to the low data environment in the RBF Activity, while additional tactics should be considered to increase the impact of future RBFs in similar data environments.

Start the RBF design process early and consider a data collection phase. Since the RBF Activity design process began late in the THP, Instiglio was only able to utilize the limited, and often low quality, data from incentivized institutions. In future RBFs, selecting payment metrics earlier in the THP (or Compact) and collecting relevant performance data can increase the rigor of the design, while also building data collection and management capabilities at the incentivized institutions.

Leverage areas with strong historical data, and factor in data quality when setting baselines and targets. If a data collection phase is infeasible, focusing on payment metrics that have strong historical data can improve the accuracy of baselines and targets. For instance, in the RBF Activity, data on commercial activities was strongest, and GVWC consistently described collections as the most ambitious but realistic target in the RBF. However, relying on metrics with historical data needs to be balanced with selecting payment metrics that are closely related to the ultimate impact and within the institution's manageable control. Lastly, when leveraging institutions' historical data, adjusting baselines and target for potential data quality issues may be necessary.

Consider design strategies to account for data uncertainty. In the RBF Activity, setting payment caps above targets proved useful to account for uncertainty around targets by allowing institutions to make up for underperformance on metrics with too ambitious of targets through overperformance on other metrics. Payment kinks may be another useful strategy to account for uncertainty in future RBFs. For example, a kink that reduces the price per result after the target is achieved provides an incentive to continue improving, while also making improvements on other metrics more attractive. However, increasing the complexity of the RBF design by adding such features needs to be balanced with the potential negative impact on institutions' understanding of incentives.

Pilot verification. Including sufficient time and resources to run a pilot or test verification before beginning implementation may be a useful strategy to ensure verification runs smoothly in low data environments. If a full pilot is not possible, at a minimum, stakeholders should ensure there is enough time to align on verification methods and establish protocols for making early adjustments if needed.