▶ Results-Based Financing in Decent Work Programmes: Skills development, employability, and employment services

Service Provider Guidebook

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Social Finance Programme

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▶ Abbreviations and acronyms

ANAPEC	National Agency for the Promotion of Labour and Competencies
EOI	Expression of Interest
INDH	Initiative Nationale pour le Développement Humain (National Human Development Initiative)
MCA	Millennium Challenge Account
NGO	Non-Governmental Organisation
PM	Programme Manager
RBF	Results-Based Financing
RFP	Request for Proposals
SP	Service Provider
ToC	Theory of Change

▶ Definition of terms

Table 1: Definition of terms

Term	Definition
Active Labour Market Interventions	Publicly financed interventions intended to improve the functioning of the labour market by inducing changes in labour demand and labour supply, as well as their matching process.[1]
Skills Development Programmes	Any activities to increase someone's ability to ability to perform a task or a job, including the knowledge, competence, and experience needed.[2] The objectives of these activities are the promotion of adaptability, autonomy and the capacity of the beneficiary to manage their own career and learning. For this project, we consider two types: core skills and technical skills.
Core Skills[3]	Non-technical skills that are relevant to all jobs and apply to work generally. They include, for example, social and emotional, cognitive and meta-cognitive, and basic digital skills. Core skills are transferable between occupations and sectors and enable workers to adjust to changes more quickly to the demands of the labour market (e.g., job change) and engage in lifelong learning.
Technical Skills	Technical skills, knowledge or know-how to perform specific duties or tasks.[4] These include, for example, operating heavy machinery for transportation, specialized machines for manufacturing or tools used for agriculture.
Employability	Portable skills and qualifications that enable a person to make use of education and training opportunities in order to secure decent work.[5]
Employment Services	Third-party support to match jobseekers with available vacancies.[6] Relevant examples of employment services include placement and recruitment, career guidance services for job seekers, and direct intermediation with employers on behalf of job seekers
Post-Placement Support	Third-party support to jobseekers and employers once the former has been matched to the latter. Post-insertion support services include intermediation between match jobseekers and employers, career services for employees including additional mediation, and support to employers to further develop employee skills.
Entrepreneurship Support	Any activities with the aim of supporting potential and existing entrepreneurs in business management, financial literacy, and entrepreneurial skills including communication, negotiation and planning.
Incorporated enterprise	A legal entity, created for the purpose of producing goods or services for the market, that may be a source of profit or other financial gain to its owner(s).[7]
Informal Jobs	Work that lacks social and legal protections and employment benefits. These jobs may be found in the formal sector, the informal sector or in households.[8]

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[1] Ernst, Ekkerhard, Rossana Merola, and Jelena Reljic. "Labour Market Policies for Inclusiveness: A Literature Review with a Gap Analysis." ILO Working Paper, No. 78 (2022): p9.

[2] International Labour Organization. "Shaping Skills and Lifelong Learning for the Future of Work." International Labour Conference, 109th Session (2021): p9.

[3] ILO Skills and Employability Branch: Core Skills

[4] International Labour Organization. "Shaping Skills and Lifelong Learning for the Future of Work." International Labour Conference, 109th Session (2021): p19.

[5] International Labour Organisation. "National Employment Policies: A Guide for Worker's Organisations." International Labour Office (2015).

[6] ILO Employment Promotion: Employment Services

[7] International Labour Organisation. "Classification of owner-operators of corporations by status in employment," International Labour Office (2018).

[8] International Labour Organisation. "National employment policies: A guide for workers' organisations" International Labour Office (2015).

Formal Jobs	Paid employment under a written contract for an incorporated and regulated enterprise. Both workers and enterprise comply to laws and regulations, including labour and social security laws, health and environmental regulations and tax obligations.[9]
Results-Based Financing (RBF)	RBF is a financing arrangement in which some payments are contingent on achieving predefined and verified results.
Decent Work	Decent work involves opportunities for work that are productive and deliver a fair income, security in the workplace and social protection for all, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.[10]

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[9] International Labour Organisation. "Enterprise Formalization: An Introduction" ILO (2021).

[10] International Labour Organisation: Decent Work

▶ Introduction

RBF for skills development, employability, and employment services

Decent work has become a universal objective in many major human rights declarations, including the UN's 2030 Agenda for Sustainable Development. Within the broader Decent Work Agenda, skills development, employability, and employment services programmes are critical in strengthening the labour market's value and facilitating the employer-employee matching process.[11] Such programmes are especially essential in advancing decent work amongst vulnerable and marginalised groups, such as women and those living below the poverty line. Table 2 summarises common interventions within this programme typology.

Results-Based Financing (RBF) has been increasingly leveraged to drive greater impact and more cost-effective interventions within skills development, employability, and employment services programmes. RBF is an innovative financing modality that conditions payment for providers of employability and employment services on achieving targeted results rather than the providers' inputs and activities. RBF for employability and employment services was first introduced in high-income countries, such as Australia and the United Kingdom, in the early 2010s.[12] Learning from these experiences, development actors began implementing RBF modalities for similar programmes across a wide range of low- and middle-income countries. These countries include Colombia, Ethiopia, Tanzania, Morocco, Nepal, and Palestine.[13]

Table 2: Common interventions.

Programme	Common interventions
Skills development and employability	**Skills training (core, technical, etc.)**
	Technical education
	On-the-job training (e.g., internship)
	Apprenticeship training
Employment services	Information sharing (e.g., employer networks, benefits of training)
	Contract initiation (e.g., referral system)
	Job placement
	Post-placement support (e.g., coaching and mentoring)
	Transportation/ housing vouchers

Building on the evidence and lessons from these experiences, the labour and employment sectors increasingly recognise RBF's role in catalysing impact towards the decent work agenda. For example, in a 2023 ILO assessment, performance-based contracts (PBCs), the most common RBF structure in the sector, were identified as the most effective financing mechanism for service providers delivering training interventions.[14] By tying funding to results, RBF unlocks four primary drivers of impact that are critical for the decent work agenda:

1. **RBF draws greater attention to the results that matter for decent work:** Paying for results requires establishing performance targets and measuring and verifying results. Thus, RBF draws the attention of service providers to what matters most and increases the visibility of results. The rigorous measurement and verification of results serves as a performance feedback mechanism, providing data that can enhance managerial decision-making.
2. **RBF aligns incentives with the decent work agenda:** By conditioning payments on the achievement of results, RBF promotes alignment between the interests of the funders, labour market, and service providers. It rewards service providers financially for delivering pre-defined results, compelling them to exert more effort towards achieving results rather than implementing activities.
3. **RBF provides greater flexibility to innovate and improve interventions:** By paying for results, funders can relax their control over activities and provide the service provider with greater discretion and flexibility

[11] Ernst, Ekkerhard, Rossana Merola, and Jelena Reljic. "Labour Market Policies for Inclusiveness: A Literature Review with a Gap Analysis." ILO Working Paper, No. 78 (2022): p8.
[12] OECD. "Connecting People with Jobs: Activation Policies in the United Kingdom." Paris: OECD publishing (2014).
[13] Instiglio. "Results-based Financing to Enhance the Effectiveness of Active Labour Market Programs." Ottawa: IDRC. (2018): p81
[14] ILO. "Financing mechanisms for promoting social inclusion in skills and lifelong learning systems: global overview of current practices and policy options." (2023): p43.

in how exactly they structure their interventions to achieve results. Service providers can use this flexibility to try new approaches, learn and adapt in response to new contexts, and pursue more effective solutions.

4. **RBF enhances accountability to deliver decent work results:** RBF establishes accountability for results that are critical to achieving impact. Further, by making results visible, RBF strengthens reputational stakes for the service providers to perform and provides other stakeholders (funders, managers, governments, and beneficiaries) with useful performance data to enforce accountability.

About this guidebook

This guidebook offers practical and user-friendly guidance for providers of employability and/or employment services that are either implementing or planning to implement under an RBF modality. The document has been produced alongside a companion guidebook for RBF programme managers, covering similar topics from the manager's point of view. Together, these two guidebooks provide RBF stakeholders with a comprehensive toolkit to optimise the success of their RBF programme.

Through structured frameworks, this guidebook instructs service providers on preparing, coordinating, implementing, and closing programmes under an RBF modality. For purposes of this guidebook, service providers are any actor formally engaged in providing at least one intervention outlined in Table 2. Service providers can encompass various actors, including non-governmental organisations (NGOs), government agencies, or private companies, under various roles. Service providers may also encompass a wide variety of operating strategies, inclusive of different skills development offerings, employment sector focuses, and target beneficiary groups (e.g., youth, women, people without secondary education diplomas, and long-term unemployed).

Guidance in this document is framed primarily towards service providers with limited RBF experience. However, the frameworks and insights are also useful for providers with greater RBF experience who seek to continue improving their effectiveness and efficiency. Similarly, although the guidebook scope is focused on skills development, employability, and employment services RBFs, the guidance can be applied to other interventions that support the decent work agenda.

This guidebook is rooted in an RBF design that pays service providers for their results in improving the labour market outcomes of job-seeking beneficiaries through (i) training to gain core and technical skills, (ii) matching to job opportunities, and (iii) post-placement support once the beneficiaries have been matched.[15]

The RBF modality applied in any programme is a **design approach** consisting of a set of core elements. Each element can be adapted to fit the needs and constraints of a specific context, sector, geography, actor, and programme where RBF is being implemented. The flexibility of RBF lies in the fact that its core design components are versatile. Table 3 provides an overview of the core **payment** design components of an RBF from a decent work perspective:

▶ **Table 3: RBF payment core design elements**

RBF design element	Overview
Payment metrics	Payment metrics are the pre-defined milestones, outputs, and outcomes that service providers must achieve to be eligible for payment. Service providers should prioritise programme activities and investments that align most closely with achieving the payment metrics. In the Morocco MCA pilot, the payment metrics were beneficiaries (i) trained, (ii) placed in jobs, (iii) placed in jobs, (iii) retaining their jobs after 6 months.
Targets	Targets refer to specific, measurable objectives or delivery goals service providers must achieve within a defined timeframe. Service providers should always rely on the programme's targets to consider if/how they should upgrade their current

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[15] See definition of terms above for an explanation of these terms. While other decent work programmes might focus on additional activities, including more in-depth technical and vocational training or business plan development for entrepreneurship, this guidebook is centred around the above design.

	performance to be able to meet them during the intervention. The MCA pilot targeted 4,800 beneficiaries trained, 3,500 placed, and 2,800 retaining employment after 6 months.
Payment weights	Payment weights are the proportion of the total results-based funding tied to a specific payment metric. For example, a weight of 50% for job placement means that half of the total funding is tied to that specific metric. These weights are usually set up by programme managers (PMs) in consideration of the programmatic objectives and service providers manageable control of payment metrics (e.g., service providers have more control over training completion than job retention).
Payment schedule and processes	The payment schedule defines the frequency and timing of payments to service providers for the achievement of payment metrics results within the programme, as well as the associated practical disbursement procedures. In most RBF programmes, the payment schedule is directly linked to the measurement and verification schedule: When payment metrics results achieved by service providers for a specific time frame are fully verified, the corresponding payment can be released to service providers. In Morocco, service providers were paid four times each year.
Measurement and verification	Under the RBF modality, service provider funding is tied to results rather than inputs. As a result, service providers must measure and report all their payment metric results and get them verified, usually by a third party, before receiving payment for them. Verification involves confirming the accuracy of the reported results and using this information to determine payment due to the service providers.
Pre-financing arrangements	In an RBF, pre-financing refers to how service providers' inputs and activities are funded to account for the shift in payment to a results-based basis. Pre-financing is particularly important in the program's preparation, launch, and early implementation phases. Pre-financing is usually provided by the programme manager in RBF arrangements, such as the Morocco MCA pilot. Additional pre-financing sources are detailed in Annex 5 .

This guidebook is informed by the growing evidence base on RBF applications for skills development, employability, and employment services, with most insights drawn from a collection of case studies summarised in Annex 1. While the guidebook is rooted in the broader skills development, employability, and employment services RBF ecosystem, it draws most heavily on the experiences and lessons from recent RBF experiences in Morocco, which placed over 3,000 beneficiaries in paid employment from 2020-2023. The Morocco experiences are further introduced in Box 1 and highlighted via boxes throughout this document to provide tangible illustrations of specific RBF guidance.

Box 1: The Morocco Millennium Challenge Account (MCA) experience

In 2016, a national survey[16] in Morocco revealed that nearly 25% of young people aged 15 to 24, and 44% of women in this age group, were neither employed nor in education or vocational training. To help address this pervasive issue in Morocco's employment situation, the Millennium Challenge Corporation (MCC) and its local implementation agency, MCA, began implementing an RBF pilot in 2020. The pilot aimed to improve the employability of young job seekers, especially young women and those without formal education, through a USD 5 million RBF facility dedicated to paying eight service providers for key results, such as job placement and retention, through performance-based contracts. Beyond improving employment outcomes, the pilot also sought to generate practical insights for future scale-up and adoption of RBF by the Government of Morocco.

Over its three years of implementation, the RBF helped to enhance the effectiveness of service provider's skills development and employability programmes, achieving employment job placement rates between 65-75% for

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[16] HCP. "National Employment Survey." HCP (2016).

beneficiaries. In addition, the programme evaluation highlighted how RBF drove improved inclusion of vulnerable populations, enhanced the efficiency of administrative procedures, fostered greater accountability and transparency, and heightened beneficiary satisfaction.

Motivated by the pilot's results-driven approach to skills development and employability, Morocco's INDH built its own 1-year, USD 1.8 million RBF with a subset of the pilot service providers beginning in 2022. The INDH pilot closely resembled the MCA one but distinguished itself through its decentralised implementation across Morocco's provinces and prefectures.

▶ **Figure 1: Structure of the RBF contracts for the MCA and INDH pilots**
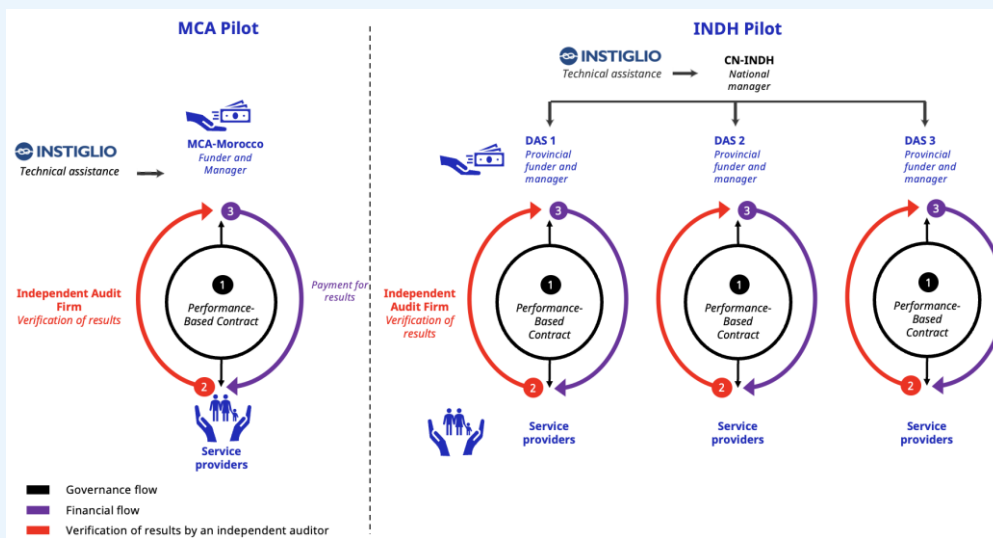
▶ 1. Determining if and how to engage in RBF

Service providers should consider if RBF will add value to the organisation and its programmes when deciding whether to engage in a skills development and employability programme under this modality. Service providers should further consider if their organisation is ready to accommodate the RBF modality's requirements. This section describes the benefits for service providers to engage in skills development and employability programmes under RBF. It provides a readiness assessment to inform service providers on preparing for RBF based on their existing capacities.

Box 2: The MCA and INDH RBF preparation

Service providers in the MCA pilot consisted mainly of non-governmental organisations (NGOs) active in skills training and beneficiary employment placement. However, one service provider was a private employment outsourcing company that specialises in providing qualified temporary workers across industries. At the same time, another one was an NGO that advocates for women's rights in Morocco.

SPs in the MCA pilot engaged with the RBF design of the employment services programme from its onset. Before the programme's launch, service providers attended a workshop to better understand the basic concepts of RBF and how to capitalise on its value addition. Further, this workshop provided service providers with an opportunity to understand better the technical parameters (i.e., the results they would be paid for) of the RBF design to better prepare for implementation. During a second workshop, service providers learned about the programme's procedures and implementation model to allow them to adjust their financial- and operating models for implementation. The workshop included specific financial and accounting management sessions to support the service providers' understanding of the implications of getting paid for measured results rather than delivered

activities. These workshops were provided by MCA's programme managers, who were a key source of support to providers throughout the programme preparation phase.

In the post-programme debrief, service providers expressed interest in more sustained support and capacity building in terms of:

- **RBF financial management:** Service providers quickly realised the importance of setting up accurate budgets to account for the risk of not reaching training, matching and post-placement support results within the employment services RBF programme and would have appreciated additional support on this topic.
- **Intermediation techniques:** Not all MCA Pilot service providers had mature employment services intervention models, one of multiple criteria for service provider selection. Further, some service providers reflected that additional support in intermediation techniques to ensure they could secure jobs for beneficiaries before the programme implementation would have increased their success in achieving targets.

Overall, the experience highlighted the need for service providers to fully understand the adjustments to their operational and financial models under RBF, with a focus on change management and financial risk management.

Because the same service providers involved in the MCA Pilot implemented the INDH Pilot, the pre-implementation preparation for this pilot consisted of succinct technical assistance to adapt to the INDH implementation procedures. A key difference for service providers for this pilot was that INDH operates at a provincial level, compared to the centralized MCA pilot, requiring additional engagement with different INDH programme managers depending on the province.

1.1. Benefits of engaging in RBF

Service providers should engage in an RBF programme based on clearly understanding the benefits of operating under this modality. There is a wide variety of possible rationales that service providers may have for engaging in RBF, most of which are directly correlated with the potential operational benefits that stem from RBF's four drivers of impact. The points below describe the possible value addition of RBF in these programmes:

1. **Comply with requirements in the funder landscape to maintain or increase funding scale:** For instance, the service providers' core funder, either the government or a donor, might transition to a results-based approach. This shift also prompts service providers to transition to maintain their funding base. Alternatively, service providers may see a general change in the funding landscape to results-oriented contracts, encouraging them to ensure they remain relevant within this landscape to increase funding.
2. **Increase data quality and build an evidence base**: Service providers can better understand their impact- and service models through the improved data quality associated with RBF's performance management systems (section 3.2). Further, service providers can build evidence to support their track record in delivering cost-effective results through RBF's focus on generating evidence (section 5.1). Building evidence can be pivotal to scaling and securing more partnerships. Finally, service providers can course-correct their programmes to ensure effectiveness through RBF's performance management systems (section 3.2) and associated performance culture (Annex 2).
3. **Achieve funding and programmatic flexibility**: RBF provides flexible funding not earmarked to specific activities. This funding modality gives service providers more autonomy over how they invest resources and what actions they prioritise to respond to the expected programme results. The flexibility allows service providers to invest in critical initiatives that they may lack unrestricted resources to put towards. For example, service providers can invest in their intermediation capacity by hiring the right staff to engage with potential employers, increasing the likelihood of matching beneficiaries with employers. This flexibility can also help service providers innovate in their programmes by trying new solutions for issues identified through their improved data quality and performance culture.
4. **Lower administrative burden:** Most donor and government funding comes with substantial bureaucracy requirements for managing the resources. Service providers must dedicate significant staff resources and budgets to these organisational needs. However, RBF typically drops all these requirements, allowing service providers to focus more resources on programmatic matters. While setting up operations under RBF can be

administratively consuming at first, it enables service providers to invest their resources in improving programmes while reducing overhead costs and staff time spent on reporting in the medium- and long term.

1.2.   RBF readiness assessment

In addition to the benefits of engaging in RBF, service providers should assess their readiness to deliver skills development, employability, and employment services programmes under RBF. Readiness is a nuanced and multi-faceted concept, and service providers do not need to tick all the readiness boxes at the programme's onset. However, service providers should understand their current capacity to address significant roadblocks to their potential proposal, contract, launch, and implementation of their programmes under RBF. This understanding allows service providers to plan how to respond to critical issues promptly and improve their chances of delivering the expected labour market results under RBF.

The points below outline important readiness considerations for service providers to prepare to deliver their programmes under RBF. At the same time, Table 4 below provides specific considerations and actionable recommendations for each aspect.

- **Authorisation to engage in RBF:** The service provider must ensure they have the regulatory capacity to sign contracts under an RBF setup, including board or other oversight body approvals where necessary. Additionally, service providers must ensure that their expected activities are authorised in the country where they operate and receive specific authorisations. To avoid implementation delays or roadblocks, service providers should start legal or internal compliance procedures before the program launch.
- **Leadership and stakeholder buy-in:** Service providers should ensure that their leadership, organisational stakeholders, and other funders outside of RBF agreements are on board with the RBF programme. To achieve this, service providers can start by articulating their rationale for engaging in RBF (section 1.1) to these stakeholders and explaining the implications of the RBF modality. Further, service providers should prepare their teams to implement RBF (section 3.1).
- **Experience and track record delivering results:** Service providers should ensure that their experience and track record align with the results the RBF design will pay for. For instance, service providers should reflect on whether they have experience with the target beneficiaries for the specific programme and whether they have previously delivered trainings on core- and technical skills.
- **Performance management**: Performance management is the dynamic iteration of program design and delivery, driven by real-time data and insights, to improve performance and deliver the results required for RBF payments (section 3.2). Strong performance management capabilities maximise impact and minimise payment risks. Service providers must be able to operate well-functioning performance management systems based on (i) relevant and timely data on intervention implementation and results, (ii) an information system that collects and processes this data to generate real-time insights for decision-makers, and (iii) a team with the skills, culture, and incentives to transform performance insights into improved practices.
- **Financial capacity:** Service providers need to be able to design a programme budget that correctly accounts for payment risks and disbursement timelines to ensure sufficient cash flow for the implementation. Service providers can be financially deficient if budgets underestimate or skew prices and incentives. Service providers must assess whether the programme's pre-financing arrangements cover the programme's preparation, launch and early implementation phases before any results-based payments are triggered.

▶ **Table 4: RBF readiness considerations**

Concept	Considerations	Recommendations
Delivery capacity	- Do you have a track record delivering skills development and employability programmes? - Do you understand the general RBF design (portion of payment tied to results, prices, payment metrics,	- When applying for an RBF project, examine the design published by the PM and see if it's a good fit for you. - Compare the programme to past experiences and ensure sufficient human resources and capacity building to meet the delivery and performance management requirements.

	payment frequencies, and payment weights)? - Do you fully understand the payment metrics for which you will get paid?	- Make sure to budget for both staff mobilisation and capacity building. - Coordinate your capacity-building plan with the programme manager.
Performance management	- Do your systems collect relevant and timely data for the programme? - Do you have the capacity to process the data to generate real-time programme insights? - Does your team have the skills and incentives to transform performance insights into improved practices?	You can upgrade your performance management capacity by: - Hiring staff with- or training existing staff in data management and analysis skills. - Contracting an external organisation to undertake relevant functions. - Adapting your systems to the scope and scale of the programme. - Align your data collection, management and analysis processes with the programme's overall performance management expectations.
Legal capacities	- Do you have the ability to sign a contract where funding is partially tied to funding?	- Ensure that the necessary approvals are obtained to engage with RBF. - Consider engaging an external accountant/ actuary to revise the RBF contract against your legal requirements before signing it.
Budget development capacity	- Do you have the ability to develop an accurate preliminary budget for the programme? - Do you have a clear understanding of your payment risks and pre-financing risks?	When building your bidding proposal, you can: - Seek support from the PM in validating your preliminary budget. - Consider engaging an external party to provide technical assistance on your budget development. - Set up and validate a coherent forward-looking budget to understand pre-financing requirements and programme risks to develop adequate mitigation strategies.
Pre-funding	- Do the contract conditions allow you to pre-finance the initial stages of programme implementation? - Can you self-fund implementation, or are external sources available until you receive the first results-based payment? - Does your organisation have the capacity to obtain and manage debt where necessary?	- Coordinate and, when possible, negotiate the pre-funding arrangements of the programme with the programme manager before submitting your application. - Address pre-funding concerns early on with PMs and funders to ensure that you remain solvent throughout the programme's implementation.
Stakeholder buy-in	- Are you confident that beneficiaries and employers understand the programme's objectives? - Do beneficiaries and employers share your beliefs about the programme's impact?	Once selected as a service provider within the programme: - Ensure clear dissemination of the programme objectives to all stakeholders. - Stress on RBF design features that support, for example, long-term retention of beneficiaries in employment.
Stakeholder alignment	- Do stakeholders share your vision of the programme?	- Assess the readiness and commitment of critical actors in the ecosystem to engage in an RBF decent work programme. Communicate the objectives and obligations of the programme effectively. - Once selected as a service provider within the programme, socialise stakeholders, especially

		employers, on the emphasis on the results of the program and the idea of building evidence and learnings for future iterations and scale-up.

▶ 2. Applying to, contracting and negotiating decent work programmes under RBF

Service providers usually apply to decent work RBF programmes through open tenders[17], and where successful, they enter a mandatory contracting phase, which can be accompanied by a negotiation phase (Annex 6). This section provides service providers with critical considerations for optimizing their application and contracting processes for RBF programmes.

Box 3: The MCA sourcing, contracting, and negotiating experience

▶ **SPs applications in the MCA pilot:** SPs got involved in the MCA pilot by answering an Expression of Interest (EoI) issued by the pilot's programme manager. This answer entailed submitting their proposed targets and prices as part of their technical file. The first sub-set of service providers meeting the minimum capacity requirements was pre-selected. They undertook a series of in-depth interviews as part of a due diligence exercise: the risks transferred to service providers by their participation in the pilot were mapped out against the targets and budgets they proposed in their technical file. Based on that risk assessment, service providers revised and negotiated the final targets and prices with the programme manager.

▶ **SPs contracting in the MCA pilot:** SPs led negotiations with the pilot's programme manager to finalise the terms of their contract, mainly the targets for job-seekers placement and retention and the associated prices. Although these negotiations primarily revolved around addressing the points of vigilance that emerged from the due diligence stage, budgetary and political constraints played a significant role in determining the amounts and the geographies to which service providers were allocated.

During the MCA pilot, service providers had to negotiate the signature deadlines for contracts to ensure that PMs could address contract clarifications satisfactorily. These clarifications included the specific geographies to be covered by each service provider and the precise distribution of beneficiaries by geography and sub-group (e.g., youth and female).

2.1.   Applying for decent work RBF opportunities

Generally, Requests for Proposals (RFPs) are the starting point to most competitive bidding processes. While in some instances, RFPs may solicit service providers to propose specific terms of the RBF design, such as the target they will reach or the price they suggest per result, most RFPs will stipulate all RBF design features. Therefore, before applying, service providers **must carefully review the RFP to determine if the RBF payment core design** elements **suit their current capabilities**. Some critical factors that service providers should consider when searching for a decent work RBF programme:

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[17] Occasionally, service providers who have worked with the programme's funder in the past or operate in a market with a limited number of service providers may be directly contracted.

- **Payment metrics:** Service providers should consider how the selected metrics relate to their portfolio of services, their knowledge and familiarity with national programmes, and their target beneficiaries. These metrics must align with the service provider's desired impact and current delivery capacity. Additionally, the selected metrics should not compromise the flexibility required to adapt the programme to enhance the desired impact or make progress on another payment metric.
- **Targets:** Service providers should carefully assess how the proposed quantitative targets (e.g., number of beneficiaries trained and placed) align with their estimated likelihood of success. They should examine mitigation strategies for risks related to overperformance and underperformance based on their current capabilities and past track record. A target is acceptable for the service provider when they are reasonably confident in their ability to achieve this target, considering their track records and programme specifications.
- **Prices:** Service providers should ensure that unit prices of results stipulated in the RFP accurately reflect the actual costs associated with delivering the program's outcomes. This price understanding helps craft a realistic budget and financial plan, preventing under-pricing that could lead to financial strain during implementation or over-pricing that might render the proposal less competitive. Service providers should also assess whether the expected payments for achieved results align with their financial sustainability and/or profitability goals (for private organisations).
- **Payment frequency:** Service providers should pay particular attention to the frequency of disbursements within the intervention to ensure a healthy cash flow and financial sustainability throughout implementation.
- **Contract duration:** Service providers should check that the stipulated contract duration aligns with their ability to achieve the required results and targets for payment: the contract's term directly impacts the timeframe available for effective programme implementation, influencing the attainment of desired outcomes. Service providers should also ensure that the implementation timeline does not conflict with previous commitments or organisation-level events that may constrain resource and/or staff mobilisation.
- **Pre-financing arrangements:** Service providers should ensure that the upfront capital required to initiate the intervention's activities is provided in a manner that is not penalising for them (e.g., *excessive* interest-bearing options) in the short and long term. Service providers should also check that the pre-financing arrangements stipulated in the contract are both operationally feasible and structured to enhance SPs' prospects of achieving the specified targets throughout the implementation period. In the case of obtaining interest-bearing resources outside of the programme for pre-financing, service providers should consider the price of money in time against their financial planning and ensure they can mitigate risks from debt.

2.2.   Contracting in a decent work programme under RBF

Once the selection of service providers has been completed, the programme manager will create a contract that formalises the RBF design elements. The contract determines the focal areas of the programme, the incentive structures in place, and the potential risks associated with implementation. Consequently, service providers should dedicate the necessary time to review it thoroughly.

The contracting phase is the occasion for service providers to examine critical RBF design elements in more detail than during the application phase. Service providers should pay careful attention to the proposed RBF contract to ensure alignment of expectations, transparency, and contribution to achieving the decent work programme's objectives.

Below are some critical contractual terms service providers should examine as they review their contracts:

- **Payment function.** Service providers should ensure they clearly understand all payment calculation rules. They should also ensure that the payment calculation rules do not require them to neglect, deprioritise, or cease providing services they deem vital for their organisation's target population or consider impactful. It's essential to confirm that, considering the payment calculation rules, service providers find the likelihood of achieving results lower-than-expected acceptable and receive fair compensation for the financial and operational risks they undertake. For example, service providers should consider whether the percentage of payment assigned to each payment metric (e.g., training and placement) is enough to cover their costs for delivering both activities.
- **Payment schedule and processes.** Service providers should assess whether the payment schedule and disbursement processes are structured to minimise delays in receiving payments for results. This evaluation is essential to avoid potential implementation delays, maintain a healthy cash flow, and fulfil any fiduciary

obligations for which service providers remain liable internally. Service providers should also determine their capacity to secure additional funding to supplement the expected cash flows outlined in the payment schedule during the implementation. In Morocco, for example, disbursements were shifted from quarterly- to monthly payments based on service provider needs, and the MCA pilot led service providers to request more streamlined disbursement processes in the INDH as there were some beneficiary-verification delays during the first pilot.

- **Reporting requirements and verification.** Service providers should assess the reporting requirements to ensure compliance does not create additional administrative burdens. Ideally, the programme's reporting requirements should align with their current resources and performance management systems. Service providers should also ensure that the measurement and verification process stipulated in the contract aligns with the funding associated with results. In Morocco, for example, verification of beneficiary placement took place through a national employment database, but the service provider requested to send copies of contracts to accelerate the process directly.

- **Prescriptions.** Service providers should assess whether the contract contains provisions that mandate their organisation to engage in specific activities or utilise inputs. These requirements may restrict their flexibility in adapting their program while striving for results. For example, the only prescription in the Morocco pilots was that service providers needed to provide training sessions on core skills such as teamwork and communication. Other prescriptions could include, for example, intermediation through specified governmental platforms or training that leads to nationally recognised certifications.

- **Underperformance provisions.** Service providers should ensure they understand the penalties and/or sanctions applicable in the event of underdelivery of results and grasp the implications of these penalties for their organisation. Service providers should also verify that the contract provides adequate protection against risks beyond their control that could potentially impact the achievement of results.

- **Conflict resolution.** Service providers should ensure the contract comprehensively outlines all decision-making and conflict-resolution procedures. These procedures include instances where service providers dispute verified results and consider potential negotiations for suitable terms. These procedures encompass the pertinent decision-making entities and the established timeframe for conflict resolution. Furthermore, service providers should check that the governance structure stipulated in the contract specifies the permissible extent for design revisions and contract renegotiations, recognising that risks may emerge during implementation, potentially hindering SPs' ability to fulfil their contract terms.

▶ **Box 4: Common RBF preparation challenges and practical learnings from the Morocco experience**

Common challenges	Practical learnings
▶ The RBF setup makes it easy to underestimate the necessary human resources, skills, and systems required to implement an employment services programme under RBF.	▶ Make sufficient human resources available for the programme and reserve time to attend capacity-building sessions.
▶ Overemphasizing the cost of achieving short-term results (e.g., training) and overlooking the cost of activities needed for long-term results (e.g., intermediation, post-placement activities, etc.) in the budget.	▶ Set up a realistic provisional budget that accounts for the costs of intermediation with employers and post-placement support of beneficiaries. Validate this budget with the programme manager.
	▶ Explicitly include intermediation services with employers in the budget and workplan.

▶ 3. Implementing RBF: Setting up teams and systems for success

Service providers' success in implementing an RBF depends on the organisation's understanding and buy-in into the adjustments required for these programmes. Further, service providers also need a functioning performance management system that can accurately and timely report on the results that they are paid for. This section describes the process of preparing a service provider's team to operate under RBF, including establishing effective performance management systems.

Box 5: The MCA implementation readiness experience

SPs' preparation for RBF implementation: Before the launch of the MCA pilot, representatives from the eight participating service provider organisations received two sessions of capacity building related to the specificities of the programme's RBF design. In the first session, service providers learned about the pilot's overall vision and key technical parameters to internalise this and communicate with their internal teams. In the second session, service providers learned about the specific procedures and implementation tools related to the programme, including the performance management systems and their reporting requirements. Because the same service providers that participated in the MCA pilot implemented the INDH one, the top-down preparation for the second pilot was focused on the specificities of the second pilot's RBF design and performance management systems.

Performance management systems: The MCA and INDH pilots used bespoke performance management systems designed at the programme manager level. The MCA pilot used a tailored Salesforce system to help service providers monitor activities and centralise the submission of performance documents. This system was outsourced to an external IT company, which initially supported service providers in troubleshooting. This operating model worked well while the IT company was under contract. Still, service providers had significant difficulties troubleshooting the system once the IT company's contract lapsed, showcasing the importance of relatively simple systems that service providers can operate. Because of these issues and constant staff changes, four service providers had difficulties appropriating the platform. They conducted independent analyses using their platforms, which led to disputes over the results achieved.

The INDH pilot used a more straightforward Google Forms system for all service providers, which pushed data to a back-end database. All data visualisations and analyses were done using Tableau and based on the compiled data. Overall, the system experienced bugs and accessibility problems due to technical reasons or network security, which did not promote appropriation by all service providers. These problems showcased the importance of testing and piloting systems before programme implementation.

3.1.   Preparing the team for RBF implementation

Service providers must prepare their staff for RBF by socialising the design, onboarding them to RBF processes, and clearly articulating how these changes will impact their day-to-day role. Service providers should be transparent and informative, presenting both the benefits and risks of an RBF.

The service providers should start by presenting the benefits of RBF (section 1.1) to their teams to build buy-in. Further, service providers should spend time explaining the RBF design and the specific targets, prices, and additional conditions negotiated for the particular programme (section **Error! Reference source not found.**) to align the team on the programme. Finally, service providers should show their teams their total commitment to the opportunity to get them excited and prepare them for the transformational journey that the intervention under RBF will lead them to.
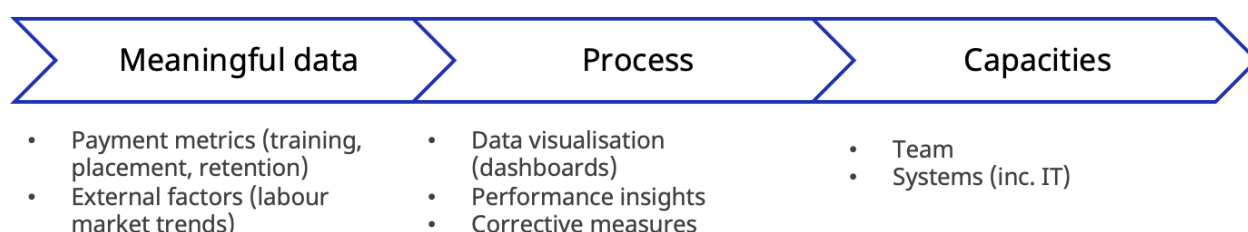
Service providers should also be clear about the risks associated with the RBF funding model for their skills development and employability programme. These are namely the payment risk if programme delivery does not achieve the expected results, the associated payment risk if external labour market conditions change, hindering

the achievement of results, the financial risk associated with RBF payment frequencies, and the risks of over-investing in performance management systems (section 3.2), at least initially.

3.2.   Establishing effective performance management systems

Strong performance management capabilities allow service providers to leverage RBF's flexibility to maximise impact and minimise payment risks. These systems reveal which types of training are most in demand and successful in supporting employment opportunities for beneficiaries, enabling service providers to adjust the types of training they deliver based on real-time data. Figure 2 below describes an adequate performance management system design.

▶   **Figure 2: Performance management system design**

Meaningful data	Process	Capacities
• Payment metrics (training, placement, retention) • External factors (labour market trends)	• Data visualisation (dashboards) • Performance insights • Corrective measures	• Team • Systems (inc. IT)

3.2.1.   Meaningful data

Service providers must collect relevant data on time to track and manage performance effectively. In addition to payment metrics, service providers should also follow other programme data that can affect their achievement of results. Service providers must additionally track different data points that can help analyse drivers of performance and prioritise intervention adjustments. Table 5 outlines the core data categories for providers to consider in their performance management systems.

▶ **Table 5: Meaningful data in the performance management system**

Description	Considerations	Data point examples
Payment metrics: are the incentivised milestones, outputs, and outcomes tied to service provider funding.	- Service providers do not necessarily need to build systems from scratch to collect meaningful payment metrics data. Service providers can derive data on employment placement and retention from external databases. - Service providers should interact with programme managers and verifiers to understand which data is not feasible or desirable to collect periodically for the entire programme, where it is too costly, or the verifier can directly manage it.	- Training: The number of beneficiaries that have attended 90% of training sessions and are considered 'trained' per the programme design. - Matching: The number of beneficiaries that have signed an employment contract. - Post-placement: The number of beneficiaries the employer retains after a pre-defined number of months of contract signing.
Programme data: Service providers should collect data on programme activities and outputs to understand better whether the programmatic elements under their control are being implemented as planned. Service providers should collect data on the delivery and quality of	- Service providers will likely already collect programme data as part of their monitoring and evaluation efforts. Under RBF, service providers should capture data corresponding to the programme's theory of change (ToC), designed by the PM. This includes all activities and measurable outputs, where possible, under the ToC. - While programmatic data is usually captured from service providers administrative records, they should ensure	- Training: Number of training sessions for each topic/ skill delivered as scheduled, number of participants per training session, and duration. - Intermediation: Number of employers engaged per economic sector, the number of employers committed to hiring beneficiaries, and the specific skills requested by each employer.

individual training sessions, their intermediation efforts with employers, and the post-placement support they provide to beneficiaries. These elements may or may not be contractually mandated.	that the programme's performance management system captures this data effectively under a centralised platform, where possible.	- Post-placement: The number of follow-up interactions with each beneficiary, the number of support sections in each area (e.g., psychosocial) delivered to beneficiaries.
External factors: are not directly related to the implementation of the programme, but might have an impact on the program's results. These refer to labour market factors, including economic conditions, industry trends, and government policies and regulations. Tracking external factors is not contractually mandated but helps with performance management, particularly course correction measures.	- Service providers do not usually track external factors from their own administrative data. Instead, they can capture these factors from reputable secondary sources, including the government's statistics reports on labour market indicators and economic growth. - Service providers should ensure that they capture as much data on external factors as possible in the specific geographic areas where they operate, including the growth in different economic sectors.	- GDP growth by economic sector. - Unemployment rate by demographic group. - Tax incentives by economic sector. - Job creation and loss by industry

3.2.2. Performance management process

Meaningful data is only helpful for service providers if it is processed effectively. Figure 3 below illustrates the performance management process, detailed in the remainder of this section.

▶ **Figure 3: Performance management process**
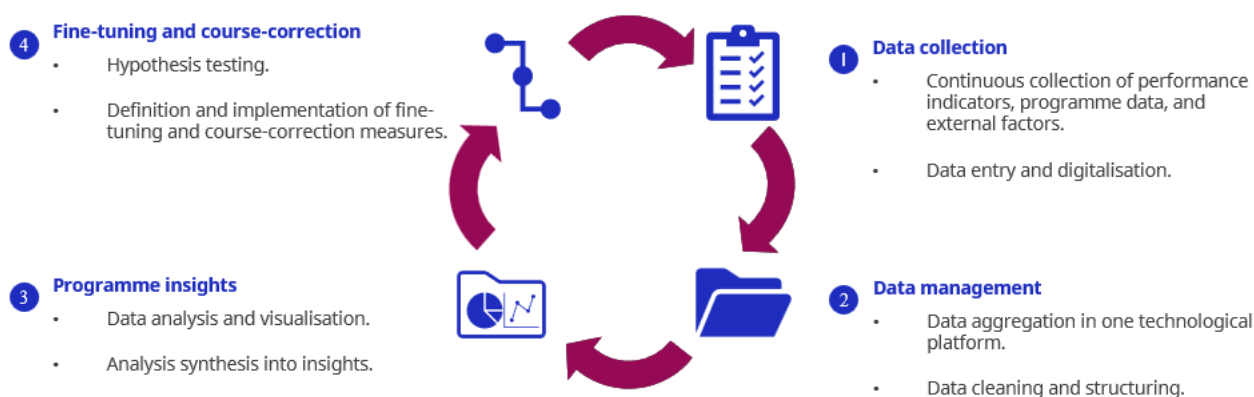
Data collection: Once service providers have defined what meaningful data and specific indicators, they will be collecting data for throughout the programme, they need to define the data collection strategy. This strategy encompasses the when, how, and who will collect this data.

- **When:** At a minimum, service providers should collect data at **the same intervals as the RBF's measurement and verification cycle**.[18] Whenever feasible and within a service provider's budget and

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[18] This cycle is often built into the RBF design in the reporting requirements for service providers.

capacity, more frequent measurements should be deployed to provide opportunities to learn and adapt before results are verified.

- **How:** This depends on the three main components of skills development, employability and employment services programmes. For <u>training</u>, service providers should design **attendance templates** to capture the basic demographic and contact information (name, gender, age, ID number, phone number, email address) of each beneficiary who attends a specific training session. These templates allow service providers to track beneficiaries easily once they have digitalized the data. For <u>employment matching</u>, service providers should design **effective systems** to capture data collected and submitted by **external parties**, such as employers or **derived from databases** from governmental partners, e.g., social security or income tax. Depending on the design of verification systems, the programme verifier may collect this information directly, and service providers should not duplicate efforts. Finally, service providers should build on systems developed to measure employment matching to capture the beneficiaries' <u>employment retention</u>, where possible. For example, where government systems can confirm the employment status of matched beneficiaries after placement, service providers can use this information. Service providers should also capture post-placement support activities through **standardised templates** for internal accounting purposes.
- **Who:** service providers should aim for cost-effectiveness in their data collection process. Where service providers deliver the programme's training component, they should train their agents in data collection. For employment matching, service providers can develop an effective system where they partner with employers or government partners to obtain certification of the employed beneficiaries. For job retention measures, service providers can train their agents to administer retention surveys and work alongside the chosen partner for measurement of the employment matching data collection.

Data management: The second step in the performance management process is to define the method to go from raw data to ready-to-analyze data, including cleaning, aggregating, and structuring collected data. Where possible, service providers **and programme managers should coordinate** on which IT systems to use, as PMs might establish an overall performance management system for all service providers implementing the programme. While the specific process may vary on a case-to-case basis, service providers should generally:

- **Clean data:** Service providers should ensure the entered data is **accurate** and **complete**. Service providers should (i) investigate and complete any missing information (e.g., missing training records for a beneficiary), (ii) check for consistency (e.g., same contact information and spelling across databases), clean duplicates (e.g., through double-entry in the system), validate entries (e.g., investigate and correct entries where beneficiaries have attended 20 training sessions where only ten were delivered), and check accuracy (i.e., check that the data is in the correct format). Service providers can establish data-checking processes during data entry, including data back-checks and spot-checks, and data-checking procedures, including checking for empty cells, outliers, and relationships between variables to establish data quality and cleaning needs.
- **Aggregate data:** At this stage, service providers should **compile beneficiary information from different sources** (i.e., training, matching, and retention databases) **into one place to analyse it together**. In general, service providers should use unique IDs to identify beneficiaries across databases (e.g., national ID number or programme assigned unique ID) and merge or append data so that there are no duplicated beneficiaries. Regarding skills development, employability, and employment services programmes, service providers should generally incorporate data from different sources into one database and on a one-to-one basis to ensure one observation per beneficiary. This unique observation should contain complete information on, at a minimum, the programme's payment metrics, i.e., whether the beneficiary has completed training, been matched to employment, and retained after a certain number of months, on top of collected socio-demographic data. The aggregated data should, where possible, contain additional unique information about each beneficiary (e.g., which training modules were completed, the type and sector of the matched employer, delivered post-placement support, etc.) to allow the service providers and programme managers to conduct additional analysis on their programme.
- **Structure data:** In the final step, service providers should structure and transform cleaned and aggregated data to ensure that it provides the information required for analysis. Service providers should generally ensure that the data is well-structured for planned analyses. Service providers should, for example, generate variables to identify beneficiaries across target groups (e.g., youth based on the age variable, female non-diploma beneficiaries, etc.) to conduct analyses at that level.

Programme insights: With clean and ready-to-analyse data, service providers should next **generate actionable insights** from their data. For this purpose, service providers should conduct two types of analysis:

- **Routine dashboard analysis:** While setting up their performance management systems, service providers, in coordination with programme managers, should design dashboards for periodical reporting that, at a minimum, track the delivery of activities and results associated with payment metrics. These dashboards will help the service providers' team understand on a periodic- (e.g., monthly) basis whether they are delivering activities and achieving results

▶ **Figure 4: In-depth analysis of performance issues**

as expected. Where service providers identify underperformance or results that deviate from the expectations, they can conduct in-depth analysis to understand underlying causes and plan programme fine-tuning and course correction.
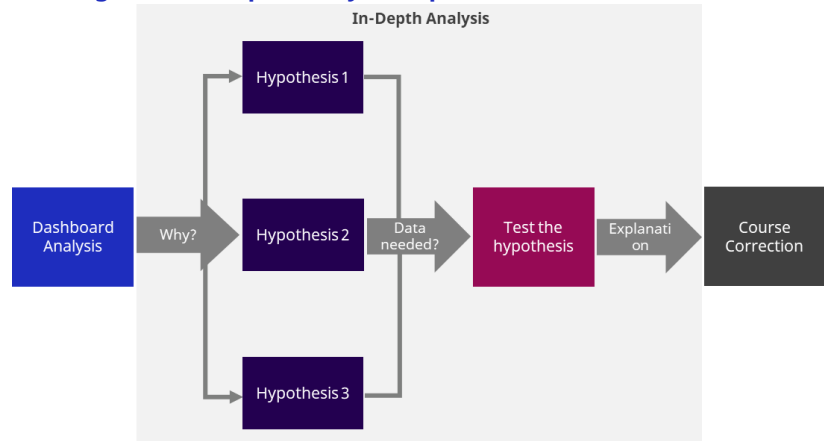
- **In-depth analysis:** Based on the wealth of information captured in the performance management system and the results from the routine dashboard analysis, service providers can plan a **structured in-depth analysis** to test where performance issues stem from and the best course of action (Figure 4). In general, service providers should leverage the available structured data to develop and test hypotheses (e.g., the employers the service providers have intermediated with have historically not hired women following industry trends, leading to low employment placement for women in the programme, or the high turnover in trainers has slowed down the delivery of training activities).

Fine-tuning and course correction: As a final step, service providers must **translate the performance conclusions into corrective measures**. Service providers should involve their performance management- and programmatic teams to reflect on the findings, brainstorm potential solutions, and shortlist the most appropriate course correction measures. Once the service providers have shortlisted a set of possible solutions, they should analyse these in terms of their understanding of their problem and solution and the cost and flexibility of implementing these solutions to make a final decision. Figure 5 presents a framework to decide on the fine-tuning or corrective measures for the programme based on the depth of understanding of the problem and the clarity and cost of shortlisted solutions based on the depth of knowledge of the problem.

▶ **Figure 5: Course-correction framework**
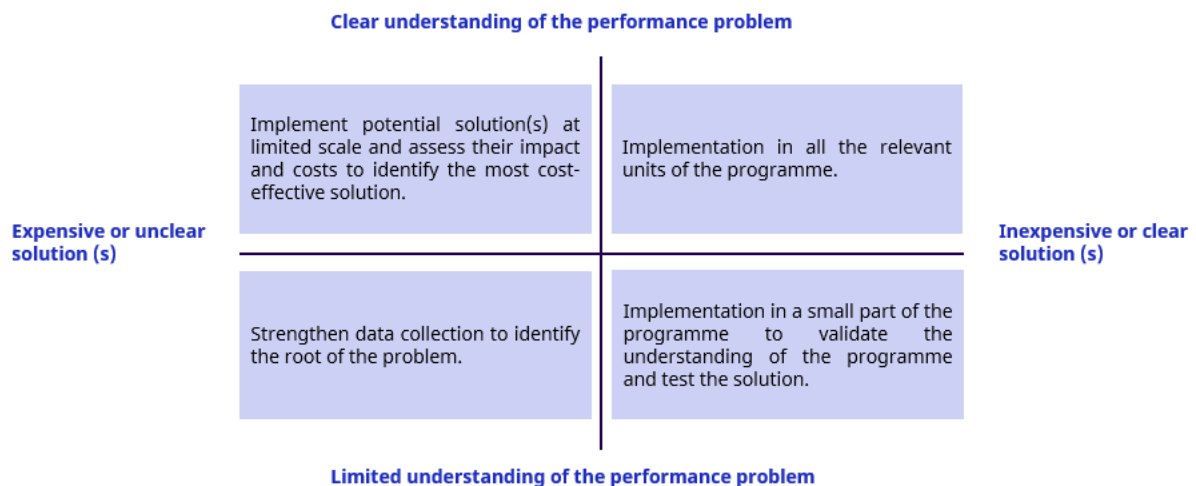
3.2.3. Capacities

The success of implementing the performance management process **depends on the service providers' capacity to set up and execute this process correctly** and in close collaboration with the PM. While service providers generally already have monitoring and evaluation processes and capabilities in place, the RBF design requires them to carefully evaluate their existing capacities against programme requirements from a **human** and **IT** perspective.

Human capacities: At the first stage, service providers should map their organizational structure and team's skills and compare them against the minimum performance management system requirements. This mapping allows service providers to understand **capacity gaps** regarding available human resources (e.g., data entry clerks to digitalise training data) and skills (e.g., the ability to perform queries to extract beneficiary information from large government datasets). With a diagnostic of capacity gaps at hand, service providers should develop a high-level capacity-building plan consisting of three elements:

- **Recruitment**: Service providers should recruit the necessary team members to respond to the performance management system requirements and to track and analyse the specific data for the skills development and employability programme. Service providers should identify which roles they seek to fulfil through recruitment (e.g., data entry, data analysis, dashboard set-up and maintenance) that the current team cannot fulfil. Second, service providers should develop accurate terms of reference and recruitment procedures to ensure they recruit the right talent as identified by the capacity gap assessment.
- **Training:** Service providers can deliver two types of training to their team members: (i) general and (ii) targeted trainings. Service providers should direct general trainings introducing performance management, the programme's payment metrics, the performance reporting and dashboards, and an introduction to performance culture to all team members involved in the skills development and employability programme. The programme manager might offer these trainings directly, or leadership within the service providers' organisation can deliver these trainings based on their learnings while contracting and negotiating the RBF programme (sections 2.2 and **Error! Reference source not found.**). Service providers should coordinate with PMs, or external consultants, to train the team dedicated to the performance management system in data collection instruments and timelines, the IT system for data entry, aggregation and analysis, and in-depth analysis and course correction frameworks.
- **Performance culture:** Beyond recruiting and training the right team to successfully implement performance management throughout the skills development and employability programme, service providers should capitalise on the opportunity to develop a **performance culture within their organisations**. Annex 2 provides a framework to help service providers create a performance culture plan, focusing on mechanisms to focus on performance, prioritising performance management within operations, setting up governance mechanisms such as meetings to assess performance, and creating a culture of learning.

IT systems: As service providers develop their performance management process to collect, analyse, and report on programme-specific data, they should also consider the IT system that will most effectively support this process. Service providers should choose an IT system that facilitates their data collection and entry, management, and analysis processes. Service providers should thus select a platform that adapts to the programme implementation and not vice versa. While PMs might select the IT system for the whole programme, service providers should consider the following criteria in the case that this decision falls on them:

- **Compatibility:** The IT systems should adapt to the organisation's operations and cultures while providing the minimum requirements set up by the RBF programme in terms of reporting training, matching, and retention metrics periodically.
- **Cost and Sustainability:** The systems should be within the financial capacity of the service providers and provide value for money that ensures post-programme sustainability and scalability.
- **User-friendliness:** The IT systems should be easy to use for both the staff implementing the programme and submitting the data for the team dedicated to data entry, analysis and reporting. The system should also have training and online support options to ensure service providers can troubleshoot when needed.

Annex 3 presents potential IT solutions that service providers can consider. At the same time,   above describes the MCA experience in performance management and discusses the IT solutions used during this pilot.

▶ **Box 6: Common RBF implementation challenges and practical learnings from the Morocco experience**

Common challenges	Practical learnings
▶ Not coordinating the flow of the performance management system between service providers and programme managers might lead to significant bottlenecks for programme verification and disbursement.	▶ Test and pilot performance management systems and processes before launching the programme to ensure alignment. ▶ Ensure that the performance management system fulfils the minimum reporting requirements of the programme.
▶ Minimizing the fine-tuning and course correction opportunities that RBF provides can lead to known programme inefficiencies to persist for months.	▶ Set up a process and leadership committee to address performance issues and develop and implement fine-tuning and corrective measures for the programme.

▶ 4. Implementing RBF: Optimising service delivery to achieve RBF results

This section describes how service providers can set up and tailor their interventions to maximise the potential of RBF in skills development, employability, and employment services programmes.

Box 7: The MCA experience in programme delivery

In terms of delivery of the implementation model, the RBF design did not prescribe any specifics in terms of activities carried out by service providers apart from training. SPs submitted a work plan for critical phases of the intervention model, namely market appraisal, programme dissemination, needs assessment and beneficiary selection, training, intermediation, and post-placement activities. However, near complete flexibility was given to the service providers regarding the specifics of each phase, and they were encouraged to propose their model based on their expertise.

▶ **Market appraisal:** Service providers were encouraged to propose their models to identify labour market needs and concrete job offers. Proposals focused primarily on employer prospection, which included a relatively in-depth market study. Some service providers suggested contacting local administrations and other stakeholders in the labour market. Others proposed the development of a database of potential partner companies, with possible prospecting visits and an assessment of their recruitment needs.

▶ **Programme dissemination:** Service providers employed various communication tactics such as door-to-door information sessions, radio spots, and social media outreach. During the end-of-programme evaluation, some service providers revealed that the most effective method was door-to-door communication, combined with explicit communication on the RBF design.

▶ **Needs assessment and selection:** The selection stage focused on ensuring beneficiary eligibility and designing specific curricula based on their needs. This process included registration forms, individual interviews, and skills and motivation tests for some providers.

▶ **Training:** The only element imposed on all providers was the inclusion of mandatory core skills training. The core skills modules offered by service providers addressed topics such as self-confidence, teamwork, communication, job search techniques, elements of coaching, etc. A minimum threshold of core skills training hours has been set to ensure a minimum level of quality: As part of the MCA Pilot, each service provider had a minimum threshold of core skills training hours specific to them. These thresholds were set based on proposals made by the service providers and varied between 18 and 50 hours. For the INDH Pilot, core skills training

hours have been defined depending on whether the beneficiary is a graduate (30 hours) or a non-graduate (60 hours). These two thresholds were standard for all providers.

▶ **Intermediation:** Proposals included standard intermediation activities rooted in a logic of integration and retention in formal employment for the beneficiaries concerned. While the specific activities slightly varied, they typically included workshops to prepare for employment and contact initiation on behalf of beneficiaries with potential employers. One service provider stood out with their use of a database containing 40 companies and their recruitment needs.

▶ **Post-placement activities:** Similar to the previous phases, there were no specific prescriptions other than its function of supporting beneficiaries and meditating in the event of conflicts with the employer. Service providers adopted similar models for monitoring beneficiaries, including periodic telephone calls, mentoring within companies, and satisfaction questionnaires to ensure both beneficiary and employer satisfaction.

4.1 Programme setup

The RBF model encourages service providers to adapt interventions efficiently to achieve results. Service providers should use the preparatory phase of the RBF programme to tailor their intervention model to maximise the achievement of labour market results. To this end, the following sections tackle three main topics: (i) beneficiary sourcing, (ii) employer prospection, and (iii) partnership building.

4.1.1 Beneficiary sourcing

There are two main objectives to beneficiary sourcing: (i) harmonisation of the intervention with RBF design and labour market realities for cost optimisation, and (ii) tailoring the intervention to beneficiaries' needs to reduce attrition throughout the programme and improve job retention. Service providers can source beneficiaries in many ways and are not limited to the strategies presented, i.e., market appraisal, programme dissemination, and needs assessment. Moreover, the subsequent examples can be employed in combination or separately depending on the service provider's needs and the programme's requirements.

Market appraisal: A market appraisal evaluates the needs, constraints, and opportunities of various actors, including working professionals, the unemployed, employers, trade unions, and governmental departments. When targeting beneficiaries, service providers can use appraisal methods such as semi-structured interviews, focus group discussions, and direct observation to ascertain potential beneficiaries' demographic characteristics such as education, location, and age. For example, engaging trade unions in the market appraisal process by fostering open communication, collaborative data collection, and joint initiatives ensures their representation. It leverages their insights to address workforce needs and advocate for workers' rights. The information obtained from this exercise allows service providers to understand the needs and preferences of job seekers and adapt the intervention model to their demographic characteristics to maximise the likelihood of receiving full payment for results. Moreover, the broader market appraisal exercise targeting other critical actors in the labour market allows service providers to balance beneficiary sourcing with the demands of employers, thus ensuring a cost-effective model that does not over-train beneficiaries without sufficient opportunities (section 4.1.2).

Programme dissemination: Concurrently with market appraisal, service providers can engage potential beneficiaries through programme dissemination. This dissemination can include a variety of communication tactics such as door-to-door strategies, information sessions, radio spots, social media posts, etc. Dissemination enables service providers to attract beneficiaries and secure their buy-in by communicating effectively on programme design and objectives. To this end, service providers can employ the following tactics derived from learnings from the MCA experience:

• **Explicit communication on the RBF approach:** Explaining that payment is tied to results beyond training, i.e., job placement and retention, to potential beneficiaries can secure their trust and buy-in. This buy-in is particularly relevant when targeting discouraged beneficiaries who have been unemployed for a long time and have participated in other decent work programmes, as transparency around payment sets the RBF programme apart from traditional programmes. This transparency, in turn, can positively impact dropout rates in the long run.

- **Early involvement of the beneficiaries' families:** Dissemination of the programme at a broader level that includes families can be beneficial, mainly when dealing with beneficiaries from challenging socio-economic backgrounds. For example, women from conservative families may encounter challenges related to the location or the industry of a job opportunity, which can make achieving results difficult. Hence, raising awareness about the RBF programme and understanding these intricacies allows service providers to tailor their interventions accordingly.

Needs assessment and selection: After completing the market appraisal and programme dissemination phases, service providers have a pool of potential training and job placement beneficiaries. However, assessing these beneficiaries' needs is crucial to tailor the intervention model and ensure their success. The needs assessment process can utilise many methods depending on the level of rigour desired. For instance, service providers can provide registration forms and conduct individual interviews with beneficiaries, or they can administer skills and motivation tests for beneficiaries to ensure the suitability of the profiles and to adapt their training to their specific needs. Since RBF provides service providers with flexibility concerning the intervention model, they can capitalise on the needs assessment findings. For example, the assessment might reveal that a beneficiary possesses some technical training but lacks the core skills necessary for a job interview or to build a proper resume. Service providers can offer resume-building workshops and core skills training to fill these gaps.

Moreover, the service providers can use this assessment to ascertain whether the beneficiaries fit the programme's criteria for selection, particulary if the RBF design imposes eligibility criteria, such as age, gender, education, or quotas, to promote the inclusion of vulnerable groups. To this end, service providers can build a comprehensive profile that includes but is not limited to age, gender, education level, sector of interest, availability of a job promise. While some of these elements might already be required for verification purposes, others may prove helpful in securing payment for results by adapting the interventional model and ensuring objectives are met cost-efficiently. Since RBF ties payment to results, service providers can incur non-reimbursable expenses for activities that do not yield the desired results, such as over-training beneficiaries without a job opportunity or beyond a certain quota, training non-eligible beneficiaries.

▶ **Box 8: Common challenges and practical learnings for beneficiary sourcing from the MCA Morocco experience**

Common challenges	Practical learnings
▶ Investing limited resources in training programmes that do not address the beneficiaries' skills gaps or motivational factors.	▶ Design and administrate motivation and skills tests to potential beneficiaries to assess their needs and respond accurately.
▶ Training ineligible beneficiaries or exceeding quotas prior to receiving the results of the independent auditor's verification.	▶ Keep eligibility criteria in mind and prioritise vulnerable populations, if applicable. ▶ Ensure the validity of the documentation needed for verification and wait for confirmation before training.
▶ Over-training beneficiaries without consideration of changes in the labour market.	▶ Recruit beneficiaries according to the market appraisal findings to avoid excessive training without sufficient job promises.

4.1.2 Employer prospection

The main goal of employer prospection is to secure job promises for beneficiaries to minimise the risks associated with payment for placement and retention results. Taking this task on in the preparation phase, as opposed to the intermediation phase, allows service providers to forecast their training needs in terms of the number of

beneficiaries and the training content. Service providers can prospect employers in the preparatory stage through market appraisal and programme dissemination.

Market appraisal: Similar to beneficiary sourcing, service providers can engage employers during the market appraisal phase to tailor their intervention to their needs to maximise the beneficiaries' chances of job placement. Service providers can collect data on the economy, labour market trends, and the given location's demography. They can also engage directly with employers by interviewing them on their recruitment needs. The output desired from this exercise is understanding national and regional labour market needs (skills, sectors, etc.) and securing job promises. Beyond these insights, employers can actively participate in the RBF programme, collaborating on programme design and offering on-the-job training opportunities that align with the programme's objectives. Generally, service providers do not start from scratch when searching for employers. Still instead, they can leverage their pre-established networks to conduct a cost-effective market appraisal and build on those relationships to secure job promises.

Programme dissemination: Programme dissemination allows service providers to widen their reach beyond their pre-established networks of employers and, therefore, increase the programme's visibility, as well as secure buy-in for the RBF model amongst employers. Much like beneficiary sourcing, communicating explicitly about the RBF design and the intervention model can ignite interest in the innovative approach and instil trust amongst employers that training can be adapted to their needs, given the flexibility of RBF. Conversely, in contexts where employers are familiar with RBF, communicating about the service providers' participation may increase their credibility and promote job promises.

4.1.3   Partnership building

Cultivating partnerships with other key actors in the labour market, such as government authorities, trade unions, local NGOs, and other service providers, can contribute to a cost-effective implementation. For instance, service providers can collaborate with local governments to provide spaces for or even transportation to training sessions, mainly if the targeted beneficiaries are located in remote areas. This support can help service providers cut fixed costs associated with training and lower dropout rates at the training stage by lowering the "barriers to entry" for beneficiaries. Moreover, service providers can leverage connections with government stakeholders to verify eligibility and results before the independent auditor's verification to lower the likelihood of result resubmission or payment rejection and avoid delays. On the other hand, partnerships with trade unions can help identify adequate employers and quality job opportunities that can contribute to long-term retention. Furthermore, partnerships with local NGOs can contribute to beneficiary sourcing. Finally, collaboration with other service providers outside the programme may allow the service provider to subcontract part of the training based on expertise.

4.2 Tailoring programme delivery within a decent work RBF programme

In the pursuit of optimising the impact of the RBF programme, it is essential to leverage the insights gained from the setup phase. These assessments are pivotal in shaping and tailoring training delivery, job intermediation, and post-placement support. By aligning programme delivery with the findings of these assessments, the aim is to maximise impact by preventing training dropout, facilitating high-quality job placements that meet employer and beneficiary needs, and creating an enabling environment for high job retention.

4.3.1.   Training

In RBF designs, training assumes a pivotal role, whether a specified payment metric (as outlined in section 2.1) or a driving force behind other incentivised outcomes such as job placement and retention. Thus, understanding the intricacies of training is crucial to **responding to the specific RBF design conditions**, **minimising dropout rates**, and **ensuring the quality of training** provided, ultimately facilitating payment for results.

Generally, training can encompass a variety of skills development, be it technical skills, vocational training, on-the-job training, or core skills development. Depending on the programme's design, service providers may have **complete flexibility** in terms of hours and content, or they can be **bound by specific design requirements** such as training hours, types of training, quotas, differential pricing for different populations, or other specifications, which necessitate adjustments to the intervention model. For instance, the RBF design may prescribe mandatory

core skills training, but service providers can dispense different types of training if needed per employer or beneficiary needs. Table 6 summarises common RBF design conditions that may prescribed.

▶ **Table 6: Common RBF design requirements**

Types of RBF requirements	Explanation
Training and skills development	Typical activities include technical education, vocational training, core skills training, on-the-job training, remedial skills training (e.g., reading, writing), etc.
Hour Volume	RBF design may set a minimum hour requirement for training common to all beneficiaries or differentiated by beneficiary type (e.g., beneficiaries with diplomas versus those without).
Quotas	Quotas are implemented to promote equity, favour disadvantaged populations, and deter discriminatory selection. When selecting and training beneficiaries, service providers should ensure that they meet quotas to receive full payment. In some cases, exceeding quotas may be permissible by the RBF design. However, if it is not, service providers should exercise caution as they may incur costs without payment.
Differential pricing	Like quotas, differential pricing aims to promote social inclusion by setting higher payments to service providers for training and placing disadvantaged groups. A higher pay-out incentivises service providers to target populations that may be costlier to train and harder to put in jobs due to various factors such as education, gender, disability, etc.

Minimising **dropout rates** is of utmost importance to further enhance success, especially when training completion is a metric incentivised by the RBF design. This effort ensures that their intervention model is as **cost-effective** as possible, particularly since payment would be tied to the number of beneficiaries trained rather than training courses administered. High dropout rates can undermine program effectiveness and hinder payment outcomes. To minimise dropout rates, service providers should employ tactics such as:

- **Capitalising on findings from the beneficiary sourcing phase: service providers** should use beneficiaries' demographic characteristics and needs to adapt training in terms of content and hours. For example, beneficiaries from regions where tourism is prevalent would benefit from language, customer service, and first-aid training. Another strategy is the provision of on-the-job training in collaboration with employers. This provision lowers the opportunity cost of training for needy beneficiaries, deterring them from taking on informal jobs. Additionally, it allows the securing of employer buy-in to secure job placement, hence increasing the likelihood of payment for the job placement results.

- **Providing psychosocial support:** Beneficiaries may need additional psychosocial support adapted to their socio-economic conditions to ensure their retention in the programme. The support provided by the coaches and the feeling of belonging to the group can be decisive for the success of beneficiaries. This is particularly relevant for discouraged beneficiaries who have lost confidence in themselves and the system, those who stopped their formal education early as they are less inclined to restart long training, or those in particularly vulnerable situations.

- **Offering complementary services:** Whenever possible, service providers should provide complementary services such as childcare, transportation, or per diems to incentivise continued training. This can be an effective solution to deter beneficiaries from dropping out by reducing the opportunity cost of training. Moreover, it may prove pivotal for beneficiaries in precarious situations whose "barriers to entry" to the labour market are high.

Finally, ensuring the quality of training throughout implementation is vital, as it encompasses content and effective delivery methods, trainers, and resources. To provide high-quality training, service providers should implement rigorous quality assurance mechanisms, regular content updates, trainer development, and adequate resources, enabling beneficiaries to excel in job placement and retention. In sum, training is an integral component of RBF success, demanding careful consideration of design conditions, dropout rate mitigation, and the delivery of top-tier training for optimal results.

4.3.2. Intermediation

Integration into a decent job is usually one of the key results expected from an RBF programme. Thus, the support activities leading to integration, called intermediation activities, are central to the service providers' intervention model and aim to accelerate matching job supply and demand. During the intermediation phase, the primary objective is to **facilitate job placements for beneficiaries likely to lead to long-term employment retention**. Generally, the RBF design provides flexibility in terms of activities; however, there may be general design requirements such as quotas, types of contracts (e.g., fixed-term contracts, permanent contracts, etc.), sector of employment, etc. Service providers **should tailor their intermediation approach to align with specific RBF design conditions** when applicable.

There are two axes of intervention in terms of intermediation: the beneficiary side and the employer side. Regarding beneficiaries, service providers should mitigate risks associated with job placement, namely failure to find placement and resignation or contract termination, which affect payments for job placement and retention results. Intermediation activities can vary depending on the beneficiaries; service providers can coach on interview skills, maintain psychosocial support through family mediation when relevant, coordinate with employers to initiate contact and ensure a smooth transition, etc. These strategies ensure that beneficiaries are well-prepared and confident as they move towards securing suitable employment opportunities. Service providers should **tailor intermediation activities to the beneficiary's profile for maximum cost-effectiveness and payout**.

On the employer front, service providers should **capitalise on their existing network for cost-effective intermediation**. They should also choose an adapted intermediation approach that **minimises non-payment risk** associated with failure to place beneficiaries. Among these intermediation strategies, three distinct approaches stand out. Service providers should **weigh the risks and rewards** of each of the following options and choose accordingly:

- **Proactive integration strategy:** The service provider looks for employment opportunities at the very start of the program, even before selecting and training its beneficiaries. This approach carries the least risk and can be easy to implement when the target for beneficiaries trained is relatively low. However, service providers should keep a margin of flexibility to account for any changes in labour market trends that may affect the intervention model. This strategy related to employer prospection is detailed further in section 4.1.2 related to employer prospection.
- **Passive integration strategy:** The service provider looks for employment opportunities after having selected and trained a pool of beneficiaries or lets the beneficiary find his job. This approach carries the most risk when it comes to payment. SPs run the risk of training beneficiaries without being able to place them, making them unable to recover the costs incurred entirely. Additionally, they can lose contact with beneficiaries, making them unable to execute post-placement activities and verify retention.
- **Hybrid approach:** The provider adopts a hybrid approach, with approximately half of the beneficiaries having been trained with employment opportunities and the other half being trained without promises of employment. This approach carries a medium risk but may be the most realistic, significantly when market trends can shift from the preparatory stages to the end of training.

Furthermore, **job quality** is essential to ensure job retention and maximise the programme's long-term impact. While job quality may not necessarily be a metric under the RBF design, this assessment provides immediate job placement in decent work and sets the stage for a promising career trajectory. To assess quality, service providers should meticulously evaluate factors such as employer reputation, working conditions, and prospects for sustained retention. This can be done by setting feedback mechanisms, such as surveys and interviews, to check the employer's reputation based on past experiences.

In summary, intermediation is a critical aspect of RBF programmes, influencing the successful integration of beneficiaries into the labour market. To maximise the effectiveness of intermediation interventions, service providers must **proactively respond to RBF design conditions, mitigate associated risks, and prioritise job quality assurance**. By adhering to these guidelines, the potential for successful intermediation outcomes within the RBF framework is greatly enhanced.

4.3.3. Post-placement activities

Similar to intermediation, the central goal of post-placement activities is to **ensure job retention**. This is crucial to an RBF programme since a retention period can be set as a payment metric to ensure the durability of the programme's impact. With this objective in sight, service providers should have a dual focus: **prevention of contract termination** to receive full payment for results, and **quality assurance** of post-job placement for a sustained impact beyond the retention period.

Breach of contract can primarily be attributed to two key factors: employer dissatisfaction and beneficiary discontent. On the one hand, employer dissatisfaction mainly stems from unmet performance expectations. On the other hand, beneficiary discontent frequently arises from a misalignment between the beneficiary's expectations and the actual job conditions, such as inadequate salary, lengthy and costly commutes, heavy workload, and more. To mitigate these risks, service providers should support and **mentor beneficiaries** to encourage them to be diligent and professional, to **recalibrate their expectations** concerning the reality of the labour market in the event of frustration with the employer, and to **mediate in the event of a conflict**. Moreover, service providers can create a mentoring program within companies to establish a robust support system for newly hired beneficiaries, with the help of older employees, and thus outsource part of the post-placement activities. The latter strategy allows service providers to cut certain costs associated with post-placement activities and, hence, establish a cost-effective intervention.

In terms of **quality assurance**, **monitoring and feedback mechanisms** can be put in place to continually assess and enhance job satisfaction and performance, thus contributing to long-term job retention. This strategy contributes to the tailoring of the intervention model through the identification of factors contributing to job satisfaction and capitalising on them. Furthermore, service providers can establish a system internally for monitoring the support provided to beneficiaries to serve as a referential database. The latter strategy can optimise service delivery to enable a cost-effective achievement of results by highlighting the most effective tactics that can be replicated. Ultimately, the implementation of comprehensive post-placement activities ensures not only full payment for results under the RBF model but also sustainable and successful employment for beneficiaries.

▶ **Box 9: Common challenges and practical learnings for tailoring programme delivery from the MCA Morocco experience**

Common challenges	Practical learnings
▶ Training content and hours are standardised and do not meet the needs and expectations of beneficiaries and employers.	▶ Provide maximum flexibility in terms of support for beneficiaries and hours of training and optimise training hours.
▶ Social and economic constraints, rather than the quality of training, can heavily influence the programme's outcomes.	▶ Integrate psychosocial support for beneficiaries in the training to adapt the intervention model to their needs.
▶ The opportunity cost might be too high for beneficiaries to continue training without a job promise.	▶ Offer on-the-job training to meet vulnerable populations' needs better, keep dropout levels low, and involve employers early.
▶ Beneficiaries may face socioeconomic obstacles that prevent them from accepting a job placement or even succeeding after placement.	▶ Personalise intermediation strategies by sensitising employers to specific socio-demographic groups and securing some remediation strategies such as transport provision.

▶ 5. Closing the RBF programme and ensuring sustainability

At the closing stage, service providers should reflect on these systematic and programmatic changes and adopt elements that can improve their organisational and service delivery models. This section reflects on these aspects from a learning and organisational culture perspective.

5.1   Programme evaluation

A programme evaluation allows service providers to understand what worked well and which adjustments are needed for future programme iterations. While the programme might be formally evaluated by the programme manager in the form of a learning agenda, service providers should also conduct an internal evaluation to assess the programme's success in beneficiary and employer satisfaction and its financial sustainability. Finally, service providers should capitalise on this internal evaluation to identify elements to mainstream in their operational model.

5.1.1 Internal evaluation

The post-programme evaluation process involves a holistic examination of various aspects, including beneficiary follow-up and satisfaction assessments, employer feedback, financial sustainability, and the integration of successful practices into the organisation's standard operational model. This thorough evaluation provides valuable insights to optimise future operations.

First and foremost, service providers should **follow up with beneficiaries** beyond the programme's conclusion. SPs can do this in two- different ways.

- **SPs can administer satisfaction surveys** upon programme completion to understand the beneficiaries' overall experience. These surveys should seek feedback on the quality and effectiveness of the programme from the beneficiaries' perspective, helping to identify areas for improvement and factors contributing to satisfaction.
- **SPs can gather data on retention post-closure and conduct follow-up assessments** at recurring intervals, for example, every six months. These assessments aim to monitor the sustainability of results by evaluating the long-term impact on beneficiaries through assessing factors like job retention and skills gains.

Furthermore, the internal evaluation should extend to gain an understanding of **employer satisfaction**. Satisfaction surveys should be created and distributed to employers who have engaged with programme beneficiaries. Gathering feedback on the performance and preparedness of programme participants in the workplace provides valuable insights into employers' perspectives on the value and effectiveness of the programme.

Moreover, an integral part of the evaluation process involves analysing the **financial sustainability** of the intervention model under RBF. This includes conducting a comprehensive budget analysis to assess economic viability by examining budget allocation, expenditures, and revenue generated from the programme. This allows service providers to evaluate the long-term feasibility of maintaining the programme within the organisation's financial resources or the possibility of engaging in other RBF programmes in the future.

Beyond programme-specific considerations, service providers should identify elements **to mainstream into internal practices**. Findings from the internal evaluation can inform the integration of successful practices into the standard operational model. This process involves recognising what worked well in a specific programme and understanding how those elements can be extrapolated and applied across various facets of the organisation's operations. Integrating successful practices is not a one-size-fits-all approach; instead, it requires a tailored adaptation to align with the organisation's objectives, structure, and culture. For instance, identifying a successful performance management system during the evaluation allows service providers to consider its integration into their broader operational framework (section 5.2.1). This could involve adapting and implementing the

performance management principles and methodologies that proved successful within the evaluated programme to enhance the efficiency and effectiveness of other organisational projects or initiatives.

By adopting this approach, service providers can foster a culture of continuous improvement within the organisation. The internalisation of successful practices identified through this internal evaluation serves as a dynamic feedback loop, allowing the service providers to evolve and refine their operational model over time. Ultimately, the integration of successful practices positions the organisation to not only learn from past experiences but also to proactively shape its future endeavours.

5.1.2   Learning agenda and dissemination

Upon the programme's conclusion, the programme manager may choose to elaborate a learning agenda to extract key learnings from the programme's design and implementation. The learning agenda usually offers practical recommendations for improving the current RBF programme, future RBF initiatives, and broader service delivery for skills development, employability, and employment services to maximise their impact. In this optic, service providers may be solicited to contribute to the learning agenda through key informant interviews and provide valuable insights into the agenda's research areas. Some examples of research areas commonly included encompass questions about the programme's quantitative results and qualitative results in terms of skills development, the effectiveness of RBF mechanisms in achieving these results, good practices for different stages of the intervention, as well as considerations related to cost-effectiveness and sustainability. During these interviews, service providers should r**eflect on their experience** with RBF, offering insights into critical areas by:

- **Identifying instrumental processes and documents** for smooth programme implementation,
- **Discussing challenges** faced during the RBF programme along with **strategies employed for resolution,**
- **Evaluating the impact of RBF on organisational processe**s to highlight **areas for improvement and innovation**, and
- **Sharing valuable lessons learned** for application in future initiatives or replication in similar programmes.

In addition to contributing to the learning agenda, service providers are instrumental in any dissemination events organised by the programme manager. Service providers' testimonials are crucial for skills development programmes, as they serve as persuasive tools to secure buy-in from other service providers and stakeholders to engage in RBF. Moreover, service providers can gain visibility and credibility through their participation, potentially opening the path to more collaboration with employers and funders. To do so effectively, service providers should proactively gather testimonials from beneficiaries, employers, and other stakeholders, leveraging them as powerful tools to secure support for future collaborations. These testimonials should emphasize the real-world impact of the RBF programme, showcasing **success stories and positive outcomes** to illustrate how the programme positively influenced the SPs' intervention and the lives of beneficiaries. Finally, similar to the learning agenda, service providers should share insights gained, including identified **areas for improvement and lessons learned**, to assist other service providers considering participation in similar programmes.

5.2   After the RBF programme: Ensuring sustainability

One the programme evaluation complete, service providers ought to explore ways to ensure the sustainability of lessons learned from the RBF in decent work programme. There are two main pathways to achieve this: first, service providers can apply the performance management system into their operational model and sustain a performance culture; second, they can participate in other RBF programmes in their field while capitalising on the experience gained from the concluded programme.

5.2.1   Sustaining a performance culture

Establishing a performance culture is initiated through implementing a performance management system (section 3.2), during which the service provider gains valuable experience in fostering a culture centred around performance. To transform an organisation into truly outcomes-oriented, it is important to recognise that simply relying on data alone is insufficient. Instead, the performance management system encourages service providers to focus on fostering a culture of learning, innovation, and continuous improvement. This focus on fostering a performance culture is further outlined in Annex 2 which defines its key components. Throughout this process, the

PM and the service provider would have collaborated to formulate a comprehensive performance culture plan. This plan entails the identification of specific actions and their respective owners to ensure clarity and accountability.

To sustain the insights gained from implementing the RBF programme, service providers should incorporate a **performance culture plan** into their operational framework and future projects. Table 7 provides an example outlining potential actions that can be included in a performance culture plan.

▶ **Table 7: Examples of actions to implement in a performance culture plan**

Areas of leadership	Mechanisms
Focus on performance *Rally the team around ambitious performance targets. Make performance a centrepiece of decisions and conversations in the organisation*	Set ambitious goals and milestones Offer financial bonuses tied to performance Design mechanisms to track performance Make performance visible and part of day-to-day conversations Ask different questions in meetings focused on results
Be present *Actively participate and prioritise performance management in the organisation* **Create a culture of learning** *Create a culture that values and promotes continuous and inclusive learning*	Develop a service culture around beneficiaries Attend all course-correction and other scheduled meetings Continuously motivate greater performance Create a safe environment for sharing of challenges and failures
Embrace change *Be open to and supportive of adaptive changes to programme design and delivery*	Value all perspectives irrespective of hierarchy Demonstrate openness to new ideas and challenge your own assumptions Dedicate resources to experimentation

By following and adapting this plan, service providers can sustain the lessons learned pertaining to performance management throughout everyday practice. Furthermore, service providers should refer to this performance plan when designing a performance management system for their projects and their daily operations.

5.2.2   Engaging in new RBF decent work programmes

Participation in an RBF program not only achieves the primary objective of placing beneficiaries in decent work but also acts as a **catalyst for building credibility and creating opportunities for future engagements**. After the programme's conclusion, it is crucial for service providers to comprehensively **assess the partnerships and collaborations established** during the programme. This involves **reflecting on the doors opened** through these relationships and strategising ways to leverage these connections for upcoming initiatives. The lessons learned, coupled with the credibility and expertise gained through RBF, should inform the evaluation of programme expansion, prompting key stakeholders to explore the potential for scalability. Service providers can participate in the new extended program in the same capacity as the concluded program, or alternatively, they can retain an **advisory position**, offering valuable insights into RBF design and implementation from the service delivery perspective.

In addition to working with established partners, service providers should **actively seek opportunities to utilise the RBF experience as a catalyst** for attracting additional funding or investment for similar projects. By highlighting the programme's proven track record of success and innovative approaches, service providers can **showcase the tangible impact achieved**, solidifying their position as leaders in driving positive change. This reflective process not only informs future decision-making but also positions the organisation to capitalise on the momentum generated by the successful implementation of RBF. Consequently, service providers should **leverage this credibility to forge lasting partnerships with employers and funders**, actively seeking out new opportunities in the realm of RBF for decent work.

▶ Annex 1 - RBF applications in decent work programmes

RBF has increasingly been adopted in decent work programmes to deliver improved employment outcomes. Evidence shows that the use RBF has led to efficiency and effectiveness gains in contract design, procurement processes, and contract and performance management in high-income countries.[19] In Australia, for instance, employment services were fully outsourced through RBF with the creation of the "Job Network" in 1998 and continued with three more iterations to the present JobActive programme.[20] Testifying the value of RBF, costs have significantly declined per employment outcome.[21] Similarly, the British Department for Work and Pensions shifted to an RBF procurement and contracting scheme over the last decade.

While it can entail more challenges, RBF has also been increasingly implemented in low- or middle-income countries (LMICs) in skills development, employability, and employment services programmes. In Ethiopia and Tanzania, the Helvetas' Skills and Knowledge for Youth (SKY) employment programme, and the Youth Employment through Skills (YES) were delivered between 2015-2017 and 2018-2021, respectively, using Performance-based Contracts (PBCs) to engage service providers to deliver market-driven and entrepreneurship trainings. In Ethiopia, by year three, the programme had delivered trainings for 2,000 beneficiaries, of which 76 percent had been placed on a job.[22] In Colombia, the government, in partnership with the Inter-American Development Bank and the Swiss Development Agency, created the country's first Social Impact Bond (SIB), the Employing for the Future SIB, to pilot the role of RBF for employment services. This pilot was subsequently replicated with a second SIB (Cali Progresses with Employment) in the Colombian city of Cali and is now being scaled up by creating an employment-focused Outcomes Fund, which is currently funding the "Emergency Innovation" SIB in Colombia. In Palestine, the Development Impact Bond (DIB) created by the World Bank as part of the "Finance for Jobs II" programme aims to provide market-driven and cost-effective employment trainings for over 1,500 young Palestinian jobseekers (aged 18-19 years) of which at least 30 percent are expected to be women.[23] Table 8 summarises the main features of several skills development, employability, and employment services programmes using RBF:

▶ **Table 8: RBF applications in skills development, employability and employment services**

Programme name	Dates of Operation	Main Outcomes Payer	Target Number of Beneficiaries	Funding level	RBF Instrument
Job Active, Australia	2015 to 2020 (last iteration)	Australian Government, through the Department of Employment	Approximately 1.4 million unemployed people	Approximately USD 5.5 billion	PBC
Work Programme, UK	2011 to 2020	Department for Work and Pensions (DWP) (UK government)	Approximately 610,000 unemployed vulnerable people	Approximately USD 3.3 billion	SIB

[19] Finn D & Johnson R. "Experience of OECD Countries in Contracting Employment Services: Lessons for the Kingdom of Saudi Arabia." World Bank (2014): p8

[20] OECD. Connecting People with jobs: Activation policies in the United Kingdom. OECD Publishing (2014): p193

[21] Finn D & Johnson R. "Experience of OECD Countries in Contracting Employment Services: Lessons for the Kingdom of Saudi Arabia." World Bank (2014): p25

[22] Instiglio. "Results-based Financing to Enhance the Effectiveness of Active Labor Market Programmes." Ottawa: IDRC. (2018): p70

[23] University of Oxford, GOLAB. "Finance For Jobs Intervention description." University of Oxford (2019): p1
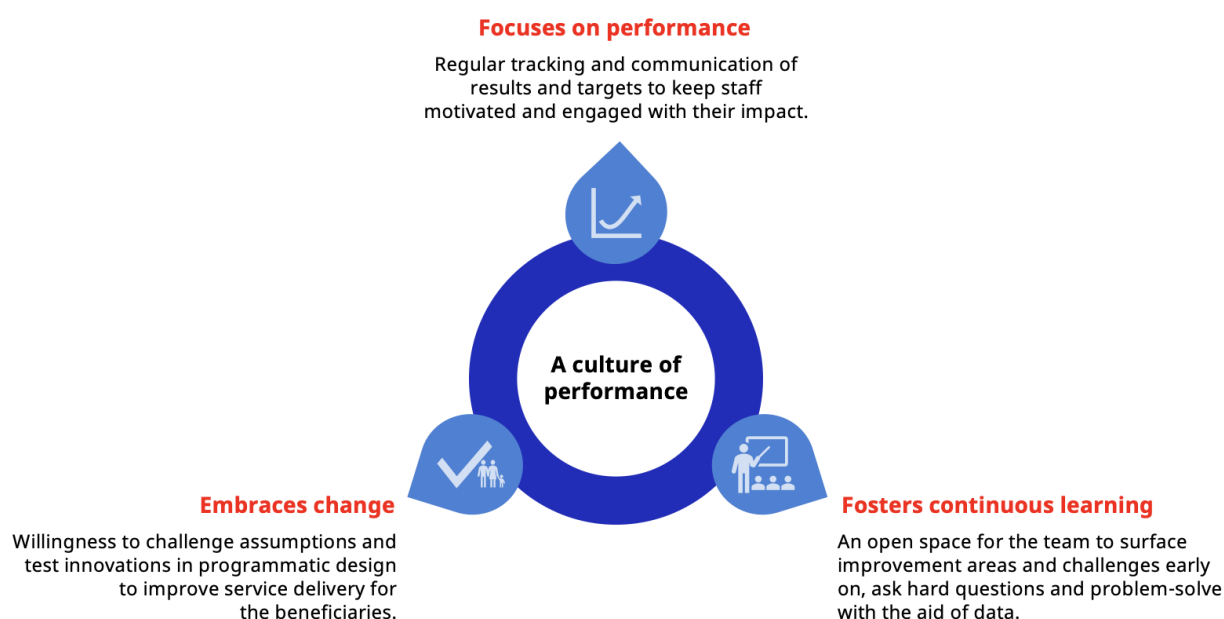
Employment Fund, Nepal	2008 to 2015	Swiss agency for Development and Cooperation (SDC), Department for International Development (DFID) and the World Bank	100,000 unemployed vulnerable people (53% women and 80% disadvantaged people)	Approximately USD 27.93 million	PBC
SKY, Ethiopia	Phase 1: 2015 to 2017 Phase 2: 2018 to 2021	Helvetas/ Ethiopia Swiss Intercooperation	Phase 1: 2,000 Phase 2: 3,000 unemployed vulnerable people	Phase 1: Approximately USD 712,162 Phase 2: Approximately USD 1,200,000	PBC
Finance for Jobs II, Palestine	2019 to 2023	World Bank Group – State and Peace Building Fund (SPF), World Bank Group – Trust Fund for Gaza and West Bank (TFGWB)	1,500 unemployed young vulnerable people	Up to USD 5.75 million	DIB
Employing for the Future, Colombia	2017 to 2018	*Prosperidad Social* and BID Lab (with resources coming from SECO)	514 Unemployed vulnerable people	USD 1,050,491	SIB
Cali Progress with Employment, Colombia	2019 to 2020	*Alcaldia de Cali* and BID Lab (with resources coming from SECO)	856 unemployed vulnerable people	USD 1,335,300	SIB
Emergency Innovation program, Colombia	Information not available yet	*Departmento de Prosperidad Social* (DPS) and the BID (with resources coming from SECO)	Information not available yet	Approximately USD 4,657,000	SIB
RBF Jobs Fund, Morocco	2020 to 2021	MCA with funds from Millennium Challenge Corporation and the Moroccan government	Information not available yet	Approximately USD 10 million (this can change in the future)	PBC
Project your Future, Argentina	2018 – 2020 (the termination year can vary)	Government of Buenos Aires City (GCBA)	1,000 young vulnerable people in the city of Buenos Aires	Approximately USD 2 million	SIB

Youth Employment through Skills enhancement (YES), Tanzania	2018 to 2021	Helvetas Swiss-Intercooperation	3,000 young vulnerable people	Approximately USD 650,000	PBC

▶ Annex 2 - Framework for performance culture development

Data on its own is often not enough for the service provider's organisation to become outcomes-oriented: 98 percent of nonprofit organisations collect a lot of information but a third of them are unable to reflect on this information and integrate it in a meaningful way into programme activities.[24] According to Mario Morino, the author of Leap of Reason, "...the organisation should have the mental mindset to do what it does as well as it possibly can and continually seek to do even better."[25] Therefore, to effectively translate data collection into performance management, a culture of performance must exist within the SP's organisation.

▶ **Figure 6: Characteristics of a performance culture**

Focuses on performance
Regular tracking and communication of results and targets to keep staff motivated and engaged with their impact.

A culture of performance

Embraces change
Willingness to challenge assumptions and test innovations in programmatic design to improve service delivery for the beneficiaries.

Fosters continuous learning
An open space for the team to surface improvement areas and challenges early on, ask hard questions and problem-solve with the aid of data.

Concretely, to create a performance-based culture with the characteristics described in Figure 6, service providers should prioritise fostering and implementing the following three principles within their organisation:

1. **Focus on performance:** Regular tracking and communication of results and performance targets helps to keep staff motivated and engaged with their impact. Tracking results at the staff level is useful to highlight areas to strengthen and opportunities for sharing best practices, insights, and learnings. For instance, Roca, an implementer in the Massachusetts recidivism SIB, consistently collects data to inform their decision-making. Insights from data are incorporated in their meetings in a weekly, monthly, quarterly, and annual basis, and are used to assess and adapt their model.[26]

2. **Continuous learning:** Opening space for the team to suggest areas for improvement, detect challenges early, and problem solve with the aid of data is critical. The Urban Institute suggests a number of ways to involve staff in a continuous learning process. These practices include reflective supervision, data review meetings, and the presentation of data insights in regular staff meetings. Cure Violence, an organization working to stop the spread of violence in communities has integrated formal weekly staff meetings and

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[24] Smith Milway and Saxton (2011).

[25] Morino (2011).

[26] Pierce (2009); Roca (2013).

regular supervisor reviews to discuss and update their current understanding of violence in communities and identify strategies for interrupting it.[27]

3. **Open to change:** SPs' flexibility to adapt their programme is a major benefit of RBF. But organisations cannot benefit from the flexibility provided by RBF if they are not prepared to change their approach. Willingness to challenge assumptions and test innovations in programmatic design is key to improving performance. A good example of this is the International Planned Parenthood Foundation. In pursuit of greater impact, they implemented a Branch Performance Tool that allows them to track activities and results at the branch level. Following the implementation of this tool, the Uganda branch dramatically increased the number of mobile clinics, tripled the number of contraceptives delivered, and eliminated multiday waiting lines. In Cambodia, their branch was able to identify and close low-performing clinics, move clinics closer to women who needed services, and expand the services offered.[28]

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[27] Cure Violence (2017).

[28] Green, Fahnestock, and Blau (2015).

▶ Annex 3 - IT solutions for performance management

Table 9 below identifies some IT solutions that services providers engaged in a decent work RBF programmes can use to manage their performance efficiently throughout implementation. The list below is not exhaustive, and service providers should keep in mind that the best IT system is the one that best fits the specific programme implementation realities on the ground, as well as the IT capabilities of the SP's team.

Table 9: Overview of IT solutions for performance management

IT solution	Data collection and entry	Data management	Data visualisation	Key features
Excel	✔	✔	✔	• Computer-based data entry • Basic data validations • Offline data entry • Basic data management functions • Basic data visualization functions • Free for nonprofit organizations
Google Forms	✔	✔		• Computer- and mobile-based data entry • Basic data validations • Basic data management functions • Basic data visualization functions • Online data entry • Free
Survey CTO	✔		✔	• Mobile-based data entry • Advanced data validations • Offline and online data entry • Data can be downloaded in multiple formats • Basic data visualization functions • Free and paid plans
Open Data kit	✔			• Mobile-based data entry • Advanced data validations • Offline and online data entry • Data can be downloaded in multiple formats • Free

Stata		✔		- Automated data management - Data can be uploaded and downloaded in multiple formats - Limited data visualization function - Paid plans only
SPSS		✔		- Automated data management - Data can be uploaded and downloaded in multiple formats - Limited data visualization function - Paid plans only
Power BI		✔	✔	- Automated data management - Data can be uploaded and downloaded in multiple formats - Advanced and intuitive data visualizations - Offline and online data storage - Free and paid plans
ETO Social Solutions	✔	✔	✔	- Specific for case management - Computer-based data entry - Advanced data validations - Online data entry - Cloud-based - Basic data visualizations - Paid plans only
Tableau		✔	✔	- Automated basic data management - Advanced and intuitive data visualizations - Data can be uploaded and downloaded in multiple formats - Offline and online data storage - Paid plans only

Salesforce	✔	✔	✔	• Computer and mobile based data entry • Advanced data validations • Online data entry • Advanced data management functions • Data can be uploaded and downloaded in multiple formats • Advanced and intuitive data visualizations • Free for nonprofit organizations

▶ Annex 4 – Pricing and the payment function

Pricing of results

Setting the right price for the achievement of define results is essential to ensure that incentives are aligned with the desired impact, thus effectively activating the RBF value addition. Depending on the pricing method, prices can vary across different types of results, such as payments for training beneficiaries or for beneficiaries retained in a job after 3 months. Prices can also vary for the same results achieved across beneficiary groups, e.g., women, youth, and beneficiaries without high school diplomas. Table 10 summarizes the most common pricing methods in RBF.

▶ **Table 10: Pricing methods**

Method	Concept	Considerations
Cost-based pricing (price-setting)	Uses the service provision costs as the basis and, where necessary, adds a percentage to account for the risk of not achieving the results (risk premium).[29]	- Requires reliable and granular data on costs from past experiences and multiple SPs. - Focuses on the cost of activities and not on cost-effectiveness. - The determined cost might be too high for service providers, depending on organizational differences.
Competitive procurement	Uses the proposed prices for results achieved from service provider proposals in a competitive tendering process (see section 3.1.1.).	- Relies on experienced service providers that can accurately set prices. - Vulnerable to a scenario where service providers collectively present high-cost estimates that are unrealistic.
Comparative cost-effectiveness	Uses market research and benchmarking, assessing service providers costs and (where available the RBF prices paid) for similar programs in other contexts in the same country or other international examples.	- Requires an in-depth, and often time-consuming, market research on existing skills development and employability- and/ or RBF programmes in a similar context. - Benchmarking depends on comparability with other contexts.
Value-based	Determines the price per unit as the social value of achieving a result. The price is determined by (i) the **monetary benefits** (e.g., money saved from not paying unemployment benefits, or increase in tax revenue due to raising wage) and (ii) **quantified social value** (e.g., increase in well-being as increased youth employment was correlated with reduction in violence).	- Highly dependent on assumptions on the social value of results. - Most appropriate if the long-term social value can be quantified.

Payment function

Payment functions govern the price per result achieved and how prices vary with each result. PMs should keep the payment function as simple as possible to ensure it is understood by all service providers and operationally relevant. The simplest design is a linear function (Figure 7) where the slope of the function represents a constant price per result achieved. This annex presents additional features of the payment function.

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[29] The method accounts for (i) fixed-, (ii) variable-, (iii) operating-, and (iv) opportunity costs.
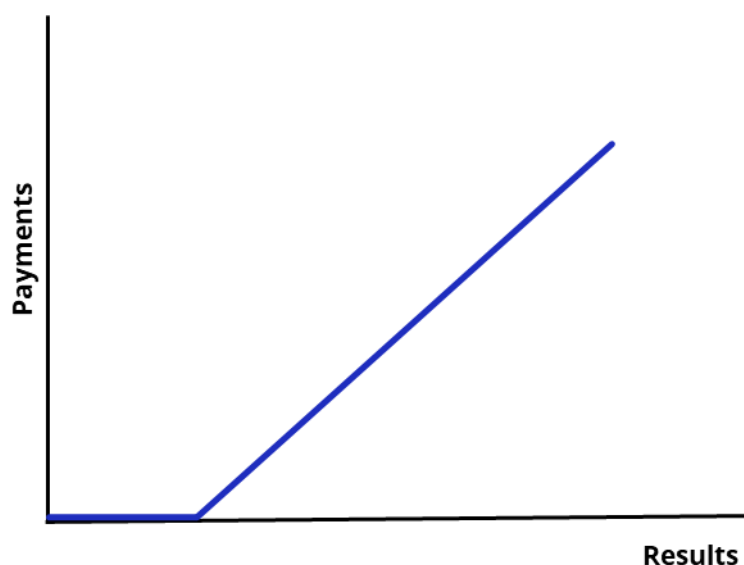
▶ **Figure 7: Payment function**
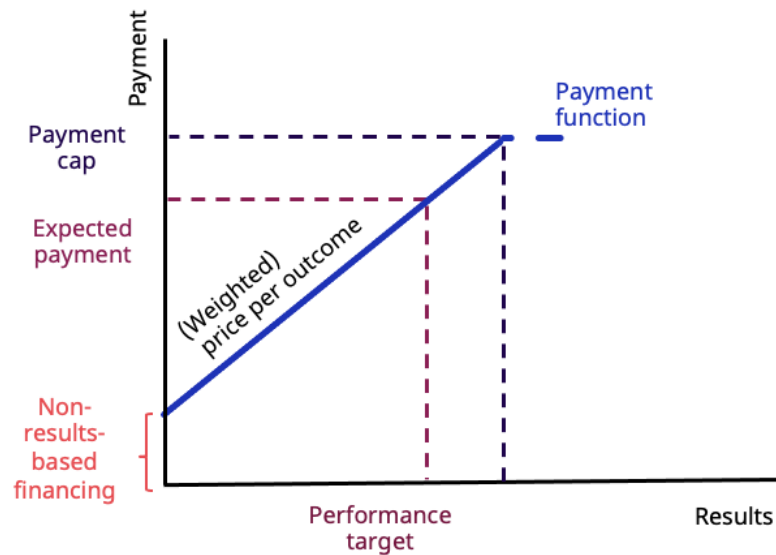
Thresholds: create strong incentives to improve results

Although best when kept simple, PMs can choose to add features to the programme's payment function to manage service providers performance: for example, PMs may include a **minimum threshold**, which is the minimum level of results that the service provider needs to achieve before any payment is made (see Figure 8). Outcome payers may want this feature because they would not want to spend money on a programme that does not achieve a minimum level of impact. To illustrate, imagine an example where payments are not made until 100 job placements have been achieved. In other words, whether the service provider achieves 0, 50, or 99 job placements, it does not affect their payments. service provider remain at zero until achieving 100 job placements. Thresholds provide strong incentives to improve results but may reduce staff motivation if set too high and are perceived to be unachievable. Thresholds also introduce a higher risk for service providers since progress below the threshold is not rewarded.

▶ **Figure 8: Minimum threshold**

Payment kinks: adjust for changing marginal costs

PMs can also choose to add **payment kinks** to the programme's payment function, where the price per unit of results changes after a specified level of results has been achieved (see Figure 9). Kinks in the payment function reflect variation in the price per unit of results achieved based on the level of results achieved. Prices may increase or decrease as more results are achieved and a payment function may have one or multiple kinks. For example, the price per unit of the job retention may be different between 0 and 50 units and between 50 and 100 units.

An increase in prices for higher levels of results can be a way to compensate for an increase in marginal costs. Often, there are individuals within the programme's target population for whom it is costlier to achieve results (e.g., youth with no education). If an service provider targets those individuals easiest to impact first and then moves on to the harder to impact individuals, marginal costs will naturally increase. An increase in prices after a certain level of results compensates the service provider for these additional costs. Last-mile problems also justify an upward kink. For example, in a programme targeting unemployed women in rural areas, a portion of the beneficiaries are likely to not comply with the training program and miss sessions, hence requiring service provision (outreach and mobilisation activities, close beneficiaires follow-up) that is costlier than the standard service. Therefore, average treatment costs would increase over time, and a payment kink could compensate for this. Conversely, economies of scale might mean that marginal costs decline as you expand your programme. In that case the outcome payer might argue that the payment function should have a downward kink. However, PMs be wary of such claims, because, as mentioned above, there is often a point at which marginal costs of delivering results increase as you expand your programme's coverage.

▶ **Figure 9: Payment kinks**
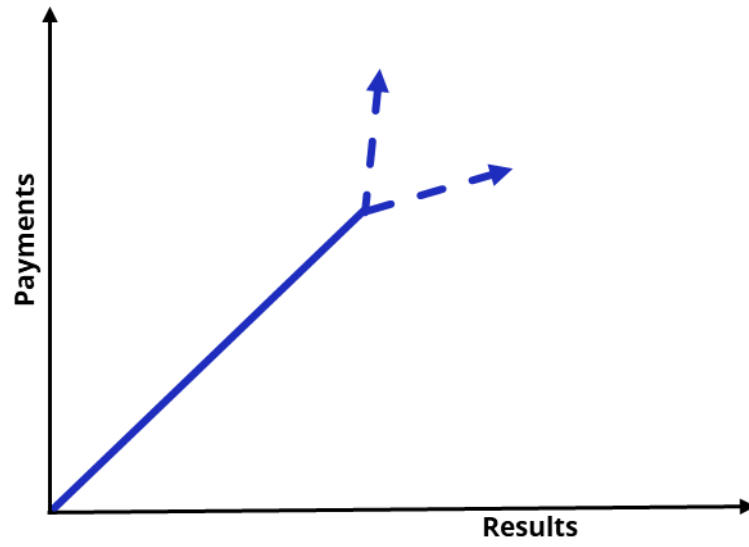
▶ Annex 5 – Pre-financing options

In most skills development and employability RBFs, the provision of **upfront funding within the RBF structure** is the most effective and straightforward method to address the pre-financing needs of service providers. This provides more control over pre-financing amounts and conditions, resulting in greater risk mitigation, while also avoiding the complexity of additional actors or funding flows in the RBF mechanism. This method is also viewed more favourably by service providers, since it does not carry the transaction costs associated with financing options (i.e., return paid to investors or interest paid on loans). This can help build greater interest in the RBF programme and attract more qualified service providers. Table 11 provides an overview of pre-financing methods available to SPs.

▶ **Table 11: Pre-financing options**

Method	Concept
Upfront funding within the RBF	The RBF has an early payment, before results are achieved and verified, meant to finance the first tranche of implementation activities. This payment is within the overall RBF funding envelope and is paid by the same funder.
Investor financing within the RBF	The RBF structure includes an investor who provides the service providers with working capital to invest in inputs and activities at a specified rate of return. Results-based payments, including the rate of return, are repaid to the investor. A common version of this structure is an impact bond (section **Error! Reference source not found.**).
Grant financing outside of the RBF	SPs secure their own financing resources from donors in the form of a grant. This can be facilitated by the PM, funder, or undertaken completely by the service provider. The PM can support the service providers in finding donors that are aligned with the programme's objectives for this.
Loan financing outside of the RBF.	SPs secure their own financing resources from the financial market, from banks, credit unions or other commercial lenders.
Self-financing	SPs use their own working capital to finance inputs and activities.

▶ Annex 6 – Negotiations in RBF contring

In the base-case scenario of competitive procurement, the contract terms are determined by the programme manager ahead of the RFP. This often means that formal negotiations may not take place, as negotiation primarily involves the service provider's proposal submission. However, while negotiations are infrequent and not always recommended, there may be instances where service providers can discuss contract terms with the PM, either before implementation (e.g., contract finalisation) or during implementation (e.g., delivery performance issues or unforeseen contextual events). In such cases, service providers should consider the following key points when engaging in contract negotiations with the programme manager:[30]

- ▶ **Leading purpose-driven negotiations.** While it is inevitable that the negotiation will evolve around the interests of various stakeholders, the service provider should firmly establish that the shared goal of all parties is to find an agreement that maximises the decent work programme's impact on beneficiaries' labour market outcomes. This is typically to all parties' advantage. For the SP, this ensures that the design of the RBF contract is aligned with their organisation's mission. For example, the PM may request to add jobseekers IT skills to the set of payment metrics, but the service provider does not have experience in providing trainings in this subject. Instead of highlighting their increased payment risk, the service provider could argue that this change might distract their attention from the elements of their employment services and skills program that are known to be highly impactful.

- ▶ **Do not consider negotiations zero-sum game.** Collaborative and open negotiations, where each party tries to understand and flexibly respond to the needs of the other, can create greater value for all parties. For instance, as there are different ways of managing risks, the service provider should creatively explore a range of solutions to find one that meets both parties' needs. For example, suppose the PM has a strong interest in a payment metric which poses a high risk for the service provider (e.g., 1 year of job retention). In that case, this can be managed by negotiating a lower target, less funding allocated to this metric or additional funding for SP's capacity building.

- ▶ **Adopt a holistic approach versus a piecemeal approach.** It is important that the service provider formulates and considers the contractual terms they want to renegotiate or discuss with the PM all at once, as opposed to negotiating specific terms or design features. Unidimensional negotiations can lead the service provider to agree to a series of concessions that make sense individually, but together significantly reduce the attractiveness of their contract.

- ▶ **Get the right expertise.** Negotiating an RBF contract can become technical at some point, so the service provider should consider seeking advice from a subject matter expert where needed.

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30 It's important to note that each Decent Work project is unique, so service providers should adapt this guidance as needed to accommodate any existing negotiation processes or formalised procedures in place