▶ Results-Based Financing to Advance the Decent Work Agenda in Skills Development, Employability, and Employment Services

Programme Manager Guidebook

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Contents

Abbreviations and acronyms

INDH	Initiative Nationale pour le Développement Humain
MCA	Millennium Challenge Account
NGO	Nongovernmental organisation
PBC	Performance-Based Contract
RBF	Results-Based Financing

Definition of terms

Table 1: Definition of terms

Term	Definition
Core Skills[1]	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.
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.[2]
Technical Skills	Technical skills, knowledge, or know-how to perform specific duties or tasks.[3] 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.[4]
Employment Services	Third-party support to match jobseekers with available vacancies.[5] 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
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.
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.[6]
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.[7]
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.
Results-Based Financing	RBF is a financing arrangement in which some payments are contingent on the achievement of predefined and verified results.
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.[8] 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.

[1] ILO Skills and Employability Branch: Core Skills
[2] ILO: Decent Work
[3] ILO. "Shaping Skills and Lifelong Learning for the Future of Work." International Labour Conference, 109th Session (2021): p19.
[4] ILO. "National Employment Policies: A Guide for Worker's Organisations." International Labour Office (2015).
[5] ILO Employment Promotion: Employment Services
[6] ILO. "Enterprise Formalization: An Introduction" ILO (2021).
[7] ILO. "National employment policies: A guide for workers' organisations" International Labour Office (2015).
[8] ILO. "Shaping Skills and Lifelong Learning for the Future of Work." International Labour Conference, 109th Session (2021): p9.

Introduction

RBF for skills development, employability, and employment services

Decent work has become a universal objective that is included 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 play a critical role in strengthening the labour market's value and facilitating the employer-employee matching process.[9] Such programmes are especially critical for 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.

Within the context of skills development, employability, and employment services programmes, Results-Based Financing (RBF) has been increasing leveraged to drive greater impact and more cost-effective interventions. RBF is an innovative financing modality that conditions payment for providers of employability and employment services on the achievement of verified 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.[10] Learning from these experiences, development actors began implementing RBF modalities for similar programmes across a wide-range of low- and middle-income countries, including Colombia, Ethiopia, Tanzania, Morocco, Nepal, and Palestine.[11]

Table 2: Common interventions

Programme	Common interventions
Skills development and employability	Skills training (e.g., core and soft skills)
	Technical and vocational education
	On-the-job training (e.g., internship, apprenticeship)
Employment services	Information sharing (e.g., employer networks, benefits of training)
	Entrepreneurship support
	Contract initiation (e.g., referral system) and placement support
	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 are increasingly recognising the role that RBF can play 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.[12] 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 system acts as a performance feedback mechanism, providing data to 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 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.

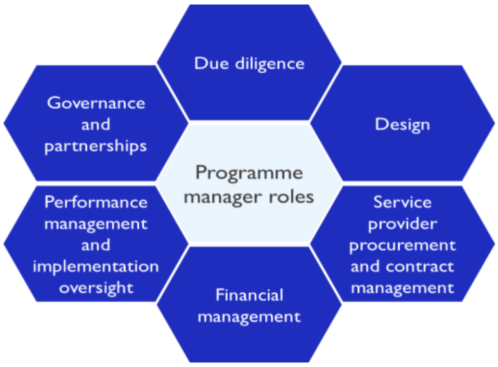
[9] Ekkerhard E, et al. "Labour Market Policies for Inclusiveness: A Literature Review with a Gap Analysis." ILO Working Paper, No. 78 (2022): p8.
[10] OECD. "Connecting People with Jobs: Activation Policies in the United Kingdom." Paris: OECD publishing (2014).
[11] Instiglio. "Results-based Financing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

About this guidebook

This guidebook offers practical and user-friendly guidance for programme managers who are leveraging, or planning to leverage, RBF to improve impact from skills development, employability, and employment services programmes. The document has been produced alongside a companion guidebook for RBF service providers, covering similar topics from the provider point-of-view. Together, these two guidebooks provide RBF stakeholders with a comprehensive toolkit to begin optimising their RBF programmes.

For purposes of this guidebook, programme managers are individuals or organisations that oversee, coordinate, advise, or execute any of the core RBF management responsibilities outlined in Figure 1. Programme managers can encompass a wide range of actors including government, non-governmental organisations (NGOs), private sector actors, multilateral or bilateral organisations, and foundations, under various role configurations.

▶ Figure 1: Programme manager roles



Through a set of structured frameworks and detailed guidance, this guidebook instructs programme managers on how to prepare, design, and implement their programmes under a PBC (or performance-based grant) modality.[13] Guidance in this document is framed towards pilot and early iterations of an RBF programme. However, the frameworks and insights are also useful for more mature RBF programmes that seek to continue enhancing the effectiveness of their design and efficiency of their implementation practices. Similarly, although the guidebook scope is focused on skills development, employability, and employment services PBCs, the guidance can be applied to other modalities of RBF and other interventions that support the decent work agenda.

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 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: Morocco experiences with RBF for employability and employment services

In 2016, a national survey 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. [14] To help address this pervasive issue in Morocco's employment situation, the Millennium Challenge Corporation and its local implementation agency, Millenium Challenge Account (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 through PBCs. 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 enhanced the effectiveness of employability and employment services programmes, achieving job placement rates between 65-75%. In addition, the programme evaluation highlighted how RBF drove improved inclusion of vulnerable populations, enhanced efficiency of administrative procedures, fostered greater accountability and transparency, and heightened beneficiary satisfaction.

Motivated by the pilot's results-driven approach, Initiative Nationale pour le Développement Humain (INDH) built its own one-year, USD 1.8 million RBF with a subset of the pilot service providers beginning in 2022. The INDH RBF closely resembled the original pilot but was administered fully through Moroccan government structures.

This guidebook is structured around the main stages of an RBF programme in four sequential sections:

[13] While the guidance covers the core RBF stages and concepts in detail, this guidebook alone cannot replicate the depth of RBF expertise necessary for a successful programme. Managers, particularly those with limited RBF experience, should proactively seek additional resources to support their RBF journey. In addition, managers can consider outsourcing specific stages or elements of the RBF to other actors. In this case, the guidebook details are an important input into defining the scope of work and managing the other actor.
[14] HCP. "National Employment Survey." HCP (2016).

- **Section 1** outlines the foundational **preparation** work necessary for an RBF programme, including conducting a due diligence and establishing an RBF strategy that responds to the due diligence findings.
- **Section 2** details the components of an RBF **design** and how to calibrate them to a programme's context.
- **Section 3** summarises practical advice on core elements of RBF **implementation**, including service provider mobilisation, governance structures, oversight and performance management, and evaluations.
- **Section 4** provides critical considerations on **sustainability** for RBF programmes.

Major sub-sections follow a common format, beginning with brief theory and relevant frameworks. This is followed by comprehensive how-to guidance for managers to apply the theoretical basis. The start of how-to guidance is denoted with the symbol to the right. Finally, sub-sections close with examples and best practices specific to the skills development, employability, and employment services sector.

1. RBF preparation

RBF programmes require adequate planning and preparation, much like any new intervention or funding modality. This section guides programme managers in answering the following two critical preparation questions, while Box 2 illustrates the RBF preparation in the context of Morocco:

- **Due diligence:** To what extent is RBF the right funding tool for the labour market and programme context?
- **Strategy:** How can RBF drive impact considering the due diligence findings and other key parameters?

Box 2: Preparing for RBF in the context of Morocco

The RBF process in Morocco began with an in-depth due diligence to understand the context and the extent to which RBF would be a valuable and feasible modality to finance employability and employment services providers. In addition to document reviews, the due diligence leveraged deep engagement with relevant government bodies and service providers operating in the target market. Key insights included:

- There were sufficient providers in the market to delivery interventions. However, provider capacity for RBF was limited, meaning complementary technical assistance would be critical to the programme.
- There was significant government buy-in for RBF as a tool to drive sustained impact and actors were aligned on the goal of targeting vulnerable populations.
- The data enviornment was generally strong, with data on core results likely to be payment metrics. However, limited data on costs existed, meaning more detailed pricing analysis would be necessary.

Once the decision to use RBF was made, an RBF strategy was created. Given the due diligence findings, the strategic parameters focused on targeting vulnerable populations of youth, women, and those without formal education. Since the funder already had a fixed funding envelope for the programme and a targeted geographic region, other parameters of scale were refined to fit within these boundaries. A detailed theory of change was also created to guide the RBF (refer to Annex 2).

1.1 Due diligence assessment

During due diligence, programme managers assess the programme and labour market context through the lens of RBF to articulate why and how RBF can unlock additional impact. In many cases, due diligence findings are the basis for a *go- or no-go* decision on the use of RBF. Even if a decision to use RBF has already been reached, due diligence is still critical to uncover contextual insights for the RBF design and build stakeholder buy-in. An RBF due diligence should address the following two topics, which are discussed in the remainder of this section:

- **Impact rationale:** To what extent and through what pathways can RBF enhance programme impact?
- **Feasibility:** To what extent can RBF be successfully implemented in the context of the programme?

Box 3: Due diligence resources

- Stakeholder mapping
- Political economy analysis
- Policy, legal, and regulatory mapping
- Labour market analysis
- Service provider landscape assessment
- Past programme designs and reports

To conduct the RBF due diligence, a programme manager should gather existing documentation that can help draw out critical insights for the impact and feasibility analyses (see Box 3 for examples of useful resources). By reviewing existing documentation first, managers can approach additional data gathering in a more efficient and targeted manner. If limited documentation exists, managers should plan for a more rigorous data gathering and assessment phase to close information gaps.

When gathering additional data, managers should prioritise direct engagement with stakeholders, including government, potential service providers, and employees' and employers' organisations. Such engagements help to uncover more nuanced details of the context, while simultaneously building better buy-in and understanding of RBF. The final output of the assessment should also be documented and shared with relevant stakeholders to create a common understanding of the basis for RBF.

1.1.1. RBF impact rationale

RBF is not the right tool for every programme. It should only be applied when a clear and compelling impact rationale is identified. There are many rationales for using RBF, which can be organised across two broad dimensions:

- **Supporting goals:** RBF has inherent rationale for supporting common goals for skills development, employability, and employment services programmes. These include goals to surface the most innovative and impactful interventions for future scaling, improve programme cost-effectiveness, enhance data management systems, strengthen the programme evidence base,[15] and crowd-in additional financing.[16]
- **Addressing challenges:** RBF has an impact rationale when key performance challenges can be addressed by one or more of RBF's drivers of impact (refer to Introduction). Table 3 outlines examples of RBF's impact rationale in addressing common challenges for employability and employment services programmes.[17]

▶ Table 3: Examples of RBF impact rationales related to addressing challenges

Challenge	Barriers to results	RBF impact rationale
Limited impact on long-term employability	-Lack of attention to, and low accountability for, skills development -No adaptability of providers to the evolving labour market	-RBF can strengthen the focus on employability and hold providers accountable for sustainable improvements to skills. -By relaxing controls over activities and inputs, RBF can give providers' the flexibility to adapt their programmes to the evolving labour market and employer needs.
Poor results with vulnerable populations	-Higher cost to reach/ serve -Unknown solutions or lack of flexibility to adapt services for these populations -Lack of attention to the results with these populations	-RBF can better align providers' financial incentives with the costs of serving these populations. -By relaxing controls over activities and inputs, RBF can give providers' the implementation flexibility to adapt their programmes to the needs of more vulnerable populations.
Placements do not provide decent work (low quality)	-Lack of attention to, and low accountability for, quality of jobs -Higher effort/ cost to facilitate decent work	-RBF can strengthen the focus on quality of jobs and hold providers accountable for facilitating decent work. -RBF can better align providers' financial incentives with the costs associated with facilitating decent work placements.
Low retention after job placement	-Lack of incentives to keep beneficiaries in jobs -Unknown solutions for how to support retention	-RBF can better align providers' financial incentives with the costs of supporting beneficiaries to retain jobs. -By relaxing controls over activities and inputs, RBF can give providers' the implementation flexibility to surface cost-effective solutions that support job retention.

To identify RBF rationales, programme managers should undertake rapid assessments to diagnose both the programme goals and the underlying challenges from an RBF perspective:

Goals: Managers should engage with relevant stakeholders to collaboratively articulate critical programme goals beyond improved employability and employment outcomes. To help facilitate effective dialogue, programme managers should prompt critical questions that help uncover RBF-relevant goals. Examples of goals that RBF can support and questions to prompt discussion are outlined in Table 4.

▶ Table 4: Questions to surface RBF rationale for goals

Goal	Questions
Surfacing innovations	Are interventions not effective for certain populations? Have interventions struggled to adapt to changes in the labour market? Are there relevant innovations not being applied yet?

[15] Scaling Quality in Early Childhood Education with Results-Based Financing (educationoutcomesfund.org)
[16] OBF_Covid19_04_040521_WEB.pdf (ox.ac.uk)
[17] The table serves as a reference for managers but should not be taken as a comprehensive listing of all possible rationales for RBF.

Improving cost-effectiveness	Are programme costs unsustainable? Are budgets being reduced? Are the costs per result higher than benchmarks?
Enhancing data and evidence	Does the programme lack reliable data on results? Do providers lack strong data systems? Is there a need for better evidence on the programme/ interventions in the specific context?
Scaling effectively	Are the interventions being replicated in new markets or for new populations? Is there certainty that no adaptations will be needed?
Crowding in financing	Do potential funders value innovative financing and results-based approaches?

Challenges: Programme managers should undertake a multi-staged process to (i) assess existing performance and where there are gaps, (ii) diagnose the root causes of performance challenges, and (iii) analyse where RBF can address root causes and unlock performance gains as a result. To assess performance, managers should focus on the degree to which the underlying interventions are currently achieving targets key results. At a minimum, this should involve reviewing relevant performance reports and programme evaluations. Ideally, managers can also engage with stakeholders to gain a more complete picture of performance. To diagnose these performance gaps, programme managers should leverage a root cause analysis approach,[18] which helps drill down into the ultimate causes of problems. To complete the assessment, managers must assess where RBF drivers of impact can address root causes.[19] RBF need not address all root causes to be an effective financing modality for a programme. However, if significant root causes cannot be addressed by RBF, managers should prioritise implementing RBF alongside complementary strategies that simultaneously address the other causes of performance challenges.

The rigor of these analyses can be tailored to a programme's needs and time and budget constraints. While a more in-depth analysis provides key insights for the design phase, it is not a requirement for an effective due diligence. As long as a programme manager can clearly articulate a single, strong rationale for RBF, then the programme will have a sound basis for moving forward.

1.1.2. RBF feasibility

An impact rationale alone is not a sufficient basis for deploying RBF. Since RBF represents a significant change in the status quo of programme funding, programme managers must also ensure that change is practically feasible. Concretely, the following contextual factors help facilitate an effective deployment of RBF:

1. **Stakeholders that are committed to RBF and aligned on its objectives:** As with all programmes, RBF requires buy-in from relevant tripartite stakeholders (governments, employers). Managers must consider the likely buy-in to both the programme objectives, as well as RBF as a modality to drive these objectives.
2. **Results that are measurable and have an existing data basis:** Results and data are fundamental to RBF. Although specific results are not selected until a design phase, programme managers must analyse the measurement and data environment to ensure there is a sufficient basis for selecting metrics, establishing targets, and calibrating prices.
3. **Service providers that can deliver results under RBF:** RBF relies on service providers with the capacities (technical, managerial, etc.) and expertise to deliver the targeted performance. Under an RBF, performance management and financial capacities are particularly important, as well as capability to manage risks.
4. **Financial systems and actors that can finance RBF:** RBF first and foremost requires funders to pay for results, and RBF must be compatible with the internal systems and processes of these funders. Because RBF shifts payments from inputs to results achieved, service providers must also have a financing solution to fund the activities to achieve results and manage their own cash flow and non-payment risk.
5. **Compatible incentive and regulatory/ legal environments:** RBF must be a feasible modality within the regulations and laws that govern an RBF programme and its stakeholders. Since RBF's impact relies on altering incentives, the broader incentive environment must also be conducive for RBF.

To assess feasibility, programme managers should answer a series of qualitative questions that help analyse the current state of the five factors outlined above. Table 5 summarises high-level questions in the context of employability and employment services programmes. Managers should use these as a basic framework and supplement with more detailed questions that reflect the context and programme aims.

[18] Root cause analysis is the process of articulating problems' causes to identify solutions. Managers should leverage the many online guidance and tools available to further guide this process.
[19] As a rule of thumb, RBF is well suited to address incentive misalignments, motivational challenges, lack of accountability for performance, low results-orientation, lack of clarity on most effective interventions, and lack of flexibility to experiment and adapt.

Table 3: Guiding questions for assessing RBF feasibility factors

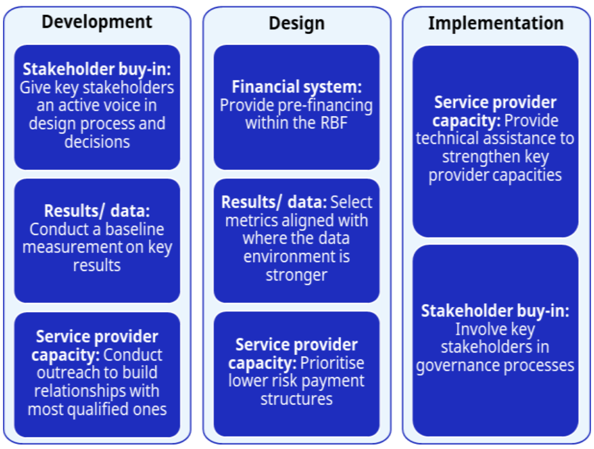
Factor	Guiding questions
Stakeholders that are committed to RBF and aligned on its objectives	• Are relevant government bodies, workers' and employers' organisations, and other key stakeholders likely to support the RBF, considering their objectives and strategies? • If so, is this support likely to be stable and sustainable?
Results that are measurable and have an existing data basis	• Are there results aligned with the programme's aims that can be objectively measured? • Is there historical data on key results, either from the government or service providers? • Do service providers operate with measurable metrics (e.g., cost of training and employment service delivery, beneficiary characteristics)?
Service providers that can deliver results under RBF	• Are there service providers with a track-record of delivering the intervention with the targeted population and in the same (or similar) context? • Do they have absorption capacity for the scale of the programme's funding/ goals? • Do they have sufficient monitoring, evaluation, and performance management capacity? • Do they have robust financial structures and systems to engage the financial sector for pre-financing, adapt financial management processes, and manage risks?
Financial systems and actors that can finance RBF	• Are there funders committed to paying for results? Is RBF compatible with their internal processes and regulations? • Are there financial actors that can support pre-financing for providers at affordable terms?
Compatible incentive and regulatory/ legal environments	• Do relevant regulations, laws, and guidance enable disbursements based on results? • Is the broader incentive environment stable and coherent, despite any gaps identified in the impact rationale exercise? • Are there major incentives that could challenge or negate the influence of RBF incentives?

As highlighted in Section 1.1, managers should leverage existing documentation as a primary input to answering these feasibility questions. However, more information gathering is often necessary, particularly from potential service providers. Providers can give critical insights on their delivery capacity, as well as the results and data environment and financial considerations for pre-financing activities. Programme managers have a variety of pathways to engage service providers in this process, including: (i) publishing a request for information for potential providers, (ii) hosting events or workshops with many service providers to explain RBF and ask relevant questions, or (iii) sampling a smaller number of providers and engaging in a deeper due diligence exercise for topics relevant to the feasibility factors.

When concluding on the overall feasibility, managers should consider the following key insights from other RBFs:

- **Not all feasibility factors are equally important.** Programme context may dictate that certain factors are more or less critical. For example, when government bodies are engaged as either funders or service providers, regulatory and legal framework compatibility becomes more important to RBF viability.
- **Feasibility does not need to be perfect, nor even very good, for RBF to be viable.** Strong feasibility factors are an indication of an environment that is likely to over-achieve in terms of RBF impact. However, moderate overall feasibility is sufficient for a programme to move forward.
- **Feasibility can be strengthened before or during implementation.** Feasibility should not only reflect the current status quo. Rather, the analysis should consider how weak factors can be (i) strengthened through the RBF development or implementation process, and/or (ii) mitigated against in the design of the RBF. For example, providers' performance management capacities will inherently be strengthened through RBF. Similarly, a weak data environment can often be mitigated by greater investments in the measurement and verification design. Additional examples of strengthening or mitigating factors are outlined in Figure 2. Managers should ensure strategies considered in the analysis are feasible within the programme timeframe and budget.

Figure 2: Strengthening RBF feasibility



1.2 RBF strategy

Once a decision has been made to leverage RBF, managers should develop a detailed strategy for the programme. A strategy articulates core programme attributes and provides a clear vision for how the RBF will be designed and implemented in response to the due diligence assessment. The process of developing an RBF strategy and its output can take many forms depending on the context and the needs of key stakeholders, particularly the main funders. This guidebook focuses on the two most essential strategic questions, while Box 4 highlights other strategic elements that programme managers should consider:

- **RBF structure and parameters:** What are key programme boundaries?
- **RBF theory of change:** How and why will the RBF programme achieve the intended impact?

Box 4: Other strategy components

- **RBF development roadmap:** Summary of the design steps and associated timelines.
- **Stakeholder engagement plan:** Identification of core RBF stakeholders and a summary of how they will be engaged during the RBF development process, including communication channels, frequency of touchpoints, and topics to be covered.
- **Complementary strategies proposal:** Summary of the additional interventions or changes that should be implemented alongside RBF to maximise impact.
- **Risks and mitigation plan:** Identification of key risks to the success of the RBF development and its eventual implementation, and summary of the mitigating measures that will be taken.

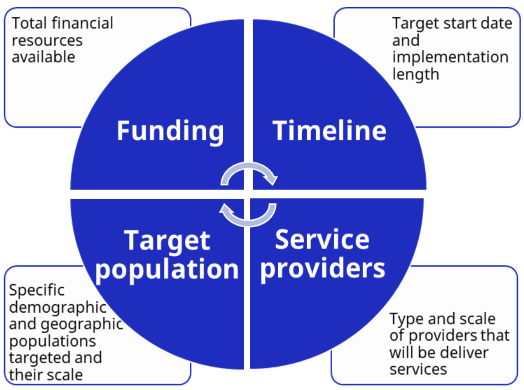
Practically, the strategy acts as a bridge between due diligence and design. While a distinct step between these two processes is highly desirable, it is not always necessary. If there is insufficient time or resources for a separate strategy exercise, managers should ensure these key elements are folded into the RBF design.

Once the strategy is complete, the output should be sensitised thoroughly with relevant stakeholders, ideally through strategy workshops. This helps ensure there is shared understanding on the direction for the RBF and the underlying rationales. This also creates accountability around programme boundaries and decisions that have been made, which can prevent inefficiencies and back-tracking during design.

1.2.1. RBF parameters

The basis for an RBF strategy is a set of interconnected parameters, outlined in Figure 3, that define the programme boundaries and priorities. Parameters capture key elements of RBF scale and target actors (beneficiaries and incentivised providers). RBF parameters are not standalone decisions. Instead, parameters must be defined as a package considering the interdependencies and implications each parameter may have on the feasible options for other parameters. For example, the total funding available is an important determinant of other scale elements, including geography, number of beneficiaries, and number of providers. The scale for all these parameters must be feasible with the available programme funding.

Figure 3: Common RBF parameters



Managers should begin the process of defining parameters by mapping out what parameters are effectively pre-defined. In many cases, at least some parameters may be fixed by the funder's requirements or other programme considerations. For example, the funder may already have a fixed budget allocated to the programme, or government strategies may dictate that certain demographics are priority for employability and employment services interventions.

In cases where some parameters have been formally or informally defined, programme managers should rapidly assess if the parameters are (i) appropriate based on the due diligence findings, and (ii) congruent across the various interdependencies of parameters (e.g., measures of scale reflect funding value). If either condition does not hold, managers will need to engage the funder and other stakeholders to find suitable solutions. In instances where both conditions hold, managers can pivot their attention to refining the remaining parameters.

In cases where parameters are not pre-defined, managers should leverage the due diligence findings to create optimal RBF parameters considering (i) what is likely to drive the most impact, (ii) what is feasible in the context, and (iii) what aligns with RBF good practices. Key considerations for each parameter are outlined in Table 6.

Table 6: Considerations for RBF parameters in employability and employment services programmes

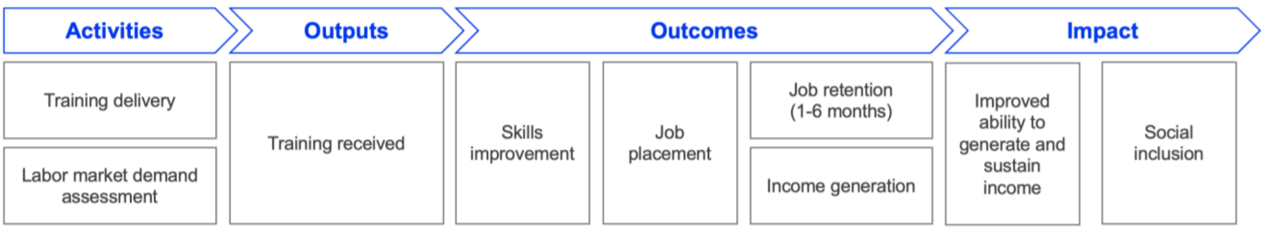
Parameter	Considerations

Funding	How much funding is needed for administration, including verification, learning, and management? What is the approximate annual absorption capacity of providers? What is the estimated funding gap for service delivery in the approximate target population?
Target population[20]	What target populations have been successful in other RBF experiences? What populations have the largest need for employability and employment services? What populations require greater incentives and flexibility to reach (e.g., because of higher costs or more complicated barriers to employability)? What, if any, are the barriers to targeting populations with greater need and RBF rationale? *Back-of-envelope calculation to plug parameter interdependencies: How many beneficiaries can be reached given the funding available, timeline, and/or likely number of providers?*
Timeline	What timelines have been recommended from other RBF experiences? What, if any, are the timeline boundaries for the funder(s) (e.g., budgeting cycle)? How long will it take to reach the number of beneficiaries targeted? How long is the service delivery cycle for a beneficiary (e.g., from identification to placement)? *Back-of-envelope calculation to plug parameter interdependencies: How long can the RBF run given the funding available, targeted beneficiaries, and/or likely number of providers?*
Service providers[21]	How many, and which type of, providers were identified as having capacity for RBF in due diligence? How many, and which type of, providers are likely to seek to participate in the RBF? *Back-of-envelope calculation to plug parameter interdependencies: How many providers, and which type, can be engaged given the funding available, timeline, and/or targeted beneficiaries?*

1.2.2. Theory of change

A theory of change is a logic model that illustrates the expected causal pathway for a programme, from activities to the desired impact. By focusing on sequencing and causality of programme results, a theory of change depicts how the programme is understood to work and helps identify the most critical success factors. Figure 4 illustrates a high-level theory of change for a skills development, employability, and employment services intervention, while Annex 2 provides a detailed example from Morocco.

Figure 4: Theory of change for skills development, employability, and employment services



To develop a theory of change, managers should draw heavily on the due diligence insights and emerging vision of the programme, including parameters. Managers should undertake the following sequential steps to transform that information into a theory of change diagram:

- **Identify the ultimate goal:** Managers should begin at the end point and define the specific programme goal(s).
- **Map backwards from the goal:** Managers should work backwards step-by-step to identify the specific outcomes that lead directly to the achievement of this goal, and then in turn what causes those causes. This backwards mapping should continue all the way through to programme activities, focusing on cause and effect and capturing the process of change.
- **Highlight key assumptions and enablers:** Managers should also identify where a causal pathway is facilitated by a key assumption or enabler. Assumptions can be based on common sense, but significant assumptions should be supported by research and evidence (e.g., government data, results from prior programmes). Assumptions and enablers should be explicit in the theory of change to create a comprehensive picture of the causal pathway.

[20] Demographic and geographic characteristics to consider: gender, age, education level, income level, household and marital status, geographical region, residence (rural, urban, peri-urban), previous work experiences, disabilities, and other characteristics of vulnerability in the context.
[21] Characteristics to consider for typology: size and scale of operations, organisational registration status (NGO, government, company, etc.), maturity of operations in the context, services offered, funding sources and partners, and other characteristics that may be relevant in the context.

- **Diagram the output:** Managers should capture all the above information through (i) a diagram that clearly maps cause and effect amongst all key steps, and (ii) a narrative that describes the theory of change in written form and highlights key causal links. Causality is complex and mapping it can be challenging. Managers should consider the tactics outlined in Box 5 to simplify the process if capturing all change in a single diagram is proving cumbersome or counterproductive.

While managers could complete this process unilaterally, a collaborative approach with other relevant programme stakeholders (funders, employer and employee groups, government, and potential providers) is often more effective and highly recommended. Organising workshops is the most common approach to facilitate efficient collaboration and allow diverse viewpoints to iterate the theory of change together. If workshops are not feasible, managers can hold 1-1 engagements with stakeholders to gather input and ideas.

Box 5: Streamlining a theory of change

- **Express the theory of change at different levels:** First, a high-level diagram that focuses only on the broad causal links fundamental to the programme's success. Second, separate and more detailed diagrams for different elements of the programme (e.g., outcome or intervention pathways). The first level can also be useful for communicating the programme and its strategy to wider audiences.
- **Move some detail out of the main diagram:** Details can be included in an appendix, footnote, or the accompanying narrative. This tactic is particularly useful for activities and early outputs, which are less important to focus attention on.

2. RBF design

RBF can only drive greater impact from employability and employment services programmes through a rigorous and contextually appropriate design. An RBF design must answer the following key questions related to the structure and characteristics of the programme:

- **Results framework:** What results will earn payments?
- **Measurement and verification system:** How will the results be measured and verified?
- **Financing and payment structure:** How will the achievement of results be financed and paid?

This section guides programme managers to answer these key design questions through a combination of structured frameworks, detailed guidance, and good practices from the RBF for decent work evidence base. Box 6 outlines the major design elements in the Morocco RBF experiences as an illustrative example.

Box 6: Morocco RBF design

Payment metrics: Three payment metrics were included: (1) training completion, (2) job placement, and (3) job retention at six months.

Measurement and verification: Service providers submitted metric performance, accompanied by supporting evidence, through a digital platform (SalesForce). An independent audit firm triangulated the reported performance with supporting evidence and the national employment database and made unannounced visits to providers.

Financing and payment structure: The RBF created two separate payment structures based on different risk profiles of the service providers. This approach was used to better calibrate terms to what was feasible for service providers and avoid excessive non-payment and non-disbursement risk. Service providers were given a risk rating based on the due diligence of their governance, management, and financing models and their capacity to achieve the RBF's targeted results. The structure is summarised as follows:

- **Pre-financing:** Medium- to high-risk providers received 20% of the overall contract price upfront as conditional pre-financing, whereas low risk providers received tailored amounts <20%.
- **Prices:** Prices were established based on the specific financial proposals (costs) of each selected service provider, resulting in per beneficiary prices between USD 585 and USD 1,950. The RBF used a weighting system to allocate the overall price amongst the various payment metrics based primarily on costs to achieve results: training received the highest weight, followed by placement, and then six-month retention as the lowest weight. Similar to pre-financing, metric weights varied with risk profiles: higher risk providers received a higher proportion of payment for training and placement than their low-risk counterparts.
- **Payment schedule:** Providers were paid quarterly to support cash flow and provide performance feedback.

RBF design is not a perfectly linear process from one question to the next. Each design element has interdependencies with, and implications for, other elements. As a result, managers should structure RBF design as an iterative, circular process and intentionally revisit prior design decisions with each new question answered. Through this process, it is common to adjust design elements multiple times, and managers should avoid closing decisions until the full design picture is clear. Managers should consider the following additional process-related good practices:

- **Collaboration and engagement are critical:** RBF design should not be completed unilaterally. Critical stakeholders, such as the government, funders, and potential service providers, should be engaged throughout the process to gather input and feedback. Not only does this generate a more effective design, but it also builds knowledge and buy-in for implementation. The most common way to engage stakeholders is through a series of workshops that bring various actors to the table to discuss specific design decisions.
- **More information gathering is often needed:** Due diligence work is a critical input into the design. However, programme managers will usually require more detailed information to create a robust design. Engagement with stakeholders (noted above) is an effective method to gather additional insights and data. Case studies in similar contexts are also a useful reference for good practices and lessons on RBF design.
- **The final design and underlying decisions must be well-documented:** Once consensus has been reached on all design elements, the RBF design should be detailed in an RBF design brief or term sheet. This provides an important summary of the agreed-upon RBF mechanism that can be referenced throughout the programme. It also becomes the basis for the details shared with potential service providers through various procurement or partnership soliciting materials (refer to Section 3.1). A decision log, which tracks the decisions made and the underlying rationale, is a useful complement to the final design documentation.

2.1 Results framework

The results framework defines *what* will be paid for in an RBF. It signals what results matter most for a programme and incentivises service providers to prioritise the activities and investments that will achieve the framework's results. To create a complete results framework, managers must answer the following questions:

- **Metrics:** What results will be tied to RBF payments?
- **Performance targets:** What level of performance is expected for each metric in order to earn full payment?

The remainder of this section addresses the first question, while Annex 5 provides further guidance on targets.

2.1.1. Payment metrics

Payment metrics should flow from the programme's theory of change, which encapsulates all the key results and causal linkages from activities to impact (Section 1.2.2). However, not all results on the theory of change *can* be selected as payment metrics: this would create a design that was too complex, too risky, and ultimately not able to deliver RBF's benefits of focusing on what matters most and providing flexibility. Further, not all results on a theory of change are *suitable* as payment metrics. To be effective payment metrics, results must have the following attributes:

1. **Relevant for achieving programme goals:** Payment metrics must capture a result that is critical for achieving the programme's impact. Metrics that are not critical to the overall goal can divert providers attention away from what matters and risk an RBF that achieves all metric targets yet does not generate impact. Generally, outcomes from the theory of change are most critical, as well as key outputs for the programme's primary causal pathway.
2. **Measurable:** Metrics must be feasible to measure and verify objectively and within reasonable cost and timeframes. The core question is not whether the result *can* be measured and verified—almost all results can be—but whether this process is *objective and timely* enough to be the basis for payments during implementation and *cost-effective* enough to keep programme administrative costs reasonable.
3. **Attributable to the service provider:** Metrics must be within service providers' control to achieve and not overly influenced by exogenous factors. Metrics that are heavily driven by incontrollable factors generate higher non-disbursement risk and may weaken the incentive effect.[22] Results are rarely *fully* within a provider's control.[23] However, to be suitable for RBF, a metric must be able to objectively control for the influence of exogenous factors through, for example, the measurement and verification approach.

[22] Providers may be demotivated by metrics that they cannot realistically control the results for and, thus, not try as hard.
[23] Exogenous factors, such as labour market/ macroeconomic conditions and target population dynamics, will always have some influence on providers and the results they can achieve. For example, even training completion can be influenced by population characteristics that reduce the likelihood of completion regardless of the training quality and consistency (e.g., distance to travel, family and social norms, low motivation).

4. **Realistic to achieve within the programme parameters:** Progress on the metric must be feasible within the programme's timeline and considering the value of funding committed. Metrics that are not realistic will create the same risks associated with non-attributable metrics. These factors may limit the practicality of more ambitious outcome metrics.[24]

To select payment metrics, programme managers should start by creating a longlist of potential metrics from the theory of change. The longlist should exclude results that clearly would not comply with the criteria of effective payment metrics. Next, programme managers should engage in a rigorous evaluation of each potential metric on the longlist against the criteria outlined above. To help structure this assessment, a scoring system (e.g., 1-5, or low-high) can be used. Scores should always be accompanied by detailed, nuanced analysis for each criterion. Metrics that score highest should be shortlisted for a final assessment that holistically evaluates the ideal combination of metrics for the programme. Box 7 summarises a checklist to guide managers in conducting this final assessment. Throughout the selection process, managers should also consider the following key insights from other RBF design experiences:

▶ Box 7: Checklist for evaluating metric combinations

If the answer to any of these questions is no, managers should consider revising the final combination of metrics:

- Are a reasonable number of payment metrics being proposed? *Typically, between three to five metrics are appropriate, although more complex interventions or other contextual factors may warrant more.*
- Will this combination of payment metrics meet cash flow needs? *Metrics that rely solely on results late in the service delivery chain may not provide sufficient cash flow.*
- Does this combination of payment metrics provide sufficient flexibility for providers (if warranted)? *Metrics within a single pathway may not deliver sufficient flexibility.*
- Does this combination of payment metrics balance risk and ambition appropriately? *Metric combinations solely focused on low-risk activities/ outputs or on high-ambition outcomes/ impact should be avoided in most contexts.*

- **By nature, most metrics will not be strong on all criteria:** Managers should not seek perfect metrics, but rather those that are balanced across criteria.
- **Criterion weaknesses can be addressed through design:** The assessment should proactively consider how design elements could be calibrated to improve a metric's suitability for RBF. For example, certain measurement and verification approaches can effectively control for exogenous factors and ensure the metric only captures changes that are attributable to providers. Similarly, metric targets can be calibrated to ensure the level of results is realistic for the programme parameters.
- **Overly scientific approaches should not replace common sense:** Managers should think practically about which metrics to include in the final list, rather than relying solely on assessment scores for decisions.

Practically, RBFs for employability and employment services should include a combination of payment metrics that captures at least a sub-set of the following critical results: occurrence of high-quality training, skills improvement, job placement, and/or job retention. Table 7 summarises three common approaches to the combination of payment metrics along with the use case for each.

▶ Table 7: Common approaches to payment metrics for employability and employment services RBFs

#	Payment metric combinations	Use case
1	*Training: required for payment* • Skills improvement • Job retention at 3 months	• Equal objectives for employability and employment services • Employer and labour market that is less developed, more informal, or otherwise more challenging and less stable
2	• Training 50% completion • Skills improvement • Job retention at 4 months	• Main objective is improving employability • Employer and labour market that is less developed, more informal, or otherwise more challenging and less stable • Providers need early cash flow to fund essential activities
3	*Training: required for payment* • Job placement • Job retention at 3 months • Job retention at 6 months	• Main objective is getting beneficiaries into decent work • Established and well-performing training/ employability solutions • More developed employer and labour market

[24] For example, if an RBF duration is only 12 months, metrics that reward long-term retention may not be suitable given the time necessary to verify results and provide service providers with the feedback needed to iterate and improve their model.

These approaches should be taken as reference points for programme managers to consider and compare with their own metric assessments, but the ultimate decision on payment metrics should be driven by the context and may differ from any of these options. Important considerations to guide programme managers include:

- **Blend employability and employment services metrics:** When service providers are responsible for both intervention areas, payment metrics must be included for each to avoid the perverse incentive to focus more on the incentivised one at the expense of investments in the non-incentivised one.[25]
- **Focus on capturing the quality of training, rather than the occurrence:** Actors may default to using easily measured training results, such as enrolment or completion, as payment metrics for capturing employability objectives. However, the linkage between training and employability is driven primarily by the *quality* of the training in improving beneficiaries' skills. Metrics that better capture this linkage, such as post-training skills improvement, should be prioritised.
- **Support provider cash flow and reduce risks with metrics achieved 'early' in the cascade of support:** While longer-term job retention is the primary goal of most programmes, it is inherently more sensitive to exogeneous factors and takes greater time for results to be achieved. To reduce the risks associated with this, long-term retention should be bundled with metrics that can be paid earlier and with greater certainty, such as a metric immediately post-training and/or at job placement.
- **Mitigate perverse incentives associated with a job placement metric:** Placement is often a critical indicator of programme success from a monitoring and evaluation perspective. However, as an RBF metric, it is easily gameable and may incentivise providers to prioritise low-quality, short-term placements. To mitigate this risk, placement should always be combined with metric(s) for medium- to long-term retention.
- **Calibrate the length of job retention to the context:** Longer retention of nine months or more is desirable from an impact perspective. However, in most contexts, this may be too risky, and a three-to-six-month range is more appropriate. The exact length should be tailored to contextual considerations, such as the common job trial or probationary period, the typical time required to earn critical employer- or state-based benefits associated with decent work, and what is realistic for the target labour market actors.

2.2 Measurement and verification system

Paying for results requires a rigorous system to measure and verify results. RBF places higher stakes on results, meaning systems must be more objective and timelier than typical M&E practices. A comprehensive measurement and verification system should answer the questions outlined in Box 8. However, not all questions need to be answered by the programme manager in the initial design phase: a verification agent should be procured to design and implement a detailed verification methodology that addresses these topics. Annex 3 outlines key considerations for selecting a verification agent, while the remainder of this section guides managers to design the overarching approach to measurement and verification.

There are two common approaches to measurement for payment metrics differentiated by the actor responsible:

- **Service provider measurement:** Service provider measures and reports from its data systems, and a verification agent verifies this report using another source of data.
- **Verifier measurement:** Verification agent collects data directly to concurrently measure, report, and verify.

Box 8: Measurement and verification questions

- What specific details need to be captured by the measurement approach?
- What are the conditions or attributes that will determine if a unit of results is verified or not?
- What is the verification protocol for data collection staff to follow? What are the tools they will use to collect and record findings?
- Does verification leverage sampling? If so, what are the sampling statistical parameters, sampling methodology, etc.?
- How do the verification findings impact the RBF payments? What is the specific calculation to apply findings to the payments?
- How will instances of deliberate fraud be handled?

The approach does not need to be uniform for all payment metrics: each payment metric should be evaluated individually to determine the more suitable approach. For either approach, however, a verification agent is necessary to ensure the objectivity and accuracy of the results used to calculate payment. Table 8 summaries common

[25] For instance, if job placement is incentivized while skills improvement is not, service providers would be rationale to invest more in placing beneficiaries in employment at their current skill level than upskilling or transferring new skills better suited to emerging labour market needs. Ultimately, the RBF may show positive impact on job placement but concurrently have a negative impact on long-term employability as a result.

verification approaches and data sources for verifying results in an RBF. A single metric may require more than one verification approach to successfully verify all aspects of the metric and/or to mitigate critical risks.

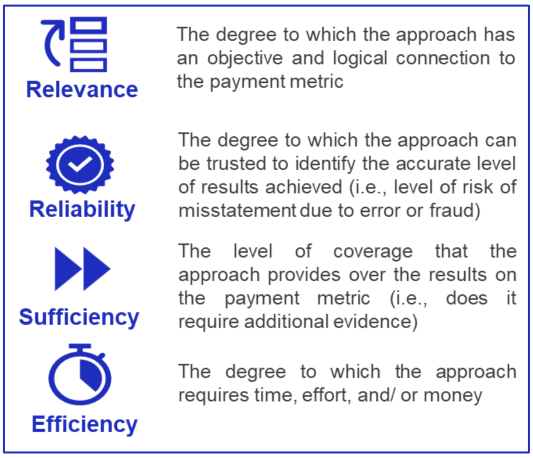
▶ Table 8: Common verification approaches

Approaches/ data source		Examples
Triangulation with supporting evidence from	Providers	• attendance logs, placement agreements, test results
	Employers	• employment contracts, payslips, time sheets
	Government	• employment databases, tax records, unemployment benefits records, basic citizen registration records, standardised exam records
Surveys/ interviews		• beneficiaries survey, employers survey
Physical visit/ direct observation		• visiting job location to check that employee is present and working • attending trainings to ensure beneficiaries are present • being present at exams to validate that beneficiaries are sitting for the exam

To determine the measurement approach, managers should leverage the due diligence findings and results framework analysis to assess whether provider data systems typically capture data on RBF metrics.[26] If most provider systems do capture the relevant data, then a provider-led measurement approach is usually appropriate. If provider systems do not capture the necessary data for a metric, managers must decide between (i) requiring service providers to begin collecting and reporting the data specifically for the RBF, or (ii) engaging the verifier to directly collect the data. This decision is highly context-specific, but managers should consider the relative efficiency and effectiveness in capturing accurate results.[27]

Once the measurement approaches for each metric are defined, managers should create a shortlist of verification methods that can be feasibly deployed within the context considering the options in Table 8 and others relevant for the programme. The shortlist should be assessed against the criteria outlined in Figure 5 to arrive at the most suitable solution for the context.

▶ Figure 5: Verification criteria



▶ Table 9: Common verification for employability and employment services metrics

Common metrics	Common verification approaches
Training completion	• Triangulate against attendance sheets/ training certificates + unannounced visits to check attendance and content covered
Skills improvement	• Triangulate against records of sitting for standardised exams or accredited assessment center tests • Physical visits to exam or test site to confirm beneficiaries are present
Job placement	• Interview with employer and employee (phone or in-person) • Visit to self-employed beneficiaries' place of business • Triangulation against employment contract
Job retention	• Physical visits, unannounced, to place of employment • Triangulate against government social security database • Triangulation against

Table 9 summarises common measurement and verification approaches by payment metric for employability and employment services RBFs. Programme managers should use these options as reference points in their analysis, along with the following good practices:

[26] For the due diligence findings, managers should specifically look at the feasibility conditions relevant to the data and service provider environment. For the result framework analysis, managers should refer to the payment metric assessment on measurability of selected metrics.
[27] If the data is relatively low effort and cost for providers to collect in their day-to-day operations, and/or can contribute to better performance management, then service provider measurement is likely a better fit.

- **Verify beneficiary eligibility once to improve efficiency:** For most employability and employment services RBFs, the beneficiaries eligible for a result on later stage metrics (e.g., retention) must have qualified for a result on earlier metrics (e.g., training). As a result, detailed verification of a beneficiary's eligibility can be undertaken once, ideally at the earliest stage metric. For all metrics after, the verification exercise can engage in a more efficient cross-check of beneficiary details against the verified eligibility listing.
- **Leverage independently administered exams to measure and verify skills improvement:** Skills assessments administered by providers are highly susceptible to misrepresentation and would be inefficient to verify. As a result, skills should be measured through exams administered by actors other than the providers. While this could be completed by the verification agent, if necessary, leveraging existing standardised exams or certification testing centres can provide greater efficiency and alignment with the labour market norms.
- **Deploy physical visits, on a spot-check basis, when risks of falsified evidence are high:** Triangulating provider-reported results with supporting evidence is often an efficient method of verification. However, many sources of evidence are susceptible to misrepresentation, including intentional fraud. This risk is particularly high for evidence that the provider has access to (e.g., training attendance logs). To mitigate this risk, random physical visits can be deployed to complement evidence triangulation. While visits are more costly, the spot-check frequency of this method keeps the overall verification efficient.
- **Tailor job placement and retention verification to the type of employment:** Different types of employment (formal vs informal, self-employed, etc.) generate different verification needs and viable approaches. When diverse employment pathways are eligible for RBF payments, a single verification approach is unlikely to be efficient or effective. Different approaches can be defined for each.

2.3 Financing and payment structure

RBF represents a fundamental shift in the financing of skills development, employability, and employment services programmes compared to the status quo. Instead of reimbursing for costs incurred or activities completed, funders only pay when results are achieved. Given this change, programme managers face unique questions when designing the programme's financing structure:

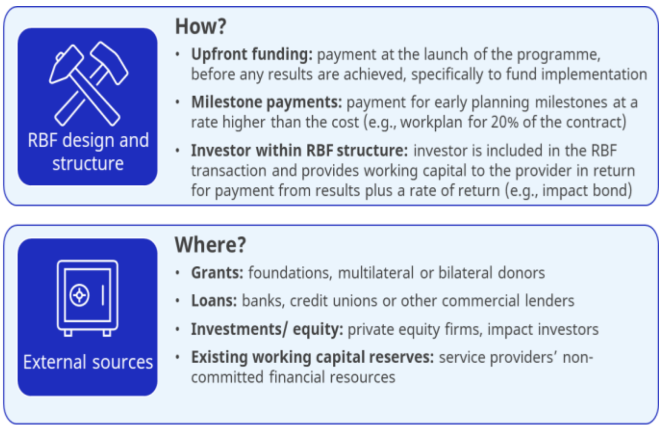
- **Pre-financing:** How will service providers finance the inputs and activities needed to achieve results?
- **Prices:** How much will be paid for results achieved by providers?
- **Payment schedule:** When will payments for results achieved be disbursed to providers?

This section guides programme managers through the frameworks necessary to calibrate each of these elements and provides practical advice on good practices in the context of employment-focused RBFs.

2.3.1. Pre-financing

Since RBF provides payment for results only, service providers must have funding to pre-finance the inputs and activities necessary to achieve results and earn payments. This is particularly critical for the preparation and early implementation phases of an RBF, before the first verification and payment cycle has occurred.[28] Without sufficient pre-financing, service providers may drop out of programme or be unable to provide continuous quality services to beneficiaries. There are two high-level pathways for RBF pre-financing, summarised below and detailed in Figure 6. The appropriate pathway and the specific funding source depend heavily on the context, including what is feasible for pre-financing, and the aims of the RBF.

Figure 6: Pre-financing pathways



- **RBF is designed to provide sufficient pre-financing within the mechanism itself:** Under this pathway, the programme funding envelope and funders provide an early payment to meet pre-financing needs. The key question is how the payment is made.

[28] Once payments begin under an RBF, service providers should generally be able to pre-finance ongoing activities from the past period's RBF payments.

- **Other funding sources must be secured:** Under this pathway, pre-financing is provided wholly outside of the RBF structure and design. The key question is where the funding comes from.

Programme managers should leverage due diligence insights on the financial capabilities within the service provider market, as well as the wider financing landscape and the emerging RBF design, to create an assessment of the pre-financing context. At a minimum, the assessment should (i) summarise the magnitude and importance of the pre-financing needs, including through quantitative analysis, and (ii) outline the viable pre-financing options available. Key insights for programme managers to consider include the following:

- **The frequency and timing of verification cycles** are a significant driver of the magnitude and importance of pre-financing. Pre-financing is more likely to be critical to the RBF's success in cases where the first verification and payment will only occur after 6-12 months or beyond.
- **The type of service providers** can also be an important factor in the pre-financing needs and importance. NGOs, government agencies, or other organisations that rely primarily on funding from donors or allocations from the government often lack flexibility to reallocate funds unilaterally, making it difficult to pre-finance activities under an RBF with funding designated for other activities (i.e., funding is restricted).
- **The maturity of the financial markets** is a key driver of the viability of pre-financing options. In countries where organisations have higher access to affordable capital, either loans or investors may be possible avenues for pre-financing. In assessing the financial markets, programme managers must consider the financial access for the specific sector and service provider profile to ensure conclusions accurately represent the specific context of the RBF. The specific terms and conditions of financing options should also be rigorously assessed (e.g., interest rates, collateral requirements).

Based on this assessment, managers should be able to articulate a clear recommendation on the best pathway(s) to pursue for pre-financing. If pre-financing through the RBF deign itself is selected, managers will need to further design the pre-financing structure considering the elements outlined in Box 9. If external sources are chosen, managers' core decision is how much to support service providers in securing financial support and how to do so.

Box 9: Design elements for pre-financing

- **Value:** Value should reflect the costs associated with inputs and activities necessary before results-based payments and the estimated cash inflows from these subsequent payments. Detailed budgets from the procurement process (Section 3.1) are a critical input to calibrate this value.
- **Unconditional or conditional:** The former is equivalent to a non-results-based portion of the contract (i.e., funding is given even if no results are ever achieved). In the latter case, the payment is an advance on future results-based payments earned, and a financial reconciliation is necessary to compare the total funding earned versus the amount advanced.
- **One-off or recurrent:** Generally, a one-off payment at the start is sufficient. If there is more uncertainty or longer timelines between results-based payments, options for additional pre-financing can be considered. Additional transfers should carry greater restrictions and conditionality.

Table 10 summarises three common approaches managers can take to pre-financing and their uses cases.

Table 10: Pre-financing approaches for employability and employment services RBFs

#	Approach	Use case
1	**Upfront funding or early milestone payments provided through the RBF**	• Lower capacity service providers and/or those that are NGOs or government • RBF payments take longer to begin and/or occur less frequently (e.g., > 6 months) • Initial investments in the programme are expected to be high (e.g., new providers entering a market, or providers adopting new interventions) • Financial markets are inaccessible, unreliable and/or expensive for providers
2	**External funding facilitated by the RBF programme**	• Pre-financing need is high due to any of the first three points above, but the funder(s) cannot efficiently provide upfront funding within its systems • Reputable grant, loan, and/or investment sources have demonstrated strong interest • Improving linkages to the financial sector is a concurrent programme goal and/or an important sustainability pathway
3	**External funding via providers' working capital reserves**	• High capacity and/or private sector service providers, who are more likely to have flexible resources that they can allocate towards the RBF activities • RBF payments occur early and often during implementation, such that the actual pre-financing need outside of the programme is low

For most employability and employment services RBFs, upfront funding or early milestone-based[29] payments within the RBF structure are 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 and avoiding the complexity of additional actors or funding flows. These methods are also viewed more favourably by service providers since they do not carry the transaction costs associated with external 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 providers. When deploying these methods, managers should consider the following good practices:

- **Ensure milestones are suitable as both payment metrics and a pre-financing solution:** When used to provide pre-financing, milestones must still comply with basic attributes of suitable payment metrics (refer to Section 2.1.1). At the same time, milestones must be equally suitable as a pre-financing lever. This includes being achievable relatively quickly after contract signing and without significant costs.
- **Calibrate pre-financing value to account for reasonable performance risk and uncertainty:** Even relatively small shortfalls in funding can severely limit providers ability to finance activities needed to earn subsequent result-based payments. If pre-financing is too limited, the RBF can get caught in a dangerous trap: providers lack the results to earn funds, but they also lack the funds to achieve better results. To mitigate this risk, pre-financing values should account for (i) a reasonable rate of upward uncertainty on activity costs (e.g., for cost inflation or unforeseen costs) and (ii) a realistic rate of performance for the initial results-based payment cycles (e.g., assuming providers will achieve less than 100% of the initial period targets).
- **Tailor pre-financing values to specific provider needs:** Providers may have different pre-financing needs, particularly if the RBF is working with a diverse suite of provider types and sizes. If significant heterogeneity is expected, managers should develop a pre-financing solution that better matches each provider's needs. For example, providers could be categorised into different groups, each with a different percentage of upfront funding offered, or providers could each receive a specific amount based on their financial proposal.

2.3.2. Prices

Prices represent the amount paid for the results achieved. There are three main levels at which price exists and must be considered within an RBF programme.

- **Contract price** is the total value of the RBF contract. It represents the total funding a service provider will earn if it achieves its targeted results. At a minimum, the contract price should be reflective of the projected costs required to achieve the results. In some cases, the price may factor in a premium, above cost, to reflect the additional risks that providers encounter in an RBF.
- **Metric price** is the proportion of the contract price allocated to specific metrics. It represents the total funding a service provider will earn for achieving its target on a specific metric. Metric prices should be driven primarily by the relative costs to achieve metrics, such that more costly metrics attract higher prices. However, a precise cost-to-price matching is both unnecessary and often undesirable. Other factors (summarised in Box 10) should be considered to refine metric prices.
- **Unit price** is the exact value paid for each unit of results achieved for a specific metric. Unit prices are dictated by the payment function details for a given metric. The most common and simple payment function is a linear continuous structure, whereby every unit of a result earns the same price.[30] Payment functions should maintain simplicity as much as possible. However, certain contextual factors or RBF aims may necessitate more complex payment function features. The most relevant payment function features for an employability and employment services RBF are described in Annex 4.

In employability and employment services RBFs, the contract price is typically either (i) derived from the competitive financial proposals of providers (i.e., cost-based, provider-proposed) or (ii) pre-set by the funder based on a cost estimate (i.e., cost-based, funder-set). In either contract pricing scenario, the manager's main task should be to create a cost benchmark. The benchmark should reflect the estimated budget needed to implement the core interventions targeted by the RBF and, potentially, a premium to account for risk. Different benchmarks may be necessary to reflect different types of providers and/or scale of implementation, but the benchmark should be calibrated to a cost per beneficiary for comparative ease. To create the benchmark(s), managers should leverage relevant due diligence findings, supplemented with additional market research or data gathered from RBF

[29] In most cases, milestones would not be included in the final metric selection from the payment metric phase of design. However, as outlined in Section 2, design is a circular process that often requires revisiting past decisions. Milestones can be considered and added into the final set of payment metrics solely for pre-financing purposes.
[30] Calculated as the metric price divided by the total target for the metric.

stakeholders (e.g., prior programme costs of the RBF funder). A completed benchmark will be leveraged differently, depending on the scenario, to arrive at the final contract price:

- **Cost-based, provider-proposed:** The benchmark is used in the assessment of providers' financial proposals to determine their reasonableness and competitiveness. However, the final contract price will be derived directly from the financial proposal of a competitively selected provider. If multiple providers are selected, prices will vary based on their proposal.
- **Cost-based, funder-set:** The benchmark is directly used to establish prices offered to service providers. This price can be offered as part of a competitive procurement process; however, it implies that competition is based solely on technical elements of the proposal. Under this approach, providers would have the same cost per beneficiary.[31]

Box 10: Factors to refine metric prices

- **Path dependency:** When the achievement of one metric is a core driver of the achievement of another (e.g., job placement is a primary input into retention), some portion of the earlier metric's direct costs should usually be allocated to the latter metric to acknowledge this relationship.
- **Relevance for programme goals:** All else equal, a higher weight should be assigned to payment metrics that were assessed as being highly critical to programme goals in the metric selection (Section 2.1.1).
- **Attribution to the provider:** All else equal, a lower weight should be assigned to metrics that were assessed as being more influenced by exogenous factors during metric selection.
- **Cash flow:** All else equal, the weights should support the cash flow needs identified in the due diligence. This may require, for example, higher weight for metrics that are more routinely achieved (e.g., training completion).

For metric prices, managers should assign percentage weights for each metric out of 100% as an approach to dividing up the overall contract value. This can be either an exact percentage (e.g., 40% for job retention) or a range (e.g., 35-50% for job retention) for each metric.[32] To calibrate these weights, managers should begin by allocating values to metrics based solely on the relative costs as a proportion of the overall cost benchmark(s). Allocating costs to metrics should follow relevant budgeting norms of the funder and budgeting and accounting good practices, such as activity-based costing to allocate overhead costs. Managers should engage the relevant team within the RBF funder to support this process, if feasible (e.g., finance).

Managers should then assess this cost-based weighting against other critical factors outlined in Box 10 and refine the preliminary cost-based weights as needed. Ultimately, weighting is highly subjective exercise: managers will need to leverage technical judgement and stress-test the proposed weights with other stakeholders and experts in order to calibrate effective metric prices.

2.3.3. Payment schedule

The payment schedule defines the frequency and timing of payments to service providers. In most RBFs, the payment schedule is directly linked to the measurement and verification schedule: when results for a specific time frame are fully verified, the service provider is paid for those results. This is administratively efficient, easy to understand for service providers and an effective way to generate consistent cash flow. Practically, this means that the potential payment schedule should be assessed concurrently with the verification frequency and timing decision (refer to Section 2.2) considering three critical factors:

- **Cash flow:** The payment schedule is a major determinate of service providers' cash flow during the RBF programme. A schedule with more frequent payments will enable more reliable cash flow for providers.
- **Performance management and accountability:** Measurement and verification provides critical feedback on performance, giving service providers valuable information to learn and adjust their approaches to achieve greater results. More frequent cycles will amplify this learning and adaption process.
- **Transaction costs:** Each measurement, verification, and payment cycle incurs costs. These include the costs of data collection and validation, reviews and approvals, and the financial costs associated with disbursements (e.g., bank fees). Most of these costs are bore by the funder and programme manager. However, the requirements for frequent measurement and reporting can have a significant cost impact on service providers as well, particularly when measurement is based on their systems.

[31] Except if different benchmarks are used for different provider categories.

[32] If a range is used at design stage, the final weights would need to be assigned as part of the service provider procurement and contracting process. This approach should be used when managers lack sufficient information on intervention costs during design or when significant diversity in providers and their proposals is expected.

To determine the payment schedule, programme managers should conduct a rapid cost-benefit analysis of various payment frequency options considering the factors outlined above. Such an analysis will likely be qualitative in nature, particularly when considering the performance management and accountability benefits. Based on this analysis, managers should select a frequency that delivers the highest net benefit.

▶ Table 11: Common payment schedules for employability and employment services RBFs

#	Approach	Use case
1	**Bi-monthly**	• Short implementation timeframe (e.g., < 2 years) • Metrics that occur routinely and are measured and verified at a low-cost • Significant cash flow and performance management needs (e.g., low-capacity providers)
2	**Quarterly**	• Short to moderate implementation timeframe (e.g., < 3 years) • Metrics that occur relatively routinely with moderate measurement and verification costs • Relatively high cash flow and/or performance management needs
3	**Bi-annual**	• Long implementation timeframe (e.g., >3 years) • Metrics that by design take longer to materialise and/ or are costly to measure and verify, such as long-term retention • Lower cash flow and performance management needs (e.g., high-capacity providers)

Table 11 outlines three practical options for payment schedule frequency and their use case for employability and employment services RBFs. Programme managers should use these options as reference points in their analysis, along with the following good practices:

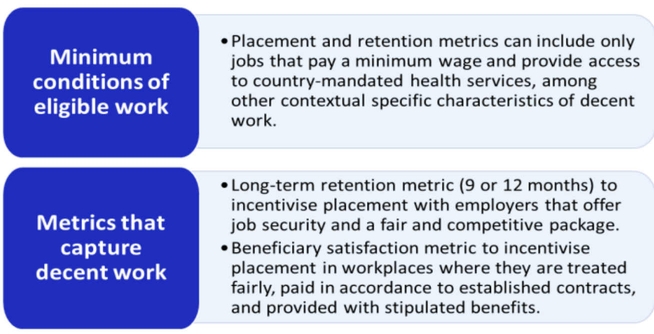
- **Align with existing schedules:** Schedules should reflect the calendar norms in the context, as well as any existing reporting and disbursement schedules that may apply to the sector. The latter is particularly important for RBFs that engage the government as either a funder or service provider.
- **Match the schedule frequency to the metric-level cost-benefit analysis:** Not all metrics need to be measured, verified, and paid concurrently. Metrics for routine outputs, such as training completion, are typically low-cost to verify and can be paid frequently as a result. Whereas the opposite is often true for longer-term retention metrics.
- **Consider the overall programme timeline:** By nature, shorter programmes should leverage more frequent measurement, verification, and payment cycles to activate sufficient performance management and accountability within the timeline. This typically remains cost-effective given the limited number of total cycles.

2.4 Cross-cutting design considerations

Managers should consider tailoring the RBF design to incentivise improved performance along two core goals of most employability and employment services programmes:

1. **Quality employability and employment** that contributes to decent work that is productive, delivers a fair income, and provides personal development opportunities. Design elements that can support this objective are outlined in Figure 7.
2. **Improvements for vulnerable populations** that are often furthest behind in terms of access to decent work.[33] There are two common design solutions to incentivise service providers to reach vulnerable populations. First, programme managers can consider the use of differential pricing, whereby results with beneficiaries that meet pre-defined vulnerability thresholds attract a higher RBF payment per unit than non-vulnerable beneficiaries. Second, programme managers may institute quotas for the total number of results that can be paid out for non-vulnerable populations, creating an inherent limit to how much of the contract can be earned if vulnerable populations are not deeply engaged. Both tactics are further described in Annex 4.

Figure 7: Designing for decent work



[33] Even if an RBF does not specifically seek to target vulnerable populations, programme managers must consider the extent to which an RBF may increase perverse incentives to neglect these beneficiaries (e.g., cream-skimming). As a result, some form of extra incentive for vulnerable populations is often necessary.

3. RBF implementation

RBF not only changes the *design* of an employability and employment services programme, but it also fundamentally alters key elements of programme *implementation*. Managers must develop, and eventually execute, an implementation plan that answers the following four critical questions:

- **Service provider mobilisation:** How are service providers mobilised to deliver the programme's results?
- **Governance structure:** What structures govern decision-making for key events during RBF implementation?
- **Oversight and performance management:** What oversight and management guides the RBF programme's implementation towards the achievement of the targeted goals and results?
- **Evaluation and dissemination:** How is the RBF evaluated to draw out key insights and lessons?

Practically, programme managers should approach implementation in at least three distinct phases:

1. **Preparation, from the approval of the design until the start of service delivery:** Managers must mobilise service providers and design the structures and plans to guide the next phases.
2. **Service delivery, from the start date to the end date of provider contracts:** Managers implement the structures and plans while providers are delivering services under RBF.
3. **Closing, from the close of service delivery until all programme administration is finalised:** Managers undertake programme wrap-up activities typical to any programme (RBF or non-RBF), such as reconciling funds, filing final reports, and resolving any remaining governance processes.

This section is framed primarily on the preparation phase since this sets the overall implementation up for success. It guides programme managers to answer the above implementation questions through a combination of structured frameworks, detailed how-to guidance, and specific good practices from other RBF programmes. Box 11 illustrates the key implementation components of the Morocco RBF as an example of these concepts in practice.

▶ Box 11: Overview of RBF implementation in Morocco

Service provider mobilisation: In Morocco, a competitive bidding process was used for service provider selection. Two dissemination events were held to build interest and engage with potential bidders. The process also included a specific question and answer process and timeframe to ensure all bidder questions were clarified before proposals were due. Proposals were evaluated based on the proposed intervention model, relevance and effectiveness of the proposed strategy for social inclusion, organizational and management capacity, past experience and demonstration of results achievement, and cost-effectiveness. To gain extra assurance of the reasonableness of the bids, additional due diligence was conducted on shortlisted providers.

Oversight and performance management: Providers reported data through Salesforce, which enabled the tracking of activities and results by the programme manager.

Governance structure: The RBF leveraged two main governance bodies, a Steering Committee and an Operational Monitoring Committee. The former met quarterly as part of regular verification and disbursement procedures, while the latter was convened as needed to address operational and strategic topics. Committees included the funder, the programme manager, and relevant government actors.

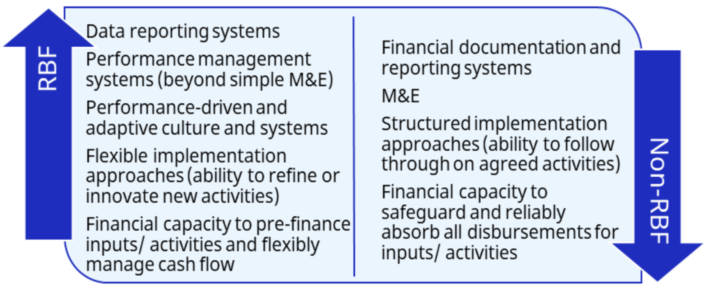
3.1 Service provider mobilisation

Service providers are the organisations contracted to implement employability and employment services interventions and achieve the RBF programme's results. As detailed in Section 1.1.2, the availability of qualified service providers is a necessary pre-condition to RBF. Assuming the due diligence work rigorously profiled the service provider landscape, managers should now focus on mobilising qualified providers to deliver services under the agreed-upon RBF design.[34] Mobilisation encompasses three key steps: (i) provider procurement, (ii) due diligence and contracting, and (iii) onboarding. The remainder of this section focuses on guidance for procurement, while Annex 6 summarises relevant insights for contracting and onboarding.

[34] If the due diligence gathered only general insights, managers should assess whether additional work is needed to build knowledge of the provider market prior to procurement. For example, a benchmarking exercise could create in-depth profiles of the provider capacities, scale, etc.

Service provider procurement for an RBF should follow similar approaches and processes to any other procurement for implementation partners in employability and employment services programmes. Typically, this means that an RBF will leverage a competitive bidding process to surface the most qualified providers for the context. A competitive process involves an open call for potential providers to submit competitive bids, which are comparatively assessed based on specified criteria.

Figure 8: Provider characteristics for RBF



Although the general process is the same as non-RBF programmes, procurement for RBF must surface and identify providers that have the specific capacities and credible plans to successfully implement an RBF programme. As illustrated in Figure 8, the ideal provider and plan for an RBF can be significantly different than that of the same programme under traditional input-based modalities. In addition, RBF may not be well-understood by the provider market, which can lead to a low number of high-quality bids being submitted (e.g., if providers have concerns over RBF and simply abstain from bidding, or if providers submit proposals that do not appropriately reflect the needs of an RBF). As a result, many detailed elements of the procurement process need to be adapted to reflect the RBF approach. This typically includes, for example, the information included in procurement documents, the documentation required from providers, the assessment framework used to select providers, and the timelines for key steps in the procurement process.

To begin the provider contracting process, programme managers should build a rapid understanding of the relevant procurement policies, procedures, and systems that the programme must comply or align with. Typically, the procurement environment of the main funder is most applicable. Managers can engage the relevant teams within the funder, typically procurement and legal, to understand both general procurement requirements, as well as any specific regulations or guidance around RBF procurement.

Based on this understanding, programme managers should build a procurement approach and a specific plan of action. Ideally, this can be done in close collaboration with the funder's internal procurement team to leverage their expertise. In defining the approach and action plan, managers should consider the following elements:

- **Direct contracting (or sole sourcing) versus competitive bidding:** As noted above, most programmes leverage competitive bidding. However, direct contracting may be more suitable in markets with limited qualified service providers or when funders plan to leverage their existing implementation partners. The remaining guidance focuses on competitive bidding, while Box 12 outlines key considerations for direct contracting.
- **Procurement steps and timelines:** Many funders will have established procurement processes that can be adapted to RBF needs. A common process used for competitive bidding is a single-step procurement, where a request for proposals is published, bids are received and evaluated by a panel, and highest scored bids are invited to enter a due diligence and contracting phase. Managers should ensure that timelines for each step are clearly outlined and sufficiently long, particularly for the timeframe to prepare and submit bids.

Box 12: Direct contracting

Direct contracting is when a contract is awarded without any competition. Without competition, managers must find other pathways to confirm the pre-selected providers are suitable for the RBF programme.

Providers should be required to develop much of the same technical and financial materials required under a competitive bid, including a summary of their delivery plan and internal capacities and a detailed budget of implementation costs. Rather than assessing these materials, however, managers should engage in a more collaborative, co-development process to iterate plans until all parties are satisfied and agree to move to contracting.

Managers should also prioritise a rigorous due diligence exercise on providers. This can also be done collaboratively and focused on identifying where the provider may need additional support to deliver under the RBF.

- **Resource mobilisation:** The procurement assessment requires a qualified panel of evaluators to assess bids. Evaluating bids for RBF is often more complex and requires specific skills and knowledge. If necessary, independent consultants should be hired to assess more technical elements, such as financial capacity and performance management systems.
- **Procurement documents and assessment framework:** Procurement notification and solicitation documents (e.g., requests for proposals, terms of reference) should incorporate the RBF design brief or term sheet (Section

2). In addition, the documents should outline exactly what information providers must submit with their proposal and how it will be assessed, commonly referred to as the assessment framework. Table 12 outlines common criteria used in RBF assessment frameworks, as well as the corresponding provider documentation needed and considerations for assessment. Managers should leverage this table as a reference point but still build out relevant details for their specific programme context. Once criteria are defined, managers must also develop a scoring system that includes a weighting system for criteria and a methodology for scoring each provider.[35]

Table 12: Common payment schedules for employability and employment services RBFs

Evaluation criteria	Provider information	Evaluation considerations
Cost-effectiveness: *credible financial plan that delivers value-for-money*	• Detailed financial proposal considering costs to achieve targeted metrics	• Extent to which the proposal is cost-effective yet realistic • Quality of cost saving measures (e.g., not cutting on key quality drivers)
Evidence of past performance: *track-record of success in delivering targeted results*	• Summary of programmes implemented with a similar scope with similar target populations • Summary of experience with RBF	• Extent and quality of relevant experience for various topics (e.g., scale, results) • Degree to which experiences demonstrate
Delivery model and plan: *credible proposal for how services will be delivered to achieve targeted results*	• Intervention model, inclusive of a detailed summary of the service offering • Operation implementation plan • Detailed workplan	• Extent to which the model and plan are well-articulated and costed appropriately • Extent to which good practices are used • Extent to which the RBF approach is reflected in plans (e.g., flexible activities) • Extent to which the model is responsive to the needs of the target population and the specific labour market
Delivery capacity and experience: *organisational and human resource capacity*	• Key staff and their profiles • Team structure and roles/ responsibilities • Organisational policies/ structures that support service delivery	• Extent of relevant expertise and experience amongst the organisation and key staff • Quality of the proposed team structure and division of responsibilities, including how well key staff will be leveraged
Performance management capacity: *capacity to assess, learn, and adapt delivery in response to data-driven insights and contextual changes*	• Evidence of existing performance reporting systems at various organisational levels • M&E capacity statement—staff numbers, skills, roles, etc. • Performance management plan	• Quality of existing systems and capacities • Degree to which performance guides key organisational and management decisions • Extent to which the plan demonstrates knowledge of the role of performance management in RBF, incorporates good practices, and is appropriately rigorous
Financial capacity: *credible plan and demonstrated capacities for pre-financing activities*	• Evidence of financial status (e.g., audited financial statements) • Summary of financing sources • Pre-financing and cash flow plan	• Degree to which financing is stable • Quality of the plan, including how it reflects other elements of the proposal and safeguards against key risks

In addition to the core procurement plan details outlined, programme managers should also consider including additional strategies to ensure the RBF procurement is more effective and efficient:

- **Engage in sufficient outreach with potential providers:** Programme managers should consider the need for outreach efforts with potential providers to increase interest in bidding and answer key questions and concerns. Events, either virtual or in-person, are a useful tactic, as well as directly sharing the bidding opportunity with relevant organisations or through sector forums.
- **Prioritise avenues for making the process more accessible:** For many providers, an RBF bid may be unfamiliar. Managers should proactively deploy strategies to support providers in understanding the needs of a successful RBF proposal. At a minimum, managers should consider longer submission timelines to give providers more time to gather documentation that might not be common to status quo bidding processes. In addition, particularly if RBF has not been piloted in the context before, managers should consider enhanced outreach efforts and support in clarifying requirements during the proposal stage.

[35] A common scoring methodology involves identifying the 'best case' for each criterion, equating to the full weighted score, and scoring proposals relative to how far they deviate from this scenario.

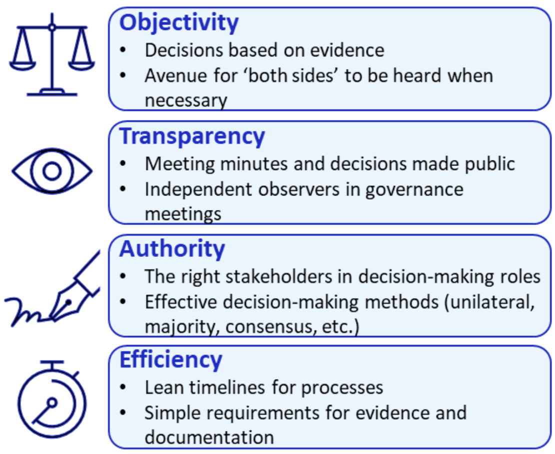
- **Consider a two-phase approach to enhance efficiency:** A two-phase procurement process can be used to improve efficiency and reduce the burden of procurement on both providers and the procurement team. Under a two-phase process, potential providers are screened through an initial low-effort procurement step, such as an expression of interest. Only providers that are deemed sufficiently qualified through this step are invited to submit a full proposal and the assessment it entails.

3.2 Governance structure

A governance structure defines the roles and responsibilities of stakeholders during RBF implementation and the protocols for transparent and effective decision-making. While governance is not unique to RBF, an RBF programme does require structures that are carefully tailored to the specific needs of a results-based approach. Specifically, within an RBF programme, there are four critical events that require clarity on roles, responsibilities, and decision-making processes:

1. **Verification and payments:** The most critical recurring event during an RBF is the actual results-based payments to service providers. This event is typically triggered when the verifier submits the findings of the verification exercise for a given payment cycle. Structures must outline all steps after this trigger, including how payments are calculated (considering verification findings and the RBF design/ contract), reviewed, approved, and disbursed, and by whom and when.
2. **Disputes:** An RBF mechanism should provide avenues for service providers and other relevant stakeholders to raise concerns or objections with the programme. This is most applicable for disputes related to the verification results and payment decisions.
3. **Design and contract revisions:** However well-designed an RBF and its contract may be, circumstances can arise that necessitate an RBF design and/or contract change. This may include force majeure type events, significant changes in the labour market, or design elements that are found to not reflect the needs of beneficiaries or programme goals. Strong processes for revisions are particularly important in RBF programmes with a longer timeline and programmes in more complex operating environments.
4. **Design application and troubleshooting:** On a day-to-day basis during the RBF implementation, a variety of decisions may be needed to effectively apply the RBF design when there are uncertain scenarios or troubleshoot small issues that may arise. Unlike the other decisions, which happen infrequently and likely require the involvement of more actors, authority over day-to-day decisions and troubleshooting can often be delegated to a single actor. The programme manager is often best placed for this role, which goes hand-in-hand with the overall performance management responsibilities (refer to Section 3.3).

Figure 9: Governance characteristics



For each situation, the appropriate governance structure should meet certain key characteristics, summarised in Figure 9 along with examples of tactics that support each characteristic. Details of the governance structure should be defined prior to implementation and documented in service provider contracts and the RBF's operating manual or guidance document.

To develop effective governance structures, managers should begin by mapping out the stakeholders that may have roles in various decision-making situations. Generally, the stakeholders involved in the immediate RBF structure (i.e., funder, service providers, verifier, and manager) are most actively involved in governance processes. However, other stakeholders may be important to include in certain processes depending on a programme's specific aims and context. For example, government actors, such as ministries charged with labour oversight, are critical to include for programmes relying on strong coordination with government initiatives.

Based on this mapping, managers should develop specific roles, responsibilities, and processes to be followed, considering the criteria above. To streamline processes and responsibilities that are shared amongst multiple actors, managers should propose committee structures at this stage, where feasible. Committees are also a useful method to create more transparency and objectivity in decision-making. Box 13 outlines common types of committees in employability and employment services RBFs.

In developing processes, managers should create detailed process diagrams accompanied by narratives that explain who, what, when, where, and how of three core steps within all major governance situations:

- **Trigger:** The specific occurrence that starts a governance process.
- **Decision:** The act of making a formal decision through the governance process.
- **Implementation:** The details of applying the decision to the programme.

Box 13: Governance committee types

There are three types of committees. A decision-making body is essential, whereas the other two are discretionary based on the programme context:

- **Operational:** Monitor and oversee programme delivery, discuss routine matters and identify situations requiring decision-making.
- **Decision-making:** Maintain decision-making authority, including approving verification reports and payment calculations, resolving disputes, and refining the programme if necessary.
- **Advisory:** Provide high-level oversight and strategic direction and may be consulted on some decisions.

When detailing roles, responsibilities, and processes, managers should also consider the following cross-cutting good practices from other employability and employment services RBFs:

- **Amplify employer and employee voices:** While not primary RBF decision-makers, employers and employees are critical stakeholders for the RBF. Governance structures should ensure these groups have a platform to contribute practical insights, raise concerns, and contribute to the RBF's oversight.
- **Establish accountability for governance functioning:** Stakeholders should be held accountable for carrying out their roles and responsibilities as intended. Managers should ensure committees have chairperson roles that are empowered to hold other members accountable for carrying out their governance responsibilities. Key performance indicators on governance effectiveness should also be included in performance management systems to track performance and reinforce accountability (refer to Section 3.3).
- **Include safeguards in the governance structure:** Governance structures should include back-up protocols that enter into force when unexpected or undesirable circumstances arise, such as the absence of key voting members for a decision-making committee meeting. Safeguard protocols inject flexibility into governance when needed and prevent such situations from undermining governance efficiency.
- **Enforce timelines at each stage of governance processes:** Timelines are critical to prevent protracted unresolved matters that negatively impact the RBF programme and/ or specific stakeholders. Although important for all processes, timelines are particularly critical for (i) the payment process, to avoid delays that negatively affect provider cash flow, and (ii) dispute processes to prevent disputes from being raised long-after the provoking event and to avoid unnecessarily long investigation periods.
- **Prioritise efficiency and practicality:** While governance demands clarity and thoroughness, managers should avoid excessive and cumbersome bureaucracy, such as unnecessary reviews or multiple levels of approvals. If the RBF is part of a larger programme, managers should consider leveraging the overall programme governance to avoid adding parallel systems.

3.3 Oversight and performance management

In any employability and employment services programme, managers are typically responsible for overseeing all operational aspects of implementation, including stakeholder management, monitoring and reporting, financial and contract management, troubleshooting, and oversight of service providers. An RBF programme manager maintains the same implementation oversight *role*. However, the *approach* to fulfilling the role and the specific *responsibilities* should evolve in ways that support the performance-centric nature of an RBF. Typically, a performance management approach to the manager's operational oversight role is best suited to this evolution.

Performance management entails managing resources and activities towards the achievement of the programme objectives. Much like RBF directs the full attention of providers to their results, performance management centres a manager's focus on the programme's results. Focus is not just on monitoring progress, but rather on actively analysing programme data and making data-driven adaptations when necessary. Managing the overall programme's performance requires proactive management of three interconnected components that feed into successful RBF implementation:[36]

- **Service provider performance:** For the RBF to achieve its objectives, service providers must achieve targeted results. Service providers themselves will need strong internal performance management systems to track and

[36] While these three components are most critical to the performance management aspect of a manager's role, they are not a comprehensive picture of all implementation responsibilities. Other operating responsibilities may include contract management, financial management, management of the verification agent and the verification process, and management of complementary support (e.g., technical assistance).

analyse their progress and identify changes needed to earn full RBF payments.[37] These provider-level systems should feed into a performance management system for the whole programme that is overseen by the manager.

- **Programme governance:** For the RBF to succeed, governance structures must generate appropriate decisions on the programme's implementation in a systematic and timely manner. This includes both routine and non-routine events, particularly any design or contract changes that may be necessary to adapt the programme to evolving context conditions. In addition to designing the overall governance structure (detailed in Section 3.2), the manager is typically responsible for ensuring the structure functions effectively.
- **Risks and mitigation:** For the RBF programme to achieve its objectives, risks that could otherwise threaten success must be proactively mitigated and managed. This includes risks that may negatively impact service provider performance and target achievement, such as adverse labour market changes. This also includes risks that may undermine the overall impact of the programme, even if targets are achieved, such as perverse incentives or poor-quality implementation from providers.

A manager must create a detailed performance management system that covers these components, as well as a plan to govern its usage. Detailed guidance for establishing a performance management system is provided in the companion guidebook for RBF service providers. Although framed specifically for service provider-level systems, the frameworks and guidance are equally applicable for programme managers designing a programme-level system. As a result, the remainder of this section is focused solely on specific nuances of the programme-level system to complement to the relevant section in the service provider guidebook.

The core input into any programme-level performance management system is the regular measurement, reporting, and verification cycle. This process will produce data and insights on the performance of service providers towards achieving their metric targets, as well as the effectiveness of governance and status of key risks. At a minimum, managers must review the information from each cycle (e.g., provider reports on results achieved, verification reports, governance committee meeting minutes) to analyse provider performance trends, draw out critical insights, assess governance effectiveness, and identify risks to the programme's success. Managers should also leverage their role in governance to raise risks and issues and suggest relevant course-correction measures.

While this cycle is the core of programme-level performance management, it might not be enough to achieve the programme goals. Managers should consider whether their programme context warrants additional performance management activities across two main axes:

- **Collecting and analysing additional data:** Data from the reporting and verification cycles may not be sufficient to proactively performance manage the programme. First, additional data from providers may be critical to an effective analysis of performance drivers and trends. This could include data on other key results from the theory of change, to identify bottlenecks in the delivery chain, and/or more in-depth explanatory variables related to performance metrics (e.g., detailed demographics, detailed service delivery attributes) to help identify where providers may need to focus course-correction efforts. Second, data from other sources may be important for managing risks and understanding performance beyond payment metrics. This could include, for example, data on labour market and employment trends from public databases or emerging data from the programme evaluation activities (refer to Section 3.4).
- **Steering proactive course correction measures:** Performance management is only successful when the data insights feed into effective adaptations to improve performance. For programme-level course-correction (e.g., design changes in response to emerging risks, solving major implementation challenges), the governance structure serves as an effective basis for managers to discuss and steer adaptations along with other governance stakeholders. However, governance alone may not be sufficient to support course correction of service provider performance. As the technical and managerial focal point for providers, managers should develop avenues to steer and support provider course correction, particularly for providers that are under-performing. Box 14 outlines examples of potential avenues for managers to support the identification and implementation of data-driven adaptations.

[37] Further detailed in the companion guidebook for service providers.

▶ Box 14: Course correction support for providers

- Hold **regularly scheduled engagements** with service providers to discuss their performance and collaboratively brainstorm adaptations. These engagements are best positioned at the end of a verification and payment cycle to discuss the final results from the period.
- Engage in **informal checkpoints** with providers (between regularly scheduled engagements) to understand progress and emerging challenges. This may be via phone or email to key contacts within the provider.
- Share resources on what works, such as case studies from other successful programmes.
- Arrange **site visits** to providers to better understand their specific context and provide targeted recommendations on what adaptations may be needed.
- Develop a **demand-driven support mechanism,** whereby providers can request additional support from the manager to analyse performance and prioritise adaptations.
- Organise **learning events** for providers to share experiences and learn good practices from each other.
- Deploy **technical assistance or other complementary support** to assist providers in identifying and implementing intervention changes.

When designing the programme performance management system, managers should also consider the following good practices:

- **Mandate standard reporting templates with multiple providers:** When working with multiple service providers, standardization in reporting is key. Mandating uniform reporting templates and formats ensures consistency, facilitating efficient program-level analysis and insights. This practice prevents potential inconsistencies between providers, streamlining the evaluation process and allowing for a more accurate comparison of performance.
- **Leverage digital solutions suitable for the context:** Leveraging digital solutions is paramount for efficient performance management. Technology enables automation, deeper analysis, and real-time evidence. However, solutions must align with the context and the capabilities of service providers. A rapid capacity and infrastructure assessment can be leveraged to determine the appropriate digital solutions.
- **Include stakeholder feedback mechanisms:** Addressing complaints of unfair treatment and subpar service delivery is essential for maintaining service provider accountability. This may include conducting satisfaction surveys for beneficiaries and employers, implementing service guarantees, and utilising feedback mechanisms such as hotlines to collect complaints and insights from both beneficiaries and employers.

3.4 Evaluation and learning

Programme evaluation is the process of assessing the RBF against its predefined objectives and identifying rigorous insights that help contextualise performance and surface critical lessons. Evaluation helps articulate the programme's real-world impact, providing valuable insights for potential replication or scale-up. If disseminated well, evaluations can also strengthen stakeholder buy-in and foster support for sustaining and/or scaling the programme. Common methodologies for evaluating an RBF include the following:

- **Learning agenda:** A learning agenda emphasizes iterative learning throughout the programme's lifecycle. It involves continuous reflection, adaptive management, and adjustments based on ongoing insights.
- **Impact evaluation:** Impact evaluation seeks to understand the causal relationship between the programme and observed changes in outcomes. Rigorous impact assessments, such as randomized control trials, provide robust evidence of a programme's effectiveness.
- **Process review:** Process reviews focus on the internal workings of the programme, assessing efficiency and effectiveness in implementing planned activities. This methodology is crucial for identifying bottlenecks, refining processes, and optimizing resource utilization, especially when there are opportunities for programme scale up or replication.
- **Comparative analysis:** A comparative analysis benchmarks the program against similar initiatives or industry standards. Comparative insights provide context for understanding the program's performance relative to broader trends or established benchmarks and are useful for project managers seeking to identify best practices, learn from successful models, or understand contextual factors influencing program outcomes, enhancing the overall strategic decision-making process.

Additional methodologies can be considered based on the specific needs and context of the programme. Moreover, different evaluation and data collection approaches can be used within these methodologies, including participatory evaluation, qualitative data collection, and continuous feedback mechanisms, among others. The methodology and approach choice depends on diverse factors, including data collection feasibility and affordability, time constraints, resource availability, ethical considerations (e.g., the potential impact on participants, confidentiality issues, possibility to receive informed consent), capacity, and the specific evidence goals of the programme.

Unlike the other implementation components, evaluation responsibilities may fall outside of the manager's scope of work. Much like verification, evaluation requires specialised skills that may fall outside the realm of the manager's expertise. In addition, there may be a strong conflict of interest for the manager to evaluate the programme that it designed and steered.

While managers may not have an active role in the implementation of evaluation activities, they are likely to play a role in (i) guiding the high-level evaluation strategy, and (ii) using the strategy to develop a terms of reference for an evaluation agent. To effectively play these roles, managers should undertake the following steps:

1. **Define research questions:** Project managers should take the lead in shaping the evaluation process by actively engaging stakeholders to identify and prioritize fundamental research questions. These research questions can include the assessment of achieved results in comparison to expectations, the direct attribution of outcomes to the RBF program, and the evaluation of the initiative's effectiveness in triggering anticipated changes in service providers' behaviours. Table 13 further details potential research questions.
2. **Determine a suitable methodology and approach:** To select an appropriate evaluation methodology, project managers should meticulously consider budget and time constraints as well as other practical factors as listed above. Particularly for large and complex evaluations, managers may find it prudent to opt for outsourcing. If this route is chosen, the project manager should regard the subsequent guidance as instrumental input for crafting a comprehensive Terms of Reference to effectively guide external evaluators through the evaluation process.
3. **Recommend data sources and analysis techniques:** To define data sources and analysis techniques for the evaluation, project managers should leverage the program's quantitative results on key metrics as a foundational data source. This data can be supplemented with quantitative data from operational sources capturing non-metric results. To enrich the evaluation, a variety of qualitative data sources can also be considered, including interviews and focus groups.
4. **Determine output and communication methods:** Avenues for output and dissemination include reports, presentations, seminars, workshops, and meetings. In determining the vest-fit avenues, managers should consider the target audience, the depth of information, and the level of engagement desired. For instance, detailed reports may be suitable for stakeholders requiring in-depth analysis (e.g., the funder, government), while presentations and workshops could be more effective for broader audiences, including those outside the immediate context. The key is to tailor dissemination strategies to ensure that the right information reaches the right audience in a format that resonates with their needs and interests. In terms of content, in addition to findings on results and impact, evaluation outputs should also provide insights into the design and implementation of the program to provide essential context. They should also offer practical recommendations for improving the current RBF program, guiding future initiatives, and enhancing overall service delivery in skills development, employability, and employment services to maximize impact.

Table 13: Common payment schedules for employability and employment services RBFs

Research area	Example of questions
Overall program achievements and attribution	○ What results were achieved by the RBF program as compared to expectations? ○ To what extent can those results be attributed to the RBF program? ○ To what extent did the RBF trigger the expected changes in service providers' behaviours?
RBF drivers of impact	○ What RBF factors contributed to achieving the desired results? Which factors should be changed? Which factors should be maintained? ○ Did RBF provide the flexibility imagined for providers to adapt interventions? Did RBF limit the scope for perverse incentives? Did RBF support performance management? ○ Did RBF drive cost-effectiveness as compared to more traditional delivery models?
Interventions and target population	○ Was the RBF able to reach the most vulnerable population in an effective way? ○ Were service providers able to adapt their interventions successfully and at a reasonable cost to reach the most vulnerable populations?
RBF design, implementation, and sustainability	○ Was the RBF program implemented in an efficient way? What lessons can be learnt? ○ Were the prices and payment structure aligned with providers' capacity and experience? ○ Was the performance management system and verification systems effective? Can they be sustained and scaled? ○ Are the RBF costs manageable and reasonable so that they can be sustained and scaled?

4. RBF sustainability and scaling

As with all programmes, sustainability of RBF is a critical concern for programme managers and other RBF stakeholders. Typically, early-stage RBF programmes will have a fixed-term length. As the RBF nears its completion, there are four main pathways for what happens next for the overall programme and RBF modality:

- **Closure:** The programme fully closes (i.e., interventions stop) or reverts to old funding modality. Even if the programme fully closes, a well-designed RBF should lead to behaviour changes and innovations amongst service providers that generate lasting impact for employability and employment services. Box 15 outlines strategies for managers to support this process.

Box 15: Strategies to sustain behaviour changes

- Building providers capacity to institutionalise the good practices developed under RBF through technical assistance on performance management, technical delivery, and/or general organisation management excellence.
- Compiling lessons learned and good practices to share with providers through workshops or other interactive events that allow for discussion on how to maintain momentum from the RBF experience.
- Engaging with government actors and other context stakeholders to share success stores and build their buy-in to supporting continued best practices.

- **Continuation (and scaling):** A new phase is launched with the same funders and key stakeholders. This may include scaling to new populations or geographical regions.
- **Replication (and scaling):** The programme's model is adopted by other funders and sector stakeholders. This may include scaling to new populations or geographical regions.
- **Integration (and scaling):** The programme's model is integrated into government systems for funding and managing service provision. This may include scaling to new populations or geographical regions.

Managers must proactively engage in discussions and work to determine what comes next from the above pathways. A manager's specific role can vary greatly depending on their scope of work and position within the RBF structure, and other stakeholders (e.g., funders) may be heavily involved in driving the sustainability agenda as well. Regardless, as active stakeholders in the programme, managers should contribute insights and engage in advocacy for pathways to sustain and scale programmes when they are successful within the context. Critically, these efforts should begin early and carry on throughout the programme implementation: sustainability discussions cannot wait until the days of the programme. If within their scope, managers should also develop sustainability plans as early as the design phase. The plan can guide sustainability conversations and the proactive exploration of pathways throughout implementation.

If one of the sustainability and scaling pathways is activated, the same processes and steps outlined in this guidebook should guide the development of new phases, replications, scaling, and/or integration into government systems. While some steps may be leaner, particularly for a continuation, managers should not underestimate the need to revisit key analyses and decisions with each new iteration of the programme. For example, the design should always be revisited in-depth to calibrate to the changing context and lessons from prior experiences. In addition, scaling programmes to new populations or geographic areas will require rigorous due diligence and strategy work to contextualise RBF to the new contexts.

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.[38] 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.[39] Testifying the value of RBF, costs have significantly declined per employment outcome.[40] 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.[41] 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.[42] The table below summarises the main features of several skills development, employability, and employment services programmes using RBF:

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
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

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

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

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

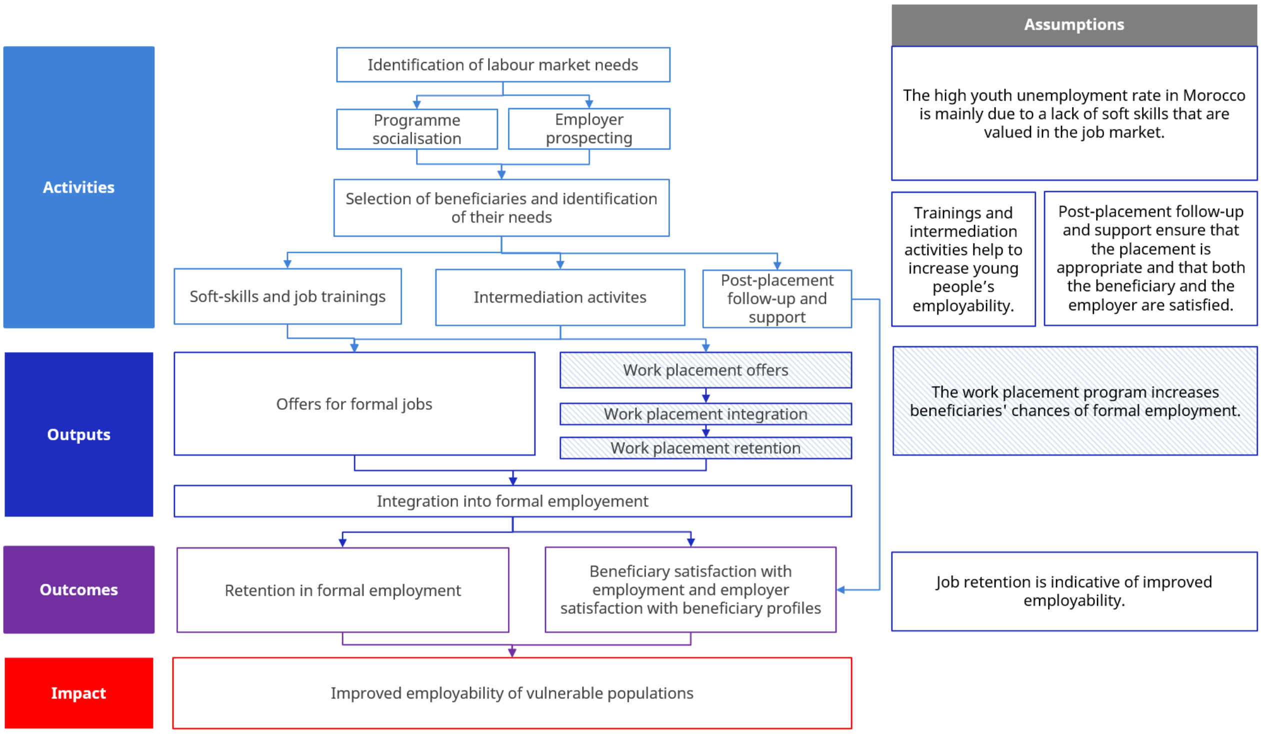
[41] Instiglio. "Results-based Financing to Enhance the Effectiveness of Active Labor Market Programmes." Ottawa: IDRC. (2018): p70

[42] University of Oxford, GOLAB. "Finance For Jobs Intervention description." University of Oxford (2019): p1

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 - Morocco RBF theory of change

The figure below summarises the theory of change developed for the Morocco RBFs.



Starting from the observation that the youth unemployment rate in Morocco - more than 25% in 2018 and 30% today - is a major problem, the final impact sought from the two pilots is to improve the employability of young people and vulnerable people. The main hypothesis underlying this theory of change is as follows: the high unemployment rate among young people is essentially due to a lack of soft skills valued on the job market.

In order to achieve the desired impact, service providers begin by identifying the needs of the labour market in their areas of intervention, in order to determine the appropriate intervention model and the profiles of beneficiaries sought. Then, the service providers carry out programme dissemination activities in order to attract the target beneficiaries as well as prospecting activities for potential employers to facilitate subsequent integration. This work then makes it possible to select the beneficiaries and define the specific courses for each candidate. Finally, the beneficiaries benefit from soft-skills training and, if necessary, professional or qualifying training to meet their specific needs or those of employers.

At the end of this training stage, the beneficiaries have acquired the behavioural (and technical if applicable) skills necessary to receive an internship or job offer from employers, before being inserted into an internship or directly into employment. Following employment integration, service providers follow up with beneficiaries and employers to ensure their respective satisfaction. In addition to the skills acquired during the training, this follow-up must ensure the maintenance of the beneficiaries in employment.

Annex 3 - Selecting a verification agent

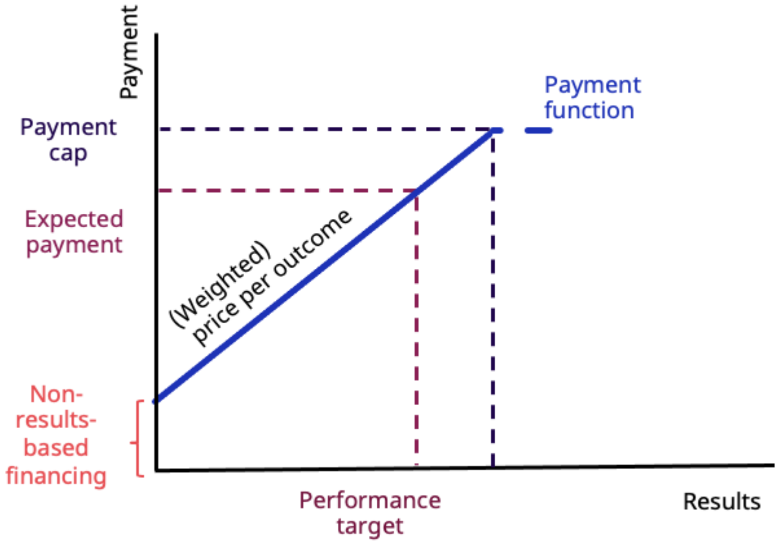
The verification agent is a critical actor in the majority of skills development and employability RBFs. Programme managers can consider whether to undertake the verification role themselves or outsource the verification responsibilities to a third-party.

Combining the roles of the programme manager and the verifier can be a cost-effective approach that leverages existing programme resources and structures for monitoring and evaluation. Alternatively, engaging a third party can enhance the independence and reliability of the process through the engagement of more specialised verification capacities. In either case, it is essential to consider the following key characteristics of an effective verification agent:

- **Independence:** Verifiers must demonstrate sufficient independence from both the service provider. This is to address the risks associated with unreliable service provider evidence. In some contexts, service providers might have concerns about the intrinsic motivations of Programme managers to acknowledge all achieved results, requiring the programme to find a suitable external verifier.
- **Capacity:** Verifiers should have an adequate number of qualified personnel with expertise in the relevant domain and the requisite knowledge in areas such as audit, statistics, or related disciplines, depending on the selected verification method.
- **Cost:** Verifiers should align with the budget constraints established for verification activities, ideally representing the most cost-effective option.
- **Integration with existing systems:** When possible, considering a verifier that is integrated into the existing ,monitoring and evaluation structure can provide additional benefits and streamline the verification process.

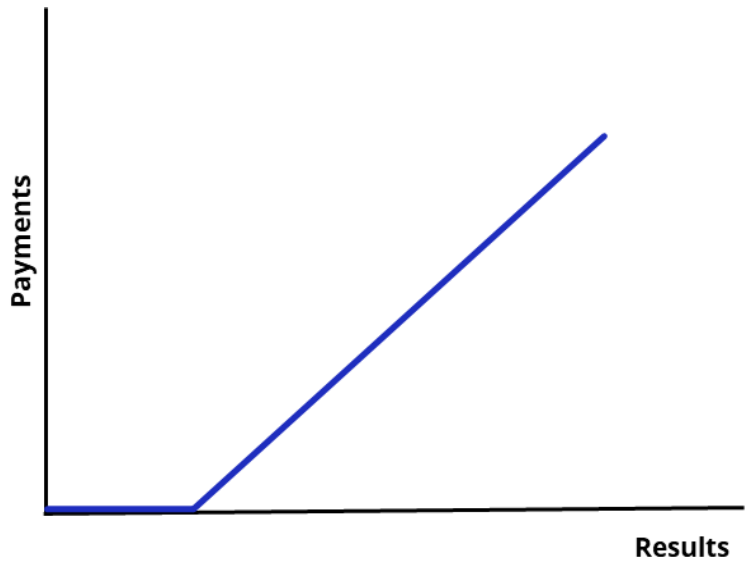
Annex 4 - Payment function features

Payment functions govern the price per result achieved and how prices vary with each result. Programme managers 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 where the slope of the function represents a constant price per result achieved. This annex presents additional features of the payment function.



Thresholds: create strong incentives to improve results

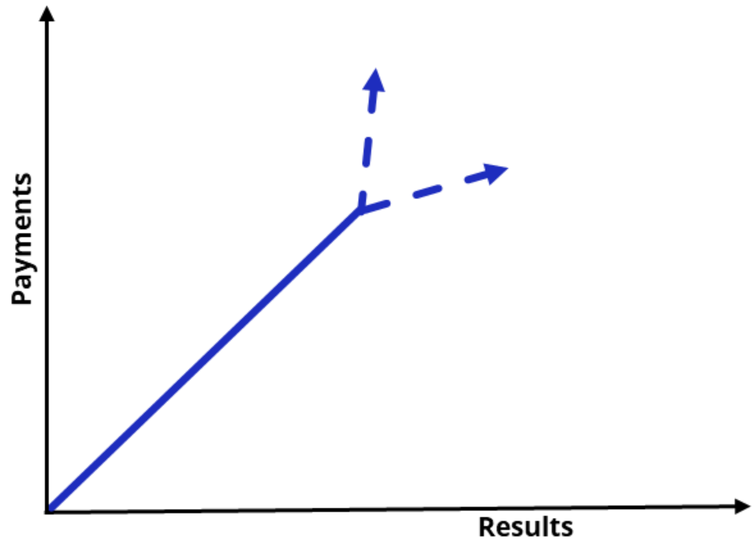
Although best when kept simple, Programme managers can choose to add features to the programme's payment function to manage service providers performance: for example, Programme managers may include a **minimum threshold**, which is the minimum level of results that the service provider needs to achieve before any payment is made. 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.



Payment kinks: adjust for changing marginal costs

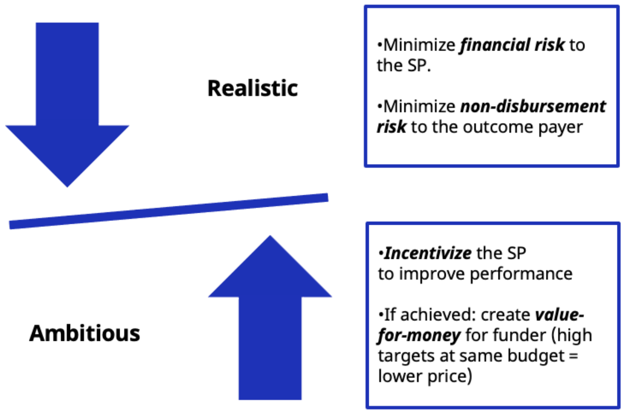
Programme managers can also choose to add **payment kinks** to the programme's payment function, where the price per unit of results changes after a specified level of results has been achieved (see Figure 16). Kinks in the payment function reflect variation in the price per unit of results achieved 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 a 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 beneficiaries 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, programme managers 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.


Payments
Results

▶ Annex 5 - Metric targets

Targets refer to specific, measurable objectives or goals the service provider aims to achieve (e.g., number of beneficiaries trained, or the number of beneficiaries matched with jobs) within the programme's timeframe. Targets are critical to signal the 'goal' for programme stakeholders and allow programme managers and service providers to realistically budget for the program by assigning quantitative objectives to each priced payment metric. The programme manager should calibrate the targets for each result to a level that is **realistic** based on historical data and other sources**, but still ambitious** based on the program goals. The targets rely heavily on the findings from the feasibility study and are bounded by the programme parameters (financial size, target geographies and population, and duration) and assumptions on the local labour markets.



The table below outlines target-setting methodologies that are frequently used in the design of RBF programmes, as well as their main advantages and disadvantages. The programme manager can select different methodologies, one for each payment metric, or even a combination of methodologies for each metric. This depends on the payment metric selected and the availability of information at the time of calculating targets.

Methodology	Definition	Considerations
Fixed number for all	Service providers are given a fixed target in terms of the expected level of delivery (e.g., 90% retention rate).	Easy to understand and communicate to service providers. However, all service providers are incentivised equally regardless of their initial performance and capacity
Fixed percentage change for all	Service providers are given a fixed target in terms of the change expected (e.g., a 5% increase in training attendance). The baseline of the change is specific to each service providers.	Easy to understand and communicate, but may result in very ambitious targets for some service providers and very simple targets for other service providers.
Performance above the baseline	No specific number is set as a target, but any performance above the baseline is considered sufficient.	Can result in relatively easy targets to meet.
Benchmarking	Indexes of international standards (e.g., decent work quality standards targets) or desirable outcomes observed in municipalities or regions with good performance	Feasible in the absence of historical data (comparable countries can be used as benchmarks) but risk of setting targets that are too ambitious.

Past performance of the service provider + growth rate	Targets are set using the variations in the service provider's performance over the recent years and adding the additional change expected from the implementation of the programme	Effective in addressing the challenge of heterogeneity of performance and capacity across service providers, but can be slightly complex to implement.

List of considerations for selecting the targets calculation methodology

- Determining the most adequate target methodology should ideally be evaluated for each payment metric separately.
- The suggested **criteria for assessing the suitability of the methodologies** for the calculation of targets are:
  - **Effectiveness:** The methodology must produce targets that create effective incentives to improve performance. To motivate the stakeholder to maximise its effort, the targets must be ambitious, realistic, and perceived as fair. The targets should cater as much as possible the heterogeneity among the incentivised stakeholders and should not be too low or too high. The importance of ambitious but realistic targets is described below:
    - Targets that are not ambitious or are too low would not incentivise significant changes in service providers performance, or at the extreme might not incentivise service providers to increase their efforts. This implies that the programme would not incentivise the highest possible performance and that additional costs would be generated by monitoring performance without achieving an additional benefit.
    - Targets that are unrealistic or too high could (i) demotivate service providers and negatively affect their efforts, (ii) encourage service providers to engage in cream-skimming (e.g., concentrating efforts on individuals who have ex ante a higher probability of securing a job even in the absence of the intervention) or other undesired behaviours that improve payment metrics but have little, if any, impact on the end goal, or (iii) force the programme manager to reduce targets ex post, undermining the credibility of the programme. In addition, very high targets could increase the risk of non-disbursement of resources tied to outcomes.
  - **Simplicity:** the methodology must be easy to apply and understand
  - **Replicability:** the methodology must be replicable, including the availability of data and the independence of the methodology from the current distribution of performance/capacity levels of service providers in context.
- The programme manager should consider the availability of information for each payment metric and its nature while determining the target methodology. Depending on the information available for each metric, some methodologies would be feasible, and others would not (e.g., methodologies requiring historical data would not be applicable without information).

Annex 6 - Provider due diligence, contracting, and onboarding

Due diligence

The table below details example due diligence questions and data requests.

Assessment criteria	Supporting questions	Data request
Financial sustainability	• Is the organisation's funding base sustainable? • What are the different funding streams of the organisation and the share they represent of the total funding?	• Certified financial statements for the last 3 years.

Financial planning	• Does the organisation have a formal process for financial planning and budgeting?
	• Please describe the processes used to:
	  ○ Develop budgets
	  ○ Track spending
	  ○ Update budgets midyear
	  ○ Ensure board sign-off on key financial decisions and budgets
		• Organisation-wide operational budget. If not available, programme budgets.
		• Tool used for budget follow-up if available.

Financial decision-making	• How does the organisation use its financial plan to guide its operational decisions? • How often do you monitor actual spending against budget? • Describe 2 difficult decisions made by leadership on budgeting and prioritising organisational spending.	
Experience delivering similar results	• How many years have you been implementing these services or programmes? • How many beneficiaries in the past 5 years did you serve? How does this number compare to the size of the target population in the current programme?	• All relevant data sheets and supporting documentation available.
Experience with the target population of the programme	• How many years of experience do you have with the target population, including similar services and others? • What proportion of your beneficiaries actually belong to the target population of the programme?	• All relevant data sheets and supporting documentation available.

Internal staff capacity to deliver the programme	• To what degree do you have the HR capital, skills and capacity to execute this programme?
	• How many people do you need to implement this programme?
	  ○ Of these, how many are already in place/staffed?
	• Which skills are critical to deliver the programme's services?
	  ○ Who in your team has these skills?
	  ○ If no one, how do you plan to acquire these skills? Same question if HR capacity is insufficient.
		• Programme 's team qualifications (certificates, licenses, relevant education).
		• Years of experience with target population.
		• Years of experience with specific, or related activities.
		• Distinctive capabilities from other fields (e.g., private sector, government, academia).

Contracting

Designing service providers contracts efficiently is important for the programme manager to operationalise the RBF design they built, but also to ensure that the duties and rights of all parties are clearly defined and understood, aligning with the core principles of decent work. When designing the service providers contract, programme managers should focus on covering three main topics: (i) programme-related information, (ii) the RBF design elements, and (iii) protocols to manage contract renewal, project risks, and disputes:[43]

- **Programme-related information**: RBF contracts should clarify the programme objectives and parameters of the decent work intervention. This should include at least:
  - The programme description, including background, intervention, and target population.
  - The financial size of the contract with service providers.
  - The contract duration.

- **RBF design elements**: Service provider contracts should outline what results service providers are expected to achieve, how they will be rewarded, and how they will be verified. This is important to bind the service provider to the RBF design. Concretely, this includes specifying:
  - What results will be paid for, including targets and timing of achieving them.
  - The prices that will be paid for individual results as well as the associated payment schedule. This also includes the programme manager's responsibilities in terms of how and when disbursements will be made.
  - The measurement and verification approach to evaluate service provider's performance, including any reporting requirements for service providers.

- **Renewal, non-renewal, and termination:** Programme managers must clearly specify the timelines, responsibilities, conditions, and process for service providers contract renewal or termination in the RBF contract. In particular, programme managers must specify the conditions service providers need to meet to see their contract renewed. In the cases of termination, programme managers should clarify in the contract the reasons that might justify termination as well as how it will be operationalised, including whether service providers will be compensated for progress to date. Programme managers must ensure these processes fit within an overall framework focused on retaining strong performing providers while encouraging the exit of low performers to improve the quality of the service provider pool over time. For example, the Australian Star Rating system facilitates the retention of high performing providers and the exclusion of low performers by projecting expected job outcomes and comparing this with actual outcomes to provide a performance score for each service provider – services providers with low scores are not to be awarded future contracts.

- **Risk management and dispute resolutions**: Programme managers must clearly identify in the service provider contract key risks that may impact the achievement of results and stipulate what process will be followed to address these risks. Programme managers must outline in the contract these risks and how they will be updated and monitored. Typically, RBF contracts should include risks such as:[44]
  - **Evaluation and measurement risks** which affect the verification of results. This includes problems with baseline data, issues with subsequent data collection or measurement, delays, and verifier errors.
  - **Non-compliance risks,** including failure to act within laws and regulations or delays in meeting obligations specified in the contract.
  - **External factor risks,** such as:
    - Changes in government policy or actions of other agents, which could significantly affect results.
    - Force majeure events that significantly affect the achievement of results or performance of any party due to factors beyond their control, such as natural disasters or the COVID-19 pandemic.
  - **Currency and inflation risks.** As with any contract involving international transactions and being executed over a period of years, parties should define exchange rate and inflation corrections based on appropriate financial advice or, in the case of exchange rate risks, avoid them using financial products. For Example, the Argentina SIB had to delay the implementation dates of the programme due to the 2017 economic crisis, which created a lot of currency variations, requiring renegotiations with investors that had to be re-arranged and fixed in the contracts.

[43] Instiglio. "A practitioner's guide to Results-Based Financing." Mississauga: World Vision (2017).

[44] Instiglio. "A practitioner's guide to Results-Based Financing." Mississauga: World Vision (2017).

- Given these and other risks, programme managers should establish a clear process for handling these situations. This is related to the governance structure and includes considerations such as who monitors what risk, who informs others, who is responsible for mitigation, and what is the decision-making process. In certain cases, establishing a steering committee can serve as a mechanism to respond when these situations arise effectively.

- Of course, not all risks can be anticipated by the programme manager and specified in the contract, and additional disputes may arise as a result during implementation. These may require additional decisions-making or dispute resolution mechanisms. Therefore, programme managers must clearly outline in the service provider contract how disputes will be resolved as part of the governance structure (who oversees them, who is involved in solving them, any time limits for dispute resolutions, etc.)

- **Funder standard contracting procedures**: The programme manager must include typical clauses from the funder's standard contracting procedures within the service provider RBF contract. For example, clauses on compliance with the funder's policies regarding fraud and fraudulent activities, procurement and use of funds, human trafficking, social inclusion, and financial accountability. Programme managers must also include service providers' reporting (including financial reporting) and auditing requirements, clauses around conflict of interest, data confidentiality, restrictions to the use of funds, communication, and insurance. Finally, must contracts include force majeure clauses to account for unforeseen circumstances.