Webinar on Payment by Results: a new instrument of financing development

A webinar was organized on 20 May 2020 on 'Payment by Results (PbR)', one of the new instruments used by donors in financing projects implemented under their development cooperation. The Webinar was organised as a part of the course module 'Finance for Development'. I am very pleased to see active interaction of students of both MICD Cohort 6 and Cohort 7. During normal circumstances, we could have visited and learned more from commercial organizations and INGOs who had obtained donor funding through this modality, but under the current COVID-19 related lockdown, we had this limited opportunity to run the discussion through a webinar. Nevertheless, students found this event quite informative and useful; and there were interesting interactions on the process, interest of donors and critiques of PbR. the presentation is appended for those who may be interested in it.

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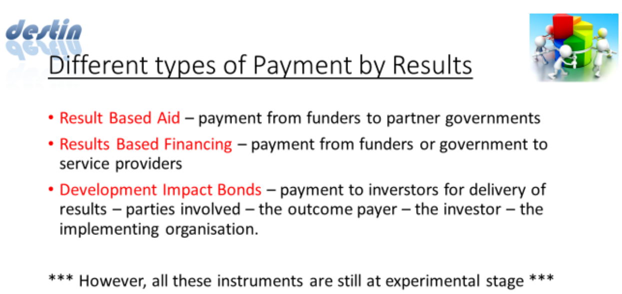
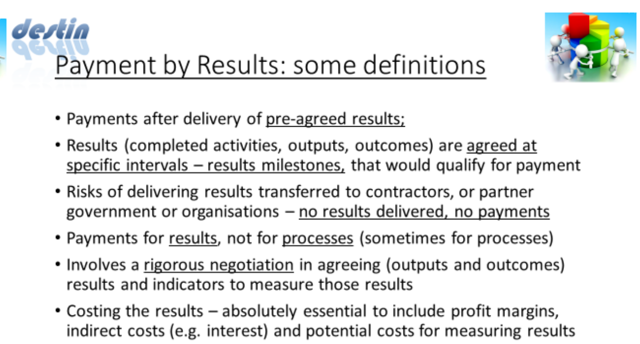
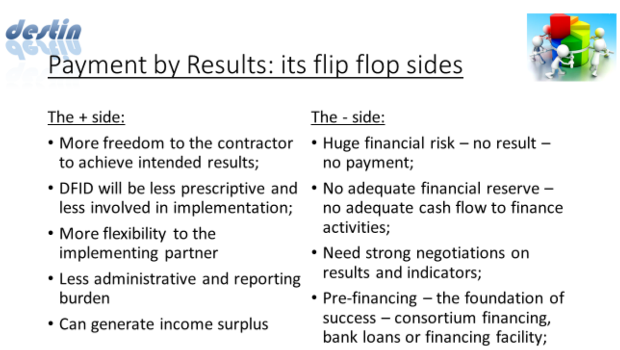
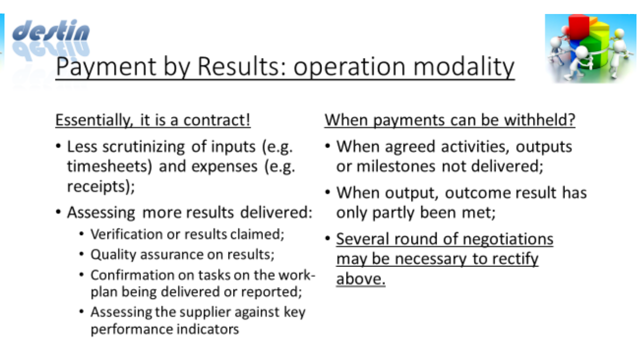
20 May 2020









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Payment by Results: process

- ***Pre-bidding phase***: in which the DFID's understanding of PbR is clearly laid out, and in which potential suppliers are able to access insights into the different models of PbR financing and the requirements and risks of implementing a PbR programme.
- ***Bidding/contracting phase***: This is a resource-intensive process for suppliers; conducted usually as a negotiated process to prepare for and to submit the competitive tender.
- ***Inception phase***: space for suppliers to share approaches and refine their programme design, in which a standardised Monitoring, Verification and Evaluation (MVE) framework is shared and refined and means of verification agreed; milestones and payment schedules are agreed; programme expectations are agreed with partners; and consortia develop common understanding, language and approaches.
- ***Implementation phase***: implementation with appropriate verification cycles and disbursement points, ongoing learning and review.
- ***Closing phase***: for end-of-term evaluation, especially to draw out lessons learnt and find ways of furthering work beyond the project period of implementation.

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Payment by Results: What leads to success?

- A witty Program Lead who can negotiate effectively with DFID –time, quality of indicators and costed work-plans
- A robust program management system that helps to track implementation of activities according to the work-plans
- A robust program monitoring system that is able to collect and present agreed disaggregated data through agreed indicators
- A robust procurement and financial procedures that ensure VfM
- A robust accounting system that enables us to present uptodate expenditure for claiming payments from DFID in time
- A robust cash-flow system and funding for overlapping spending vs. reimbursement-claim period

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Payment by Results: What leads to success?

- Legal considerations whether or not they can raise funds for –pre-financing arrangement; what will be the business agreements? Or are they allowed to raise external loans?
- the extensive capacity of tracking/ managing risks and assumptions
- The ability to work as a 'Client' to the donor; which will need a shift in the organizational culture
- A robust HR management capacity to hire key personnel in time
- The capacity to manage sub-contracts with implementing partners
- the financial management capacity to anticipate inflation and exchange risk and strong negotiation capacity to mitigate this risk

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Payment by Results: supports and critiques

Supports:

- Centre for Global Development – PBR – potential to transform aid – by reducing administrative costs for donors for tracking inputs and activities; and promoting freedom for aid recipients to innovate.
- Reward to those who deliver results – brings in efficiency in aid delivery

Critiques:

- Robert Chambers – a backtrack – from people centred participatory development to a donor dictated and controlled aid delivery
- Development agenda controlled more by donors and large contractors
- Less empowering and less knowledge transfer