

OUTCOMES-BASED FINANCING IN THE NEW FINANCING FOR DEVELOPMENT ARCHITECTURE

Lessons and opportunities for governments, development partners, and multilateral organisations

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Abstract

This study examines outcomes-based financing (OBF) as a set of financing approaches that links payments to measurable results. It explores how OBF has evolved from experimental pilots to more mainstream adoption in development policies and practices. The study defines OBF's core features, analyses existing evidence on its effectiveness across sectors including education, health, employment and climate action, and gathers implementation lessons from governments and development organisations. Through an extensive comparative review of the experiences of 14 national governments and international development institutions, the study identifies enabling factors for successful OBF implementation, including leadership commitment, supportive policy frameworks, robust data systems, stakeholder alignment, and rigorous but adaptive programme design. It also addresses common challenges in OBF adoption and institutional approaches to integrating these mechanisms within existing operations. The study further discusses current organisational strategies for knowledge management and continuous learning that support OBF implementation, while considering future pathways for institutionalising outcomes-focused approaches in new financing for development architecture.

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Many other officials, investors, service providers and civil-society representatives – listed in Annex B – joined surveys, focus groups and validation workshops, enriching every chapter.

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Abbreviations and acronyms

| | |
|----------|--|
| AIDS | Acquired immunodeficiency syndrome |
| CCT | Conditional cash transfers |
| COVID-19 | Coronavirus 2019 virus |
| DAC | Development Assistance Committee (OECD) |
| DFID | Department for International Development |
| DIB | Development impact bond |
| DNP | National Planning Department (Colombia) |
| EMIS | Education management information system |
| FCDO | Foreign, Commonwealth and Development Office (UK) |
| FfD | Financing for development |
| FfD4 | Fourth International Conference on Financing for Development |
| FY | Fiscal year |
| GPE | Global Partnership for Education |
| GPOBA | Global Partnership on Output-Based Aid |
| GPRBA | Global Partnership for Results-Based Approaches |
| HIV | Human immunodeficiency virus |
| IDB | Inter-American Development Bank |
| IDSIB | International Development Social Impact Bond (UK) |
| LDC | Least developed country |
| LMIC | Low- or middle-income country |
| LOGRA | Colombia's national outcomes fund |
| M&E | Monitoring and Evaluation |
| MCC | Millennium Challenge Corporation (US) |
| MDB | Multilateral development bank |
| NGO | Non-governmental organisation |
| OBA | Output-based aid |
| OBC | Outcomes-based contract |
| OBF | Outcomes-based financing |
| ODA | Official development assistance |
| OECD | Organisation for Economic Co-operation and Development |
| PBC | Performance-based contracting |
| PBG | Performance-based grants |
| PbR | Payment by results |
| PforR | Program for Results (World Bank) |

| | |
|-------|--|
| QEI | Quality Education India |
| RBA | Results-based aid |
| REDD+ | Reducing emissions from deforestation and forest degradation |
| SDC | Swiss Agency for Development and Cooperation (Switzerland) |
| SDG | Sustainable Development Goal |
| SECO | State Secretariat for Economic Affairs (Switzerland) |
| SIB | Social impact bond |
| SIINC | Social Impact Incentives (a blended finance model) |
| SMI | Salud Mesoamerica Initiative |
| TVET | Technical and vocational education and training |
| UK | United Kingdom |
| UN | United Nations |
| USAID | United States Agency for International Development |
| US | United States of America |

Executive summary

Outcomes-based financing (OBF) originated as an impactful idea in development practice: *What if, instead of paying for intentions and inputs, funders paid only after measurable results were achieved?* This concept represented a fundamental shift in thinking about development effectiveness, particularly in challenging contexts where traditional approaches had been less effective. While early efforts generated both enthusiasm and scepticism, experience has shown that OBF can be an effective mechanism for delivering impact when thoughtfully designed and adapted to specific contexts.

Over the past decade, OBF has evolved from pilot projects to more mainstream adoption, reflecting the international community's evolving understanding of how to align incentives with impact. This paper aims to clarify what OBF entails, where and how it has been used, what evidence exists on its effectiveness, and identify lessons from its implementation. The aim is not to advocate for OBF in all contexts, but rather to understand when and how it can be most effective in driving meaningful development outcomes, and how these approaches are transforming the capabilities and the results cultures of the institutions that have adopted them.

Key messages

- **OBF is a response to urgent financing needs and effectiveness challenges.** More than ever, policymakers face increasing pressure to deliver results with scant public resources. About half of the 140 Sustainable Development Goal (SDG) targets are off-track and, at the time of publication, the financing gap has widened from USD 2.5 trillion to at least USD 3.9 trillion annually since the pandemic. Financing for sustainable development stands at a critical juncture; the 2015 'billions to trillions' expectation did not materialise and private finance flows, particularly to less developed countries, remain limited. Part of rethinking the domestic and international finance architecture involves ensuring that every dollar drives –and maximises – measurable development progress.
- **OBF is a flexible set of financing mechanisms and organisational strategies that link payments to the achievement of outcomes.** OBF mechanisms are underpinned by three essential features: first, outcomes are collectively defined upfront; second, payments are tied to outcomes; and third, outcomes are independently verified. Rather than a singular tool, OBF encompasses a variety of mechanisms that are adaptable to different contexts and challenges. Importantly, OBF should be seen as part of a broader financing toolkit, to be applied where it adds value and complements other financing approaches.
- **A growing body of research shows that well-designed OBF initiatives can lead to positive outcomes and enhance value for money** across sectors including education, health, employment and, increasingly, climate action. The evidence reviewed in this study indicates that, under the right conditions, OBF can enhance service delivery through improved performance-management and verification processes, strengthen accountability for results, and generate organisation-level and market-ecosystem spillover effects that build capacity for delivering impact among multiple stakeholders. The evidence suggests that, despite concerns around novelty and complexity compared to traditional approaches, OBF offers promising pathways to better value for money by prioritising outcomes. However, in many cases, available data makes it difficult to disentangle the impact of the OBF mechanism from that of the underlying intervention. Overall, OBF can encounter similar challenges to traditional approaches if not well-designed – notably when incentives are overly complex or when ambition is set too low.

- **Organisations well-positioned to apply OBF combine institutional readiness with the ability to learn and adapt.** OBF is not a universal solution, and it delivers the greatest value when applied thoughtfully in the right context. Key organisational enablers include strong leadership commitment, supportive policy and regulatory frameworks, robust data systems for monitoring and verification, meaningful stakeholder alignment, and adaptive programme design. Organisations have overcome challenges by adjusting financial rules, gradually integrating OBF mechanisms into operational processes, and investing in data collection and institutional learning. The most effective OBF initiatives are characterised by incremental adoption strategies that allow for experimentation, continuous learning and gradual scaling based on evidence.
- **Institutions that successfully adopt OBF invest in the learning culture and outcomes mindset needed to sustain it.** From communities of practice and systematic training to strategic external partnerships, continuous learning is essential for refining and scaling OBF models. While specific approaches vary, there is growing consensus on the importance of building internal awareness, fostering a results culture and learning from peers to institutionalise OBF.

Looking forward, OBF offers a promising pathway to sharpen the focus of development finance on delivering tangible results for people, communities and the planet. By paying for what is achieved rather than how it is achieved, OBF can help improve the effectiveness and efficiency of financing, while also encouraging organisations to adopt a stronger outcomes-oriented culture. As OBF adoption continues to grow, governments and development partners have requested harmonised concepts, practical guidance and high-level principles to help mainstream the 'outcomes mindset' within their programmes and operations. The international community has an opportunity to consolidate lessons, promote good practices and ensure that OBF effectively contributes to broader development goals. The Fourth International Conference on Financing for Development (FfD4) in 2025 recognised OBF as part of the agenda to mobilise and deliver impactful public and private financing for sustainable development.

To advance this agenda, this study highlights the need to develop internationally agreed guidance for outcomes-based financing. Such guidance – requested by the international community in Seville – would not prescribe a one-size-fits-all model but instead offer a flexible yet coherent framework for designing, implementing and scaling OBF where appropriate. Harmonised principles and practical tools can support the mainstreaming of an 'outcomes mindset' across programmes and institutions – ultimately helping ensure that scarce development resources drive real, measurable and sustainable results in the service of the whole set of sustainable development goals.

1 Introduction

In an increasingly complex global environment where development co-operation budgets face mounting pressure, global progress towards meeting the Sustainable Development Goals (SDGs) has been uneven and slow. Globally, around half of the 140 SDG targets are not on track (United Nations, 2024^[1]) and even OECD countries have only achieved or nearly achieved 25% of the targets for 12 out of 17 SDGs (OECD, 2022^[2]). Furthermore, following years of decline, extreme poverty rose in 2020, setting back at least three years of progress (OECD, 2022^[3]). Current estimates suggest almost 600 million people will continue to live in extreme poverty in 2030 (United Nations, 2024^[1]).

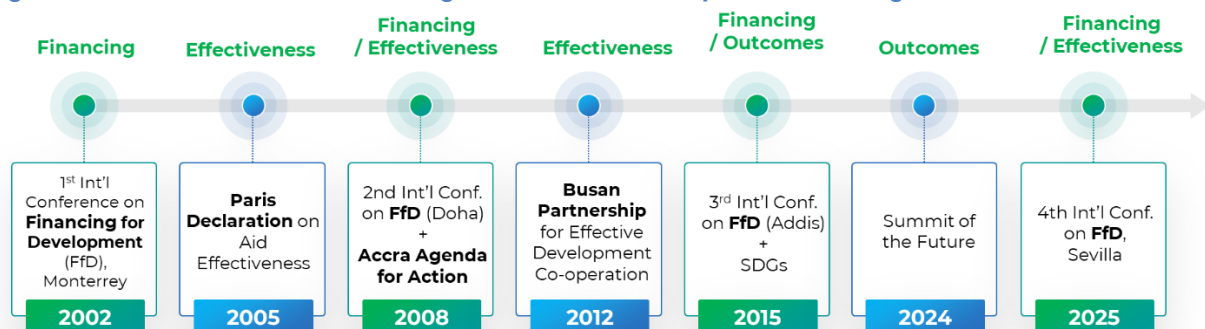
SDG-financing needs to continue growing while countries operate within a reduced fiscal space and face rising debt pressures. Successive crises in recent years, including COVID-19, Russia's war against Ukraine and increasing climate impacts, have forced countries to navigate difficult trade-offs between managing immediate needs and long-term policy goals. The SDG-financing gap has widened from USD 2.5 trillion to at least USD 3.9 trillion per year since the outbreak of the pandemic and is now estimated at over USD 4 trillion per year between 2020 and 2025 (OECD, 2022^[3]). This represents a more than 50% increase over pre-pandemic estimates.

Financing for sustainable development is therefore at a tipping point, with the international 'billions to trillions' ambition far from being reached. Making progress on the SDGs will require renewed focus on both the volume of financing needed *and* the effectiveness and impact of financing. While mobilising additional sources of financing remains a critical objective, only a small proportion of private finance has been channelled to least-developed countries (LDCs) (United Nations, 2024^[1]). The urgency of bridging the SDG-financing gap must be met by utilising resources effectively and efficiently to deliver more outcomes and higher impact, ensuring that every dollar drives measurable progress towards the SDGs.

Outcomes-based financing (OBF) is broadly defined as approaches that link financing to the achievement of pre-defined outcomes (as described in detail in Section 2). The use of such approaches has grown among governments, funders and the private sector, including corporations and impact investors. International commitments such as the Paris Declaration have increased momentum for enhancing the effectiveness of public financing, alongside commitments to mobilise more resources (Figure 1 below). This evolution is emblematic of a broader shift toward enhanced accountability to programme participants, flexibility in delivery, agility and scalability, and a focus on evidence.

The United Nations' financing for development dialogue is an avenue for significant change. The Fourth International Conference on Financing for Development (FfD4) in 2025 offered a significant opportunity to transform global financing. The UN has called for revitalising the development effectiveness agenda and for considering new approaches to delivering results with scarce public resources. While the increased volume of financing required to achieve the SDGs remains important, FfD4 emphasised the *impact* of financing for the SDGs – and its *Sevilla Commitment* negotiated outcome document explicitly called for outcomes-based finance mechanisms to play a pivotal role towards that end (UN, 2025^[4]).

Figure 1. Evolution of international agreements on development financing and outcomes



Notes: FfD – UN Financing for Development conferences; SDG – Sustainable Development Goals.

The use of OBF mechanisms has grown over the last two decades and has become increasingly embedded in the practices of national governments, multilateral development banks (MDBs) and other funding organisations. While some organisations continue to explore whether and how to integrate OBF, others are refining and scaling their existing practices. OBF encompasses a broad spectrum of tools designed to improve development outcomes. As explored in this paper, organisations utilise OBF for different reasons and through diverse implementation approaches.

The use of OBF in low- and middle-income countries dates from the mid-1990s, primarily in the health sector (Brenzel, 2009^[4]) and steadily expanded over the next decade. The World Bank began employing output-based aid (OBA) in 2002. This was followed by the launch of the *Global Fund to Fight AIDS, Tuberculosis and Malaria* (the Global Fund) and the *Global Partnership for Education* (GPE) in 2002, both of which made performance-based funding a core element of their programming (World Bank, 2011^[5]; IDA, 2009^[6]). The World Bank-administered *Global Partnership on Output-Based Aid* (GPOBA)¹ was established in 2003 to provide direct support to OBA projects and to promote OBA's broader use in the development community (GPRBA, 2024^[7]). In response to growing demand for a results-based modality to support client governments, the World Bank introduced its *Program for Results* (PforR) lending instrument as a pilot in 2012, and further mainstreamed it in 2019 by removing its institutional cap. As of 2025, it comprises 18% of the World Bank's total net commitments.

As more forms of OBF emerged, evidence of their effectiveness grew. Early studies in health and education in the 2000s, along with subsequent evaluations and analyses, showed improved outcomes, albeit with some limitations. This paper presents the current evidence base and draws on new research (including interviews with key experts across 14 institutions, which include OECD DAC bilateral co-operation providers, multilateral organisations and partner country governments – see Annex A) to assess how OBF is being used to enhance development impact. The findings aim to help governments, funders and development practitioners use – and eventually mainstream – OBF where it adds value.

With the growing use of OBF, there is an increasing demand to develop a shared understanding of key principles and guidelines, enabling effective adoption and use of these approaches to their full potential. Governments and development institutions have called for harmonised concepts, practical guidance and high-level principles to help mainstream the 'outcomes mindset' in their organisations. Establishing common guidance can enhance credibility, promote effective use and increase the impact of OBF across diverse contexts. By exchanging best practices, consolidating lessons and exploring different implementation models, organisations can better integrate OBF where it adds most value, while avoiding its application in contexts where it may not be suitable.

¹ GPOBA was rebranded as the *Global Partnership for Results-Based Approaches* (GPRBA) in 2019.

This paper is organised as follows. Section 2 defines OBF, summarises its key features and provides an overview of the state of the evidence base on OBF. Section 3 summarises key learnings from this research, including case studies and in-depth interviews with 14 governments and bilateral and multilateral development organisations, focusing on identifying good practices, enablers, and success factors. Section 4 summarises the main conclusions and suggests ways forward. The findings from this paper will inform the development of practical global guidance on OBF, supporting its further use and uptake.

Box 1 below presents the definitions used throughout this report.

Box 1. Definitions used throughout this report

Effectiveness: The extent to which an intervention achieves, or is expected to achieve, its objectives, as well as its results, including any differential results across groups.

Impact: The extent to which an intervention generates, or is expected to generate, significant positive or negative, intended or unintended, higher-level effects.

Inputs: The financial, human, material (in-kind) and institutional (including technological and information) resources used for an intervention.

Outcomes: The short- and medium-term effects of an intervention's outputs.

Outputs: The products, capital goods and services that result from an intervention. Outputs may also include changes resulting from the intervention that contribute to the achievement of outcomes. Outputs include changes in knowledge, skills or abilities produced by the activities.

Performance: The degree to which an intervention or partner operates according to specific criteria, standards and guidelines, or achieves results in accordance with stated goals or plans.

Results: The outputs, outcomes or impacts (intended or unintended, positive or negative) of an intervention.

Sustainability: The extent to which the net benefits of an intervention continue or are likely to continue.

Theory of change: The way an intervention achieves, or is expected to achieve, change. Theory of change represents how people understand change to occur in a given context, including explicit or implicit assumptions about the causal links between inputs, activities and results. It also often includes evidence and risks for these elements of the results chain.

Key actors (*in the context of this study*):

- **Beneficiaries (people who benefit)** refer to the individuals, groups or organisations, whether targeted or not, that benefit, directly or indirectly, from an intervention.
- **Bilateral partners** refer to ministries and development agencies of a given country that provide development finance and co-operation to/in another country.
- **Funders** refer to public actors or private investors contributing resources towards pre-agreed outcomes within an OBF mechanism.
- **Implementers** refer to public or private actors that receive resources in the pursuit of pre-agreed outcomes within an OBF mechanism.
- **Multilateral partners** refer to intergovernmental development institutions and funds that provide development financing and co-operation.
- **National governments** refer to governments that use, or could use, OBF to implement policies, budgets and improve service delivery.

Source: OECD (2023), Glossary of Key Terms in Evaluation and Results-Based Management. 2nd Edition

https://www.oecd.org/en/publications/glossary-of-key-terms-in-evaluation-and-results-based-management-for-sustainable-development-second-edition_632da462-en-fr-es.html

2 Defining OBF and Assessing the Evidence

2.1. Defining OBF and its main features

2.1.1. OBF: a broad concept

Outcomes-based financing (OBF) is broadly defined as approaches that link financing to the achievement of pre-defined outcomes. OBF is an umbrella term encompassing a variety of financing tools and contracting mechanisms, rather than one specific instrument or product. This flexibility allows organisations to tailor OBF approaches to different contexts, maximising their potential impact. Furthermore, as this study shows, policymakers do not have to choose an ‘all-or-nothing’ financing approach with OBF but should instead use it in complement to other tools and instruments in the development financing toolbox.

Through literature reviews and stakeholder interviews, the authors identified nearly 20 variations in terminology used to describe OBF mechanisms. Commonly used terms include *pay for results*, *pay for success*, *pay by results*, *results-based financing*, and *outcomes-based contracts*, among others. Many of these are different terms used for the same or similar tools. The umbrella term ‘OBF’ is used in this paper to encompass a range of approaches, while also purposefully emphasising the ultimate goal: delivering outcomes for people and the planet.

OBF mechanisms can differ significantly in terms of:

- how much funding is tied to results;
- which specific outcomes are incentivised (many OBF tools incentivise a combination of outputs, intermediary results and outcomes along a programme’s theory of change); and
- who bears performance risk.

Importantly, OBF – like any other financing mechanism – is only as good as its design and implementation. The internationally agreed development effectiveness principles are just as relevant to OBF as other financing approaches.² Moreover, OBF can help operationalise these principles by reinforcing country ownership, sharpening the focus on results, fostering inclusive partnerships and strengthening mutual accountability.

² The international community has broadly endorsed a set of development effectiveness principles that guide how development finance should be delivered to maximise impact, especially in support of partner country priorities. These principles emerged from international agreements and commitments, particularly the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action (2008) and the Busan Partnership Agreement (2011).

2.1.2. Motives for paying for outcomes

While organisations adopt OBF for different reasons, most share several common core motives and objectives: to enhance effectiveness and impact, ensure value for money, and strengthen accountability and transparency.

These aspects are outlined briefly below and discussed in further detail in sections 2.2 and 3.2:

- **Enhancing effectiveness and impact:** The desire to deliver more and significantly better outcomes is often the central motive for organisations to adopt OBF. When well-designed and implemented, OBF sharpens the focus on results and incentivises impact.
- **Driving value for money:** A key advantage of OBF in certain sectors is its ability to optimise the allocation of public or private financing by ensuring funds are only disbursed based on verified results rather than inputs or activities. As development co-operation budgets face increasing pressure, this can help ensure that resources are directed to programmes that deliver measurable outcomes rather than programmes that are unverified or untested.
- **Accountability and transparency:** OBF strengthens accountability by explicitly stating expected results and ensuring that funding is linked to performance. Development agencies and governments value OBF's ability to demonstrate measurable outcomes to taxpayers and stakeholders, thereby reinforcing trust in development financing.

OBF mechanisms can also support a range of complementary objectives, which, although not universally present in all OBF models, offer opportunities to enhance impact in different ways. Organisations often adopt OBF to serve strategic objectives or respond to particular challenges. Additional objectives for using OBF are outlined below, with further detailed evidence, examples and case studies in Sections State of the knowledge base on OBF and Motivations and primary drivers for using OBF

- **Mobilising private-sector financing:** Certain OBF structures can attract private investment by offering performance-based returns and creating opportunities for blended finance approaches that align commercial and social/environmental objectives. Impact bonds, in particular, draw in private investment to pre-finance the cost of delivering services. In other approaches, outcomes-linked incentives are embedded within private sector financing provided directly to a business or social enterprise. For example, sustainability-linked bonds (SLBs) mobilise private finance for sustainable targets by linking their coupon payments to the achievement of predefined key performance indicators (KPIs) or sustainability performance targets (SPTs), using step-up or step-down mechanisms that financially incentivise issuers to meet their sustainability commitments. In addition to financing, the private sector can potentially bring efficiency, innovation and operational expertise that can complement public-sector efforts in delivering high-quality services with measurable outcomes.
- **Flexibility and innovation in programme delivery:** When well-designed and implemented, OBF promotes collaborative dialogue, shared ownership and learning with delivery partners. It can provide flexible, multi-year funding that empowers local actors to drive development efforts based on their specific contexts and priorities. By focusing on which outcomes are achieved rather than how they are achieved, local delivery partners are allowed to make course corrections and adjustments. OBF can further catalyse innovative approaches by providing the flexibility needed to experiment with new approaches and solutions rather than dictating the specific activities that delivery partners should carry out.
- **Strengthening systems and capacity:** For multilateral institutions and partner governments, a key motivation for OBF is to reinforce country systems and build capacity for managing for results. For example, the World Bank's *Program-for-Results* (PforR) instrument, introduced in 2012, was expressly designed to disburse funds against results while using and improving the client

government's own systems (World Bank, 2016^[8]). In this way, OBF can be a driver for aligning external financing with national strategies and bolstering local institutions.

- **Scaling what works:** In some sectors, OBF can help scale proven interventions by attracting additional investment, engaging a broader market of effective service providers and targeting harder-to-reach populations. OBF is most effective when stakeholders are supported in transitioning to new operational approaches, particularly those assuming higher delivery risks. This support can include additional funding for technical assistance, capacity building and change-management efforts.

2.1.3. Key features of OBF

Despite differences in motive, terminology used and application, all OBF mechanisms share three fundamental features:

- **Outcomes are collectively defined upfront.** Outcomes serve as the focal point throughout the entire project lifecycle from the design stage onwards. Clearly defining outcomes from the outset not only establishes what the project aims to achieve but also informs how project funds are disbursed, how services are procured and how contracts are structured. Lessons from the experience of conditional aid programmes show that OBF is most effective when there is a clear and **shared commitment** to achieving results from the project's outset. Outcome indicators and targets are also defined upfront, or as soon as baseline data is available, during the early phase of implementation.
- **Outcomes are linked to payments (partially or wholly).** Payment structures are directly tied to achieving predefined outcomes, using measurable indicators to incentivise performance and drive impact. Many OBF tools consider a combination of outputs and outcomes along a programme's internal logic, results chain or theory of change. Payment metrics can be structured in various ways, depending on what the intervention seeks to achieve and how risk and reward will be balanced among stakeholders.
- **Outcomes are verified independently.** The disbursement of outcomes funding is contingent upon the independent³ verification of results. Independent validation is critical to OBF because it ensures transparency, accountability and credibility in achieving agreed targets. Verification protects the integrity of OBF programmes, builds trust among stakeholders and helps drive learning and accountability.⁴

OBF mechanisms can be grouped into three broad categories, as shown in Table 1. The objective is not to standardise the flexibility and diversity of approaches but rather to establish a framework for understanding common uses of OBF across contexts. The categories are defined based on several characteristics, including: the typical structure of agreements; whether upfront financing by investors is required; and how performance risk is allocated.

³ An assessment carried out by a party that is impartial and free from conflicts of interest.

⁴ At the same time, verification can be time-consuming and costly. Lessons learned from stakeholder experiences emphasise using data that is readily available and of good quality (e.g. administrative or market data) and incorporating emerging monitoring technologies when feasible to make verification easier, faster and less costly.

Table 1. Common types and uses of outcomes-based financing

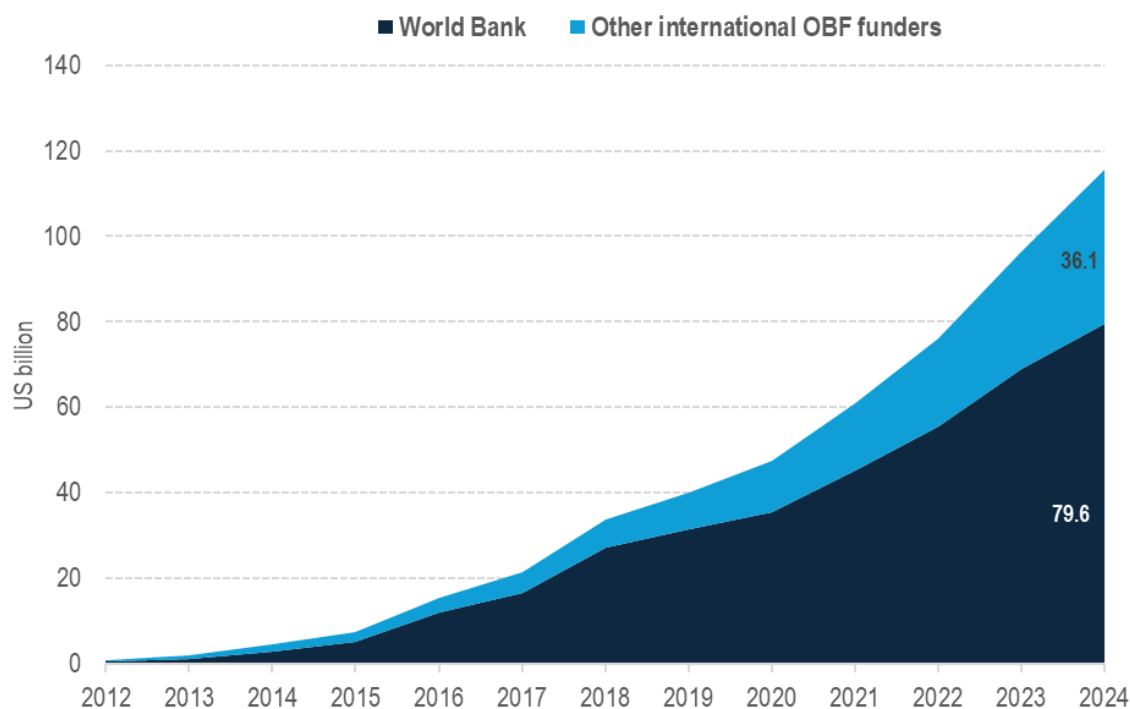
| OBF Category | Examples | Who pays for outcomes? (Principal) | Who bears performance risk? (Agent) | Use cases |
|--|--|--|---|---|
| Results-based agreements and outcomes-based partnerships <i>Agreements typically involve two primary parties, with performance risk borne by the entity delivering the service – either a government or service provider.</i> | <ul style="list-style-type: none"> Performance-based contracts (e.g. service delivery, infrastructure, training) Performance-based loans, grants or transfers (e.g. national to local government) Results-based lending (e.g. from MDB to government) | Funding partner, government or business | Government or service providers | National and subnational development programmes, infrastructure, service delivery |
| Investor-enabled instruments <i>Agreements usually involve two or more parties. Investors bear all or most performance risk by financing service delivery in advance of the outcomes being achieved. Service providers may also share some performance risk.</i> | <ul style="list-style-type: none"> Impact bonds (e.g. DIBs, SIBs) Outcomes funds for programmatic, large-scale initiatives with multiple donors and service providers Social impact guarantees Outcome bonds (e.g. for conservation, biodiversity) | Funding partner, government, or business | Investors and service providers | Public service delivery requiring upfront financing by investors Conservation finance or biodiversity protection backed by institutional investors |
| Market-shaping incentive instruments <i>Mechanisms that incentivise desired outcomes by linking payments to enterprise performance or market-driven goals. Often aim to support sustainability targets, stimulate innovation, new markets or socially beneficial products and services.</i> | <ul style="list-style-type: none"> Impact-linked finance and social impact incentives tied to enterprise performance Pull finance (e.g. advanced market commitments, prizes, guarantees for new products/technologies), vouchers and conditional transfers | Funding partner, government, or business | Varies – typically businesses, social enterprises or innovators | Incentives for businesses to deliver SDG impact (e.g. sustainability-linked bonds) Incentives for developing a new market or breakthrough technology (e.g. vaccines) Incentives for climate-smart actions |

2.1.4. The scale of OBF today

Estimating the total global volume of financing tied to outcomes is challenging due to the diverse terminology used and decentralisation of data sources across organisations. Many organisations also do not systematically define and tag OBF within their portfolios. Taking the broader definition suggested in this paper, our estimates suggest that the aggregate volume of development financing disbursed as OBF to date may exceed USD 100 billion. Key components include:

- The World Bank's PforR lending constitutes a large share of OBF globally – currently estimated at around **USD 61 billion** in active PforR lending operations (as of April 2025), out of nearly USD 80 billion historically delivered. The World Bank's *Global Program for Results-Based Approaches* (GPRBA) portfolio is estimated at around **USD 310 million** (Interviews, 2025^[9]).
- For **impact bonds** only, the sum of upfront capital for contracted impact bonds is currently estimated at between **USD 524 million** (Brookings Institution, 2025^[10]) and **USD 765 million**. (University of Oxford GO-Lab, 2025^[11]).
- Recent estimates suggest that the **impact-linked finance** market is valued at around **USD 35 billion** (World Economic Forum, 2025^[12]).

Despite variations in methodologies, these estimates indicate that OBF, broadly defined, has linked nearly USD 120 billion of international development finance towards outcomes over the past 15 years – a significant scale, though still a fraction of total development finance (see Figure 2). Primary sectors of focus have included education, employment and training, health, and child and family welfare (University of Oxford GO-Lab, 2025^[11]).

Figure 2. Accumulated growth of outcomes-based financing over time

Note: Accumulated financing from international development partners only. Amounts expressed in US billion, current.

Source: Staff estimates based on sourced data from (World Bank, 2025^[13]; World Economic Forum, 2025^[12]; University of Oxford GO-Lab, 2025^[11]; Brookings Institution, 2025^[10]; GPRBA, 2024^[7]; Interviews, 2025^[9]).

In addition to international development finance channelled through OBF mechanisms, national and subnational governments across the world – including notable cases such as Colombia, India, Kenya, Turkiyë, Malawi, Sierra Leone, the United Kingdom and South Africa – have also channelled part of their domestic budgets using OBF approaches. The scale of those resources remains less well known.

2.2. State of the knowledge base on OBF

2.2.1. Overview of the state of evidence

As OBF continues to expand across sectors and regions, a growing body of evidence provides insights into its effectiveness in achieving outcomes and driving ecosystem-level and systemic changes. At the same time, a review of the evidence also highlights limitations, including methodological challenges in isolating the specific impacts of OBF mechanisms from the interventions they support. A better understanding of the existing evidence base and identifying opportunities for future learning can help increase the adoption and effective use of OBF, and avoid its application where conditions are not conducive to success.

Efforts to address knowledge gaps and improve OBF evidence collection have intensified in recent years. A growing and active ecosystem of donors, governments, practitioners and knowledge partners is contributing to the body of evidence. This section synthesises findings from case studies, evaluations, policy briefs and other sources to assess the primary benefits and limitations of OBF. It aims to synthesise the current state of evidence and identify where gaps can be addressed so that the international community can better design, implement and scale OBF as a tool for financing impact on the Sustainable Development Goals (SDGs).

Evidence base: Key points

As a summary of what follows in the subsequent sections of this chapter, the literature highlights several key issues illustrating the impacts and limitations of OBF:

- A growing body of evidence shows examples of OBF leading to positive outcomes in many sectors including education, health and employment. Climate-change interventions increasingly use OBF to incentivise the uptake of climate-positive technologies and practices.
- At the same time, OBF is not a panacea and can encounter similar challenges as traditional financing mechanisms if not designed well, especially when incentives are overly complex or when ambition is set too low (Clist, 2019^[14]).
- OBF can enhance the design and delivery of interventions through improved performance management, monitoring, evaluation and verification processes. However, OBF generally does not produce entirely new, innovative interventions. Instead, innovation tends to happen when outcomes are set, and implementers have flexibility with how to deliver those outcomes.
- Compared to traditional funding mechanisms, OBF can provide greater accountability in helping projects achieve outcomes and results.
- OBF can lead to some organisation- and ecosystem-level spillover effects by strengthening the capacity of the multiple stakeholders involved in designing and delivering OBF programmes.
- Some OBF models have demonstrated the potential for scalability as organisations integrate lessons into their broader operations, but further research is required to assess long-term sustainability and whether outcomes under OBF models can have a lasting impact.
- The ‘OBF effect’ is challenging to measure, as it is difficult to separate the impact of the financing mechanism itself from the effects of the interventions it supports.
- Some OBF models can involve higher initial design and implementation costs, although these costs may be justified if they lead to better results. The additional costs often decline over multiple contracts.
- OBF has the potential to offer better value for money by prioritising outcomes, which in multiple circumstances can lead to more efficient and effective use of funding compared to traditional financing models.

2.2.2. Review of existing evidence on achieving intended outcomes and impact

Evidence that OBF can lead to positive outcomes is increasing in a growing number of sectors. A substantial body of evidence supports the effectiveness of OBF in education, employment and health, and evidence for its application in climate-related interventions (particularly those focused on mitigation) is expanding. However, in most cases, the data make it difficult to separate the impact of OBF as a modality from that of the intervention itself.

- **Education: India’s approach to OBF highlights the power of iteration to scale outcomes.**
 - India’s experience demonstrates how OBF instruments can evolve from initial small-scale pilots to larger, more impactful interventions through iterative learning. The *Educate Girls* Development Impact Bond (DIB), implemented from 2015 to 2018, served as a proof-of-concept initiative. Despite its modest scale, it achieved significant outcomes, surpassing its enrolment and learning targets: successfully enrolling 92% of identified out-of-school girls, and attaining 116% of its enrolment target and 160% of its learning outcomes target. Investors recouped their initial investment with a 15% return (IDinsight, 2018^[15]). Building on lessons

from this initial pilot, the subsequent *Quality Education India* (QEI) DIB, launched in 2018, demonstrated substantial improvement in education quality at a much larger scale, with students achieving 2.5 times more progress in learning outcomes compared to peers in non-participating schools (Gustafsson-Wright, Osborne and Shankar, 2022^[16]; Dalberg, 2022^[17]). Examples of iterative learning like these have supported the development and refinement of OBF instruments in other contexts, underscoring the importance of starting small, capturing lessons and progressively scaling successful innovations.

- **Employment: OBF may drive sustained improvements in labour-market access.**
 - The *Nepal Employment Fund* achieved a 15-16% increase in non-farm employment for young people who participated in skills training, as well as increases in average monthly incomes, especially for women (Chakravarty et al., 2016^[18]).
 - In Colombia, the *Empleando Futuro* SIB – the first of its kind in an emerging market – demonstrated measurable success, increasing the probability of formal employment for participants by 12% after three months and nearly 16% after six months. This SIB was part of a broader programmatic approach that unfolded across four SIBs, each building on the lessons learned from the one before. The fourth and final SIB achieved the most significant outcomes, likely due to strengthened collaboration among intermediaries, service providers and investors who had gained experience during earlier rounds. These pilots paved the way for institutional adoption: the City of Bogotá launched the first fully city-funded outcomes-based employment contract and embedded OBF in its development agenda, supported by new governance structures. At the national level, Colombia is now developing a *National Outcomes-Based Financing Strategy*, which provides an example of how a (multi-year) programmatic approach can incorporate previous learning and facilitate upward OBF mainstreaming from the local to the national level (Strid and Ronicle, 2021^[19]; Chaparro et al., 2020^[20]).
- **Health: OBF may facilitate diverse positive results for health programmes.**
 - A critical review of 81 studies of payment by results (PbR) for health interventions found that most PbR initiatives reported positive results across outputs and outcomes (Duvendack, 2020^[21]).
 - Maternal health facilities that participated in a World Bank performance-based contracting programme in Rwanda experienced a 23% increase in institutional deliveries and a 132% increase in preventive care visits for children aged 24 to 59 months, compared to traditional input-based funding in a randomised evaluation (Basinga et al., 2011^[22]).
 - In a similar performance-based contracting programme in Uganda, the health facilities –run by a private not-for-profit entity in disadvantaged post-conflict communities in the country – achieved 50% of the potential performance points, compared to just 20% in traditionally financed control regions (Ssenooba, McPake and Palmer, 2012^[23]).
- **Climate change: OBF can provide incentives to accelerate the adoption of climate-positive technologies and behaviours.** However, outcomes-based mechanisms suffer many of the same implementation challenges in climate-change projects as they do in other sectors.
 - A multi-sector evidence review found that results-based payments – particularly vouchers and conditional cash transfers – can be structured to incentivise service providers to increase the supply and quality of services and encourage beneficiaries to adopt them (Aldredge, 2020^[24]). These mechanisms have demonstrated value in improving access and adoption across various sectors, including health, education, agriculture, forestry, energy, and the environment. The review concluded that outcomes-based instruments may be uniquely suited to delivering climate benefits, as they can reduce barriers and align incentives for climate-smart solutions.

- A meta-analysis of outcomes-based contracting (OBC) found that OBCs were increasingly used to achieve desired environmental effects, especially in the energy sector, where the transition to climate-smart technology can save money in the long run (Bregazzi et al., 2022^[25]).
- However, a review of results-based aid (RBA) in reducing emissions from deforestation and forest degradation (REDD+) mechanisms found that, despite the promised benefits of RBA, in many cases, it was complicated for REDD+ initiatives to implement RBA programmes or achieve the agreed outcomes (Angelsen, 2017^[26]). The review recommended that RBA initiatives for REDD+ look to learn from OBF examples in other sectors and focus on using RBA in contexts where it is possible to achieve the promised results and structure transactions so that funds are only disbursed against meaningful results.

OBF can enhance the design and delivery of interventions through improved performance management, monitoring and verification processes. In multiple examples, improved performance management helped service providers learn from and respond to new information (Boggild-Jones and Gustafsson-Wright, 2018^[27]). The flexibility of OBF has allowed service providers to adjust their intervention approach, improving service delivery and increasing the achievement of key outcome metrics (Ecorys and FCDO, 2022^[28]; Ecorys, 2019^[29]). Additional sector-specific examples include:

- **Health: Multiple studies have linked OBF with process innovation and increased quality of care.**
 - A World Bank meta-analysis of 40 health projects found that OBF activities were associated with increased utilisation and coverage of priority health programmes, strengthened service provision and quality of care, increased enrolment of insurance beneficiaries, and an enhanced overall institutional and policy framework for the health sector (Brenzel, 2009^[4]).
 - In a study on the effects of performance-based contracting on health facilities in the Democratic Republic of Congo, OBF programmes were associated with a 3% increase in priority health service coverage, as well as more extensive process and structural improvements (Shapira et al., 2023^[30]).
 - An infrastructure-focused humanitarian impact bond also improved staff efficiency by 9% compared to the baseline in Mali (Ecorys and FCDO, 2022^[28]).
 - A series of OBF health projects in Afghanistan improved the quality of care by 32% while achieving their main goal of doubling the number of primary care facilities (Brenzel, 2009^[4]).
- **Education: OBF has been linked to improved school administration and increased teacher capacity.**
 - A performance-based grant led to improvements in the hiring of teachers, on-time distribution of school materials and better student attendance while also achieving significant improvements in reading and maths-learning outcomes, according to an evaluation conducted by the Ministry of Education in Peru from 2014 to 2016 (World Bank, 2021^[31]).
 - The *Educate Girls* DIB in India incentivised the implementer to make several adjustments to improve service delivery, such as increased sessions, teaching groups organised by competency level and improved curriculum content. A retrospective programme analysis concluded that these changes were fundamental in enabling the implementer to eventually exceed its outcomes targets, which had initially lagged during early reporting periods (Boggild-Jones and Gustafsson-Wright, 2018^[27]).
- **Poverty alleviation: OBF has provided flexibility that has allowed implementers to employ adaptive management and make data-driven decisions.** For example, the *Micro-Enterprise Poverty Graduation* impact bond in East Africa deployed a performance management system that enabled its teams to make real-time adjustments and tailor their support to business owners (Ecorys and FCDO, 2022^[28]). This flexibility ultimately allowed the implementer to retain and scale a core set of service innovations that increased the bond's development impact.

- **Climate Change: A systematic review of eighteen studies on environmental outcomes-based contracts found that monitoring generally improved programme design and service delivery** in energy, waste management and clean cookstove projects (Bregazzi et al., 2022^[25]). However, in one case, the introduction of monitoring led to public opposition, which stalled the project.

While OBF can help foster process innovation and data-informed decision-making, it does not appear to encourage wholly new and innovative service models or interventions. For example, a review of SIBs by Gustafsson-Wright et al. (2015) found that while some SIBs have introduced interventions to new settings or populations, the reviewed cases did not demonstrate innovative intervention modalities. This finding may have been anticipated, as funders typically support interventions and organisations with an existing track record of success. However, innovation in OBF is not limited to the intervention itself. Results-based mechanisms can foster creativity by bringing together diverse actors who are given more freedom to choose how they achieve outcomes, rather than prescribing specific activities (Aldredge, 2020^[24]). These mechanisms shift accountability from inputs and activities to verified results, creating space for performance management, operational adaptations and more collaborative stakeholder engagement.

OBF can provide greater mutual accountability for achieving outcomes and results. In other words, the countries, donors and development partners involved in the transaction share responsibility and are accountable to each other and their respective constituents for delivering results (OECD, 2022^[31]). Mutual accountability involves transparently reporting the use of resources and the achievement of outcomes. Examples of mutual accountability in OBF initiatives include:

- **A shift towards greater accountability in three UK FCDO-funded DIBs**, compared to what stakeholders had experienced in other projects or what service providers had previously implemented under traditional grant models. OBF created a 'high-stakes environment' where non-performance carried financial and reputational risks. In the QEI DIB, greater pressure from performance managers and evaluators to adhere to clearly defined processes for data collection, analysis, and measurement resulted in more rigorous and critical evaluations of results and outcomes (Ecorys and FCDO, 2022^[28]).
- **An evaluation of 25 SIBs in the UK found that clear lines of accountability were established for service providers and investors** due to rigorous performance-management structures. However, while structured performance-management frameworks can strengthen oversight and co-ordination, they may also introduce tensions between partners due to differences in organisational cultures and priorities. Nevertheless, the review found that, overall, the partnerships were successful when limited to a well-defined and structured time period (Dixon, 2021^[32]).
- **Increased accountability and rigour in operations pushed the implementers of Project Maitri in India to be more strategic and focus on delivering measurable results** (Savell, Eddleston and Luff, 2024^[33]). These positive changes were driven by a transaction structure that split outcomes funding into multiple tranches, each linked to outcomes-based deliverables.

OBF can lead to organisation- and ecosystem-level spillover effects that strengthen the capacity of the multiple stakeholders involved in designing and delivering OBF programmes. Evidence points to a broader shift within organisations that participate in OBF projects towards a more outcomes-focused culture and work practices as the organisations involved build internal expertise and adaptive capacity to implement and mainstream OBF approaches. Recent examples where OBF led to organisation- and ecosystem-level spillover effects include:

- **Performance-based grants in a municipal development programme in eastern Serbia drove momentum for institutional and legal reform** at the municipal level, alongside other positive spillover effects such as policy reforms (SDC/SECO, 2024^[34]).

- **The SIBs.Co outcomes fund Program in Colombia has led to policy reforms, the institutionalisation of OBF within the Colombian government** and significant improvements in employment outcomes for vulnerable populations. The four SIBs launched to date have also fostered the creation of an OBF ecosystem with stakeholders, including local service providers, foundations and government programmes, adopting OBF within their internal processes (SDC/SECO, 2024^[34]). OBF efforts in Colombia have also led to the inclusion of impact bonds and outcomes funds in the National Development Plan and the creation of an outcomes fund embedded within government institutions (Strid and Ronicle, 2021^[19]).
- **The Harambee Employment SIB in South Africa generated ecosystem-wide effects**, as experienced service providers began to actively support other organisations in the sector with capacity-building efforts to help them adopt and implement OBF models more efficiently, generating a positive impact beyond the increased employment opportunities for the young people trained directly through the SIB (Boggild-Jones and Gustafsson-Wright, 2019^[35]).

Embedding OBF approaches in organisations can take time and patience. Operational challenges – including a lack of clear guidelines and processes for standardising OBF contracts – can slow wider institutional adoption (Koekoek and Gunnewiek, 2024^[36]). These challenges suggest a broader need for funders and implementers to adapt their internal systems and procedures – especially finance, procurement and risk-management processes – and for their legal teams to work with OBF-contracting frameworks (SDC/SECO, 2024^[34]; Koekoek and Gunnewiek, 2024^[36]; The Global Fund, 2024^[37]).

Some OBF models have demonstrated the potential for scalability as organisations integrate lessons into their broader operations. However, further research is required to assess long-term sustainability and whether outcomes under OBF models can have a lasting impact. Some examples of OBF programmes that have been scaled include:

- **The LiftEd DIB in India has expanded from only following student-learning outcomes to including ‘systemic shift indicators’ to drive broader, long-term change.** These indicators measure improvements in teacher training, district officer capacity and pedagogical adoption, ensuring interventions extend beyond the DIB. By embedding these metrics into the payment mechanism, the programme is strengthening institutional capacity and enabling replication across the education system, demonstrating scalability and sustainability (EFN/EOF, 2024^[38]).
- **A Social Impact Incentive (SIINC) in Latin America generated USD 48 million in revenues and USD 41 million in income for smallholder farmers through loans to early-stage agricultural businesses.** 75% of these benefits would not have been possible without the OBF approach – a success story that enabled the Swiss Agency for Development and Cooperation (SDC) to scale the instrument and support its wider adoption (SDC, 2023^[39]).
- **A pilot SIINC in Kenya to increase energy access also drew in additional private capital from impact investors** to scale the intervention to multiple counties (SDC, 2024^[40]).
- **The Salud Mesoamerica Initiative (SMI) in El Salvador provides a compelling example of scaling OBF models in the health sector.** SMI implemented an RBA approach, linking funding to the achievement of specific maternal and child health targets. A later evaluation revealed that preventive healthcare services increased by 42% in municipalities utilising RBA, compared to a 19.8% increase in those receiving conventional financing. This suggests that results-based conditionality approximately doubled the initiative’s development effectiveness. RBA municipalities were incentivised to expand healthcare infrastructure and recruit more qualified personnel. Increased accountability and data sharing between levels of government also helped expand coverage of underserved populations, demonstrating the potential for RBA models to enhance service delivery and scalability in public health systems (Bernal, Martinez and Celhay, 2018^[41]).

The design and implementation costs of OBF are challenging to assess due to the diverse range of OBF structures and support provided for OBF transactions. Certain OBF projects may incur higher initial design and implementation costs, especially if they involve complex contracts, multi-stakeholder co-ordination or performance management requirements. Existing analyses of potential costs associated with OBF include:

- **The three FCDO-funded DIBs incurred additional costs for outcome verification, performance management, investor incentives** and, to a lesser extent, project design and intermediary costs (Ecorys and FCDO, 2022^[28]). However, an early evaluation of these DIBs found their implementation costs broadly comparable to traditional funding models.
- **An assessment of education impact bonds implemented in lower- and middle-income countries (LMICs) found that OBF instruments incurred additional design and implementation costs** compared to traditional fee-for-service contracts (Elsby et al., 2022^[42]).
- **Higher-than-expected implementation costs inflated the overall cost of the Bonds4Jobs SIB in South Africa** due to unexpected stakeholder management expenses (Intellidex, 2021^[43]).

At the same time, OBF has the potential to offer better value for money if the focus on outcomes leads to more efficient and effective use of resources, especially over multiple budget cycles. OBF transaction costs decline over time as multiple contracting rounds improve efficiency and streamline processes. Because funds are only disbursed when agreed-upon outcomes are met, donors and governments may see cost savings in the long run (GSG/EOF, 2021^[44]). Some examples of how OBF projects offer better value for money include:

- **The stakeholders from the three FCDO-funded DIBs generally believed that the higher initial setup costs were justified due to the multiple programme benefits**, including enhanced performance management, accountability and improved service delivery. These improvements strengthened the long-term quality of the programme, largely due to the stronger focus on outcomes, the high-stakes environment and the right ‘mix’ of stakeholder expertise to improve capacity building for service providers (Ecorys and FCDO, 2022^[28]).
- **The QEI DIB resulted in significant cost efficiencies, as the price per outcome was 46% lower than initially estimated** (Dalberg, 2022^[17]).
- **A review of SIBs in Latin America found that the complexity and costs of setting up impact bonds are often justified** when they generate results and learnings that can be applied to future programmes (Strid and Ronicle, 2021^[19]).
 - **Colombia: Lessons from the first and subsequent SIBs in employment helped reduce transaction costs for successive employment SIBs by streamlining design and implementation.** Government stakeholders and service providers also gained capacity from running multiple SIBs, especially when the same government actors were involved, leading to greater efficiency and lower costs.
- **Outcomes funds have emerged as a promising mechanism for lowering regulatory and setup costs, embedding learnings within government institutions and driving the scaling-up of outcomes-based financing.** In Colombia, the third and fourth SIBs were developed, financed and supervised through LOGRA, a national outcomes fund, demonstrating how such a mechanism can institutionalise learnings, facilitate co-ordination among stakeholders and embed outcomes-based financing within government systems. While SIBs require greater co-ordination efforts, stakeholders in Colombia noted that the benefits of mutual learning, risk-sharing and efficiency gains outweighed the additional implementation costs.

Despite the growing body of literature on OBF, it is still challenging to isolate the effect of the financing mechanism itself from the effects of the intervention it supports, despite increasing efforts to understand the ‘OBF effect’ in comparison to traditional funding models. A significant limitation is the lack of OBF transactions that measure outcomes against a counterfactual due to the high cost of (quasi-) experimental evaluations (Gustafsson-Wright et al., 2017^[45]). Some recent attempts to estimate the ‘OBF effect’ include:

- a review of OBF programmes, which found that models such as impact bonds can enable broader participation and innovation, but failed to draw any broader conclusions around OBF’s unique value over traditional funding models due to limited empirical research (Elsby et al., 2022^[42]);
- a randomised controlled trial in Colombia, which concluded that positive employment outcomes were attributable to a positive ‘OBF effect’ in a pay-for-performance programme that targeted impoverished and vulnerable workers (Gómez and González-Velosa, 2023^[46]);
- a recent evaluation of several DIBs, which was unable to isolate the effects attributable solely to the DIB mechanism (often referred to as the ‘DIB effects’). Nevertheless, the authors concluded that OBF appeared to act as a catalyst for change – accelerating processes that may ultimately have led to improved outcomes. (Ecorys and FCDO, 2022^[28]).

2.3. Future research needs and learning agenda for OBF

A growing body of research and evidence has shed light on OBF’s potential to improve outcomes, enhance accountability and drive ecosystem-level and systemic changes. These studies have significantly advanced the authors’ understanding of how OBF models function and the conditions under which they are most effective. However, as OBF continues to evolve, additional research is needed, especially within the following areas:

- **Strengthening learning agendas and evidence utilisation in OBF.** Where possible, OBF projects should integrate a structured learning agenda to capture lessons throughout the design, launch and implementation phases. These approaches should strike a balance between rigour and practicality, ensuring that evaluations generate actionable insights while remaining feasible in real-world settings. Rigorous yet adaptive evaluations can refine OBF design, enhance its practical application and support continuous learning. Additionally, synthesising existing evidence alongside new findings can provide a more comprehensive understanding of OBF effectiveness in different contexts. To sustain learning beyond individual projects, it is also essential to explore ways of fostering continuous knowledge exchange among OBF practitioners through communities of practice and peer-learning initiatives (Ecorys and FCDO, 2022^[28]; Airoidi et al., 2024^[47]).
- **Cost-effectiveness and value for money.** Cost-effectiveness and value for money are critical considerations for OBF models, particularly given that transaction design, outcome measurement, results verification, and evaluation can be associated with higher costs, particularly in a programme’s pilot stage. Understanding these costs in relation to the overall benefits and outcomes delivered is essential when comparing OBF to traditional grant-based funding (GSG/EOF, 2021^[44]). More evidence is also necessary to robustly compare different OBF models (Ecorys and FCDO, 2022^[28]). Studies should examine the long-term financial and social/environmental returns of OBF models to assess whether improved outcomes and efficiencies justify any higher upfront costs, and how the cost-benefit equation changes for one-off versus recurring programmes. It will also be important to assess how emerging technologies (such as artificial intelligence, Earth observation monitoring and others) can help reduce costs associated with data collection and verification.

- **Sustainability of OBF interventions.** A critical question arising from evaluations of impact bonds is their capacity to sustain positive impacts beyond the initial project period. To answer this, projects must incorporate evaluation methodologies that track beneficiaries long after contract completion. However, merely measuring sustained outcomes is not enough to achieve them; ensuring impact requires systemic support and effective navigation of the implementation process. The long-term sustainability of OBF mechanisms, therefore, hinges critically on more than just continued positive outcomes. It necessitates fostering robust OBF ecosystems characterised by aligned stakeholder incentives, enhanced institutional capacity, and the integration of results-based accountability into broader public policies. A key pathway to such systemic integration involves examining how successful OBF programmes can transition into government-funded initiatives or become embedded within standard public-service delivery models. While early indications suggest that OBF models can spur policy changes and secure increased funding for effective interventions, further investigation is crucial. More rigorous research is needed to definitively assess the long-term sustainability of outcomes achieved through OBF models, complemented by ongoing qualitative research to deepen our understanding of the influential factors at both organisational and ecosystem levels (Ecorys and FCDO, 2022^[28]; Gustafsson-Wright and Boggild-Jones, 2019^[48]).

3 OBF Enablers and Learnings

3.1. Introduction

The story of organisations pursuing outcomes-based financing (OBF) approaches is not one of unqualified success or failure, but instead one of institutional learning and refinement. Early pioneers, including the United Kingdom and the World Bank, launched ambitious results-based initiatives in the early 2010s, driven by the compelling logic that linking funding to outcomes would sharpen accountability and performance. These early efforts generated both enthusiasm and scepticism. Would implementers have the capacity to pre-finance activities? Could complex development outcomes be meaningfully measured? Would the focus on specific targets distort broader objectives? How could the right metrics be identified? How should risk be shared?

As evidence accumulated from these first-generation models, a more nuanced picture began to emerge. OBF showed promise in certain contexts but required thoughtful design and adaptation. Rather than abandoning the approach, practitioners incorporated lessons learned, developing more sophisticated and flexible instruments that addressed the limitations of early models. By the late 2010s, OBF had evolved considerably; organisations were transitioning from ad-hoc projects to systematic approaches, innovative instruments were blending outcomes-based elements with other financing, and the application of OBF approaches had become more context-sensitive and adaptive.

Today, OBF stands as a growing set of tools in the development-financing toolkit available to governments and their international partners – neither a silver bullet for every situation, nor a fad, but a practical approach with great potential when thoughtfully applied. This section examines the key enabling factors and lessons from the use of OBF approaches, drawing on in-depth interviews and focus groups, evaluative evidence, and comparative experiences across national governments and bilateral and multilateral development institutions, to identify the key enablers, challenges and lessons for effective OBF adoption and implementation. The aim is not to advocate for OBF in all contexts, but rather to understand when and how it can be most effective in driving meaningful development outcomes, and how these emerging approaches are transforming the capabilities and the results cultures of the ministries and institutions that have adopted them.

3.2. Motivations and primary drivers for using OBF

What drives governments and development organisations to adopt outcomes-based approaches? Behind the technical mechanisms of OBF lie compelling human and institutional motives: the quest for greater accountability in public spending (including in development finance); the pressure to demonstrate tangible results to taxpayers; and the desire to innovate where conventional methods have fallen short. For some countries and development institutions, the journey towards OBF began with political imperatives; for others, it emerged from operational necessities or strategic opportunities.

Understanding these diverse motives reveals that OBF is not seen merely as a technical financial instrument but as a response to fundamental challenges in traditional delivery models. Whether embraced as a means to introduce new development-financing models, ensure value for money, mobilise private sector expertise and funding, foster innovation or strengthen country systems and improve service delivery, all interviewees agreed that the decision to adopt OBF reflected both external pressures and internal aspirations to enhance development impact.

This section examines these drivers and their manifestations in various contexts.

3.2.1. Political and policy contexts

A supportive policy environment has a strong influence on OBF uptake. Some institutions have political climates and legal frameworks conducive to incorporating OBF in development co-operation, whereas others face more neutral or constraining environments.

- For instance, **South Africa** co-ordinates OBF through the Presidency to create an enabling environment, ensure alignment across ministries and promote cross-government learning. This central role strengthens accountability and supports effective achievement of sector policy goals and outcomes (Presidency, 2020^[49]).
- In the **United Kingdom**, a long history of using payment by results (PbR) in domestic programmes created experience and political buy-in that later drove its development agency (formerly DFID, now FCDO) to pioneer OBF in development co-operation (DFID, 2014^[50]).
- In **Switzerland**, principles of local ownership and participation align with OBF, and there are comparatively fewer legal barriers to how development funds can be disbursed, enabling flexibility for results-based approaches (Interviews, 2025^[9]; SDC/SECO, 2024^[34]).
- In **Norway**, a political push for better management by results – emphasising better metrics, knowledge management and learning – has prompted its development agency, Norad, to explore innovative instruments (Tjønneland, 2022^[51]) (Norad, 2021^[52]).
- In the **European Union**, policy reforms have also opened up space for OBF. A 2018 revision of the EU Financial Regulation explicitly permits “*financing not linked to costs*” but rather tied to “*the achievement of results*,” measured by milestones or performance indicators (Silverman, 2021^[53]). This regulatory change, along with the European Parliament’s calls to focus spending on performance, illustrates how shifts in policy frameworks have enabled OBF adoption in a multilateral context.

3.2.2. Institutional architecture and capabilities

An organisation’s structure and operating model can either facilitate or hinder the use of OBF. Key factors include organisational size, degree of decentralisation, risk appetite and prevailing funding mechanisms. A decentralised agency with empowered field offices may more readily pilot OBF, whereas a highly centralised or procurement-driven bureaucracy might be slower to adapt.

- **Switzerland’s** development agencies (SDC/SECO) are relatively small and decentralised, which has enabled bottom-up experimentation with OBF to be championed by staff in country offices (Interviews, 2025^[9]).
- The **World Bank’s** decentralised institutional structure, integrated with transversal approaches such as the adoption of OBF instrument Program for Results (PforR), the establishment of the Global Partnership for Results-Based Approaches (GPRBA) as the dedicated OBF-focused entity, and the support of targeted OBF sectoral initiatives (e.g. the REACH Education Fund) – has played a pivotal role in advancing the uptake and scaling of OBF. This decentralised model has enabled experimentation, flexibility and innovation across diverse contexts. Successfully mainstreaming

OBF requires continuous efforts to align procedures, build institutional and staff capacity, and ensure coherent strategic oversight across the World Bank Group (Interviews, 2025^[9]; World Bank, 2016^[8]; GPRBA, 2024^[7]; Lee and Medina, 2019^[54]).

- In **Norway**, Norad has historically been centralised, with a strong compliance mindset, so shifting to an outcomes focus is a more recent development requiring cultural change and new skills.

These examples demonstrate that institutions willing to integrate OBF often need to proactively adjust their internal processes – providing technical support, simplifying procedures, and empowering teams – to overcome structural hurdles.

3.2.3. Shared core motivation

Notwithstanding different contexts, international development institutions and governments in the vanguard often cite a shared set of reasons for adopting OBF:

- **Enhancing effectiveness and impact:** OBF is seen as a way to sharpen focus on results and improve development outcomes. By disbursing funds only upon the achievement of agreed targets, agencies aim to **directly drive priority results** in areas like health, education and employment (SDC/SECO, 2024^[34]; NAO, 2024^[55]). This approach ties funding to real-world changes, which can increase the effectiveness of development finance. In some cases, results-based incentives have significantly boosted health outcomes (SDC/SECO, 2024^[34]). Multilateral lenders have introduced OBF approaches (e.g. the World Bank’s PforR) to enhance the effectiveness and impact of client countries’ development efforts by linking funding disbursements to the achievement of measurable results, thereby delivering greater impact for each dollar spent (World Bank, 2016^[8]).
- **Value for money:** OBF offers a compelling promise of greater efficiency, especially in times of tight budgets. By paying for outcomes rather than inputs, funders aim to ensure that resources are allocated to interventions that are effective, thereby stretching public funds. The logic is that linking payments to verified results will **improve value for money for taxpayers and beneficiaries** alike (Dijkstra, 2023^[56]). For instance, the UK adopted PbR in part as a financial reform – paying on the delivery of outcomes was expected to transform official development assistance (ODA) delivery and get **better results per pound spent**. Switzerland’s development co-operation institutions likewise view results-based financing as a tool to **drive greater value for money** across programmes under increasing scrutiny and budget pressure (SDC/SECO, 2024^[34]). In essence, OBF appeals to those who manage public funds to maximise the impact of each unit of expenditure.
- **Accountability and transparency:** Tying funding to outcomes creates more transparent accountability for performance. It also diminishes the opportunities for corruption. Most interviewees agreed that OBF makes explicit what results are expected for the money and thus aligns all stakeholders as to what ‘success’ looks like. Many development co-operation agencies and ministries are motivated by the prospect of better demonstrating to domestic stakeholders that ODA delivers tangible results. The UK’s leadership touted payment-by-results as a way to “*show the taxpayer exactly where money is being spent*” and what it achieves (DFID, 2014^[50]; ICAI, 2024^[57]; ICAI, 2025^[58]). Similarly, the Global Fund’s performance-based funding was designed to ensure money is spent on services for intended beneficiaries and to provide incentives for recipients to stay focused on agreed results (The Global Fund, 2015^[59]; Interviews, 2025^[9]). By publicly reporting outcomes, OBF models can strengthen accountability relationships – between donor agencies and their parliaments, as well as between funders and implementing partners – since funding is conditional on performance rather than just good intentions (Dijkstra, 2023^[56]). This emphasis on transparency and results is also aligned with the development effectiveness agenda (e.g. the Paris Declaration on Aid Effectiveness, the Busan Partnership agreement), which has called for managing for results and mutual accountability in development co-operation (SDC/SECO, 2024^[34]).

3.2.4. Context-specific drivers

Beyond these broad motives, organisations often adopt OBF to serve strategic objectives or respond to challenges unique to their context. Examples include:

- **Stimulating innovation in programming:** Development finance providers and governments use OBF to encourage new solutions where traditional approaches have stalled. By not prescribing activities, OBF gives implementers the flexibility to try innovative methods for achieving targets (Interviews, 2025^[9]). This is especially attractive in sectors such as employment and education, where outcomes remain suboptimal despite substantial funding. For example, development partners have introduced outcomes-based pilots in youth employment in countries such as South Africa and Kenya to test novel approaches for getting results in a stubborn policy area. While traditional approaches pay upskilling and job placement agencies on an input or output basis, these new approaches only pay for the number of newly employed youth that still hold the job after six or more months (i.e. with stability). The ‘pay for success’ element creates a safe space for experimentation, on the premise that if interventions don’t deliver, implementers won’t be paid – but if they succeed, all parties learn what works and scale it up (see Section 2 examples). Thus, OBF serves as a **catalyst for innovation**, as seen in numerous pilots where implementers improved their models to meet outcome targets.
- **Engaging the private sector and blended finance:** A major driver for OBF – particularly impact bonds and outcomes funds – is the desire to **mobilise private capital and expertise** for development goals. OBF instruments like impact bonds and others can attract public or private investors who provide upfront funding, with repayment contingent on results, effectively blending public and private resources. This appeals to governments, donors and private funders looking to increase the funding pool for sector programmes and to leverage businesslike efficiency. Organisations with mandates to work with non-state actors have embraced OBF as a way of forming public-private partnerships. For instance, many impact bonds have been launched with the dual aim of achieving social outcomes *and* demonstrating a model to attract private investment in areas such as health, education, and agriculture. Sustainability-linked bonds tie the issuer’s cost of debt to performance against sustainability targets, creating a direct incentive to achieve them
- **Addressing priority challenges through incentives:** Some institutions adopt OBF to tackle specific problems that they believe require an outcomes-focused approach. The use of OBF in vertical health funds and climate finance is a notable example. The Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund), for example, instituted performance-based grants out of a belief that this would accelerate progress on disease targets by rewarding results (Interviews, 2025^[9]). By linking disbursements to disease-control outcomes, it aimed to **convert financing into results** more effectively and channel funds to what works in combating disease (Interviews, 2025^[9]). Likewise, OBF has been used by some governments to co-ordinate multi-agency efforts on complex issues. For instance, outcomes-based agreements have been tried to unite different departments around reducing unemployment, based on the logic that a shared outcome (jobs placed) will incentivise collaboration that siloed budgets cannot achieve. These cases demonstrate that when a policy challenge is of high priority and outcomes are lagging, stakeholders may turn to OBF as a problem-solving tool, hoping that new incentives will ‘move the needle’ more effectively than traditional input funding.
- **Strengthening systems and capacity:** For multilateral development banks (MDBs), a key motivation for OBF is to reinforce country systems and build capacity for managing for results. The World Bank’s PforR instrument, introduced in 2012, was expressly designed to disburse funds against results while using and enhancing the client government’s own systems (World Bank, 2016^[8]). Other peer institutions have progressively adopted results-based financing – such as the Asian Development Bank (ADB) (since 2013) and the African Development Bank (AfDB) (since 2015). The Inter-American Development Bank (IDB) has developed a blended finance portfolio of

outcomes-based financing projects since 2016, building on prior results-based lending (Puerta et al., 2023^[60]). The rationale is that OBF could spur reforms in public financial management, monitoring and service delivery by “*providing support for the use of a government’s own systems*” and ensuring funds are used appropriately to achieve development results (World Bank, 2016^[8]). Lessons from reviews suggest OBF **aligns international development funding with national plans and strengthens local institutions**. This is a key incentive for international partners focused on long-term capacity building (IDEV, 2024^[61]; ADB, 2017^[62]).

- **Internal efficiency and portfolio management:** Some funders and development partners have turned to OBF due to internal operational drivers. A striking example is Norad in Norway – as its budget has grown rapidly in recent years without a matching increase in staff, the agency has faced pressure to manage larger portfolios more efficiently (ITAD, 2024^[63]). Many interviewees see OBF as one solution to “*doing more with less*”: by delegating more responsibility to implementing partners to deliver outcomes. Instead of micromanaging inputs and activities, staff can focus oversight on results achieved. In effect, shifting to an outcomes-based approach can reduce the burden of tracking every activity and output, thereby enabling leaner management. This pragmatic motive – to maintain quality and control in an expanding development programme with limited administrative capacity – has been an essential driver for OBF in certain institutional contexts. It aligns with the idea that **managing by results** can streamline workflows, as robust outcome indicators and verification replace some of the more labour-intensive compliance checks of input-oriented funding (Vähämäki and Verger, 2019^[64]).

In summary, OBF adoption is rarely driven by a single factor; rather, it is the result of a combination of **incentives and enabling conditions**. A high-level political commitment to results and accountability often sets the stage, while institutional champions and conducive policies push OBF forward. Ultimately, all actors share the goal of maximising the impact of spending and OBF offers an appealing framework to achieve that – by focusing on paying for *what* is achieved instead of *how* it is achieved. The case study in Box 2 illustrates how one institution’s motivation to adopt OBF reflects many of these themes, translating abstract drivers into a concrete initiative.

Box 2. The UK’s journey with outcomes-based financing: lessons and evolution (2010–2025)

Context and early adoption (2010–2014): The UK emerged as an early champion of outcomes-based financing (OBF), known domestically as ‘payment by results’ (PbR), driven by a strong political commitment to aid effectiveness and accountability. Ring-fencing the development budget in 2010 heightened scrutiny on results, increasing public expectation for clear evidence of development impact. Building on domestic experience – including pioneering the world’s first social impact bond (SIB) in Peterborough Prison in 2010 – the government translated domestic insights into international co-operation. PbR was seen as a practical means for maximising development effectiveness and enhancing transparency by explicitly linking payments to verified outcomes.

Scaling up and institutional integration (2014–2020): DFID’s 2014 strategy, *Sharpening Incentives to Perform*, set ambitious goals for integrating PbR across its portfolio, driven by ministerial advocacy for value for money and enhanced accountability. This resulted in a substantial increase in PbR projects, covering sectors from education and health to governance, including cash-on-delivery arrangements and NGO-led programmes. The UK strengthened its internal capabilities by introducing rigorous evaluations, designing robust verification mechanisms, and providing targeted staff training.

Learning and adaptation (2016–2020): As implementation expanded, independent assessments highlighted both successes and challenges. Positive results included improved programme monitoring and more explicit accountability frameworks. However, rigorous evaluations highlighted both limitations and opportunities: PbR had not necessarily spurred greater innovation, nor consistently outperformed

traditional modalities. Clist (2019^[14]; 2021^[65]) noted practical hurdles such as difficulties in attributing outcomes and the risk of incentivising short-term rather than sustainable improvements. Responding to these insights, the UK adapted its guidance to use PbR more selectively, emphasising measurable outcomes and realistic expectations. Additionally, it piloted innovative models such as development impact bonds (DIBs) in 2017, wherein private investors funded upfront service delivery, mitigating risks for implementing partners and facilitating innovation.

Recent developments and strategic refinements (2020--2025): After merging into the Foreign, Commonwealth & Development Office (FCDO) in 2020, the UK continued refining its OBF approach. Building on lessons learned from earlier pilots, the FCDO has focused on its *Pioneer Outcomes Fund*, which represents a systematic effort to scale and apply outcomes-based financing principles more strategically. This reflects a maturing approach that builds on lessons learned while addressing earlier complexities.

Achievements and ongoing adaptations (as of 2025): The UK's decade-long experience has notably advanced global knowledge and practice in OBF, reinforcing its position as a leading innovator. Concrete achievements include strengthened results orientation, robust evaluation mechanisms and meaningful engagements with private-sector stakeholders. While there have been notable successes, mainstreaming OBF across broader portfolios has proven complex due to measurement and attribution challenges as well as initial transaction costs. Ensuring the alignment of PbR with local ownership and accountability also remains critical for sustainability.

The UK's journey has taken a pragmatic approach: outcomes-based financing is a valuable tool in multiple contexts but not universally applicable. The UK's recent efforts aim to integrate lessons learned, balancing ambition with practical realities, recognising that effective mainstreaming and system-wide integration remain critical areas for continued improvement.

Sources: (SDC/SECO, 2024^[34]; FCDO, 2024^[66]; DFID, 2014^[50]; Clist, 2021^[65]; Clist, 2019^[14]).

3.3. Key success factors and enablers

What separates successful outcomes-based programmes from those that falter? The landscape of OBF implementation reveals patterns of enabling conditions that transcend specific contexts or instruments. These success factors are not abstract concepts but practical realities that organisations have encountered in their journey towards results-based approaches. Some elements, such as leadership commitment and data systems, may seem obvious in hindsight; yet, their absence has derailed otherwise promising initiatives. Others, such as stakeholder alignment and adaptive programme design, reflect more profound insights about how incentives and relationships shape programme performance. Collectively, these enablers form a roadmap for organisations considering or implementing OBF – not a guarantee of success, but a set of signposts drawn from the collective experience of pioneering institutions that have navigated this territory before.

Successfully implementing outcomes-based financing approaches requires creating a conducive environment and adopting proactive strategies. Experiences across national governments, bilateral donors, and multilateral institutions reveal a set of common enablers that determine whether or not OBF initiatives achieve their intended impact.

While the core success factors are similar, their application can differ; for example, bilateral agencies often integrate OBF into existing contracting processes, MDBs may create dedicated outcomes-based instruments and national governments must adapt regulations and build political support to sustain outcomes focus (Interviews, 2025^[9]).

Across these contexts, several conditions and best practices have emerged as critical for effective OBF adoption:

- **Institutional readiness and leadership commitment:** Institutions engaged in OBF need internal champions and supportive leadership to drive the shift towards outcomes. OBF often requires a cultural change from a compliance or ‘money spent’ mentality to a results-oriented mindset (Interviews, 2025^[9]). Leadership can align internal incentives (e.g., staff objectives, budget processes) with achieving outcomes rather than just disbursing funds. Early adopters play a pivotal role in this change management; pilot projects led by enthusiastic teams demonstrate proof of concept and build confidence among peers (Interviews, 2025^[9]). In Switzerland’s development agency, for instance, bottom-up initiatives by internal champions helped embed OBF in programming, while in larger agencies like USAID, empowering field offices to experiment within existing mechanisms was key (Interviews, 2025^[9]). An institutional learning mindset is equally important. Successful organisations encourage experimentation, capture lessons and adapt based on what works, rather than punishing failures. Integrating OBF communities of practice or learning agendas internally can reinforce this approach. Signals from senior leadership and well-communicated success stories can help overcome staff’s risk aversion by showing that trying innovative financing models is valued and supported.
- **Enabling policy and regulatory frameworks:** A supportive legal and policy environment underpins OBF implementation. Governments and funders must have the flexibility to enter outcomes-based agreements. For example, procurement and contracting rules should allow payments to be tied to results and budgeting processes should permit funds to roll over across years if outcomes take time to materialise. In many countries and institutions, such regulatory frameworks are already in place, providing a foundation for building OBF instruments (Interviews, 2025^[9]). Where they are not, reforms and clear guidelines may be needed to authorise outcomes-oriented contracts or to pool financing in outcomes funds. Multilateral institutions have addressed this by creating formal instruments (e.g. the World Bank’s PforR) with dedicated rules and guidelines that facilitate disbursement against results (World Bank, 2019^[67]; World Bank, 2016^[8]). Bilateral donors like the UK and Switzerland have issued internal guidance to staff on designing payment-by-results schemes, clarifying how to set targets and price outcomes within existing regulations. Consistent policy support – such as strategy documents or directives endorsing OBF – also signals to all stakeholders that outcomes-based approaches are an institutional priority, thus encouraging wider adoption (Interviews, 2025^[9]).
- **Robust performance monitoring, evaluation and data systems:** OBF links funding to results, so the ability to **reliably measure and verify outcomes** is a fundamental success factor. Implementers and funders must invest in monitoring and evaluation (M&E) systems that can generate timely, credible data on outputs and outcomes (Vähämäki and Verger, 2019^[64]). This includes defining clear metrics, baselines and targets at the design stage, and often arranging independent verification of results. For example, the United Kingdom’s PbR programmes underscored the need for robust information systems to track performance and establish a clear counterfactual to assess additional impact (FCDO, 2018^[68]). However, best practice is to balance rigour with pragmatism (Interviews, 2025^[9]). Complex evaluations or strict verification protocols can impose high transaction costs and delays, which may deter participation. Interviewees consistently stated that successful OBF initiatives find a **middle ground**, ensuring accuracy and accountability in reporting results while simplifying processes wherever possible. Some programmes use **proxy indicators** or sample-based verification to reduce costs, especially in the early stages. Others set **graduated verification approaches** – for instance, lighter validation for lower-stakes payments and more thorough audits for larger outcome payouts. The goal is to maintain trust in the system (so that all parties agree that payments are fair and based on actual outcomes) without overburdening implementers. As evidence accumulates, organisations often refine their M&E approaches – dropping irrelevant indicators, automating data collection (e.g. via digital tools) and

strengthening local data capacity. Note that the data produced by OBF schemes should feed back into learning and decision-making, rather than just triggering payments. Institutions that treat outcome data as a tool for continuous improvement (and share this data transparently) tend to see better performance over time (World Bank, 2018^[69]).

- Stakeholder engagement, dialogue and clear accountability:** OBF may involve multiple stakeholders – funding partners, partner governments, service providers (public or private), investors (in some cases) and beneficiary communities. Ensuring all these actors are aligned and engaged is a critical enabler for success (World Bank, 2018^[69]). Effective OBF programmes invest significant effort in the design phase to build consensus on goals and clarify responsibilities. For example, development partners and government counterparts must agree on what outcomes matter most, how they will be measured, and who will be responsible for achieving them. Early consultation and co-designing with local stakeholders can raise important contextual factors and foster local ownership of outcomes. **Country-level champions** can significantly facilitate this process (Interviews, 2025^[9]). In partner governments, having a high-level official or a ministry strongly backing the OBF initiative often accelerates buy-in across agencies and smooths implementation (such champions have been instrumental in the success of outcomes-based education projects in countries like India and South Africa). Similarly, at the community level, engaging beneficiaries helps ensure that the targeted outcomes are relevant and that any concerns (for instance, about how services are delivered under the new model) are addressed early. **Transparent communication** is another best practice: all parties should understand how the outcome payments work and what is at stake. This clarity builds trust and a shared sense of accountability (Interviews, 2025^[9]). In Ethiopia’s health-sector OBF programme, for instance, continuous dialogue between the health ministry, regional authorities, and clinics helped align expectations and allowed for quick troubleshooting when performance data showed shortfalls. Finally, effective stakeholder engagement continues throughout implementation – via progress reviews, learning workshops, and even contract adaptations if needed – rather than ending at the design stage (World Bank, 2018^[69]). This ongoing collaboration keeps everyone invested in success.

Box 3. The Inter-American Development Bank’s Experience with Outcomes-Based Financing

Over the last 15 years, the Inter-American Development Bank (IDB) Group has been among the early adopters of outcomes-based financing (OBF), with **more than 90 OBF initiatives** across Latin America and the Caribbean. These span sectors from health and education to energy and housing, using instruments such as social impact bonds, performance-based contracts, results-based loans and outcomes funds. The IDB’s private-sector arm (IDB Invest) and innovation laboratory (IDB Lab) have also helped pioneer impact bonds, outcomes funds, outcomes-linked pricing and sustainability-linked loans to mobilise private investment towards gender, climate and biodiversity goals. IDB Lab has played a pivotal role in building the regional OBF ecosystem by supporting early pilots and providing technical assistance to local partners.

Early results from IDB Group’s OBF portfolio are promising but also offer lessons for others. Several completed results-based loan programmes were rated successful, meeting or exceeding most outcome targets. Studies suggest that tying funds to results can accelerate execution and sharpen focus on priority outcomes (e.g. incentivising gender equity). For example, in Colombia’s *Empléate* jobs programme – co-funded by Colombia, IDB Lab and Switzerland – outcome payments boosted formal employment by 9% overall and up to 22% for some groups. However, fewer gains were seen for harder-to-serve groups, highlighting the need to create incentives for providers. In health, a results-based regional programme improved maternal and child health services and instilled a results-driven culture

but also highlighted the importance of discussing how to sustain these gains for the longer term from the onset.

Lessons learned in the ongoing process of scaling up and mainstreaming OBF at IDB

- **Invest in capacity and support:** Technical assistance for implementers is critical for adapting systems and ensuring robust monitoring. The *Salud Mesoamérica Initiative* (SMI) dedicated significant resources to coaching and independent verification, which helped governments deliver and sustain results.
- **Embed risk management in design:** Thorough upfront risk assessment, alignment with country systems and independent verification of results help manage uncertainty and build trust, enabling the use of OBF even in less mature contexts.
- **Foster institutional buy-in:** Leadership and cross-departmental co-ordination were key to shifting IDB's internal culture from compliance to results – a vital factor in scaling OBF. Internal champions and multidisciplinary teams ensured that fiduciary, legal and monitoring processes were aligned to support outcomes-driven approaches. To further integrate OBF in the institution's portfolio, an 'outcomes hub' to support institutional mainstreaming is under consideration.

Source: (Puerta et al., 2023^[60]; Araujo Piedra, 2025^[70]; IDB Invest, 2025^[71]; Gómez and González-Velosa, 2023^[46]; El Bcheraoui et al., 2018^[72]; Kükenshöner and Thoma, 2023^[73])

- **Flexible and adaptive programme design and execution:** One of the advantages of outcomes-based financing is increased flexibility for implementers to innovate while realising that this requires clarity and adaptability in design. OBF schemes are most effective when they are not overly prescriptive or complex. In practice, this means **keeping the number of performance indicators and payment conditions as lean as feasible** and allowing space to adjust implementation based on learning. Several interviewed organisations that have successfully scaled OBF treat it as an evolution of existing practices, which lowers barriers to entry rather than a radical new paradigm. For example, the World Bank's outcomes-oriented loans evolved from its prior *Investment Project Financing* with performance-based conditions, and many of the interviewed bilateral partners saw OBF as part of the continuum of results-based management rather than a completely separate process. This framing helps to simplify the introduction of OBF. Best practices in design include **balancing ambition with realism**, setting performance targets that are challenging yet attainable with reasonable effort (World Bank, 2018^[69]). If targets or payment formulas are too complex or unrealistic, implementers may be set up to fail or may resort to gaming the system. A good OBF design often starts simple (perhaps focusing on a few key outcomes) and can then be expanded in scope once capacity grows. In the early stages, tying only a modest portion of funding to outcomes (with the rest on inputs or outputs) can mitigate risk in unfamiliar contexts. Over time, as stakeholders gain experience and data quality improves, programmes can shift more financing towards actual outcomes. The ability to **course-correct** during implementation is another enabling factor. Successful pilots have demonstrated the importance of adaptive management – using outcome data to identify what is not working and adjusting tactics accordingly. This could involve adjusting outreach strategies to reach target populations, modifying training curricula or strengthening partnerships on the ground. Within reasonable boundaries, OBF contracts should allow flexibility (e.g. through adaptive management clauses or regular performance reviews) so that implementers can refine their approach as they learn instead of locking parties into inflexible terms. In sum, simplicity in design and agility in execution help ensure that the focus remains on achieving impact, rather than getting bogged down in administrative complexity (World Bank, 2018^[69]).

- **Additional enablers:** Some interviewees also noted that facilitating **upfront funding** for implementers (through advances, guarantees, additional private investors, seed funds) is key. Otherwise, only large implementers or service providers with cash reserves can participate, limiting the talent pool and ingenuity available. Similarly, recent experiences have consistently shown that many successful OBF programmes and funds pair their financial mechanisms with **capacity-building efforts** (training, technical assistance) to help partners adapt to the outcomes-focused approach. Interviewees highlight that OBF is not merely a contract, since it often requires supporting the people involved to increase the chances of success and long-term sustainability.

3.4. Overcoming challenges and barriers to OBF adoption and implementation

Despite their promise, OBF approaches face a range of initial obstacles that have limited their broader or faster adoption. These barriers manifest across different actors – national governments, bilateral donors and multilateral institutions – albeit in varying forms. Common hurdles include regulatory and administrative constraints, high design and transaction costs, data and measurement limitations, political or institutional resistance and staff turnover. This section examines each of these challenges and how various actors have attempted to mitigate them, drawing on comparative insights from across the development co-operation landscape.

3.4.1. Regulatory and administrative constraints

Rigid public financial rules: A fundamental barrier to scaling OBF is the budgeting, procurement and legal rules governing how funds are disbursed. Many government systems – and those of some donor agencies – are geared towards **input-based** budgeting and may not easily accommodate payments that fluctuate with results achieved. For example, outcome payments can introduce uncertainty in annual expenditure plans, since disbursements only occur if and when results are verified. DFID encountered this issue in its PbR programmes: budget planning became **more challenging due to the inherent uncertainty** of outcomes, requiring departments to manage unpredictable disbursements within fixed budget ceilings (World Bank, 2016^[8]; DFID, 2014^[50]; SDC/SECO, 2024^[34]). As funds can be progressively disbursed, but are only fully disbursed if and when targets are fully met, this unpredictability is also a concern for partner governments who fear that tying development finance to results could make financing **less predictable** and more complicated to programme on an annual basis in national budgets (Boari, 2022^[74]; Lee and Medina, 2019^[54]). Bilateral and multilateral development institutions have similarly had to adjust. The World Bank, for instance, introduced its PforR instrument with initial safeguards (including a cap on the share of lending) to reassure stakeholders wary of the new approach. Early PforR operations revealed that **government financial management and transparency systems** were not always ready for outcomes-linked disbursements, limiting where such programmes could be used (World Bank, 2016^[8]; Interviews, 2025^[9]). In sum, without adaptable financial regulations and procedures, OBF arrangements can clash with established rules on fund flow, procurement and auditing.

Mitigation approaches: Over time, actors have sought to ease these constraints. Some governments have created special budget provisions or trust funds to hold and carry over OBF payments, ensuring unspent funds (due to unmet targets) can be reallocated without violating budget rules. Development partners and funders have also granted more flexibility in agreements; for example, allowing **grace periods or partial payments** if results are delayed, so that partners are not unfairly penalised by rigid fiscal calendars. Multilateral institutions have revised internal policies: the World Bank eventually removed the cap on PforR after gaining confidence in its fiduciary controls, and it works with borrowers upfront to align OBF programmes with local legal frameworks (e.g. helping draft outcomes-based contract clauses or adjusting procurement guidelines) (World Bank, 2016^[8]). In parallel, capacity building and technical assistance are used to strengthen countries' administrative systems. This includes clarifying how to record

outcome expenditures in government accounts and training procurement officials to manage contracts based on results. Such measures have gradually expanded the **institutional readiness** for OBF by adapting the rules of the game to accommodate outcome payments.

3.4.2. Perceived transaction costs and complexity

Design and verification costs: Certain OBF schemes can entail complex design, extensive negotiations among stakeholders and rigorous monitoring requirements, all of which carry higher upfront costs than traditional aid projects. Indeed, “*transaction costs and lengthy design processes*” are cited as deterrents associated with results-based financing when organisations lack in-house expertise on the OBF instrument (Castellnou, Jammes and Sienrukos, 2021^[75]; Interviews, 2025^[9]). Crafting a robust OBF contract or agreement for the first time can be resource-intensive: actors must define credible indicators, set targets and payment formulas, establish verification protocols and sometimes bring in new parties such as independent evaluators or investors (Ádám et al., 2022^[76]). Institutions must also budget for **designing performance metrics, verifying results achieved, contract oversight, risk-sharing arrangements and any technical assistance required** (Interviews, 2025^[9]). These steps may prolong the project preparation phase and require specialised expertise. In outcomes-based impact bonds, additional players (such as investors, intermediaries, legal advisors or outcome co-funders) increase co-ordination needs – stakeholders often note the significant time spent on emails, meetings and reporting to keep everyone aligned (Millner and Meyer, 2021^[77]; Interviews, 2025^[9]). Likewise, service providers may need to invest in more reliable data collection and performance-management systems to deliver outcomes, driving up their operating costs. All told, the **overhead** of an OBF initiative can be substantially higher than a conventional grant or loan of comparable size, so this should be considered against the potential increase in impact.

Capacity constraints: Closely related to the above is the challenge of limited capacity. Especially for smaller NGOs and firms, local governments or any first-time practitioners of OBF, navigating the complex design and execution of these programmes is daunting. The World Bank’s review of output-based aid found that the “*capacity to implement and monitor OBF schemes can be limited, notably in transaction design, implementation, output monitoring and verification*” (World Bank, 2016^[8]). If implementers lack the financial or technical capacity to pre-finance activities and manage for results, the OBF model may not get off the ground (DFID, 2014^[50]). National governments may rely on donor-funded consultants or intermediaries to help design programmes and build monitoring systems. Bilateral donors have responded by **developing toolkits and guidance** – for instance, the UK’s DFID (now FCDO) set up a central PbR community of practice and guidance notes to assist staff in crafting and overseeing such projects, and these staff-support practices are ongoing (Interviews, 2025^[9]). Multilaterals and global partnerships have similarly invested in knowledge exchanges (the Global Partnership for Results-Based Approaches, for example, disseminates best practices). These efforts aim to reduce the one-off learning costs for each new OBF operation.

Mitigation approaches: Although high transaction costs are a genuine concern, they tend to diminish as experience and standardisation increase (Castellnou, Jammes and Sienrukos, 2021^[75]). Different actors have piloted ways of streamlining OBF design. Some donors use **template contracts and indicator menus** for recurring sectors (education, health, etc.) so that each new project does not start from scratch. The Education Outcomes Fund, for instance, has worked on standard outcome metric frameworks to shorten negotiations. MDBs have integrated OBF elements into existing financing instruments to leverage familiar processes, e.g. using a hybrid approach where a traditional loan is combined with disbursement-linked indicators, thus piggybacking on an established project pipeline. Pooled outcomes funds by multiple donors are another strategy to **spread the fixed costs** of design across many deals, rather than each donor creating its own facility. Furthermore, to alleviate burdens on local service providers, outcomes funders sometimes provide upfront grants or working capital advances or encourage impact investors to step in with pre-financing. This blending of public-private finance helps ensure implementers are not crippled by cash-flow problems while waiting for outcome payments. Over time, as procurement and legal

teams become more familiar with OBF modalities and as **reusable templates** emerge, the expectation is that the added costs and time requirements will decline to more acceptable levels (Castellnou, Jammes and Sienrukos, 2021^[75]; Interviews, 2025^[9]).

3.4.3. Data limitations and measurement challenges

Measuring outcomes reliably: OBF's core premise – tying payment to results – depends on the ability to **define, measure and verify** those results. In many development contexts, this is easier said than done. Outcomes (such as learning gains, improved livelihoods and health impacts) are often complex, multifaceted and not immediately observable. Programmes have struggled when suitable indicators or data systems were lacking. A DFID review cautioned that if a results indicator **cannot be clearly identified, measured, or is too costly to verify**, then an OBF modality may not be appropriate (Interviews, 2025^[9]). Data limitations take several forms. In low-capacity environments, baseline data on key metrics may be missing or unreliable, making it hard to set targets or assess progress. Administrative data systems (e.g. health- or education-management information systems) may be weak or prone to error. This forces OBF schemes to rely on independent data collection such as household surveys, learning assessments or third-party evaluations, which can be time-consuming and expensive. Even when data exists, attributing outcomes to a particular intervention can be challenging due to external factors, leading some OBF programmes to focus on more easily observable outputs or intermediate results as proxies.

Verification mechanisms: Ensuring the integrity of outcome data is another hurdle. Because payments hinge on the reported results, all parties must trust that the numbers are accurate and not manipulated ('gaming' the system). Robust verification processes (audits, spot-checks, independent evaluators) are needed to verify that the outcomes were indeed achieved. Multilateral and bilateral agencies alike have learned the importance of earmarking resources and time for verification; without credible validation, **results-based financing will not work** (Boari, 2022^[74]; Lee and Medina, 2019^[54]). Nevertheless, verification itself can be logistically challenging; for example, reaching remote areas to confirm infrastructure outputs or tracking longer-term outcomes after a project ends. Political pressures may sometimes influence the reporting of results, complicating independent validation.

Mitigation approaches: OBF initiatives have increasingly invested in data systems and innovation to address data and measurement barriers. Many outcomes-based programmes include components to **strengthen local monitoring and evaluation capacity** – training staff in data collection, upgrading information systems or introducing digital tools to capture results in real time. For instance, some health results-based financing projects have funded the establishment of electronic reporting systems and clinical audits to improve data quality. Donors and funds have also supported **independent evaluators** (often international firms or NGOs) to conduct impartial outcome assessments and verification, as was done in early impact-bond pilots. While this adds cost, it builds confidence in the scheme's integrity. Additionally, **careful selection of indicators** can mitigate data problems: OBF designers strive to choose metrics that strike a balance between ambition and feasibility, avoiding those that would be prohibitively expensive or slow to measure (Boari, 2022^[74]). Where appropriate, outputs that closely predict the desired outcome (e.g. vaccination rates as a proxy for health impact) are used, or multiple indicators are tracked to discourage narrow gaming. Another mitigation mentioned by interviewees is **phasing**, which begins with a pilot to test data collection methods and refine indicators before scaling up the OBF approach. Across the board, there is recognition that **better data is both a prerequisite and a byproduct** of successful OBF: the modality creates incentives to improve data (to get paid) and, in turn, improved data enables the modality to function. Development partners have thus tended to treat investments in data systems as an integral part of outcomes-based programmes, rather than an afterthought.

3.4.4. Political and institutional resistance

Cultural resistance and risk aversion: Shifting to an outcomes-centric model often requires a significant change in mindset for organisations and individuals accustomed to input-driven funding. It is not uncommon to face **internal resistance** or scepticism towards OBF within agencies, governments or service providers – particularly from areas less exposed to innovative management. Officials may worry about the personal or political repercussions of not meeting targets (e.g. lost funding or public criticism), leading to reluctance in signing up for strict payment-for-results deals. From the perspective of implementers (whether a ministry or a delivery organisation), OBF transfers performance risk onto them – if they fail to deliver, they may incur losses or miss out on expected funds. This risk can deter cautious or risk-averse actors from engaging in OBF unless the incentives and support offered are compelling. Donor agency staff may also resist because OBF frameworks can complicate their project management: funds might go unspent if results fall short, which runs counter to the pressure to **disburse budgets on schedule**. There is also a learning curve and a comfort factor – doing OBF requires embracing new contracting practices, as well as uncertainty and rigorous scrutiny of results, which some institutional cultures do not immediately welcome.

Institutional inertia: Entrenched processes and incentive systems can pose a barrier. For example, if a development agency rewards staff primarily for executing projects and spending money quickly, those staff have less incentive to experiment with an approach that might initially disburse funds more slowly (since payments are staggered or withheld pending results). Internally, OBF champions must make the case that the potential efficacy gains outweigh the inconvenience of change. The 2014 review of the UK's early experience noted that implementation challenges in PbR were “*predominantly institutional,*” requiring **shifts in leadership focus, organisational culture and behaviours** to succeed (DFID, 2014^[50]). Indeed, DFID found it necessary to invest in senior leadership buy-in, staff training and even changes to its incentive structure to expand the use of PbR. In partner countries, political economy factors play a role: if local leaders do not see immediate political benefits (or if they fear blame for potential non-performance), they may resist outcomes-based arrangements proposed by donors. OBF can also alter the **power dynamics** among stakeholders – for instance, giving more autonomy to service providers (since they decide how to achieve results) or more leverage to funders (since they only pay on proven success). Such shifts can provoke pushback from those comfortable with the status quo (Interviews, 2025^[9]).

Mitigation approaches: Different actors have employed various tactics to overcome political and institutional barriers. High-level mandates and advocacy can set the tone: several bilateral donors (such as the UK and Switzerland) have issued strategy papers and ministerial endorsements of results-based approaches to signal their importance, helping to legitimise OBF internally. Building a solid evidence base has also been key; by piloting OBF projects and rigorously evaluating them, proponents have gathered results to demonstrate value for money and effectiveness, which has helped convince sceptical stakeholders over time. **Peer-learning networks and communities of practice** (such as one established across government in South Africa) enable practitioners to share successes and troubleshoot common problems, gradually normalising the approach. Another mitigation measure is designing OBF with some safeguards to make it more palatable; for example, using a **partial PbR** model (only a portion of funds at risk, with the rest as guaranteed input funding) to soften the risk transfer and build confidence. Many OBF programmes also include capacity-building grants or technical support alongside outcomes funding, which can assuage fears by strengthening the implementer's ability to deliver. Multilateral organisations have institutionalised learning on OBF by creating dedicated units or communities (the World Bank, for instance, set up cross-practice groups to support PforR and other results-based financing schemes). Over time, as staff and partners become more familiar with successful examples, acceptance grows. A notable illustration is the evolution within the World Bank: initial hesitation about PforR gave way to broader adoption after early wins, and task teams reported that independent verification, once seen as burdensome, became valued for the credibility it lent to results (Interviews, 2025^[9]). The lesson is that **change management** is integral to OBF rollout: aligning incentives, communicating benefits and providing support to those delivering outcomes can gradually turn resistance into buy-in.

3.5. How OBF is operationalised internally

Behind every outcomes-based financing approach lies an institutional machinery that has been adapted over time to support these different ways of working. The operational reality of OBF approaches often involves quiet but consequential changes to internal processes, organisational structures and staff incentives. Implementing agencies have found that adopting OBF approaches is not merely a matter of changing contract language; it requires rethinking how projects are designed, how performance is monitored, how risks are managed and how success is defined. This internal transformation – often less visible than the public-facing elements of OBF – can be equally challenging and essential to success. From government ministries creating special budgetary provisions to development agencies revamping approval procedures, the journey towards operationalising OBF reveals how institutional adaptation enables innovation in development finance.

3.5.1. Initial and mid-term challenges and operationalisation strategies

Governments and institutions adopting OBF approaches often face significant upfront and ongoing challenges. In the initial phase, a common hurdle is **cultural and organisational resistance** – moving from an inputs mindset to an outcomes focus requires time to build internal understanding and acceptance (Interviews, 2025^[9]; World Bank, 2016^[8]). Staff may be wary of new accountability mechanisms and **incentive misalignment** can arise if internal reward systems still prioritise, formally or implicitly, disbursement over results. OBF implementation also entails **regulatory and procedural hurdles**. Many of the public entities interviewed found that their existing rules and processes (e.g. budget, procurement, audit) were geared towards conventional funding, and these had to be adjusted to allow for new ways of tying payments to results. Furthermore, OBF schemes introduce (valuable) **operational complexities**, from defining measurable indicators and verifying results to managing contracts and cash flow. Interviewees with a long trajectory in developing OBF approaches recall that, in the initial phase, designing robust measurement and verification systems could be costly and technically demanding, even if those costs significantly decreased in subsequent iterations of the OBF approach. Mid-term, as OBF programmes rolled out, maintaining momentum could be a challenge. **Institutional fatigue or pushback** may emerge if results are delayed or if processes remain cumbersome. Notably, many of these implementation challenges are **predominantly institutional**, requiring a sustained focus on incentives, capacities and accountability structures. Without such adaptations, the initial excitement for OBF can give way to frustration once the complexity of delivery becomes apparent.

Internal processes to enable OBF adoption: Despite these barriers, many national governments, bilateral donors and multilateral agencies have adjusted their internal processes to integrate OBF into their financing frameworks. In some cases, national governments have **embedded results-based approaches** into public finance systems – for example, linking intergovernmental fiscal transfers or provider payments to performance outcomes. Countries like Argentina, Ghana, Peru and Rwanda have started tying budget allocations or procurement contracts to achieving results, aligning OBF with domestic accountability and decentralisation reforms (SDC/SECO, 2024^[34]). Such integration often requires new **governance arrangements** (e.g. performance agreements between ministries, or results-verification units in finance ministries) to track and validate outcomes before funds are released.

Bilateral development agencies have pursued internal reforms to mainstream OBF in their portfolios. Many have issued agency-wide strategies or guidance on OBF (often under labels such as payment by results or results-based financing) to establish a common approach. For instance, the UK developed central guidance and support services early on to help programme teams design payment-by-results contracts (DFID, 2014^[50]). It also established a cross-departmental community of practice for knowledge sharing, which brought together staff and external experts to exchange lessons and refine practices. Other bilateral partners (e.g. Switzerland's SDC/SECO) are considering setting up **internal expert steering teams** to advise on OBF design, co-ordinate information flows and support operational

teams – an approach identified as a key enabler for accelerating adoption in time-constrained organisations (SDC/SECO, 2024^[34]). Interviewees have also argued that investing in **staff training and internal guidelines** on *when* and *how* to deploy OBF, as well as allocating resources for technical assistance to support more complex results-based designs, helps facilitate successful OBF implementation. Such internal capacity building and process tweaks (including adapting contracting procedures and results-tracking systems) help institutionalise the new funding approach.

Multilateral institutions have likewise structured internal processes to facilitate OBF. The World Bank, for example, introduced the **PforR** financing instrument as a dedicated vehicle to disburse funds against pre-agreed results in sovereign (government) lending. This entailed adjusting the Bank’s operational policies – using borrower-country systems for fiduciary, social and environmental aspects, and creating new procedures for verifying disbursement-linked indicators (DLIs) before funds were released (World Bank, 2016^[8]; Interviews, 2025^[9]). Internally, the Bank had to train staff and modify its workflows to accommodate this results-based modality, initially capping its use until staff gained experience and confidence (see case study below). Other multilaterals have taken similar steps: many now blend OBF elements into grants or loans (e.g. the ADB’s results-based loans, or Gavi and the Global Fund’s performance tranches). In all cases, **governance adjustments** – such as updating budgeting processes to accommodate uncertain disbursement timing and strengthening monitoring and evaluation (M&E) units – have been critical. For instance, interviewees from some entities discussed updating their budgeting rules so programme managers could manage the inherent disbursement uncertainty of OBF within their portfolios. Several institutions also **co-ordinate internally** across departments (finance, legal, technical) to ensure that outcomes-focused contracts comply with regulations and that there is clarity on roles (e.g. who validates results, who authorises payments). In summary, the early adopters of OBF have often had to **tweak or overhaul internal processes** – creating new instruments or fund channels, issuing guidance and templates, and building in-house expertise – to make outcomes-linked financing a viable option within their existing bureaucracies.

3.5.2. Adoption strategies and pathways

Institutions have followed a variety of pathways to integrating OBF, often starting small and expanding as confidence has grown. A common strategy is **incremental adoption**: beginning with pilot projects or limited-scope programmes to test OBF approaches, then scaling up based on evidence and lessons learned. In the early 2010s, several development agencies and governments piloted results-based schemes in specific sectors (health, education, etc.) or countries before committing to their broader use. This incremental approach allows agencies to identify what works, build internal capacity and demonstrate success to sceptics. For example, Switzerland’s SDC experimented with *Social Impact Incentives* (SIINC; a form of OBF) in a Latin American pilot, saw positive results, and then gradually scaled the approach by establishing thematic funds and integrating SIINC into policy frameworks (SDC/SECO, 2024^[34]). Similarly, the *Nepal Employment Fund* – initially an SDC-supported pilot tying payments to job-placement outcomes – proved effective and was subsequently expanded by Switzerland and replicated in multiple countries. These examples illustrate a **learn-and-scale** pathway, where OBF begins as a niche innovation and is mainstreamed through iterative expansion.

Another adoption pathway is a more systematic, top-down rollout. The Millennium Challenge Corporation (MCC) is a case in point – it was founded with a mandate to focus on rigorous results, and from its outset in the mid-2000s, it made outcomes-based disbursement a core principle. MCC’s model ties tranche releases in its country compacts to the achievement of agreed targets, effectively an agency-wide adoption of OBF (MCC, 2025^[78]; MCC, 2020^[79]). This kind of wholesale approach usually requires strong political backing and an organisational culture already oriented to results, as well as substantial investment in M&E systems upfront. Most institutions, however, have opted for a more gradual integration, often using **hybrid financing models** as an entry step. Hybrid models link a portion of funds to results while the rest remains traditional input-based funding, thereby managing risk. Indeed, choosing what

proportion of payments to tie to results is a strategic decision – many development organisations start with a modest percentage (e.g. 20% of a grant being contingent on outcomes) and increase it as partners become more comfortable with the approach. This staged approach helps to **sharpen incentives** without jeopardising basic funding for service delivery during the learning phase.

Throughout these adoption pathways, institutions frequently make governance adjustments. Some have created dedicated units or task forces to oversee OBF programmes, ensuring alignment with corporate policies. Others have adjusted internal incentive structures to encourage staff to pursue OBF; for instance, by recognising teams who achieve development outcomes (not just spend budgets) or by providing management support for taking prudent risks on new financing models. Importantly, many agencies have also **adapted their risk-management practices**: since paying for outcomes transfers more risk to implementers, adopters often put risk-sharing mechanisms or flexibility in place (such as advance payments or allowing output-based disbursements if outcomes fall short) to maintain partner engagement. In summary, the strategies for integrating OBF typically involve incremental scaling, internal capacity building, and calibrated risk-taking, which are underpinned by modifications to governance and incentive systems that embed the outcomes mindset over time.

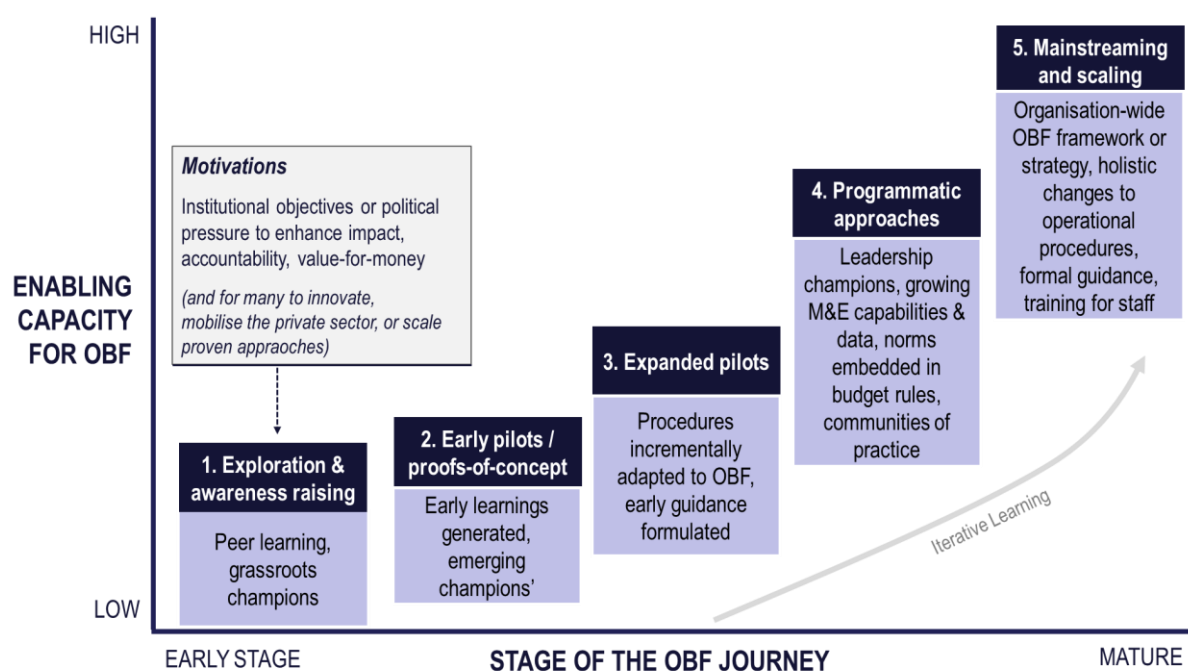
Experience shows that internal champions and strong leadership are pivotal in mainstreaming OBF. High-level commitment can set the tone and overcome inertia. For example, DFID’s senior management in the 2010s explicitly promoted PbR as a key part of how the agency works (DFID, 2014^[50]). This leadership signalled to staff that experimenting with OBF was not just allowed but encouraged, helping to shift institutional culture. Similarly, at the World Bank, senior leaders in operations and partner governments championed the PforR instrument, which was critical in securing buy-in from various departments and the board in its early years. **Internal champions** – enthusiastic experts or managers who advocate for OBF – often form the backbone of mainstreaming efforts. They drive awareness, build coalitions across units and keep the focus on outcomes even when challenges arise. Many organisations have formalised this role through **governance mechanisms**: for instance, setting up steering committees or working groups led by respected champions to guide OBF implementation (Interviews, 2025^[9]). Such bodies can help navigate internal debates (for example, addressing concerns from legal or finance departments) and ensure consistent support. The presence of an ‘OBF champion’ network inside an institution also aids in mentoring staff and sharing tacit knowledge on how to design and manage outcomes-based projects. In essence, while technical tools and processes are important, **leadership and champions provide the vision and persistence** needed to embed OBF into the institutional DNA. Their support helps legitimise OBF within the organisation’s hierarchy and can secure the necessary resources and policy exceptions (or changes) to make outcomes-based approaches viable.

Across organisations, OBF has not developed as a one-size-fits-all solution, but as a set of approaches best applied in contexts where its advantages outweigh its costs and complexities. Institutions have learned to be selective about when to use OBF, taking into account the local context and capacity. Key feasibility factors include the ability to define **clear, measurable outcomes**, a **reasonably reliable data system to verify results**, and the **capacity of implementers to pre-finance and manage for results**. If these conditions are absent – for example, if a partner lacks the cash flow to start activities without upfront funds, or if the targeted results are too intangible or long-term to measure – then an OBF approach may be inappropriate (Interviews, 2025^[9]). In such cases, interviewed experts and practitioners argue that traditional input-based funding, or other mechanisms such as paying for specific actions or outputs, may be more effective. Even when OBF is viable, it may need to be blended with other approaches. For instance, some development challenges are best addressed by ensuring certain **actions or inputs** (capacity building, policy reforms, etc.) take place; an outcomes contract could risk under-investment in these if not carefully designed. Thus, seasoned OBF adopters emphasise **pragmatism**: use OBF where it fits the problem and do not force it as a panacea. Often, OBF works best as part of a broader financing strategy – a way to **sharpen incentives and accountability** in programmes that otherwise have sound implementation fundamentals. When aligned with the right conditions, OBF can drive innovation

and efficiency; misapplying it can create frustration or negative incentives. Recognising this, institutions are now increasingly conducting upfront assessments (or using decision frameworks) to determine whether an OBF instrument is the right tool for a given context. In summary, OBF's value lies in its **context-dependent use** – it is a powerful approach for particular problems and settings, but not a universal remedy for all development-financing challenges.

Even if OBF adopters have followed unique, non-linear journeys for OBF adoption (see Box 2, Box 3, Box 4 and Box 5 for concrete examples), the figure below synthesises the typical adoption pathways and sequencing that most countries and institutions discussed above have embraced (Figure 3).

Figure 3. Common adoption strategies for outcomes-based financing mechanisms



Box 4. The World Bank's journey to mainstreaming OBF: lessons from Program-for-Results

In 2012, the World Bank launched *Program-for-Results (PforR)*, marking a significant shift towards outcomes-based financing (OBF)

The World Bank's experience with PforR, introduced in 2012, illustrates how a large institution can effectively mainstream OBF through strategic piloting and institutional learning.

Early implementation and challenges: Initially launched cautiously, PforR disbursed funds solely against verified results, representing a major shift from the Bank's traditional input-oriented lending. Early adoption was deliberately limited to 5% of total commitments, enabling controlled experimentation and learning. Internal buy-in required extensive outreach and training; significant efforts were needed to familiarise staff with results-based disbursement, verification protocols and country-system reliance. The first years highlighted the complexity of adapting internal procedures, aligning incentives and overcoming scepticism among staff accustomed to traditional project design.

Investing in institutional learning: Recognising the importance of internal capability, the World Bank prioritised extensive capacity-building initiatives. It established a mandatory training and accreditation programme for staff in charge of PforR projects, creating the dedicated PforR Academy to build

specialised skills. A vibrant community of practice provided ongoing peer-learning opportunities across sectors, fostering cross-sector insights and collaborative problem-solving. Regular internal evaluations provided crucial feedback, refining guidelines and training materials, particularly in relation to theories of change, results frameworks, and disbursement-linked indicators. By 2024, 1309 staff had participated in face-to-face trainings, 1464 had completed PforR eLearning modules and 59 partner countries had attended PforR Academies, with 118 government officials completing the PforR eLearning module.

Scaling up and mainstreaming OBF: By effectively leveraging these internal learning mechanisms, PforR rapidly scaled from a cautious experiment into a mainstream lending modality. Strong client demand and internal confidence enabled the lifting of initial lending caps – from a modest 1% of total lending in 2012 to 18% by 2025. The World Bank fully mainstreamed PforR, removing all remaining usage limits and embedding OBF as a regular component of its operational toolkit across diverse sectors, including health, education and infrastructure.

Key lessons: The World Bank’s journey underscores several critical lessons for mainstreaming OBF in large institutions:

- Start cautiously, allowing space for iterative learning.
- Invest heavily in internal capacity building and systems adaptation.
- Foster communities of practice to facilitate continuous learning and innovation.
- Establish robust feedback loops for ongoing refinement of the approach.

In short, with purposeful management, institutional adaptation and continuous learning, OBF can successfully transition from pilot initiatives to standard organisational practice, delivering significantly improved development results.

Source: (World Bank, 2019^[67]; World Bank, 2016^[68]; MCC, 2020^[79]; Interviews, 2025^[9])

3.6. Approaches to learning and knowledge sharing

The evolution of outcomes-based financing has been propelled by deliberate learning – both within organisations and across the development community. The most effective institutions have approached OBF not as a fixed formula but as an ongoing experiment, creating feedback loops that capture insights from implementation and inform future designs. This learning journey takes many forms: formal evaluations that assess impact, communities of practice that exchange tacit knowledge, adaptive management processes that respond to real-time data and cross-institutional dialogues that broaden perspectives. The contrast between organisations that invest in systematic knowledge capture versus those that rely on ad hoc learning reveals how institutional approaches to learning can accelerate or hinder the maturation of OBF practice. These learning mechanisms serve not only to improve individual programmes but also to advance the collective understanding of when and how outcomes-based approaches can best contribute to development objectives.

Most OBF initiatives are launched with an explicit *learning agenda* – they are designed to deliver results and generate evidence on how the approach works. Governments and development institutions often treat initial OBF projects as pilots to test the mechanism and capture lessons for future use (FCDO, 2018^[68]). For example, the UK’s FCDO explicitly set learning objectives for its DIB pilots to understand when and how such instruments added value to its programmes. In practice, however, limited time and resources can constrain learning efforts during implementation. Interviewed organisations noted that while learning is crucial for OBF, staff often face pressure to deliver results quickly, leaving fewer opportunities for rigorous knowledge capture. This tension means that, while many OBF programmes tend to include

plans for evaluations, case studies or research components, not all of them are fully realised with due attention. Still, the recognition of the importance of learning is growing, and institutions are investing in stronger feedback loops – such as real-time monitoring and mid-term reviews – to adapt programmes as they roll out. Robust M&E systems are being built into OBF projects to feed data back into decision-making, enabling **adaptive management** where course corrections (e.g. adjusting targets or payment indicators) are made in response to on-the-ground learning. For instance, USAID’s more recent procurement guidance on pay-for-results emphasised the ability to adapt in “*unstable environments*” by adjusting milestones and targets as needed (Interviews, 2025^[9]). Ensuring that insights from OBF experiments loop back into policy and programme design is critical for continuous improvement. Several development institutions have begun allocating dedicated funds for learning and evidence on OBF (Interviews, 2025^[9]). In short, as OBF portfolios grow, so too does the emphasis on systematic learning agendas that inform both ongoing projects and the next generation of OBF initiatives.

A significant share of OBF knowledge exchange happens through informal channels within institutions. Early adopters and internal OBF champions often play a pivotal role in spreading lessons and enthusing colleagues. Without requiring formal guidance, staff who have managed OBF projects tend to share their experiences through peer networks, brown-bag presentations or internal blogs. This **peer learning** can be a powerful driver of OBF uptake. Often it is a handful of motivated individuals – sometimes in different country offices or departments – who connect and form an informal community to discuss what is working (and what isn’t) in their OBF programmes. This is a common feature in development organisations (Janus, 2016^[80]; Esser and Janus, 2023^[81]). In several cases, such bottom-up knowledge sharing has catalysed broader institutional interest. For example, within one MDB, the enthusiasm of technical staff and managers led to a surge in the use of a new results-based instrument, even before formal policies were in place; one review observed that when a senior official strongly backed the approach, the number of new OBF operations “*steeply increased*” in that region (Interviews, 2025^[9]). Similarly, at USAID, early experiences with results-based payment programmes were propagated internally by staff champions who showcased successful projects to leadership, helping build buy-in for more widespread adoption. This kind of **informal advocacy** creates momentum by highlighting concrete results achieved through OBF, thereby persuading others in the organisation to consider similar approaches. While informal, these peer exchanges often serve as the seedbed for more structured communities of practice later on. Many agencies report that internal demand for OBF know-how has been largely driven by word-of-mouth success stories and interdepartmental learning, underscoring the importance of maintaining open channels for staff to communicate lessons organically.

Approaches to fostering internal learning on OBF exist along a spectrum across organisations. Some institutions have adopted highly systematic learning mechanisms for OBF, whereas others rely on more ad hoc or externally supported learning. A comparative look at national governments, bilateral donors and multilateral agencies reveals diverse practices:

- **Formal and systematic learning structures.** Several organisations – particularly larger bilateral and multilateral agencies – have established formal structures to capture and disseminate OBF knowledge. These institutions treat OBF as a corporate priority and invest in comprehensive internal capacity-building (Table 2).

Table 2. Formal and systematic learning structures: Examples

| Formalisation of learning structures | |
|--------------------------------------|--|
| World Bank | The institution has developed an extensive internal learning ecosystem centred on its PforR instrument. Following its introduction, the Bank gradually implemented mandatory staff training and accreditation for task team leaders, detailed operational guidance notes, and an active internal community of practice to support the instrument. All PforR guidance documents are periodically updated to incorporate “ <i>lessons of experience and feedback from clients and staff</i> ,” ensuring that each generation of projects benefits from past learning (World Bank, 2019 ^[67]). In addition, the Bank’s central operational departments provide ongoing advisory support and organise knowledge-sharing events (such as clinics and workshops) for teams using OBF approaches. This systematic approach has helped mainstream the OBF tool across the institution. |
| United States | USAID was an example of a bilateral partner that pursued formal internal learning when rolling out OBF. The agency worked to institutionalise OBF knowledge by developing organisation-wide guidance on pay-for-results contracting, along with templates and how-to notes for staff (Interviews, 2025 ^[9]). There was a desire to formalise a network or community of practice around pay-for-results, connecting personnel across missions and bureaus, and sourcing best practices from peer organisations and academia. |
| Global Fund | Multilateral funds have also incorporated OBF into formalised learning. The Global Fund, after years of using performance-based grants, developed an institutional OBF framework to align its programmatic and fiduciary teams on common principles (Interviews, 2025 ^[9]). This framework led to updates in operational policies, risk management processes and grant guidelines – effectively embedding lessons from early performance-based funding experience into the Fund’s standard procedures. |

Across these examples, the common thread is an organisational commitment to **knowledge management** for OBF. Dedicated **communities of practice** are frequently a centrepiece of such efforts – providing an ongoing forum for staff to exchange experiences, troubleshoot challenges and collectively develop good practice notes. For instance, the World Bank’s results-based financing community of practice spans multiple global practice areas and is seen as “*an important vehicle for enhancing the efficiency of learning about PforR*”, producing how-to guidance and peer-review support for new operations (World Bank, 2019^[67]). In sum, institutions with formal learning architectures invest in **capacity-building programmes** (training hundreds of staff, creating certification or accreditation systems), establish knowledge hubs or libraries of OBF evidence and mandate evaluation and lesson learning as part of OBF programme cycles. These mechanisms for systematic learning help sustain OBF *know-how* within the organisation beyond individual projects or staff rotations, making the approach more resilient and scalable over time.

- **Hybrid approaches with external support.** In contrast, some organisations adopt a more *pragmatic or hybrid approach* to internal learning, combining in-house experience with external expertise. This is often the case for smaller bilateral donors and national government agencies that have fewer staff or limited prior exposure to OBF. Rather than building fully fledged internal training programmes, these actors **learn by doing** through pilots and rely on strategic partnerships to bolster their capacity. The leading **Swiss** institutions in charge of development co-operation – SDC and SECO – exemplify this middle-ground approach (Interviews, 2025^[9]; SDC/SECO, 2024^[34]). Both have implemented outcomes-based pilots in sectors such as health, energy, and employment, gradually increasing their internal familiarity with OBF. At the same time, they have routinely drawn on external technical support for specialised tasks. For instance, SDC partnered with an experienced impact-finance advisory firm to design and implement a SIINC project in the off-grid energy sector in Kenya (SDC/EnDev, 2023^[82]). Through that partnership, SDC staff were able to observe and learn the intricacies of structuring outcomes-based contracts (such as setting impact metrics and incentive structures) without having all the expertise in-house. SECO has similarly co-funded programmes with MDBs and hired consultants for independent verification and evaluation of results in its outcomes-based schemes. In these hybrid models, communities of practice may be informal or external – staff join multi-organisation workshops or networks (for example, the multi-donor *Energising Development* programme’s community, or the GoLab/IGO forums on impact bonds) to exchange insights with peers outside their agency. Internal learning happens through cross-team collaboration on the pilot projects and through external knowledge products commissioned by either agency (such as lessons-learned studies). The key advantage of this approach is flexibility: the institution can **scale up its OBF knowledge gradually** by leveraging outside experts when needed, rather than maintaining a permanent, large internal team for OBF.

Over time, this can lead to internal capacity build-up as staff absorb lessons from each collaboration. However, one challenge is ensuring that knowledge from externally supported projects is effectively retained and utilised internally. Agencies using this model often institutionalise learning by organising debriefing sessions, writing up case studies or integrating lessons into their general project-management guidelines. For example, lessons from SDC's SIINC pilot were documented in a report and disseminated within the agency to inform other results-based initiatives (SDC/EnDev, 2023^[82]). Similarly, a national government that pilots an outcomes fund might work with a donor-funded technical advisor, but then embed the developed tools (e.g. contracts, M&E frameworks) into its own ministry systems for future use. In sum, hybrid approaches allow organisations to **augment their internal learning mechanisms with external knowledge**, serving as a bridge toward more sustained capacity if OBF approaches prove to be something they want to use routinely.

- **Ad hoc and champion-driven learning.** At the other end of the spectrum are cases where internal learning on OBF remains ad hoc, lacking any formal institutional mechanism or dedicated resources. This tends to occur in organisations that are still at an experimental stage with OBF or use it only sporadically. Instead of an organisation-wide strategy, OBF knowledge resides in isolated pockets – perhaps a single sector team or a particular country programme – and diffusion of that knowledge depends on individual initiative. In such scenarios, OBF may not have a central repository or community of practice. Staff primarily learn through ‘learning through doing’ on their own projects, and any cross-pollination with other units is informal. For example, consider a line ministry in a partner-country government that tries an outcomes-based payment scheme as a one-off pilot: the insights might stay confined to that project unit unless a conscious effort is made to share them nationally. Or within a donor agency, one regional office may trial an outputs-based contract with an NGO partner; if the headquarters has no reporting requirement to capture lessons, the knowledge transfer to other regions will rely on the project manager’s personal outreach. Often, **internal champions** in these situations take it upon themselves to advocate for OBF more broadly – they might brief senior management on a pilot’s success or encourage colleagues in other departments to consider similar approaches. However, if those champions move on or if leadership is indifferent, the lessons risk being forgotten. Research for this study identified examples of agencies where only ad hoc or bottom-up learning was shared by champions in the absence of an institutional knowledge hub (see Section 2). Such ad hoc learning environments can hinder the scaling up of OBF: each new project team faces a steep learning curve and may repeat mistakes that a previous team has already encountered. Furthermore, without formal evaluation or documentation, it is difficult for the institution to draw generalisable lessons or develop evidence-based policies on when and how to use OBF. Recognising these downsides, many organisations that start with ad hoc approaches express a desire to do more to systematise learning (Interviews, 2025^[9]). In fact, the evolution often follows a pattern: a few ad hoc successes lead to internal demand for guidance, which then prompts management to establish more structured learning mechanisms (moving the organisation into one of the other internal-learning categories noted above). In summary, while ad hoc, bottom-up learning has been the **incubator phase** for OBF in several institutions, there is a clear trend toward greater institutionalisation of learning as OBF moves from fringe innovation to a more mainstream tool.

Knowledge sharing and cross-institutional learning. It is worth noting that **external knowledge-sharing initiatives** across the development community can reinforce internal learning mechanisms. Many national governments and bilateral and multilateral development institutions actively share OBF experiences with each other, thereby enriching their internal lessons. For instance, the World Bank has hosted delegations from other development banks (such as the ADB) to share its implementation know-how on results-based lending (Interviews, 2025^[9]). Bilateral partners participate in international working groups and platforms (for example, the *Outcomes Finance Alliance* or the *OECD DAC Community of Practice on Private Finance for Sustainable Development* (OECD, 2025^[83])) to exchange case studies and

practical guidance on outcomes-based approaches. These forums serve as **broader extensions of internal communities of practice**, allowing institutional learning to cross-pollinate between organisations. They also help smaller or newer OBF adopters leapfrog by learning from early movers. Additionally, some multilateral initiatives, such as the GPRBA, have acted as knowledge hubs, producing toolkits and evaluations that agencies then utilise internally. Academic and research institutions such as Oxford University (Government Outcomes lab) and the Brookings Institution have also played a role in establishing research and peer-learning spaces for OBF practitioners. Finally, most organisations recognise that OBF, by its innovative nature, requires a culture of **continuous learning and adaptation**. As such, they are increasingly embedding ‘review and adapt’ processes into OBF programme cycles – after each milestone or project completion, teams convene post-action reviews to discuss what should be improved next time. This adaptive mindset, coupled with the knowledge-sharing mechanisms described above, is helping institutions progressively refine their OBF models. In effect, internal learning mechanisms – whether formal or informal – ensure that OBF implementation becomes smarter and more effective over time, as lessons accumulate and spread.

3.7. Future objectives to institutionalise OBF mechanisms

As outcomes-based financing approaches mature from experimental innovation to established practice, organisations face a critical question: *How can OBF be institutionalised as a sustainable part of development finance?* The answer varies across institutions, reflecting different starting points, strategic priorities and operational realities. Some organisations see OBF as already sufficiently integrated within their existing systems; others envision transforming their financing models more fundamentally. This diversity of visions is not a sign of fragmentation, but rather a sign of thoughtful adaptation to institutional contexts. Nevertheless, common threads emerge, from the shared desire to better understand current OBF usage to recognising that peer learning accelerates progress. These convergent objectives point towards a future where outcomes-based approaches, although implemented differently across organisations, become more deeply embedded in the infrastructure of development co-operation, supported by more explicit guidance, a more substantial capacity, and more systematic evidence.

3.7.1. Diverse institutional visions of and approaches to OBF

Established vs expanding use of OBF: Several pioneering institutions regard OBF as essentially being **mainstreamed** in their operations. For example, the **World Bank** has embedded results-based financing into its core lending instruments – PforR now accounts for over 18% of all Bank lending, reflecting a high level of institutional buy-in (SDC/SECO, 2024^[34]). Likewise, the **MCC** of the United States adopted results-based financing agency-wide early on, tying disbursements in its compacts to performance and outcomes. These actors treat OBF as a standard approach, deploying it at scale as part of regular programming. In contrast, many other organisations see substantial room to **further institutionalise and mainstream** OBF. Agencies such as the UK’s **FCDO** have piloted instruments like DIBs and outcomes funds and are now evaluating how to integrate these more systematically. FCDO was one of the first bilateral donors to experiment beyond individual DIBs into larger outcomes funds, and it is in the process of forming an institutional view of how outcomes-based models fit into its overall strategy that would allow the mainstreaming of OBF approaches, building on a growing evidence base (Interviews, 2025^[9]). This illustrates a broader category of governments and organisations that are **keen to expand** the use of OBF but seek more proof-of-concept, internal consensus and clearer guidance before defining the circumstances and taxonomy of OBF approaches that could ensure greater impact.

‘Good enough’ integration vs proactive mainstreaming: Even among those committed to OBF, institutional visions differ. Some believe they have already integrated OBF as far as is sensible – for instance, agencies that consider their existing results frameworks and occasional use of payment-by-

results contracts sufficient. Others are more proactive, aiming to **embed OBF into the fabric of their institutions**. These forward-leaning organisations are pursuing measures like streamlined procedures, centralised expertise and a stronger results-oriented culture. **SDC and SECO** provide a case in point: after accumulating a diverse portfolio of 50+ results-based financing projects, they have a growing cohort of internal results-based financing champions and are now considering whether to move towards a more centrally supported, streamlined, consolidated, codified and accessible results-based financing practice (SDC/SECO, 2024^[34]). Concretely, SDC and SECO have identified steps to mainstream OBF across their programme cycle – for example, by establishing a small internal steering team of OBF experts to provide technical support and guidance to staff across departments (Interviews, 2025^[9]). This kind of centralised hub would help overcome siloed experiences (where pockets of OBF experience don't translate into organisational learning) and make it easier for any team to apply outcomes-based methods. In a similar vein, earlier adopters envisioned institutionalising OBF through internal reforms: their OBF adoption strategies not only set targets to expand the portfolio of OBF-like projects, but also involved developing plans to **reshape internal systems and skills** – including updating funding procedures to make OBF approaches and contracts easier to implement and building staff capacity to design and manage OBF programmes (Interviews, 2025^[9]). These examples illustrate a more ambitious vision in which OBF is not a niche innovation but part of business as usual, supported by dedicated institutional infrastructure, and a culture that rewards achieving outcomes.

National and multilateral perspectives: The diversity in OBF institutionalisation is evident across different actor types. Several **national governments** in low- and middle-income countries (LMICs) have started to institutionalise OBF within their own public financing systems, often following successful pilots with donor support. For instance, the Government of **Colombia** scaled up the use of SIBs in employment and subsequently created an entire domestic results-based financing ecosystem – over 50 local actors are now involved and results-based financing practices have been **institutionalised** within the Colombian government itself (Interviews, 2025^[9]). In **Rwanda**, performance-based financing in health, along with the use of *Imihigo* performance contracts across the public sector, demonstrates a strong government-led results culture (Gungadurdoss, 2021^[84]). On the other hand, many governments are still in the early stages – typically engaging in small-scale, results-based financing pilots for a reputational boost or external funding match, but not yet embedding OBF as a routine budgeting approach (Gungadurdoss, 2021^[84]). Meanwhile, **multilateral institutions** have largely embraced OBF in principle, but their approaches vary in scope. The World Bank's mainstreaming of PforR (and the subsequent removal of caps on its use) signals an acceptance that disbursing funds against outcomes can be a **regular modality** for development finance (World Bank, 2019^[67]). Regional development banks (e.g. the ADB with its results-based lending instrument) have followed suit, integrating outcomes-based disbursements into their offerings. Within the UN system, a few agencies are exploring outcomes-based funding through pooled outcomes funds or impact-bond partnerships, although this approach is not yet widespread. Overall, the landscape ranges from institutions that feel OBF is now 'part of the furniture' to those that are refining their approaches through pilots, and further to others whose use of OBF remains limited.

3.7.2. Common objectives in strengthening OBF institutionalisation

Despite varying starting points, institutions share several **common objectives for the future** as they seek to institutionalise OBF mechanisms more firmly:

- **Building internal awareness and clarity on OBF use:** Agencies increasingly recognise the need to map and understand *how and where OBF is currently being used* within their portfolios. This internal stock-taking helps identify successful models to replicate and ensures staff know that OBF is an available option. In many organisations, OBF experiments have been ad hoc and driven by individual champions, leading to fragmented knowledge. A key objective now is to **centralise institutional knowledge on OBF** and develop clear internal guidance. For example, SDC/SECO found that without a designated focal point or knowledge exchange, staff exploring results-based

financing had to “*reinvent the wheel*” with each project (SDC/SECO, 2024_[34]). Many interviewees agree that providing organisation-wide guidelines on *when and how to deploy OBF*, along with training and tools to lower barriers to adoption, would help to improve and expand the practice and its effectiveness. Similarly, other governments and development institutions have called for harmonised concepts, practical guidance and high-level principles to help **mainstream the outcomes mindset** among their teams (Interviews, 2025_[9]). By improving institutional awareness and clarity, organisations aim to ensure that OBF is consistently considered (and not just by OBF enthusiasts) whenever it could add value.

- **Strengthening results culture and capacities:** A broader but related goal is to foster an institutional culture that focuses on outcomes rather than inputs. OBF is seen as a lever to sharpen this results-oriented culture. Many agencies want to **embed outcomes-based thinking into standard operating procedures**, performance management and evaluation. This involves equipping staff with the right skills (for example, in crafting robust results frameworks, pricing outcomes and managing adaptive contracts) and adjusting processes to be more flexible. As noted in the Swiss meta review from 2024, rolling out results-based financing often requires an evolution of indicators, budgeting approaches and risk management, as organisations must shift controls to focus less on inputs and more on outcomes (SDC/SECO, 2024_[34]). Over time, the successful institutionalisation of OBF is expected to reinforce habits of evidence-based adaptation and accountability for results. MDBs, for instance, are now **retooling their systems to track outcomes** more systematically across projects – the World Bank’s recent push for organisation-wide outcome measurement is a case in point (Interviews, 2025_[9]). Such changes create an enabling environment for OBF by aligning broader institutional incentives (e.g. staff rewards, project approval criteria, reporting formats) with a focus on development outcomes.
- **Learning from peers and harmonising approaches:** Almost all actors highlight the value of **cross-institutional learning** as they refine their use of OBF. There is a shared recognition that no single organisation has all the answers, given that OBF mechanisms are still evolving. Governments and agencies, therefore, seek to **learn from one another’s experiences** – both successes and failures – to inform their own future directions. This is leading to more collaboration and knowledge-exchange platforms devoted to OBF. For example, the **OECD Peer-Learning Circle on Outcomes-Based Finance** (an alliance facilitated by the OECD and partners) is bringing together MDBs, bilateral partners and interested national governments to share practical lessons and improve the practice of outcomes-based financing over time. Similarly, SDC and SECO plan to organise **tailored knowledge-exchange sessions with peer organisations** in sectors like climate and health, where other actors (such as the World Bank) have already made OBF central to their approach (SDC/SECO, 2024_[34]). Such peer-learning initiatives serve a dual purpose: they enhance each institution’s understanding of OBF and also help **gradually harmonise** the methodologies and standards used for OBF. In the future, this can foster greater interoperability – for instance, aligning how results are measured and verified, or co-financing outcomes-based programmes by multiple donors. Ultimately, a common objective is to avoid working in isolation and instead build on collective experience to **maximise the effectiveness** of outcomes-based financing.

In sum, the future agenda for institutionalising OBF is broadly shared, even if organisations differ in their current stance. Whether an institution already sees OBF as business-as-usual or is only beginning to mainstream it, there is widespread intent to strengthen the underpinnings for outcomes-based approaches through better internal systems, a deeper results culture and active learning from others. Across national governments, bilateral development agencies and multilateral organisations, these efforts point to a more co-ordinated and entrenched role for OBF in development co-operation going forward, with a focus on achieving and measuring real results as standard practice. Such policy measures would ensure that OBF mechanisms are not just ad hoc innovations but become lasting tools in the service of greater development impact at national and international levels.

Box 5. Case Study: OBF in a bilateral development partner – the Swiss experience

Among bilateral partners, Switzerland's experience with OBF through the Swiss Agency for Development and Cooperation (SDC) and the State Secretariat for Economic Affairs (SECO) stands out as especially instructive. Swiss development co-operation adopted results-based financing early on as a means to enhance the impact of aid and engage the private sector. Rather than making OBF a blanket requirement, Switzerland selectively applied it in areas where it could drive innovation or better performance, gathering lessons along the way.

Approach: Switzerland has piloted a **range of OBF instruments**. Notably, SDC was a pioneer of OBF in skills training, helping launch an *Employment Fund* in Nepal that paid training providers based on the employment outcomes of graduates. This programme, initiated in the late 2000s, led to gainful employment for 90,000 people and demonstrated the effectiveness of paying for results in the technical and vocational education and training (TVET) sector. Building on such successes, Swiss agencies championed OBF in partnerships with the private sector. For example, SDC and the Swiss-based social finance advisory, Roots of Impact, co-developed **Social Impact Incentives (SIINC)** as an innovative model of impact-linked finance. In an SIINC pilot (2019–2022) for off-grid energy in Kenya, impact enterprises received **premium payments for achieving social outcomes** – such as reaching low-income customers – in addition to their revenues. This incentivised businesses to expand access to the poor, improving livelihoods, while the prospect of outcome payments helped attract private investors to scale solutions. The pilot's built-in learning agenda (including an independent lessons-learned evaluation) allowed SDC/SECO to refine the approach.

Switzerland has also been at the forefront of **impact-bond** experimentation. SECO co-financed one of the first social impact bonds (SIBs) in a developing country – an employability SIB in Colombia – alongside IDB Lab and Fundación Corona. In this SIB, private investors funded job-training services for vulnerable unemployed individuals, and outcome payers (including SECO and the Colombian government) paid **only upon verified results**, such as job placement and six-month retention. The positive experience from this and a second SIB in Colombia was pivotal: it not only achieved employment outcomes but also helped convince Colombia's government to establish its own outcomes fund, institutionalising results-based financing and expanding it to different public entities. This **demonstration effect**, where a donor-supported OBF pilot leads to government adoption, is a hallmark of the Swiss strategy. SECO and SDC pair financing with policy dialogue and capacity building to encourage local ownership of OBF. In Colombia, for instance, the programme included technical assistance to overcome regulatory and market barriers, ensuring the model could be scaled by the government there.

Learning and Mainstreaming: Switzerland recently undertook a comprehensive review of its results-based financing portfolio across sectors. The review concluded that results-based financing is a **“powerful financing mechanism to drive impact,”** though still underutilised in development co-operation. Swiss practitioners have distilled several lessons for successful OBF, many of which emerged from their projects:

- **Not a silver bullet, but effective in the right conditions:** SDC/SECO emphasise that OBF is no panacea, but when applied in suitable contexts it consistently keeps all partners focused on real results. They found it particularly effective in sectors like health, education and employment, and see potential to extend it to new areas such as climate action.
- **Importance of flexibility and innovation:** One advantage noted is that OBF provides flexibility to implementing partners – what matters is achieving the outcome, so implementers can adapt activities as needed. This flexibility encourages innovation. In the Colombia SIB, for instance, service providers continuously improved their approach in order to meet the employment

targets, a mindset shift triggered by the incentives. However, the Swiss also learned that **careful design** is crucial: outcome metrics must be context-appropriate and achievable, and contracts should allow adjustment. They caution that strong upfront analysis is needed to set realistic targets and pricing.

- **Capacity and data are key:** The Swiss experience underscores the need to invest in data systems and partner capacity. Results-based financing schemes require robust monitoring – *“good data and M&E are essential for data-driven decision-making”* – and many partners initially struggled with this. SDC often funded training in results measurement and helped set up independent verification to ensure the credibility of results. In one example, a Swiss-supported results-based financing programme with an African government included funding for an external verification agent and technical advisors, which built trust in the results and relieved pressure on local administrators.
- **Align with local priorities and ensure buy-in:** Swiss officials note that OBF works best when the implementer (be it a government or service provider) *wants* to achieve the outcome and sees the incentive as supportive, not punitive. OBF **should not be forced** onto unwilling partners. In Ethiopia, SDC and the Swiss NGO *Helvetas* collaborated closely with a regional government to align a results-based financing skills-training project with the region’s own objectives. As a result, the regional authorities adopted the approach and even endorsed a policy to incorporate results-based financing into the public TVET system. This helped institutionalise the model locally. The lesson is that early stakeholder engagement and demonstrating the value of OBF (e.g. via pilots) can turn scepticism into ownership.

Overall, the Swiss case illustrates OBF’s positive promise when managed pragmatically. Switzerland has used OBF to leverage new resources (private investment), improve cost-effectiveness, and enhance accountability in its programmes. Perhaps most significantly, Swiss-supported OBF projects have shown how incentives can catalyse broader change: from the Ghana example, where performance-based grants (co-funded by SECO as part of a multi-donor budget) encouraged stronger local governance and service delivery, to the Nepal case, where paying for employment outcomes transformed an entire training market. These experiences have informed SDC’s and SECO’s internal guidance and contributed to the global evidence base on results financing. As the Swiss now integrate these lessons, they continue to expand OBF, confident in its ability to drive impact while acknowledging the need for careful tailoring and capacity support. This balanced, learning-oriented approach to OBF adoption makes the Swiss case highly instructive for other bilateral development partners.

Sources: (Interviews, 2025^[9]; SDC/SECO, 2024^[34]; Clist and Dercon, 2014^[85]; Barder et al., 2014^[86]; Helvetas, 2024^[87])

Box 6. Case Study: OBF in Colombia's decentralisation process

Colombia's central government – notably the National Planning Department (DNP) – has pursued decentralisation for decades, but with a growing emphasis on outcomes. Traditional intergovernmental transfers often focused on inputs, leading to uneven results across regions. To address this, Colombia began using outcomes-based financing (OBF) tools to guide and incentivise sub-national performance.

OBF Initiative: In recent years, the DNP and partners have championed OBF to align local spending with national goals. Colombia included results-based approaches in its national development plans (2018–2022 and 2022–2026) and issued a national policy to institutionalise OBF. This high-level commitment supported pilot initiatives. With technical help from intermediaries, Colombia launched municipal social impact bonds (SIBs) addressing workforce integration and health. For example, an employability SIB in Bogotá and Cali (backed by the DNP, IDB Lab and Switzerland) successfully trained and placed vulnerable job seekers; payments depended entirely on verified outcomes. This pilot **changed service providers' mindset** – shifting their focus toward longer-term employment outcomes – and built a local ecosystem of outcomes-oriented service delivery. Encouraged by these results, the government scaled up its efforts.

Institutionalisation and Learning: A pivotal step was the creation of **LOGRA, the National Outcomes Fund**, making Colombia the first country in Latin America with a national pay-for-results fund. Housed under the Department of Social Prosperity, **LOGRA** mobilises public and donor resources to pay for results in priority areas like formal employment. The fund's structure enables the commissioning of multiple municipal-level projects using outcome payments, and it invites private investors and intermediaries to participate in impact bonds. The DNP's declaration of OBF as a strategic priority – alongside the launch of **LOGRA** – has **strengthened public-private collaboration**, drawing in actors such as IDB Lab, philanthropic foundations and local government to co-design outcomes-based programmes. Importantly, Colombia has paired these financing innovations with capacity building for local officials on how to design contracts and measure results, addressing initial scepticism about the new approach.

Results: Early evidence from OBF programmes in Colombia is encouraging. In Bogotá, performance-based contracts helped achieve job placements for over 33,000 individuals through the *Bogotá Trabaja* programme. Evaluations found tying payments to employment outcomes **incentivised providers to better serve women, youth, migrants and other vulnerable groups**, improving job placement and retention rates. In Medellín, an outcomes-based health contract gave one hospital the flexibility and incentive to provide prenatal care to Venezuelan migrant women, improving maternal health outcomes and Medellín's provider of those services adjusted its homeless services programme using outcome data to innovate and tailor support. These pilots illustrate OBF's potential to **adapt to local needs**.

Colombian officials highlight **key lessons** from their OBF experience. First, starting small and piloting programmes helped build evidence and secure political support. Second, rigorous monitoring and independent verification built trust and credibility. Third, technical support to sub-national actors – such as DNP-led workshops for municipal officials – was crucial to developing outcome indicators. With these steps, initial OBF pilots have evolved into a broader institutional agenda, sharpening accountability in decentralisation by rewarding departments and municipalities that deliver better outcomes. Colombia's experience demonstrates how careful OBF design can align incentives across government levels. As one stakeholder noted, results-based financing fosters a 'performance culture', pushing stakeholders to prioritise achievements rather than expenditure, with the central government playing a key role.

Source: (Instiglio, 2025^[88]; Helvetas, 2024^[87]; Colombia, 2024^[89]; Oxford GO-Lab, 2024^[90]; World Bank, 2024^[91])

4 Conclusions and a way forward

OBF has been part of the development financing landscape for over two decades, with a growing body of experience and evidence on its application across sectors and contexts. While OBF models are diverse, it is recognised as an established approach that links payments to the achievement of predefined outcomes, offering an alternative to traditional input-based funding. This study has aimed to clarify what OBF entails, where and how it has been used, what evidence exists on its effectiveness, and what lessons early adopters have learned in implementation. Across these diverse experiences, several core insights have emerged.

4.1. Key takeaways

First, **OBF is best understood as a flexible set of practices and instruments** that link payments to the achievement of outcomes, underpinned by **three essential features**: 1) outcomes collectively defined upfront; 2) payments tied to outcomes; and 3) independent verification of outcomes. Rather than a singular tool, OBF encompasses a variety of mechanisms, adaptable to different contexts and challenges.

Second, **OBF can deliver powerful incentives for better performance, impact and accountability, but its success depends on progressively fostering conducive conditions**. These include strong institutional leadership, enabling policy frameworks, robust data and verification systems, meaningful stakeholder alignment and adaptive programme design. Where these conditions are present, OBF has shown potential to improve both the effectiveness and efficiency of development investments.

Third, **OBF is not a universal solution, and its value lies in its context-dependent use**. Often, OBF works best as part of a broader financing strategy – a way to sharpen incentives and accountability in programmes that already have sound implementation fundamentals. It works best where outcomes are measurable, where stakeholders are aligned, where service providers and institutions are ready to manage for results, and where policy and regulatory frameworks can support the required flexibility and risk sharing. Importantly, OBF should be seen as part of a broader financing toolkit, to be used where it adds value and complements other approaches.

Fourth, **OBF adoption has often been incremental and experimental**. It is rarely driven by a single factor; rather, it is the result of a combination of incentives and enabling conditions. While some institutions have fully integrated OBF into their financing strategies, many are still testing its potential through pilots and hybrid models. Successful adopters have approached OBF as a learning process, embedding feedback loops, adapting as lessons emerge and strengthening internal systems to support outcomes-focused ways of working. A key lesson in overcoming challenges is that change management is integral to OBF rollout – aligning incentives, communicating benefits and providing support to those delivering outcomes can gradually turn resistance into buy-in.

Finally, **maintaining a strong commitment to learning and knowledge generation remains essential**. The evolution of OBF has been propelled by deliberate learning, both within organisations and across the development community. While there is growing evidence that OBF can lead to improved outcomes, better monitoring and performance management, and stronger collaboration among stakeholders, significant gaps remain, particularly around long-term impact, cost-effectiveness and scalability. Continued investment in learning, rigorous evaluation and knowledge sharing will be critical to ensure that OBF mechanisms are applied effectively and adapted over time based on real-world experience.

4.2. A way forward: Towards a broader and more effective use of OBF approaches

As OBF becomes a more established part of the development finance landscape, the international community has a unique opportunity to consolidate lessons, promote good practices and ensure that OBF contributes effectively to broader development goals. Governments and development institutions have called for harmonised concepts, practical guidance and high-level principles to help mainstream the outcomes mindset among their teams (Interviews, 2025^[91]).

To address this need, the OECD and a number of partners proposed the development of a common understanding and internationally agreed-upon guidance on outcomes-based financing approaches, drawing directly from the findings and lessons synthesised in this study (United Nations, 2025^[93]). These guidelines would provide governments and international development partners with a flexible yet coherent framework to help direct the design, implementation and scaling of OBF approaches.

Given the diversity and speed of innovation in the OBF space, these guidelines would need to be developed through an inclusive and consultative process, engaging OECD members, partner countries, multilateral institutions and practitioners from across the OBF ecosystem. The aim is not to prescribe a rigid model, but to create a shared foundation that reflects diverse experiences and supports the adoption and scaling of OBF where it is most appropriate and effective.

4.3. Conclusion

The momentum behind OBF reflects a broader recognition that development finance must focus more squarely on delivering tangible results for people, communities and the planet. All development actors share a common goal of improving the effectiveness and efficiency of their public spending, and OBF offers an appealing framework to achieve that, by paying for *what* is achieved instead of *how* it is achieved. OBF offers one pathway to sharpening that focus, but realising its potential requires a longer view, careful design, thoughtful application and continuous learning.

By working together to develop shared guidelines, the international community can ensure that OBF evolves as a credible, effective and scalable approach, capable of driving better outcomes where they are most needed. Furthermore, the UN's Fourth International Conference on Financing for Development (FfD4) called for redoubling efforts to integrate and mainstream OBF as part of the broader agenda to mobilise and deliver impactful public and private financing for sustainable development (UN, 2025^[92]). In aligning with the FfD4 agenda, and as part of the initiatives included in the Seville Platform for Action (United Nations, 2025^[93]), the development of OBF guidelines would represent a concrete step towards strengthening the international financing system's focus on outcomes, impact and accountability, thereby helping to ensure that scarce development resources deliver real and measurable results.

The OECD and its partners stand ready to facilitate this next phase of collective work by helping to translate lessons learned into actionable guidance that can strengthen development outcomes worldwide.

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Annex A. Organisations included in the comparative study

European Commission

Global Environmental Facility

Global Fund to Fight AIDS, Tuberculosis and Malaria

Colombia:

- Government – National Planning Department
- Fundación Corona

Kenya:

- Government – Micro and Small Enterprises Authority

Inter-American Development Bank:

- Office of the President
- IDB Lab

South Africa:

- Office of the Presidency
- South African Medical Research Council
- National Skills Fund/Presidential Youth Employment Intervention
- National Treasury
- Department of Basic Education
- Department of Economic Development and Tourism,
- City of eThekweni

Switzerland:

- Swiss Agency for Development and Cooperation
- Swiss State Secretariat of Economic Affairs

Norway:

- Norwegian Agency for Development Cooperation

United Kingdom:

- Foreign, Commonwealth & Development Office

United States:

- US Agency for International Development (USAID)

World Bank:

- Finance, Competitiveness & Innovation Global Practice
- Global Partnership on Results-Based Approaches
- Operations Policy and Country Services

Annex B. Other organisations consulted

The **OECD Advisory Council on Outcomes-Based Financing** has steered this study since its formation in June 2025. It is comprised by the governments of **Colombia** (Salim Chalela Naffah), **Kenya** (Caroline Kioko), **Sierra Leone** (Emily Gogra), **South Africa** (Tshego Walker), and **Turkey** (Ahmet Şimşek, Tuğba Deniz); as well as the **European Commission** (Egbert Walter, Ivica Lekic), the **Foreign, Commonwealth & Development Office** (United Kingdom – Jemima Hodgkinson), **Global Environment Facility** (Avril Benchimol, Jason Spensley), the **Global Fund to Fight AIDS, Tuberculosis and Malaria** (John Fairhurst, Mehreen Khalid), the **Inter-American Development Bank** (César Buenadicha, Amanda Glassman), the **Norwegian Agency for Development Co-operation** (Matias Egeland), the **Swiss State Secretariat for Economic Affairs** (Christian Brändli, Zora Wilkinson), the **UBS Optimus Foundation** (Sietse Wouters), the **United States Agency for International Development** (Lawrence Camp) and the **World Bank Group** (Ko Takeuchi, Ibrahim Khan).

Members of the **OECD/DAC Results Community** who contributed to shape the findings through dedicated workshops, online consultations and UN side events include: the Austrian Development Agency (**Austria**), Enabel (**Belgium**), Global Affairs Canada (**Canada**), Ministry of Foreign Affairs (**Czechia**), Agencia Presidencial de Cooperación Internacional de Colombia and Departamento Nacional de Planificación (**Colombia**), Ministry of Foreign Affairs (**Estonia**), Directorate-General for International Partnerships (**European Commission**), Ministry for Foreign Affairs (**Finland**), Agence Française de Développement (**France**), Federal Ministry for Economic Co-operation and Development and GIZ (**Germany**), Department of Foreign Affairs (**Ireland**), Agenzia Italiana per la Cooperazione allo Sviluppo (**Italy**), Japan International Co-operation Agency and Ministry of Foreign Affairs (**Japan**), Korea International Co-operation Agency (**Korea**), Ministries of Foreign Affairs of **Latvia**, **Lithuania**, **Luxembourg**, and the **Netherlands**, Ministry of Foreign Affairs and Trade (**New Zealand**), Norad (**Norway**), Camões Institute (**Portugal**), Qatar Fund for Development (**Qatar**), Ministry of Foreign and European Affairs (**Slovenia**), Permanent Delegation of the Slovak Republic to the OECD (**Slovakia**), Spanish Agency for International Development Co-operation (**Spain**), Sida and Expert Group for Aid Studies (**Sweden**), State Secretariat for Economic Affairs and Swiss Agency for Development and Co-operation (**Switzerland**), Foreign Commonwealth & Development Office (**United Kingdom**), and USAID (**United States**), together with a wide range of multilateral institutions and civil-society partners that were part of the OECD/DAC Results Community membership.

The broader consultative process drew on insights (through focus group and targeted discussions) from: Colombia's **Presidential Agency for International Co-operation**, the **Brookings Institution**, **Bridges Outcomes Partnerships**, **Cali Chamber of Commerce**, **Common Good Marketplace**, **Education Outcomes Fund**, **Ernst & Young LLP**, **ACDI/VOCA LA Foundation**, **Corona Foundation**, **Luker Foundation**, **GSG Impact**, **iGravity**, **IDB Lab**, **Instiglio**, **Oxford University**, **Presidential Youth Employment Intervention** (South Africa), **Programa MÁS Pago por Resultados**, **Public Employment Service Unit** (Colombia), **United Nations Population Fund** (UNFPA), **Valle del Cauca Government**, and **Village Enterprise**, among others.

