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# WHITE PAPER: KEY USAID PAY FOR RESULTS MODELS AND CASE STUDIES

BRIEFING ON FINDINGS OF WHITE PAPER

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# INTRODUCTIONS

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- Garron Hansen, implementing partner working with the Professional Development and Training Division
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# OBJECTIVES FOR WHITE PAPER BRIEFING

1. **Present findings** from White Paper.
2. **Share examples** of the innovative work that USAID has done with various pay-for-results approaches:
  - Advance Market Commitments (AMCs)
  - Prizes
  - Development Impact Bonds (DIBs)
  - Performance Based Awards (PBAs)
3. Inform USAID's Acquisition and Assistance workforce & **help them develop a foundational understanding of pay-for-results approaches.**

# AGENDA

- Pay-for-results approaches
- Advance Market Commitments (AMCs)
- Prizes
- Development Impact Bonds (DIBs)
- Performance-Based Awards (PBAs)
- Q & A
- Closing

# BACKGROUND & METHODOLOGY

1. **Identified key staff** involved in the design and implementation stages of each case
2. **Interviewed** key staff involved in the design and implementation stages of each case
3. **Reviewed external sources** such as project briefings, success stories, etc.

# ACKNOWLEDGEMENTS

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- Sarah Hedley, Head of Programmes, Stone Family Foundation
- Amanda Fernandez, Director, Economic Growth, Palladium

# OVERVIEW OF PAY FOR RESULTS (P4R) APPROACHES

Advance Market Commitments (AMCs)	Guarantees price or market for a specific product
Prizes	Reward to competitors which may be successful at accomplishing prespecified result
Development Impact Bonds (DIBs)	Private investors earn a return if the program is successful, paid by a third-party donor
Performance-Based Awards (PBAs)	Arrangements where payment is tied to milestones or agreed upon deliverables

# — ADVANCE MARKET COMMITMENTS

- AgResults – Foot and Mouth Disease Vaccine for East Africa
- Kandahar Solar Power Plant
- Zika Diagnostics





# AGRESULTS – FOOT AND MOUTH DISEASE VACCINE FOR EAST AFRICA

## KEY FACTS

Period of Performance	2020 – TBD (depends on time to develop vaccine)
USAID Office/Mission	USAID/Bureau for Resilience and Food Security (RFS)
Implementer	Deloitte and GalvMED
Value	\$15.8 million
Location(s)	Burundi, Ethiopia, Kenya, Rwanda, Tanzania, Uganda

**Overview:** AgResults is a multi-donor initiative testing Pay-for-Results (P4R) in agriculture, the majority of which have been prizes.

- Currently, a vaccine for Foot and Mouth Disease (FMD) exists, but is not suitable for the strains that are most prevalent in East Africa, and the size of the East African market has not been large enough to incentivize private sector R&D.
- A group of experts has created a Target Product Profile for the vaccine, and to be eligible for the cost share, implementers must register their vaccine in at least 2 of the 6 implementing countries.

# AGRESULTS – FOOT AND MOUTH DISEASE VACCINE FOR EAST AFRICA

- Unlike most AMCs, this competition is structured to be a cost share with potential government or private sector procurement platforms.
- Cost share structure:
  - 4-year commitment, starting at 75% in year one and diminishing to 45% by year 4
  - Guaranteed number of doses eligible for cost share, starting at 2 million in Year 1 and increasing to 5 million by Year 4
  - Separate funding pools set aside for each country, as well as a regional pool set-aside

**Timeline and Results to Date:** The project launched to competitors in 2020. It is hoped that the vaccine will be developed in two-three years, and then the four-year cost-sharing phase for distribution can begin.

# KANDAHAR SOLAR POWER PLANT

KEY FACTS	
Period of Performance	2017 – 2019
USAID Office/Mission	USAID/Afghanistan
Implementer	Dynasty Oil & Gas (India)
Value	\$10 million
Location(s)	Afghanistan

**Overview:** USAID/Afghanistan determined a private solar power plant that would sell back energy to the national grid was the best solution for the country's energy challenges.

- However, they only had a budget of \$10 million which was not enough to pay for the plant, nor was paying the full amount desirable from a sustainability perspective.
- They decided to use the \$10 million as an incentive payment to buy down risk, applying it to certain construction costs as milestones were completed.

# KANDAHAR SOLAR POWER PLANT

**Timeline:** Design phase was labor-intensive, lasting several years in order to identify the right site for the land.

- Design phase included creation of a Power Purchase Agreement which required specialized legal services, recruitment and vetting of potential investors, and setting up a reverse auction platform to receive investors' bids.
- After three years, the reverse auction was held and attracted good number of serious bidders. Regionally active firm, Dynasty, was ultimately awarded the contract.

**Results to Date.** Upon contract award, Dynasty constructed a 10 MW photovoltaic power plant connected to the national grid, which took approximately 2.5 years. Commissioning and final acceptance tests were completed in October 2019, and the plant provides affordable power to 75,000 citizens in Kandahar and an industrial park.

# ZIKA DIAGNOSTICS

## KEY FACTS

Period of Performance	2017 – Present
USAID Office/Mission and Key Players	USAID Center for Innovation and Impact (CII), United Nations Children's Fund (UNICEF)
Implementer	Multiple
Value	\$10 million

**Overview:** UNICEF and USAID collaborated on an Advanced Purchase Commitment (APC) to ensure that effective and affordable community level tests for Zika could rapidly be made commercially available.

- Reduce demand uncertainty risks for manufacturers investing in R&D toward new products
- **Early 2016:** CII and UNICEF agreed to design and launch a \$10 million APC for diagnostics that met pre-determined criteria for specificity and sensitivity and could also test for co-infectious diseases (Chikungunya, dengue, etc.).

# ZIKA DIAGNOSTICS

## Timeline:

- **May 2016:** UNICEF Supply Division hosted a consultative industry meeting in Copenhagen to convene implementing partners and manufacturers in the private sector working across diagnostic tests and vaccines.
- **February 2017:** UNICEF issues first tender; worked with the London School of Hygiene and Tropical Medicine to develop a standardized reference panel; UNICEF issues second tender in **June 2018**.
- **April 2019:** Contract awards announced

## Results to Date:

- Significant delays given a second Ebola epidemic; the Zika epidemic also slowed.
- Although the project has not yet demonstrated development outcome objectives, there are several indicators in place through which the UNICEF Supply Division will monitor progress towards objectives.
- The project also has several performance metrics included in its Procurement Strategy.

# — PRIZES

- AgResults – Innovation for Research and Delivery

# AGRESULTS – INNOVATION FOR RESEARCH AND DELIVERY

## KEY FACTS

Period of Performance	2013 – approx. 2024 (12 yrs., individual projects staggered)
USAID Office/Mission	USAID/RFS, in conjunction with BMGF, DFAT Australia, DFID, Global Affairs Canada and World Bank (trustee)
Implementer	Deloitte
Evaluator	Abt Associates
Value	\$152 million
Location(s)	Multiple. Global competitions, regional (East Africa, West Africa) as well as country specific (Kenya, Nigeria, Uganda, Zambia, Vietnam, Indonesia)

**Overview:** Collection of individual prize competitions targeting different agricultural issues in different countries/regions:

- On-farm Storage solutions in Kenya, Improved Legume Seed in Uganda, Promoting Pro-Vitamin A Maize in Zambia, Distributing Aflasafe in Nigeria, Global Competition for a Brucellosis Vaccine, Reduction of Greenhouse Gases in Vietnamese Rice Farming



# AGRESULTS – INNOVATION FOR RESEARCH AND DELIVERY

- Prizes may be winner take all, proportional, etc.
- Robust learning agenda on how and when prizes should be used. Large percentage of budget is set aside for independent evaluators who are involved from design stage and carry out mixed-methods evaluations.

**Timeline:** Launched in 2013, and some pilots will last 4+ more years (depending on private sector response). Typical prize competition lasts 4-5 years.

**Results to Date:** Competitions in Nigeria and Kenya have shown private sector behavior change and developmental impact. Offering a prize to maize millers increased the provision of aflasafe by farmers in Nigeria. Grain storage solution sales increased in Kenya.

- Independent evaluator also generating evidence on when and how to use prizes. Best used in conjunction with traditional donor work for in-country delivery prizes.

# — DEVELOPMENT IMPACT BONDS

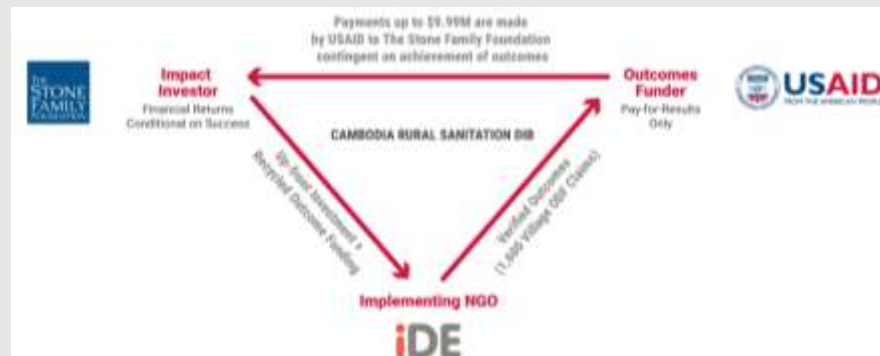
- Cambodia Rural Sanitation Development Impact Bond
- Utkrisht Development Impact Bond
- Village Enterprise Development Impact Bond



# CAMBODIA RURAL SANITATION DEVELOPMENT IMPACT BOND

## KEY FACTS

Period of Performance	November 2019 – 2023 (4 yrs.)
USAID Office/Mission	USAID/Cambodia
Implementing NGO	iDE
Outcomes Funders/Payers	USAID
Impact Investor/Upfront Funder	Stone Family Foundation (SFF)
Value	\$9.99 million
Location(s)	Cambodia



Source: iDE. (2019). "Press Release: World's First \$10 Million Sanitation Development Impact Bond Launches." Retrieved from <https://www.ideglobal.org/press/cambodia-rural-sanitation-dib#:~:text=The%20Cambodia%20Rural%20Sanitation%20DIB,efforts%20to%20reach%20universal%20sanitation.>

# CAMBODIA RURAL SANITATION DEVELOPMENT IMPACT BOND

**Overview:** Aims to scale existing market-based solutions to achieve universal sanitation coverage in six provinces; focuses on open-defecation free (ODF) status as an outcome.

**Timeline:** USAID and SFF co-designed development impact bond (DIB) with facilitation from Social Finance (9 months); included feasibility study.

- Decided against cost reimbursable grant mechanism in favor of fixed amount award (FAA) structured by milestones.

**Results to Date:** Significant progress since launching in November 2019 despite shutting down for 3 weeks due to COVID-19:

- Overperformed in the first period of performance, achieving 250 villages with ODF status at the end of March 2020; by April 2020 exceeded that milestone by achieving 356 villages with ODF status
- SFF vouchering 250 villages and will roll over the additional 106 villages
- SFF worked with iDE to conduct further outreach and supplement health sanitation programming in response to COVID-19

# UTKRISHT DEVELOPMENT IMPACT BOND

## KEY FACTS

Period of Performance	Agreements signed in November 2017; Implementation from Spring 2018 – Spring 2021 (3 yrs.)
Implementation Manager	Palladium
Service Providers	Population Services International (PSI) and Hindustan Latex Family Planning Promotion Trust (HLFPPT)
Outcomes Funders/Payers	USAID and MSD for Mothers
Impact Investor/Upfront Funder	UBS Optimus Foundation (UBS)
Independent Verifier	Mathematica
Value	\$10 million (total investment of \$9 million, with \$1 million set aside for verification of results)
Location(s)	Rajasthan, India

# UTKRISHT DEVELOPMENT IMPACT BOND

**Timeline:** Initial discussions began as early as 2015, but final contracts not signed until end of 2017; implementation began May 2018.

- Mechanism for this impact bond is through a funding agreement using Other Transactions Authority (OTA); 6 contracts.

## **Results to Date:**

- 6 month pay cycle:
  - First payment cycle: Outcomes payment made for the first set of hospitals submitted for Mathematica verification.
  - Second payment cycle: No payment because Mathematica-verified facilities did not all meet clinical standards for accreditation.
- Project is still on track to achieve its goal of up to 360 hospitals ready for evaluation for certification by October 2020; achieved 170 hospitals fully ready for certification alongside another 200 hospitals that are nearly ready for certification.
- Monitoring progress and learning.

# PERFORMANCE-BASED AWARDS

- CATALYZE
- Ghana FinGap – Financing Ghanaian Agriculture Project
- Haiti Home Ownership and Mortgage Expansion (HOME)
- Feed the Future Kenya Investment Mechanism
- Zambia Scaling Up Nutrition Technical Assistance

# CATALYZE

KEY FACTS	
Period of Performance	2018 – 2026 (5 yrs. with a 3 yr. option period, total of 8 yrs.)
USAID Office	Office of Private Capital and Microenterprise
Implementer	Palladium
Value	\$250 million
Location(s)	Washington D.C., global

**Overview:** DC-based, global innovative finance project which will mobilize \$2 billion in blended finance over an eight-year period.

- \$250 million “platform of platforms” to provide services to USAID missions/bureaus that buy-in to tap investment and pay-for-results project management expertise.
- 3 unique design features of overall mechanism and for each buy-in:
  - Statement of Objectives
  - Performance Work Statements
  - Award Fee



# CATALYZE

## Timeline:

- CATALYZE was awarded to Palladium as a result of USAID's Office of Private Capital and Microenterprise's Broad Agency Announcement (BAA) for Catalyzing Private Investment released in 2017.
- Implementation began June 1, 2019.

## Results to Date:

- Recently passed one-year implementation mark
- Vehicle has achieved \$80 million in financing and is expected to be fully subscribed as a five-year activity with a three-year option period, for a total of eight anticipated years of implementation.
- The intention is that the initial \$250 million vehicle will eventually generate a goal of \$2 billion in financing
- Program has acquired \$84 million in buy-in across 15 operating units.

# GHANA FINGAP – FINANCING GHANAIAN AGRICULTURE PROJECT

## KEY FACTS

Period of Performance	2013 – 2018 (5 yrs.)
USAID Office/Mission	USAID/Ghana
Implementer	Palladium
Value	\$22 million
Location(s)	Ghana

**Overview:** Despite years of investing in agriculture in northern Ghana and the development of DCAs, banks were lending less than 5% of their portfolios to agriculture because of high risk and low margins. USAID/Ghana wanted to see if there were lower-cost, higher-leverage options than DCA to unlock financing.

- Two categories of incentives: 1) Incentivizing the demand for finance by hiring Business Advisory Service (BAS) providers to create more bankable business plans and 2) Rewarding financial institutions for the amount of loans made to businesses.

# GHANA FINGAP – FINANCING GHANAIAN AGRICULTURE PROJECT

## Timeline:

- Implemented from 2013-18, a separate but complementary project to ADVANCE I & II, the large USAID value chain investments in rice, maize and soy.

## Results to Date:

The project has been successful:

- \$266 million in agricultural lending unleashed
- 344% increase in number of farmers receiving loans
- Qualitative behavior changes by banks observed, increasing their interest in agriculture as a sector for investment
- With an incentive pool of \$4 million, a better than 60:1 leverage ratio achieved

# HAITI HOME OWNERSHIP AND MORTGAGE EXPANSION (HOME)

KEY FACTS	
Period of Performance	2015 – 2020 (5 yrs.)
USAID Office/Mission	USAID/Haiti
Implementer	World Council of Credit Unions (WOCCU)
Value	TBD
Location(s)	Haiti

**Overview:** Designed post-earthquake to solve the affordable housing crisis. After the earthquake, a shortage of at least 400,000 affordable, well-constructed housing units. Pay-for-results chosen as a way to spur a mortgage lending industry (prior to Haiti HOME, there were less than 1000 mortgages total in the country).

- First type of payment incentive was to finance providers and intended to subsidize the cost of a borrower's down payment, with an additional fee-based payment to banks when given to women-led households.

# HAITI HOME OWNERSHIP AND MORTGAGE EXPANSION (HOME)

- Second incentive payment was given to housing developers who would develop "down-market" products targeting more affordable housing segment, coupled with technical assistance on business plans. Additional incentives for builders who achieved green building code certifications.

## Timeline:

- Conceived for three years, a two-year extension was granted after initial results were promising.

**Results to Date:** 7 activities funded on demand side and 14 on supply side of the housing value chain, across six different housing developments:

- Leverage ratio of 7:1, with \$37.4 million in private capital mobilized
- Demonstration effect that housing developers could build and sell affordable housing profitably, and banks in turn could profitably lend to this segment

# FEED THE FUTURE KENYA INVESTMENT MECHANISM

KEY FACTS	
Period of Performance	2018 – 2023
USAID Office/Mission	USAID/Kenya
Implementer	Palladium, in conjunction with CrossBoundary, Open Capital, Research Solutions Africa Inc., and Lattice Training Limited
Value	\$23 million
Location(s)	Kenya

**Overview:** Similar design to FinGAP Ghana; goal of unlocking \$400 million of investment for key sectors of Kenya's economy (agriculture and clean energy):

- Addressing two principal market failures: insufficient quality consulting services and limited availability of finance.
- Incentive payments are made to financial institutions based on amount of finance unlocked, and to business advisory service providers based on capital flowing to business plans they have supported.

# FEED THE FUTURE KENYA INVESTMENT MECHANISM

- Approach is to develop a network of businesses ready for finance via an opportunities team, and an investment team to work directly with financial institutions to de-risk investments.
  - In addition to paying banks and BAS the incentive payment, the implementer (Palladium) is also paid based on the results it achieves.

**Timeline:** In second year of implementation

**Results to Date:** While early, the maturity of the sectors targeted is lower than in Ghana, so results may take more time. Given the additional pay for results on implementer's fee, this negotiation has also added complexity.

# ZAMBIA SCALING UP NUTRITION TECHNICAL ASSISTANCE

## KEY FACTS

Period of Performance	2019 – 2026 (4 yrs., with 3 option yrs. based on performance)
USAID Office/Mission	USAID/Zambia
Implementer	DAI
Value	\$75 million
Location(s)	Zambia

**Overview:** SUN is a multi-country activity tackling many angles of nutrition. In Zambia, one component of USAID support is to reduce stunting.

- Because it is a quantitative goal easily measurable through surveys already being conducted by USAID and GoZ, pay-for-results designed to reward implementer in any district where stunting was reduced 2% a year. How this was accomplished was left to the implementer's discretion (WASH, economic livelihoods work, etc.).



# ZAMBIA SCALING UP NUTRITION TECHNICAL ASSISTANCE

- Particularly important elements of design process included RFI (since USAID did not want to prescribe solutions), oral presentations to pressure-test proposed interventions, and PWS.

**Timeline:** Project design allowed for 7-year implementation period, because of the amount of time needed to address and measure stunting.

- However, given the large contract size (\$75 million), it was structured as a four-year base performance period linked to a mid-line stunting survey, followed by final 3 years (if awarded).

**Results to Date:** Implementation is still in its first year, so tangible results not yet available. Anecdotally:

- Very different approaches are being taken in each district, customized to its needs.
- Mission-implementing partner relationship is strengthened, given need to closely align on strategy and implementer's fee at risk

# QUESTION & ANSWER



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