

### **Financing and incentives**

Most countries struggle with how best to finance health services, be it through *taxes, health insurance, user fees* or combinations of these. There are pros and cons of every financing mechanism, be it over utilisation where services are provided for free and under utilisation where there are user fees or where health insurance does not cover everybody. There are for instance a number of examples where removing user fees for deliveries in health facilities has significantly increased the number of deliveries. The type of financing as well as the system of financing implies positive or negative incentives for behaviour of both users and providers of health care.

### **Results-Based Financing for Maternal and Child Health**

Results-based financing (RBF) or performance-based financing, are innovative financing strategies that can increase the impact of investments in health by providing a financial or in-kind reward conditional upon achievement of agreed performance goals. RBF is a broad term and includes different types of provider incentives linked to performance or results.

*Supply-side* RBF implies that the service provider represented by different levels (doctors, nurses, hospitals, district health teams, NGOs, etc.) are the targets of the incentives, as they receive financing or other types of goods/benefits based on actual achievements. *Demand-side* RBF implies the introduction of incentives for patients/target groups to increase use of selected services through increased access, demand and actual utilization. Examples include cash payments to families for vaccinating their children or for giving birth at the hospital or health centre. In some countries, RBF may take the form of paying a bonus to health facilities that meet certain quantity or quality targets such as percentage of women in the catchment area giving birth in the health centre. Other countries are designing their RBF mechanisms to support the poor who require a little extra funding to overcome barriers to using services. It should also be stressed that RBF is not a goal in itself, but a *mechanism* to improve health outcomes in a wider context of performance management.

### **Impact of RBF is promising**

Up to recently evidence of long term effects of RBF has not been well documented, but this is increasing. In *Rwanda* there is now evidence that performance bonuses to providers based on volume and quality of services provided has had significant impact on a range of services. These include number of facility deliveries in the facilities, the quality of prenatal care, and even more so on preventive care for children. This has most likely had an impact on health status in terms of reduced child morbidity as well as taller children. In *Mexico* and *Nicaragua* providing cash to households who amongst others vaccinate their children has had high impact, especially amongst the poor.

### **RBF is not a donor invention**

The majority of RBF schemes in the health sector in low- and middle income countries are local initiatives where this is a component within a programme or project. There is also increased interest and support for RBF among donors and professional aid agencies, and Norway has taken the initiative to establish a multi donor trust fund on RBF in the World Bank, focusing on maternal and child health (MDG 4 & 5). This provides an opportunity to pilot different RBF models in a systematic way in countries that are interested in exploring the potentials in their national context.