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## Performance-Based Financing of health services in Haiti



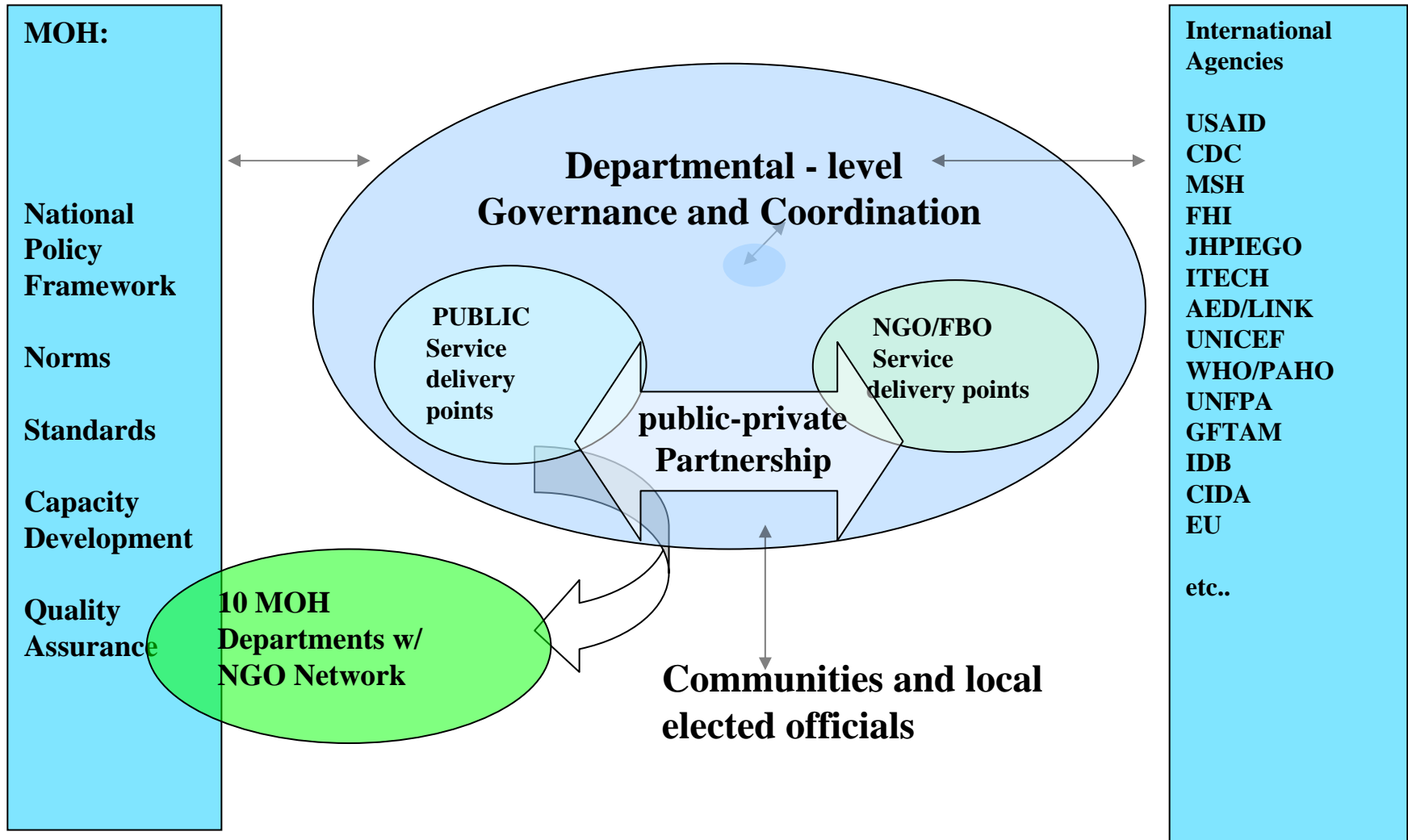
**Mountains do move!**

**October 26, 2006**

*Paul Auxila  
Chief of Party, HS-2007 Project  
Management Sciences for Health*

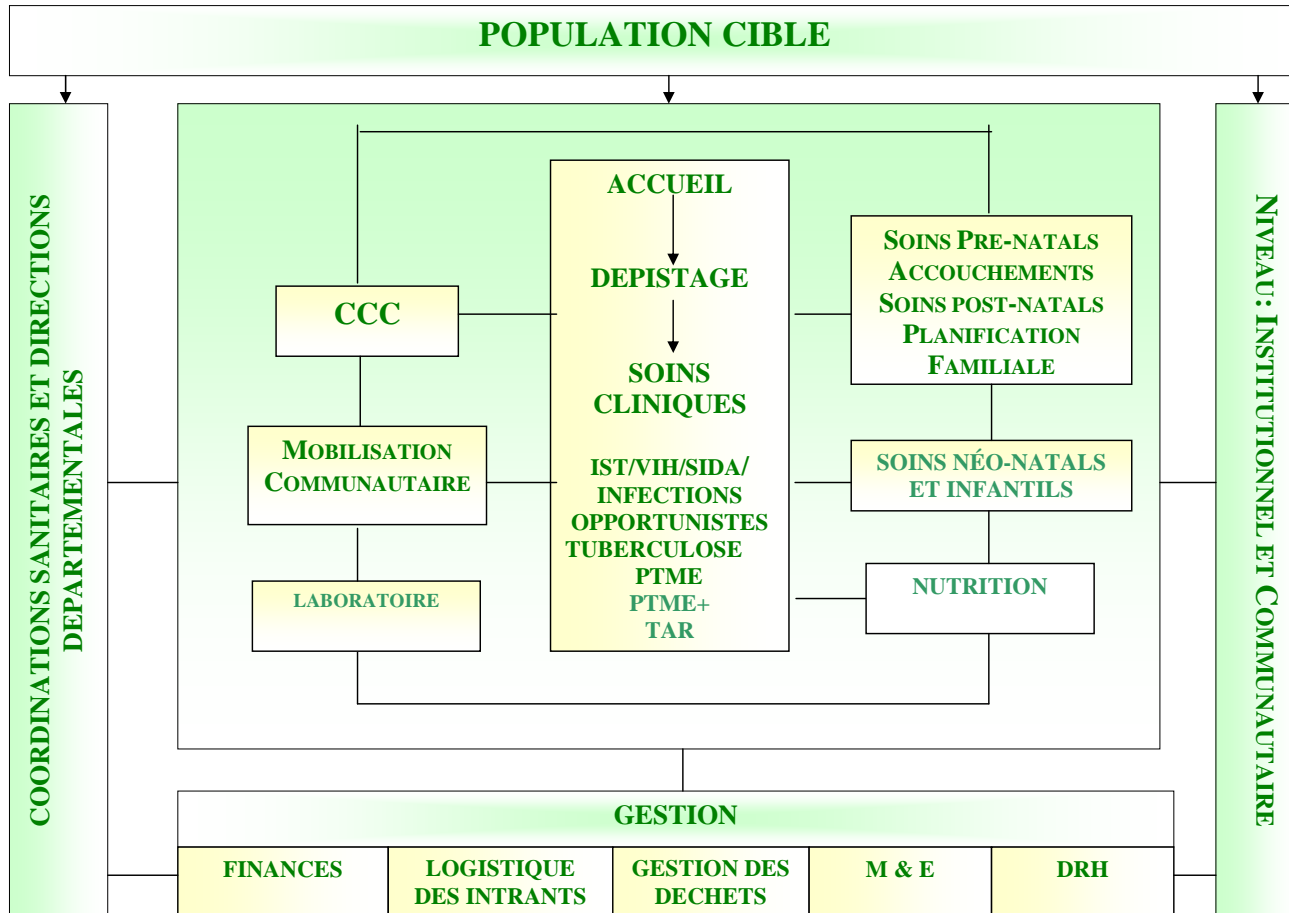


## Haitian Ministry of Health – Departmental Strategy





**MODELE D'INTEGRATION DES SERVICES AU NIVEAU DES SITES DE PRESTATIONS**





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## Initial funding mechanism

- USAID NGO partners
- Pre-award survey
- Request for a technical plan and budget
- Extensive and detailed technical and budget negotiations
- One-year contract for service production
- Initial (1 month) advance of funds
- NGO submission of monthly financial vouchers
- Cost reimbursement by MSH up to a negotiated budget ceiling
- Routine financial verifications and financial audits



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## Limitations of initial funding mechanism

- National system deficiencies accepted as unavoidable
- Negotiations focused on detailed strategy and budget allocation
- NGO emphasis on securing and accounting for funds
- No motivation to improve quality, management and cost-effectiveness; encourage innovation, promote accountability and ensure results



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## 1997 - Snapshot

- Wide variation in performance and results
- Little or no correlation between costs and results
- “Legitimate” excuses for non-performance
- Communities health needs not always met
- Status quo - Business as usual ...



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Same old, same old ...

and Business as usual ...

.... Were no longer an option !!!



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## **Launch in 1999 of a three-pronged transformation strategy**

- Technical assistance for capacity building
- Cross-fertilization for learning and technical exchange within the NGO Network
- **A change in payment structure from reimbursement for documented expenditures to payment based partly on achievement of negotiated performance targets**





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## New payment structure:

- Sets pre-established, negotiated objectives and **total** budget
- Puts organization at risk for a % of total yearly budget if objectives are not met – and provides an equal % (on top of negotiated budget) as financial award if objectives are met
- Issues periodic **payments** according to a pre-established schedule instead of monthly cost **reimbursements**
- Relies on verification of performance data by a third party



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## Implications of revised contract design:

- Indicators of performance linked to health program priorities, and changes needed in systems and management
- Specific weight assigned to each performance indicator (for payment)
- Financial risk and possibility of performance awards
- Improved cash flow for NGO operations
- Increased NGO management flexibility for innovation, strategy formulation and resource allocation
- MSH systems integration: Finance, Contracts, M&E and TA



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## **Example: Service Delivery performance indicators**

- Percentage of children under one year who are fully immunized
- Percentage of pregnant women with three prenatal care visits according to MOH norms
- Percentage of mothers who can correctly prepare OR solution
- Number of service delivery points offering at least four modern methods of family planning
- Percentage of patients with waiting time of less than an hour



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## Five Design and implementation phases

- Pilot phase (pilot):1999
  - Standard list of health indicators
  - Performance verified by independent firm with community-based surveys
- Phase I: April 2000-December 2001
  - Customized list of health indicators
  - NGO self-reporting complemented by validation by an independent firm
- Phase II: January 2002-December 2003
  - Random selection of health indicators from an expanded list
  - Addition of a standard list of management indicators
  - 50-50 split (for payment) between health and management indicators



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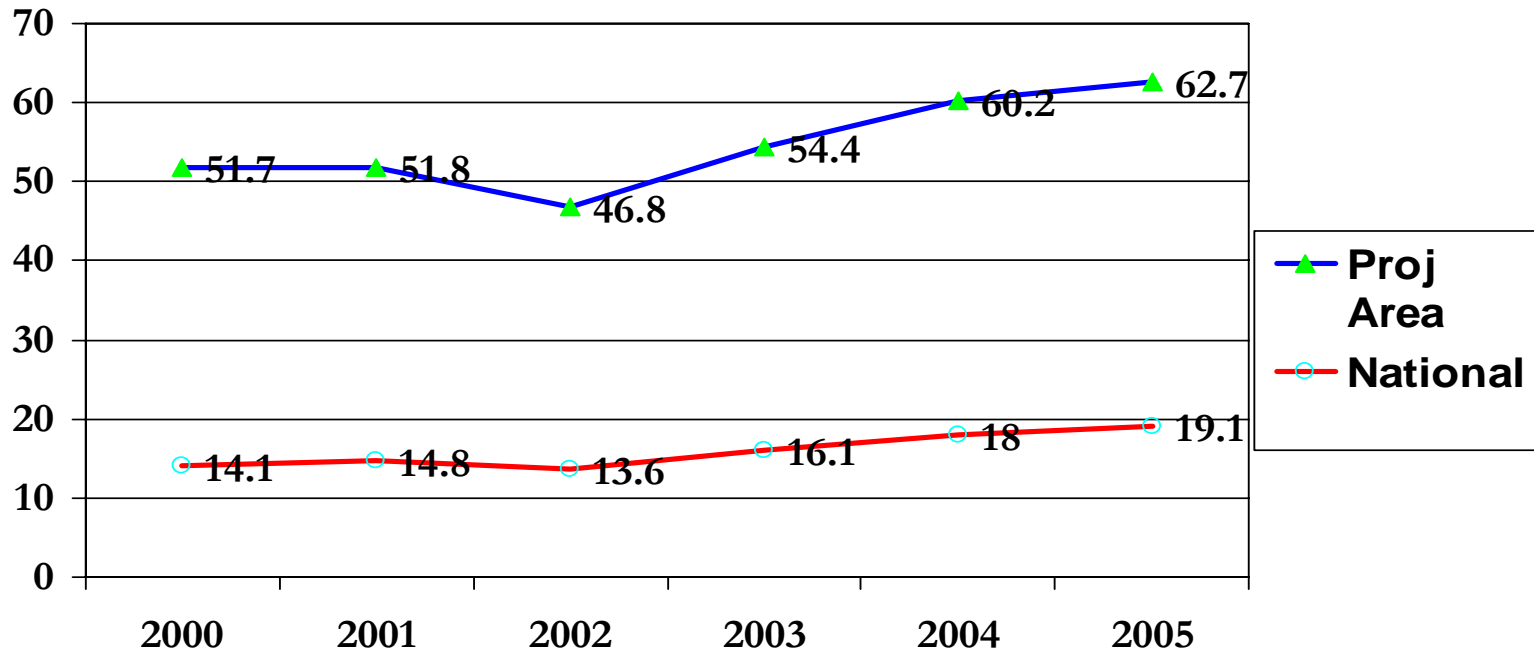
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## Five Design and implementation phases

- Phase III: January –December 2004
  - Random selection from 2 “packages” of indicators including both health programs and management systems
- Phase IV: January-December 2005
  - All NGOs in PBF, payment conditional on benchmarks plus performance targets that were the same for all NGOs, amount at risk increased to 12%.
- Phase V: 2006
  - Expansion of PBF strategy to public sector Service Delivery Points



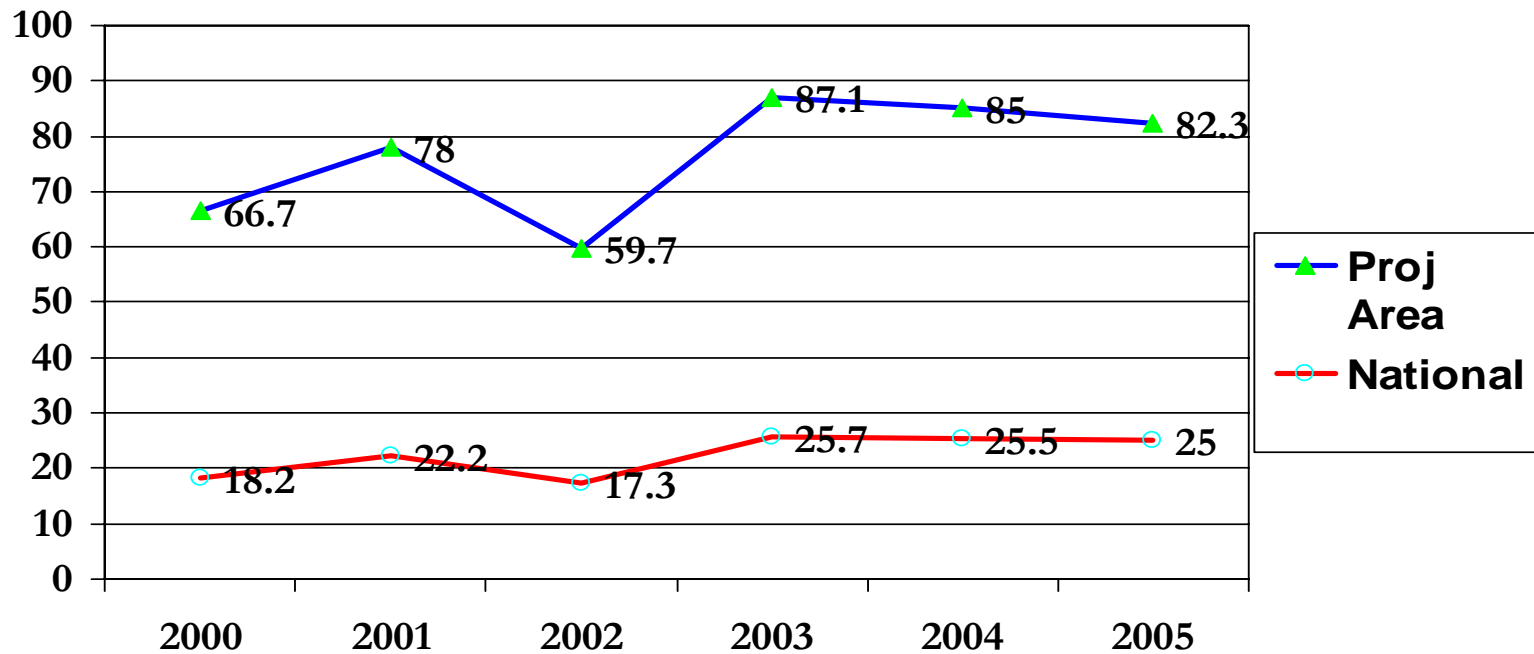
## Accomplishments: Portion (%) of Total Estimated Births Attended by Trained Personnel Through the HS 2007 Project by Year





## Accomplishments:

Portion (%) of Total Estimated Population of Children (< 1 Year Old) Completely Vaccinated by the HS 2007 Project by Year



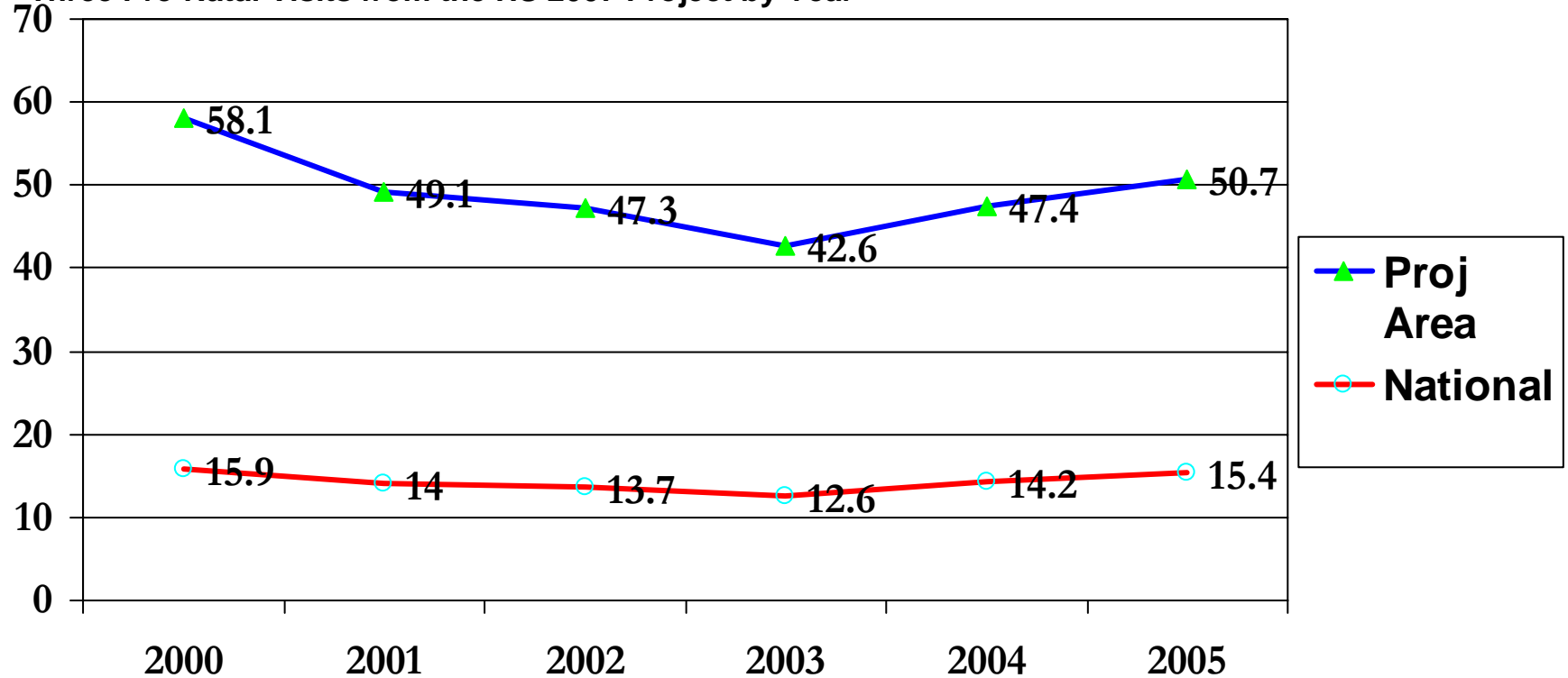


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## Accomplishments: Portion (%) of Estimated Total Number of Pregnant Women Receiving

Three Pre-Natal Visits from the HS 2007 Project by Year







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## HS-2004/II AND HS-2007: Strong Performance in Challenging Circumstances

### **HONNEUR ET MERITE**

A L'AGENCE AMERICAINE POUR LE DEVELOPPEMENT  
INTERNATIONAL (USAID)

POUR LE SUPPORT ET L'APPUI FOURNI, A TRAVERS LE  
PROJET HS-2007, AU DEVELOPPEMENT ET LA MISE EN  
OEUVRE DE LA STRATEGIE DEPARTEMENTALE

Port-au-Prince, le 3 Mars 2006



MINISTRE DE LA SANTE PUBLIQUE  
ET DE LA POPULATION



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## Some lessons learned along the way ...

- Implementation of a PBF program is both art and science
- PBF is not a panacea – it is not an end but a process that evolves with changing context, priorities, capacity and learning
- PBF is not just a different contracting mechanism – to be effective, it must be implemented as a component of a broader intervention of development and capacity building focusing, on accountability, cost-effectiveness and results
- PBF must integrate strategies to strengthen NGOs capacity with process used to measure attainment of performance targets and to pay for them



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## Some lessons learned along the way ...

- PBF can serve as a catalyst to introduce significant management and organizational changes that strengthen NGO capacity to provide services ... in some cases a true revolution!
- The organization serving as “payer” must often make significant changes in its structure and management systems; it must integrate its financial mgmt, contract administration, performance management and capacity building functions
- Shifting from the use of surveys to NGO service data to assess performance, combined with scientific validation to verify data accuracy is more cost effective. It also creates incentives for NGOs to improve their M&E and to routinely use their own information for ongoing management



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## Some lessons learned along the way ...

- Implementation of PBF results in technical assistance that is more demand-driven - making it more strategic, selective and cost effective ... “less push to more pull”
- “Waiting” for NGO capacity to be sufficiently enhanced before shifting them to a performance-based payment system is not always necessary – instead of a pre-requisite for P4P, “capacity building” turned out to be a result of P4P
- The “all or nothing” nature of payments for achieving performance targets encourages long term planning, innovation and systems change



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## Some lessons learned along the way ...

- Shifting from justifying expenditures to focusing on results challenges NGOs to question their model of service delivery and encourages innovation and experimentation
- Expanded managerial and budgeting flexibility, reduced reporting requirements (not only award fees) are important motivators to institutions and their staff
- More must be done to assist NGOs to develop capacity for designing and implementing internal performance management systems (black box)
- Excessive financial risk was demotivating to some staff in NGOs
- Jointly determined not imposed indicators brought buy-in and commitment of partners



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## Remaining challenges

- Determining the appropriate budget ceiling when NGO has multiple sources of funds
- Measuring performance in NGOs working in geographic areas served by several groups
- Avalanche of funds brought by other well-funded programs coupled by less than effective donors coordination may dilute the effectiveness of PBF programs
- Moving away from historical budgets to capitation payment
- Extension to public sector service delivery points
- Transferring program management to local authorities
- Ensuring that we are serving the poor and the most vulnerable



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## **PBF identified as “major strength” by the external evaluation:**

- Introduced innovative method for linking health performance to financing of NGO program effort
- Strong monitoring/evaluation system built to support a functional performance based management system
- Developed and universally applied financial, mgt and information systems with standardized indicators, measurement techniques & monthly reporting – a key ingredient for performance-based success
- Tools developed are replicable to other settings, including the public sector

*USAID external evaluation - 2006*



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## Major Accomplishment

Despite fragile government, weak infrastructure, security problems and natural disasters, innovative and flexible implementation efforts continued to provide essential health services & deliver results

**USAID external evaluation - 2006**







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**Thank you!**





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## **HS-2007 results are ...**

... in no small measure, due to the common vision, the trust and the effective partnership established between the successive governments in Haiti, the United States Agency for International Development (USAID), Management Sciences for Health (MSH), its several local and international Sub-contractors, its multiple partners; and the Haitian population.



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“You see things as they are and ask ‘why?’; I dream of things that never were and ask ‘why not?’”

George Bernard Shaw



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## Results after six years of implementation in Haiti

*Although it is hard to identify the distinct contribution of financial incentives, it is clear that:*

- Introduction of PBF marked a significant shift in NGO partners documented performance (against all odds)
- Project partners performed consistently better than all of Haiti
- NGOs under PBF consistently outperformed those under cost reimbursement (in same project) program
- NGOs usually showed a large jump in performance between the year before PBF and the first year under PBF
- Overall Project performance improved significantly in 2005 when almost all NGOs were in PBF program