ADVANCING A NEXUS APPROACH TO THE SUSTAINABLE MANAGEMENT OF WATER, SOIL AND WASTE

INTERNATIONAL KICK-OFF WORKSHOP

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Results Based Financing and the Nexus Approach

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Results Based Financing
An approach to development financing based on payments made after results are delivered and independently verified.

- Transparency and accountability in resources allocation
- Relative freedom to decide how to achieve the results
- Focus on data gathering and verification
## RBF and the Nexus RBF tools

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<th>Issue - Results rewarded</th>
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<td>High level policy objectives - Progressive, long term results as measured by an indicator</td>
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<td>Output Based Disbursements (OBD)</td>
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RBF and the Nexus
Challenges facing the nexus approach

• Knowledge gaps
  – Sustainability of water resources
  – Crossed effects from interventions
  – How to deal with increasing levels of integration
• Institutional concerns
  – Accountability in allocation of resources
  – Awareness and capacity shortcomings
  – Power imbalances and disconnect between sectors
• Lack of an appropriate incentive framework to promote the right behavior of each stakeholder
High level cooperation

• Strengthen institutions through results based programmatic approaches that scale up pilot projects into national schemes

• Decentralization through the provision of cascading economic incentives that improves effectiveness and accountability

• Overcome the natural political focus on the short term (led by election calendars or financial cycles)

• Improve transparency in allocation of resources through transfers and payments based on independent verification of results.
Other cooperation opportunities

• Gathering information for the Nexus databases: expanding the scope of data gathered as part of the independent verification mechanism inherent to most RBF tools.

• Extend the focus of the interventions beyond the outputs into the outcomes.

• Addressing the issue of public versus private management models.

• Overcome dichotomies like putting emphasis on efficiency versus emphasis on equity through the use of targeted subsidies.
Aquifer sustainability

- Free electricity for farmers leads to overexploitation
- Need for deeper wells and more powerful pumps
- Further drop in aquifer level and water quality
- Inadequate use of fertilizers and pesticides
- Unavailability of power for other uses – Need for new sources
Considerations for a solution

- Incentives to adopt new technologies, crops and practices
- Tariff normalization – Avoiding cost of drilling deeper
- Delay in new sources → Funding for incentive scheme
- Change agents – Independent Verification Agent

Implementation

- Pilot based on targeted subsidy (Grant + matching funds)
- Vendors + Extension services
- IVA → Baseline and data gathering
- Scale-up with funding from realized benefits
RBF and the Nexus
Scenario 2 – Cascading incentives

• Mobilizing lower institutional levels
  – COD like schemes
  – Output Based Disbursements → Large infrastructure
  – Output Based Aid → Equal access to solutions
  – Conditional Cash Transfer → Modify counterproductive habits

• Trickle down of incentive funds to promote right behavior

• Data gathering and feedback to improve scheme at all levels
Q & A