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Institute for Integrated Management
of Material Fluxes and of Resources



TECHNISCHE
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DRESDEN

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



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Results Based Financing and the Nexus Approach

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RBF and the Nexus

RBF concept

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

Tool	Issue - Results rewarded
Cash on Delivery (COD)	High level policy objectives - Progressive, long term results as measured by an indicator
Output Based Disbursements (OBD)	Infrastructure investment programs - Physical outputs - Operational results
Output Based Aid (OBA)	Access constraints - Targeted subsidies to close the affordability gap for poor customers
Conditional Cash Transfer (CCT)	Behavioral problems - Adoption of new practices
Payment for Environmental Services (PES)	Unrecognized value of ecosystems - Preservation/restoration of ecosystems
Carbon finance (CF)	Climate change - GHG emissions reduction



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



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Cooperation opportunities - 1

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.



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Cooperation opportunities - 2

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.



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Scenario 1 - Problem

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



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Scenario 1 - Solution

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



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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



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Q&A

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