

# Using Results-based Financing to Address **Forced Displacement** in Cities



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# Using Results-based Financing to Address **Forced Displacement** in Cities

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# Executive Summary





**Forced displacement is increasingly urban and protracted, presenting a developmental challenge for cities that host displaced populations.** Refugees and/or internally displaced people (IDPs), who in the past were more concentrated in managed camps or collective centers, are now increasingly located in cities. In 2016, only one percent of IDPs and 24% of refugees, respectively, lived in managed camps or collective centers (UNHCR 2017), while in 2023, 58% of IDPs were living in urban environments (UNHCR 2024). The world's population is becoming more urban, with more than half of the population residing in urban areas, a number that is expected to increase to 68% by 2050 (UN 2018). Most displaced people are hosted in cities in low- and middle-income countries which are already challenged by rapid urbanization (UNHCR, 2022). Forcibly displaced populations also face increasingly lengthy durations of displacement.

**The abrupt arrival of many displaced people creates technical and financial challenges for cities.** The rapid influx of displaced people is difficult to accommodate in city planning and budgets (Al-Mahaidi, 2020). Cities can be further challenged when they rely on national governments for revenue transfers or are unable to receive direct international aid (Culbertson et al., 2016). **Spatially**, displaced populations often settle in impoverished neighborhoods among the urban poor or in peri-urban areas without adequate services. **Physically**, the substantial influx exerts pressure on existing service infrastructure. **Socially**, heightened competition for resources may escalate tensions between host and displaced populations which can result in violence and harassment. **Economically**, displaced people face challenges in accessing livelihood opportunities due to language barriers and limited market access. **Institutionally**, the capacity of local governments may be insufficient for effectively addressing the evolving needs of both displaced and host communities.

**An integrated and comprehensive approach is essential to respond to the interconnected needs of both the displaced individuals ('people-based') and their host municipalities ('place-based').** This is particularly important in cities hosting forcibly displaced people because of the complex web of local, national, and international stakeholders involved.

**RBF is an innovative financing mechanism that augments the effectiveness of development programs by conditioning all or part of the funding on pre-agreed results and incentives.** It can take a variety of forms (often referred to as 'instruments') involving private partnerships and local organizations. Examples of different instruments are conditional cash transfers; grants, output-based disbursement in which payment is made to a service

provider or social enterprise for improvements in the efficiency of a service-related asset or activity; and output-based aid where services are contracted with a private organization or third-party and reimbursed only after the services have been delivered and independently verified.

**RBF can be implemented across sectors, leveraging private sector investment.** For example, there is a multi-sector World Bank project in Ethiopia which uses RBF to target Gender Based Violence with a variety of goals around education, policy development, and the health sector. In fragile, conflict-affected and violent contexts RBF can de-risk investment thereby creating incentives for private sector engagement. For example, in India an economic empowerment World Bank project created incentives for business development with guaranteed credit for women-owned businesses and in Senegal matching grants were provided for new businesses.

**RBF has the potential to significantly improve the responses to forced displacement in ways that benefit both forcibly displaced people and the cities that host them.** First, it enhances targeting precision, leveraging incentives to direct services toward displaced populations and host communities (Global Partnership for Results-Based Approaches, 2020). For example, a recent RBF World Bank program in Jordan is focused on promoting home based businesses for refugees and childcare facilities that could benefit both the refugee and host community. Second, RBF introduces flexibility, empowering local governments and stakeholders to tailor interventions according to the specific needs and conditions of the people and places involved (World Bank Group, 2021). Last, RBF has the potential to build capacity in performance management, monitoring and evaluation (M&E), foster a results-oriented approach, and improve organizational effectiveness among the actors involved (World Bank, 2017).

**This report and the accompanying Guidance Note offer examples of solutions where RBF can be used to improve the effectiveness of urban forced displacement (UFD) responses.** For example, **spatially**, projects can target vulnerable people and areas, tackling relevant service and planning gaps. In the **physical** dimension, RBF can provide incentives for service provision to the displaced and host populations and can encourage local governments and service providers to dedicate infrastructure resources to address the long-term needs of the displaced. **Socially**, RBF programs can incentivize the provision of services and social cohesion activities for the displaced and host communities in locally appropriate ways or address safety issues for women and girls at risk of gender-based violence. In the **economic** dimension, RBF programs can encourage

## RBF solutions can close existing financing gaps by bringing in private sector participants and targeting the needs of both cities and displaced people.

workforce development and private sector involvement, de-risking financing and promoting vocational training suitable to the context that enables displaced populations to integrate into the local economy. **Institutionally**, RBF can build capacity, bridge governance gaps, address budget constraints, and promote the alignment of different levels of government.

**RBF solutions are most relevant in medium- and long-term time horizons.** Medium-term RBF solutions include incentivizing actions such as better access to services and economic inclusion programs for displaced populations, like the Jordan project mentioned above. Long-term strategies aim to promote sustained outcomes, including the improvement of land administration, infrastructure development, and the institutionalization of laws and policies addressing forced displacement. For example, in Pakistan an RBF World Bank program was put in place to improve compliance with labor conventions.

**Implementing a RBF instrument in fragile contexts is a complex and iterative process that requires a tailored approach rather than a standardized solution.** The framework for designing and implementing RBF instruments involves identifying specific challenges in these contexts, designing appropriate solutions, and assessing the enabling environment. The process begins with mapping a theory of change to understand the pathways through which an intervention can create impact, followed by identifying barriers to results. These barriers often stem from misaligned incentives, or lack of accountability and flexibility in addressing the unique challenges faced by displaced populations in urban areas. A comprehensive understanding of these barriers helps in designing RBF solutions that are context-specific and capable of driving the desired outcomes.

**A deep understanding of the stakeholders involved is critical to the design process.** Political support, negotiations with implementors, and the engagement of host populations are vital to designing an effective RBF strategy. Mapping the implementation arrangement is especially important for Urban Forced Displacement (UFD) programs because of the different types of stakeholders (national and/or local governments, international donors, bilateral and multilateral agencies, nongovernmental organizations [NGOs], community organizations, and

others) involved in the design and implementation process and the complexity of their relationships. Identifying the location and needs of the target population and possible payment metrics are important to good design. Any needs assessments should include the participation of displaced people and the host community, women and men, and other specifically targeted groups such as disabled people or adolescent girls.

**The selection of an RBF instrument should be specific to the needs, timing and actors in each context.** Instruments differentially incentivize actors. Performance-based loans, for example, incentivize the government entity receiving the loan, while performance-based transfers are a way for the national government to incentivize local governments. Early-stage initiatives and pilot programs may be a better fit for smaller instruments, while more established interventions may align better with performance-based transfers or loans, which are usually larger. Payment metrics and targets should be closely aligned with the program's goals to ensure that funding is directed towards the desired outcomes. Metrics need to be easily measurable, manageable, and free from incentives that could lead to unintended negative consequences. Some of these metrics overlap with new World Bank Scorecard indicators. Engaging local organizations can provide valuable insights into appropriate metrics and targets. The payment structure should be designed to balance the need for flexibility with the management of risk.

**RBF solutions can close existing financing gaps by bringing in private sector participants and targeting the needs of both cities and displaced people.** RBF can also build essential local capacity to deliver services. While emergency situations could benefit from contingent emergency response and emergency recovery funding, RBF is most effective across longer timelines where there is a development focus. This can work even in fragile and conflict-affected settings. RBF needs verification of results to disburse and that need presents an opportunity for capacity building in local government as targets are set, measured, and payment occurs when results are achieved. RBF is extremely useful in achieving key World Bank scorecard indicators, such as providing essential healthcare services and ensuring learning outcomes for children. It also has potential to lead to vital institutional strengthening by incentivizing local actors in contextually appropriate ways.



# 1. Introduction



## 1.1 Objectives and Structure of the Report

The objective of this report is to explore the application of **Results-based financing (RBF) to support a development response to urban forced displacement using a ‘People in Place’ approach**. RBF is an innovative financing mechanism that aims at improving the effectiveness of development programs by conditioning all or part of the funding on pre-agreed results and incentives. A majority of the World Bank Global Partnership for Results-Based Approaches (GBRBA) portfolio is in fragile, conflict and violence affected countries such as Yemen and Liberia. The People in Place approach emphasizes the significance of municipal government service provision and capacity, and combined with RBF, has the potential to bring more funding for municipal responses to forced displacement, enhance their effectiveness, and contribute to the long-term development of the municipality.

**This report introduces RBF in contexts of forced displacement and provides guidance for practitioners to assess enabling conditions and make program design choices.** Section 2 introduces the RBF approach and presents how it adds value in cities. Section 3 discusses the opportunities for RBF across each of the 5 dimensions of the People in Place model. Section 4 provides guidance on how to operationalize RBF instruments in cities with forced displacement. Section 5 concludes the report by summarizing the key takeaways.

The methodology for the research that went into this report included a literature review of papers and projects addressing RBF in settings with forced displacement. This was supplemented by case studies and interviews with World Bank Group Task Team Leaders on designing an RBF instrument for cities with forcibly displaced people.

## 1.2 The Rise in Urban Forced Displacement

**There are now more forcibly displaced people than at any other time in history.** As of the end of 2023 there were 117.3 million forcibly displaced people in the world, of which 31.6 million are refugees, 68.3 million are internally displaced people, 6.9 million are asylum-seekers and 5.8 million are others in need of international protection (UNHCR, 2024). This is a significant increase from the 79.5 million displaced people in 2019 (UNHCR, 2022).

**As displacement has become increasingly urban and protracted, displaced people are concentrated in cities around the world.** In 2017, the average duration of exile for refugees was ten years and the median duration four years (Devictor & Do, 2017). The increasingly lengthy nature of forced displacement means those affected remain in places of refuge for longer periods, often in situations of physical insecurity, limited political representation, and constrained economic opportunities (Joireman, 2022). An

### Box 1. Definitions

Internally Displaced People, refugees, and Venezuelans are all displaced people. There are key differences between the three groups in terms of:

- 1) legal status;
- 2) burden of responsibility for their protection; and
- 3) political rights.

**Refugees** are citizens of a different state who have explicit legal protection under the 1951 Refugee Convention and its 1967 Protocol. People with refugee status cannot be sent back to their country of origin until conditions improve. Implementing and overseeing the protection of refugees is the shared responsibility of host states and the United Nations Refugee Agency (UNHCR). Refugees do not have the right to vote and do not have political representation within their host country.

**IDPs** are citizens of the state in which they are displaced. IDPs have no organization explicitly tasked with their protection. IDPs should have full political rights in terms of voting, documentation, and residence.

**Venezuelans** are a special category of displaced people because while they can be refugees, the overwhelming majority of the 7.7 million displaced Venezuelans are simply migrants with no special legal status, who have left Venezuela because of the collapse of the economy (R4V 2023). Most of them initially fled to nearby states like Colombia, Ecuador, and Peru where they often have some sort of temporary protected status or residency.

increasing number of displaced people relocate to cities. In 2023, 58% of IDPs were living in urban environments (UNHCR 2024). Low- and middle-income countries host 75% of the world's refugees and other people in need of international protection (UNHCR 2023). These are cities that are typically facing development challenges. Cities that either are the largest, or closest to the regions producing displaced population, tend to host the lion's share of displaced people.

**Displaced people are often uprooted multiple times, adding to the complexity of targeting them with services.**

Displaced people often leave their homes for safety elsewhere and then face subsequent displacements from various causes, such as conflict in places of refuge, clashes with host communities, eviction, climate events, and lack of access to livelihood opportunities (Knappe 2024, Betts, et. al 2023). Forced evictions and lack of formal housing put displaced populations at risk. In Mogadishu, Somalia, 31% of IDPs faced eviction over a six-month period (World Bank, 2017). In Bangui, Central African Republic, violence outside the city in 2012–2013 led to an influx of displaced people. During the same year, violence within the city created a forcibly displaced population. Climate-related flooding in Bangui in 2019 and 2022 displaced large numbers of people, some of whom had been forcibly displaced by the earlier violence (Joireman, 2023).

**Urbanization as a result of displacement differs from that caused by natural growth and economic migration in terms of speed, scale, fluidity and vulnerability.** First, demographic shifts associated with displacement are sudden. They need a more rapid response—both politically and in terms of physical and financial resources. Second, the magnitude of the influx may disrupt the urban system, catching local authorities unprepared. Third, uncertainty regarding how long displaced individuals will stay in host cities, coupled with their transient movements, makes it difficult to determine the most appropriate response. Lastly, there are disparities in the types and levels of vulnerability among the forcibly displaced contrasted to the urban poor and economic migrants. The forcibly displaced often enter cities with limited financial resources, urban livelihood skills, essential identification documents, or social support networks. Additionally, they face heightened challenges due to sociopolitical stigma and profound psychosocial trauma (World Bank Group, 2021).

**Most cities rely on the national government rather than taxation as their main source of revenue, and this does not adequately cover the costs of addressing the needs of forcibly displaced people (Organization for Economic Co-operation and Development [OECD], 2017; Zeng et al.,**

**2018).** The causes of this problem can be both technical and political. A technical cause exists when the formula to determine transfers to cities is usually based on population size which often excludes refugees due to their status, and the recently internally displaced due to outdated census figures (Al-Mahaidi, 2020). Political causes can exist when the political party in charge of the city is different from the one in control at the national level.

**International aid often bypasses city governments.** In the past, humanitarian agencies have typically operated in camp-like settings, not in cities. UNHCR, which funds services in refugee camps, has a prohibition on funding parallel services for displaced people outside of camps (UNHCR, 2009). Their funded activities tend to focus on short-term emergency support, rather than the longer-term development needs of cities, such as building new housing or extending piped water services. For example, the conflict in Sudan has displaced millions of people both internally and across borders. Many of those displaced have fled to cities within Sudan such as Port Sudan and El Fashur, or to cities in neighboring South Sudan and Chad (Relief International 2024). These people need food, shelter and health services and much of this emergency support is provided by international organizations. However, if their stay becomes protracted, as seems likely, the cities in which they have taken refuge will need additional permanent housing, health and educational services to accommodate the unexpected population influx. In Haiti, after the 2010 earthquake, emergency assistance met survival needs, but was ineffective in supporting the middle- and long-term needs of IDPs (Sylvestre et al., 2012). This difference in needs assessment and mandate means that the interventions of cities are often excluded from international financial support (Culberston et al., 2016).

### 1.3 People in Place

**The 'People-in-Place' framework is an approach to building a response to forced displacement that addresses the needs**

**“Urbanization as a result of displacement differs from that caused by natural growth and economic migration in terms of speed, scale, fluidity and vulnerability.”**

**of both displaced people and the urban areas that host them.** The World Bank’s work on urban forced displacement has highlighted the usefulness of this approach (World Bank Group, 2021). The People in Place approach identifies five key dimensions through which to analyze challenges and build solutions: (i) **spatial** – challenges related to urban morphology; (ii) **physical** – challenges related to land, housing, infrastructure, and services; (iii) **social** – challenges related to social cohesion and personal security; (iv) **economic** – challenges related to jobs, livelihoods, and economic growth; and (v) **institutional**—challenges related to institutional arrangements including the legal framework, financing, and capacity. (World Bank Group, 2021). The five areas are interrelated, and integrating interventions across

several of them can mutually reinforce each dimension and catalyze synergies between them (Joireman, 2023).

**The increasingly urban and lengthy nature of forced displacement is challenging to municipalities.** When many people move into a city and the peri-urban area, the existing urban infrastructure and services are insufficient. Economically, displaced individuals may face barriers to employment due to limited access to job markets, language, and sometimes the lack of necessary work permits. Socially, tensions can arise between the displaced populations and the host communities as the pressure on basic services and resources increases along with competition for work. Institutionally, addressing the needs of displaced

**Figure 1 People-in-Place Approach**



	People-Based Approach	Place-Based Approach	People-in-Place Approach
<b>Focus</b>	Focus on the needs of the <b>people</b> —usually the forcibly displaced.	Focus on <b>places</b> impacted by forced displacement, including on managing institutions.  Leverages their existing systems and capacities.	Focus on both the <b>people</b> —i.e. forcibly displaced and hosts—and the <b>places</b> where they are located, and institutions managing <b>place</b> .
<b>Interventions</b>	Targeted interventions depending on the needs and vulnerability of different groups of <b>people</b> , including individuals and households, e.g. social safety net, livelihoods support, emergency service provision.	Targeted interventions on improving infrastructure, services, land management in <b>places</b> affected by the inflow, e.g. urban upgrading, network extensions/expansions.  Targeted interventions on institutions that manage <b>places</b> , e.g. capacity building, planning, procurement, financial management (FM).	Targeted interventions for vulnerable <b>people</b> regardless of status in the <b>place</b> where they are located, e.g. safety nets, livelihoods support, coupled with provision of services in <b>places</b> to the vulnerable, and extension of services across city.  Target interventions to institutions managing <b>places</b> , e.g. capacity, planning, procurement.
<b>Suitable Context</b>	Support for displaced in camps. “Place” or “Space” blind. Relies on status identification & monitoring. Benefits/ interventions move with people.	Support for cities, towns, districts that host the displaced. Interventions are “status blind” in that they benefit all people who live in an affected area regardless of whether they are FD or hosts.  Benefits/interventions fixed in place.	Support for the displaced, host communities, and institutions in cities/towns. Accepts “status” but extends benefits to “vulnerable hosts” and also to <b>place</b> .

World Bank Group, 2021.

populations requires significant coordination among stakeholders, including central and local governments, local host communities, private actors, and international partners. Even in seemingly stable contexts with established public services, diverse livelihood opportunities, available housing, and land markets, there is often a lack of adequate capacity to cope with the rapidly changing circumstances caused by forced displacement (World Bank Group, 2021).

**Displaced populations have markedly different needs that may require precise targeting and service provision (World Bank, 2021).** Displaced women and children often have more difficulty accessing health services, economic opportunities, and education. The vulnerability of these displaced subgroups requires targeted programs designed specifically to reach and improve outcomes for them (Joireman, 2023). Forcibly displaced populations are often difficult to target and therefore serve. They often settle within poor neighborhoods, becoming 'lost amid a sea of urban poverty' due to lack of resources, personal security, or economic opportunity (Cotroneo, 2017). Service providers and municipalities may lack incentives

to locate and serve hard-to-reach displaced populations, leaving them vulnerable and lacking necessary services (Cotroneo, 2017). The difficulty in targeting displaced populations is a reason to use RBF instruments.

**Allowing service providers, municipalities, and other organizations with the autonomy to leverage local knowledge and to adapt their interventions (without having to spend additional funds) has the potential to better serve the urban displaced and their needs.**

Local organizations and city governments are deeply familiar with the communities in which they work and the specific mechanisms to ensure the success of large-scale interventions in these communities. However, city governments, service providers, and local organizations, are often either excluded from the implementation of interventions, or are paid to implement prespecified standardized protocols, leaving them with no 'room' to use the funding in the most effective way (Cotroneo, 2017).

Table 1 provides a sample of people- and place-based challenges across the spatial, physical, social, economic, and institutional dimensions.





**Table 1: Sample List of People- and Place-based Challenges across the Five Dimensions**

DIMENSION	PEOPLE-BASED CHALLENGES	PLACE-BASED CHALLENGES
<b>SPATIAL</b>	<ul style="list-style-type: none"> <li>Lack of adequate and safe public spaces</li> <li>Lack of inclusion of displaced populations in urban and city planning</li> </ul>	<ul style="list-style-type: none"> <li>Urban sprawl on the periphery of cities</li> <li>Growth of urban informal settlements</li> <li>Densification or de-densification caused by the influx or outflux of people</li> </ul>
<b>PHYSICAL</b>	<ul style="list-style-type: none"> <li>Inadequate access to water, sanitation, and hygiene (WASH) facilities</li> <li>Lack of adequate housing</li> <li>Lack of service availability and access to information on services</li> </ul>	<ul style="list-style-type: none"> <li>Lack of safe and affordable housing (including rental housing) for the displaced</li> <li>Inadequate access to education and healthcare</li> <li>Absence of safe transportation networks</li> <li>Location and capacity of schools and clinics</li> </ul>
<b>SOCIAL</b>	<ul style="list-style-type: none"> <li>Personal security (especially gender-based violence and trafficking risk for women and girls)</li> <li>High risk of social isolation, harassment, and exclusion</li> <li>Access to appropriate health and education services</li> <li>High risk of multidimensional poverty</li> <li>Lack of information about available services</li> </ul>	<ul style="list-style-type: none"> <li>Poor access to justice system</li> <li>Social tension between host and displaced community</li> </ul>
<b>ECONOMIC</b>	<ul style="list-style-type: none"> <li>Lack of labor inclusion and labor programs for displaced populations</li> <li>Integration into job markets</li> <li>Poor information on market needs</li> <li>Mismatch of population skills and employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Unclear policies and regulations for displaced population (esp. refugees) to register and run a business. This includes access to finance (opening bank account, applying for loan, ID issues, legal challenges etc.)</li> <li>Limited formal jobs in host cities</li> </ul>
<b>INSTITUTIONAL</b>	<ul style="list-style-type: none"> <li>Insufficient representation of displaced populations in political, governance, and economic institutions</li> <li>Legal ID constraints preventing access to social infrastructure, programs, job market, financial services, etc. (especially for refugees and women)</li> </ul>	<ul style="list-style-type: none"> <li>Misalignment and lack of coordination between government entities</li> <li>Lack of clear policies and mandates to integrate and manage the influx of displaced populations</li> <li>Insufficient budget for localities to address UFD challenges</li> <li>Unclear division of responsibilities across levels of government</li> </ul>

Source: Authors based on World Bank Group. (2021). Forced Displacement: An Agenda for Cities and Towns.

## 2. Results-Based Financing for Urban Forced Displacement



This section outlines four key advantages of using RBF in urban settings with forced displacement.<sup>1</sup> RBF has proven effective as a targeting mechanism to incentivize improved service delivery for underserved populations; it offers local implementers flexibility in adapting interventions; it builds organizational capacity in terms of results, performance management, and monitoring and evaluation (M&E), and it provides a means of addressing financing gaps. These four advantages are detailed below with supporting examples of how RBF has been leveraged to improve the effectiveness of development programs. RBF is most powerful when combined with other approaches even though it can be used as a stand-alone strategy for developing institutional capacity. The section concludes with a note on the use of RBF instruments to address financing gaps.

## 2.1 Targeting

**RBF creates incentives for service providers, municipalities, and other actors to target specific groups such as displaced people, women, children, and the elderly.** For example, in a study analyzing multiple performance-based contracts,<sup>2</sup>

evidence suggested that using nonmonetary incentives (for example, increased empowerment and involvement of staff, greater flexibility, and fear of diminished reputation) played an important role in driving improvements in healthcare equity (Grittner, 2013). A 2015 study by the Global Partnership on Output-Based Aid (GPOBA) analyzed 24 education projects using output-based approaches and found that RBF effectively led service providers to include marginalized groups (for example, girls, the poor, and ethnic minorities). In the Democratic Republic of Congo and in Malawi, schools were paid higher subsidies for enrolling girls, and in both places the subsidies led to diminished gender inequality in school enrollment (GPOBA, 2015).

**RBF’s targeting capabilities are of particular value in urban displacement contexts.** Displaced populations are challenging to target, because the population is difficult to identify among the general population or may purposely try to go undetected due to safety concerns. RBF can help overcome these obstacles to service delivery. An RBF program aimed at improving maternal health outcomes of displaced Venezuelans in Colombia (Box 2) illustrates how

### Box 2. Performance-based Contract for Improved Maternal Health of Venezuelan Migrants in Colombia

#### Improving Health Services Targeting Migrants

<p><b>Dates:</b> October 2021–June 2023 (engagement) July 2023–September 2023 (design) November 2023–October 2025 (implementation)</p> <p><b>Project Funders:</b></p> <p><b>Outcome payer:</b> Fundación Santo Domingo</p> <p><b>Design grant:</b> USAID’s Local Health System Sustainability Project</p>	<p><b>Program Cost:</b> \$ 215,000</p> <p><b>Status of the project (stage):</b> Implementation phase. Launched in November 2023</p> <p><b>Country:</b> Colombia</p> <p><b>Type of Intervention:</b> Performance-based contract</p>
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#### Program Context and Characteristics

Colombia is home to approximately 2.5 million Venezuelans, many of whom struggle to access healthcare services. A collaborative initiative involving USAID, the Santo Domingo Foundation, Instiglio, and Barranquilla’s MiRed healthcare provider established a performance-based contract aimed at improving maternal health for uninsured Venezuelan pregnant women. The Santo Domingo Foundation provides funding, which is managed by Simon Bolivar University, the implementing organization. Simon Bolivar University, in turn, contracts MiRed Barranquilla under a performance-based agreement that incentivizes healthcare providers to deliver specialized prenatal care to at least 500 Venezuelans. The focus is on early detection, treatment, and nutrition. To receive 20% of the contract value, the healthcare provider must successfully identify and reach these migrants with the required services.

*(continued on next page)*

<sup>1</sup> RBF has been used to add value to projects in the following ways: i) RBF draws attention to results, ii) RBF aligns incentives to the welfare of program beneficiaries, iii) RBF provides flexibility to maximize results, and iv) RBF enhances the accountability of the incentivized agent to beneficiaries (World Bank, 2018).

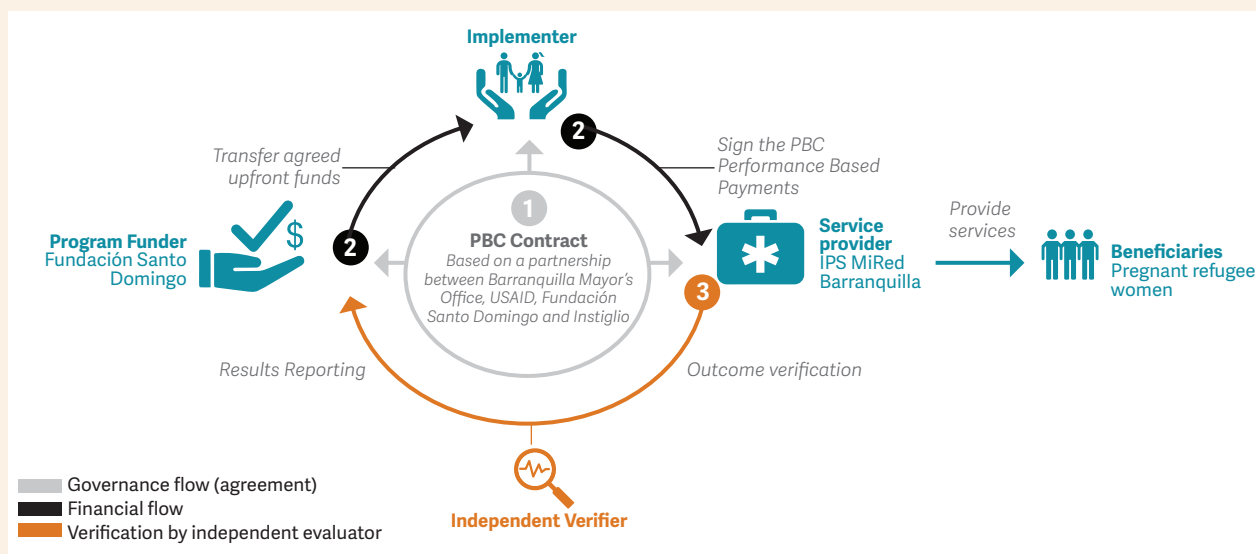
<sup>2</sup> Performance-based contracts are a type of RBF instrument where a government or donor pays part of a provider’s contract only if the provider achieves predetermined results.

## Box 2. Performance-based Contract for Improved Maternal Health of Venezuelan Migrants in Colombia *(continued)*

This Results-Based Financing (RBF) mechanism offers a significant opportunity to inform public policy in the medium and long term, potentially influencing how government actors structure contracts with service providers.

### Program Implementation Arrangements

In this program, the outcome payer, Fundación Santo Domingo (FSD), transfers the total funding to an intermediary implementer. This implementer is responsible for managing the program funds and contracting the service provider, MiRed Barranquilla. The contract outlines the disbursement process, which is tied to the delivery of a comprehensive maternal health package for pregnant migrants and the subsequent achievement of validated results upon program completion. This structure ensures that payments are linked to the successful provision of targeted healthcare services, reinforcing the accountability and effectiveness of the program.



### Payment Metrics:

1. The number of women with more than four prenatal doctor visits.
2. Early detection of prioritized diseases (HIV and syphilis) before week sixteen of pregnancy.
3. Adequate management of obstetric risk: the number of women with high risk pregnancies who attend at least two prenatal appointments with a perinatologist and the number of women with adequate syphilis treatment for themselves and their partners.
4. Protection against diseases associated with pregnancy: the number of women with access to micronutrients for the duration of the pregnancy.

Amount tied to results: 80% of total funding is allocated to intervention services, and the remaining 20% is tied to the successful achievement of these results.

### Key Takeaways

- RBF can facilitate innovation in the healthcare sector, particularly around how service procurement is done in complex environments.
- Collaboration with stakeholders and service providers during the design phase is pivotal to tailor effective programs. Ongoing collaboration, through regular meetings with the Santo Domingo Foundation and the USAID Local Health System Sustainability Project Team, crystallized the program's strategic direction, identified potential risks, and aligned all those involved to troubleshoot challenges. This collaborative approach strengthened program governance and encouraged stakeholder learning and proficiency with performance-based contracts.

Source: Instiglio internal resources.

RBF can target and improve service delivery for displaced populations. The performance-based contract in this case is a pilot that provided the public healthcare service provider (MiRed Barranquilla) with financial incentives to target and serve displaced Venezuelans who were excluded from the Colombian health system due to their irregular status.

## 2.2 Flexibility and Local Solutions

**RBF gives the implementing organizations—whether they be city governments or private organizations—an incentive to achieve results, as well as the flexibility to adjust the intervention to the local context (GPOBA, 2018).** Local organizations, due to their proximity to the people and knowledge of the context, tend to know how

to adjust programs, and RBF empowers them to do so cost-effectively. An example is the Refugee Impact Bond<sup>3</sup> in Jordan (Box 3 below). The Near East Foundation (NEF) already had extensive experience working with livelihood development interventions for displaced populations in Jordan before implementing this specific project. The impact bond design rewards NEF monetarily based on improved outcomes in business survival rates and household spending on basic needs for both the displaced and host communities, thus incentivizing the implementing agency, as well as giving it the flexibility to adjust the program to achieve greater effectiveness.

**RBF contracts have been used to give service providers flexibility to adapt interventions to unexpected circumstances and encourage innovation while**

### Box 3. The Jordan Refugee Impact Bond

#### Transforming Lives and Communities through Entrepreneurship

<b>Dates:</b> January 2022–October 2025	<b>Program Cost:</b> First Close – \$13.5 million (outcome funding) Target Final Close – \$20 million
<b>Outcome Payers:</b> IKEA Foundation, Norwegian Agency for Development Cooperation (Norad), Novo Nordisk Foundation.	<b>Status of the Project (Stage):</b> Active Country: Jordan
<b>Investors:</b> Ferd, United States International Development Finance Corporation (USDFC)	<b>Type of Intervention:</b> Development Impact Bond
<b>Sector:</b> Economic empowerment and livelihoods	

#### Program Context and Characteristics

The Development Impact Bond (DIB) for refugee livelihood and employment programs in Jordan is among the largest DIBs and represents an innovative financing solution aimed at tackling the prolonged refugee issue in Jordan. This project kicked off in 2016 by structuring the bond while concurrently seeking investors and funders, with the expectation that this would enable more flexibility to shape the financial and contractual terms with both prospective investors and outcome funders. The approach involves multiple employment interventions (skills training and grants). The program involves a public-private partnership, with the involvement of agencies like Norad, a bilateral donor, alongside private investors and foundations.

#### Program Implementation Arrangements

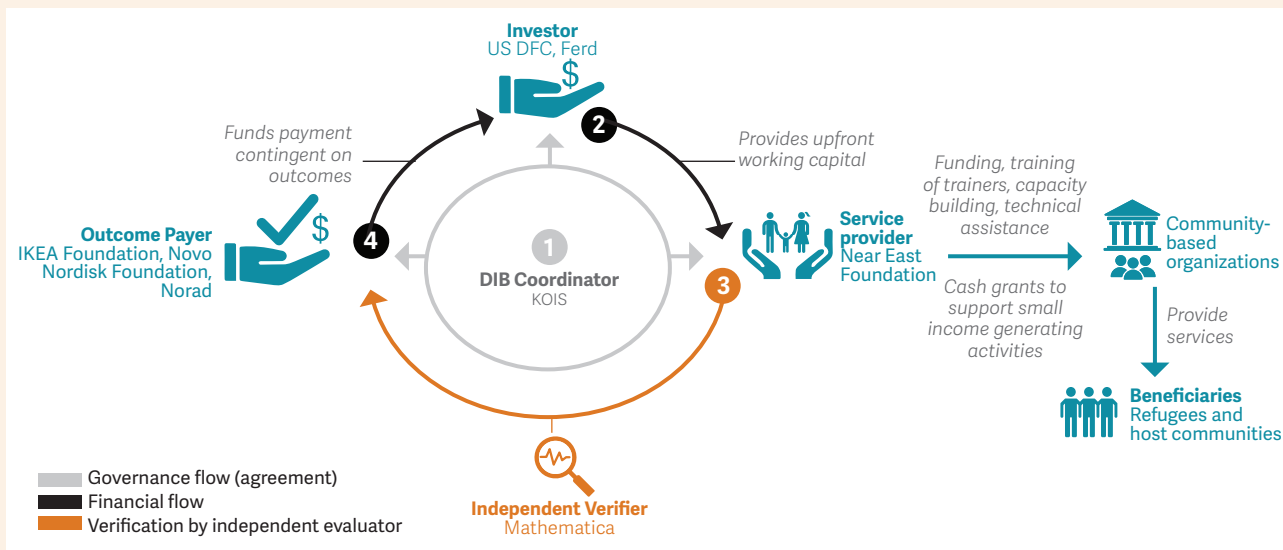
The Near East Foundation (NEF) receives upfront capital from USDFC and Ferd to implement the program in collaboration with local Community-Based Organizations (CBOs). The IKEA Foundation, Novo Nordisk Foundation, and Norad, the outcome payers, repay the investors based on these metrics upon the conclusion of the impact bond. KOIS, the impact bond coordinator, oversees financial structuring and facilitates communication among all parties during implementation.

Mathematica, along with local partners Mindset and Integrated, assess the success of the impact bond, measuring two key metrics: active engagement in income-generating activities and impacts on household consumption. Mathematica follows three main steps for the verification process: validation of income-generating activities, an impact evaluation, and a process evaluation.

*(continued on next page)*

<sup>3</sup> An Impact Bond is a type of RBF instrument where the main incentivized agent is an investor who provides the working capital needed for the implementation of a program. Repayment to the investor is conditioned on the achievement of results.

### Box 3. The Jordan Refugee Impact Bond (continued)



#### Relevant Design Characteristics

##### Intervention Design:

Near East Foundation (NEF) aims to create sustainable businesses for vulnerable individuals by starting off with an inception phase, which is followed by a trade skills phase offering skills and vocational training that lasts six months in a program rolled out across three annual cohorts. Thereafter, supplementary services such as cash grants to support small income-generating activities, participant monitoring/follow-up visits, and mentorship sessions are offered for another five months.

##### Payment Metrics:

- 1. Business survival rates:** Measures active income-generating activities (IGA).
- 2. Household spending on basic needs:** Measures the ability of households to meet basic needs, assessed by measuring the aggregated value of the household's consumed food items, housing, and consumer durables. A minimum threshold of 55% on the business metric is a requirement to get payments for household spending metric. The service provider can get a bonus payment of up to 3% of the total budget for achieving maximum results for this metric.

**Amount tied to results:** After the threshold of 55% for the first metric, the outcome payers guarantee an 80% principal to investors, after that threshold, 20% of the payment is tied to results.

Payment to investors is limited by a maximum rate of return of 6% IRR or 5.1 % annualized RR. Nonetheless, 2% of the maximum IRR is tied to the increased household spending metric, limiting the ability of investors to earn all the IRR through just business survival rates. Investors have a guaranteed principal of 80%.

##### Verification

Mathematica employs a three-step process for verification: IGA validation, impact evaluation, and process evaluation. The IGA validation determines the percentage of grant recipients actively engaged in income-generating activities approximately 10 months after the grants are disbursed. Subsequently, the impact evaluation assesses the program's effect on various household well-being outcomes. Lastly, the process evaluation involves NEF administrative records, socio-demographic information, contact details, and quantitative data collection, including Focus Group Discussions (FGDs) to guide the verification process.

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### **Box 3. The Jordan Refugee Impact Bond** *(continued)*

#### **Expected Impact**

**4,380** refugees and Jordanian aspiring entrepreneurs supported through business development and resilience-building

**3,400** refugees and Jordanian entrepreneurs to receive start-up grants and coaching sessions to support the launch of their micro-enterprise training

**1,750** refugees and Jordanian entrepreneurs further supported with additional market-linked technical training and one-to-one mentorship

Source: Mathematica (2022); Convergence Blended Finance (2023); Near East Foundation (2022).

**responding to unique challenges.** For example, during the initial outbreak phase of the Ebola crisis in Liberia, a health services program funded by USAID under RBF temporarily altered its activities to aid the government in its response (GPRBA, 2021). The additional flexibility provided by RBF is especially important in cities that are prone to external risks such as conflict or climate change events.

**RBF adds value in displacement settings because of added flexibility for implementing organizations.** RBF is useful when interventions lack rigorous evidence that they work for a particular population. Implementers are more likely to have a positive impact when the intervention can be adapted to the local context rather than following a pre-defined protocol (Perakis & Savedoff, 2015). If an intervention already has rigorous evidence that demonstrates its effectiveness with the target population, the implementing organization may be more appropriately incentivized by a contract that promotes a proven intervention. Displaced populations often have different characteristics and needs than host communities, which means that the interventions implemented for host communities may not have the same impact on displaced populations unless the intervention is adjusted. Piloting interventions is strongly suggested. A clear example of this is the performance-based contract to improve maternal outcomes for Venezuelan migrants in Colombia described in Box 2 above. Women who attend prenatal medical appointments have improved maternal outcomes, but not enough Venezuelan migrants in Colombia were getting prenatal care. A performance-based contract incentivized the hospital system to locate and target the Venezuelan migrant population and gave it the flexibility to create the right approach, improving the likelihood of achieving the desired results.

## **2.3 Capacity Building**

**RBF has a strong focus on results, performance management, and M&E, which leads to the development of these capabilities within the actors involved.**

Organizations participating in an RBF must be able to measure results to adapt interventions. They must also have the performance management capacity required to assess an intervention as it is being implemented and change course if needed. Finally, they must have robust monitoring and evaluation capacity, enabling them to collect the right data to verify the results of the program and determine results-based payments (World Bank, 2017). Implementing an RBF mechanism therefore requires the organizations involved to be either capable of implementing these tasks at the outset or be willing to develop them as part of the project. During the lifecycle of an RBF project, implementing organizations can improve their results-focus, performance management, and M&E capabilities.

**The Uganda Program for Results case study exemplifies the channels through which RBF builds capacity in a context with forced displacement.** The program improves outcomes for displaced populations by providing financial incentives to municipalities. Municipalities are equipped with the flexibility to select urban projects that they deem best serve the needs of displaced populations and the host communities. The project follows municipalities' performance through a national evaluation and monitoring system that pushes refugee-hosting localities to improve their own M&E practices as well as their focus on results (see Box 4).

## **2.4 Addressing Financing Gaps**

**Results-based financing offers a mechanism for addressing financing gaps that exist in meeting the**

## Box 4. Program for Results Uganda: Support to Municipal Infrastructure Development<sup>a</sup>

### Strengthening Government Systems for Urban Planning in Refugee Hosting Local Governments

<b>Dates:</b> Phase I (August 2013–December 2018) Phase II (October 2018–December 2023)	<b>Program Cost:</b> Phase I (\$150 million from World Bank Group, \$10 million from the Government of Uganda) Phase II (\$360 million from WB/IDA)
<b>Project Funders:</b> Government of Uganda, World Bank Group	<b>Status of the Project (Stage):</b> Phase I (Completed) Phase II (In progress)
<b>Sector:</b> Urban development	<b>Country:</b> Uganda
	<b>Type of Intervention:</b> Program for Results

#### Program Context and Implementation

Uganda is Africa's largest host of refugees, accommodating over 1.5 million refugees (IOM 2024). The Uganda Support to Municipal Infrastructure Development Program (USMID) aims to strengthen the capacity of targeted districts to improve urban services in the face of rapid urbanization, where many service delivery responsibilities have been decentralized.

Initially, the program relied on performance-based transfers (PBT) from the central government to local governments. However, low per-capita investment hindered its effectiveness. To address this, the World Bank Group partnered with the Ugandan government on a Program for Results (PforR) loan, enhancing the funding for the PBT program and bolstering the central government's administrative capacity.

In its first phase, USMID focused on 14 districts without specifically targeting refugee-hosting areas. The second phase shifts focus to eight additional municipalities, prioritizing those with significant refugee populations. The Ministry of Lands, Housing, and Urban Development (MoLHUD) coordinates the program, linking the central government's loan to specific Disbursement Linked Indicators (DLIs) in three key expenditure areas: expanding PBT in refugee-hosting municipalities, supporting MoLHUD, and aiding selected local governments that host refugees.

Funds are distributed through the PBT mechanism, administered by MoLHUD, and allocated to local governments based on the achievement of the DLIs. An independent contractor, overseen by MoLHUD, verifies the results. This system rewards high-performing localities with more resources and reduces allocations to those that underperform. The indicators cover improvements in institutional and infrastructure delivery, urban development systems within MoLHUD, and infrastructure in refugee-hosting areas.

This approach ensures that resources are directed where they are most effective, promoting better service delivery and development in municipalities that face the added challenges of hosting large refugee populations.

#### Program Implementation Arrangements

The Ministry of Lands, Housing, and Urban Development (MoLHUD) serves as the coordinating and implementing entity for the program. The central government's loan is contingent on meeting specific Disbursement Linked Indicators (DLIs), which are spread across three main expenditure areas: 1) expanding the existing performance-based transfers (PBT) program to include more funding for local governments, especially in refugee-hosting municipalities, 2) providing support to MoLHUD itself, and 3) funding selected local governments hosting refugees through an expenditure area that is not PBT-based. This structure introduces two types of Results-Based Financing (RBF) instruments within the program: the Program for Results (PforR) loan and the PBT mechanism. Both instruments operate under a shared results framework of DLIs, based on Uganda's national system for Annual Performance Assessment (APA).

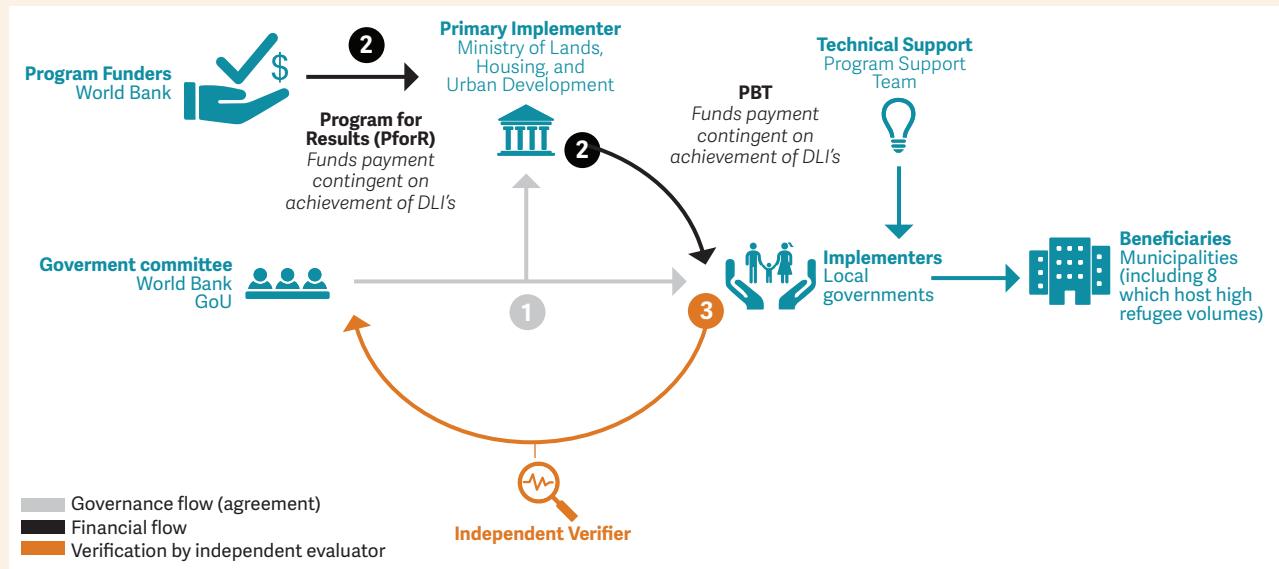
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**Box 4. Program for Results Uganda: Support to Municipal Infrastructure Development<sup>a</sup> (continued)**

The PforR instrument functions by conditioning the World Bank Group’s (WBG) loan funding on the achievement of DLIs by the Government of Uganda across the three key funding areas. Once these indicators are met, the disbursed funds are managed by MoLHUD and distributed to local governments through the PBT program.

The PBT, or performance-based municipal development grants, continue MoLHUD’s strategy of linking investments and disbursements to local governments based on their performance. Better-performing local governments are rewarded with additional resources, while those with poorer performance receive fewer funds or investments. Within the USMID program, this accountability framework, established by the conditional loan to the central government, is extended to local governments through the PBT mechanism, ensuring that financial resources are allocated based on performance and the ability to achieve set development goals.



Selection criteria for selecting refugee-hosting districts:

- Only district governments were considered for the selection.
- The percentage of refugees in the district is at least 10% of the total population.
- The district should have a poverty head count of at least 9%.
- Districts with high refugee population densities will be selected to start implementation in year 1 while others will be included in year 2.

**Verification**

MoLHUD oversees contracting an independent verifier who will report results on the indicators to the governance committee, which comprises the MoLHUD and the World Bank. The World Bank has the final decision on which indicators are achieved. The APA system update is the responsibility of the Office of the Prime Minister.

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**Box 4. Program for Results Uganda: Support to Municipal Infrastructure Development<sup>a</sup> (continued)**

**Relevant Design Characteristics**

	FIRST EXPENDITURE AREA	SECOND EXPENDITURE AREA	THIRD EXPENDITURE AREA
<b>Objective</b>	<p><b>Indicator 1:</b> Program localities have met all minimum conditions</p> <p><b>Indicator 2:</b> Program localities have strengthened institutional performance in seven thematic areas</p> <p><b>Indicator 3:</b> Program localities have implemented Infrastructure Action Plans, value for money and maintenance of key infrastructure</p> <p><b>Indicator 4:</b> Program localities have implemented institutional strengthening plans utilizing the financing</p>	<p><b>Indicator 5:</b> MoLHUD has executed Performance Improvement Plans for program localities</p> <p><b>Indicator 6:</b> Program localities have Town Clerks in place</p>	<p><b>Indicator 7:</b> Results on physical planning, land tenure security, and urban infrastructure development in program localities hosting refugees</p> <p><b>Indicator 8:</b> Results reached on planning and infrastructure investments in program localities that host refugees</p>
<b>Agent</b>	Local Government	MoLHUD	MoLHUD/Local Government

Source: Interviews with project team members (2023) and Project Appraisal Document (World Bank, 2018).

<sup>a</sup> From interviews with project team members (2023) and the Project Appraisal Document (World Bank, 2018).

**needs of displaced people and the municipalities in which they are located.** Many cities and municipal governments are financially constrained and have limited ability to both source their own revenue or have the credit worthiness necessary to borrow from the private sector. They also face many competing needs. In this resource-challenged context, the Ugandan example shows how RBF can work to both deliver outcomes and build local capacity. Another program that illustrates the potential of RBF is the [Kakuma Kalobeyi Challenge Fund](#) (KKCF) that is funded by the International Finance Corporation (IFC). KKCF is a public-private partnership in Kakuma refugee camp and the surrounding community in Kenya. KKCF started in 2019 and has provided 122 businesses with advisory services and start-up capital through competitively distributed grants. A KKCF-supported

company provided solar lights that illuminate the camp’s streets providing better safety and security for all. Other KKCF companies are providing waste recycling, renewable energy, sanitation, access to finance, and child and health care services to both refugees and host communities. KKCF gives preference to women and youth-run businesses and those that would have the greatest impact on community development (Rogo and Hopps 2023). The KKCF uses a business grants competition to award performance-based grants of 100,000–750,000 dollars and technical assistance to social enterprises that are also putting in their own capital. They also collaborate with the local government to facilitate a conducive local business environment and facilitates the entry of large firms into the local market in critical areas, such as pharmacies, electricity, and water provision.



### 3. Incorporating RBF across the People in Place dimensions



This section investigates the five dimensions of the People in Place approach and describes ways in which RBF could be used in municipalities hosting large numbers of displaced people to create incentives to improve targeting, effectiveness, capacity, and financing.

### 3.1 Spatial Dimension

**Protracted displacement requires additional urban planning (Culbertson et al., 2016).** This planning needs updated cadastral information. RBF can incentivize municipal information gathering and processing on land use. In the longer term, RBF could be used to incentivize city managers to digitalize data for better information sharing and coordination among relevant entities. A survey of 241 municipalities in Ukraine highlighted the importance of planning for multiple future scenarios and communicating with IDPs about their needs; this allows municipal governments to make strategic decisions around the use of resources (Huss & Keudel, 2022).

**RBF can incentivize land registration targeted at vulnerable populations.** Titling protects women and other vulnerable populations, helping them avoid further displacement. In some countries, women face legal or operational constraints to access land ownership (UN Habitat, 2015). In Gaza, before the conflict, an RBF pilot was used to improve access of vulnerable groups to land

registration and property-related services (World Bank, 2019). The Uganda case in Box 4 offers another example whereby RBF was used to boost land registration in hosting districts.

**Public transportation, markets and other public spaces can be threatening environments for displaced women and girls due to risk of harassment or violence.** There is evidence that women and girls will isolate themselves at home rather than venture out into public spaces where they feel unsafe (Guay, 2015; Krause-Vilmar & Chaffin, 2011; te Lintelo et al., 2018; World Bank Group, 2022). Displaced women and girls frequently lack safe access to public parks, transport networks, and leisure areas. The cost of travel and the lack of safe public areas may also be a barrier to their mobility, limiting employment opportunities, leisure spaces and opportunities for socializing, exchanging information, relaxation and exercise (Linn, 2020). RBF can incentivize local governments to provide safe public spaces.

### 3.2 Physical Dimension

**RBF has been used to enhance access to public services such as electricity, sanitation, health, and water.** As part of the World Bank’s RBF for Water Service Providers in Kenya project, GPRBA offered grant payments to motivate service providers to invest in rehabilitation and expansion of water and sanitation infrastructure for vulnerable

**Table 2: RBF Applied to the Spatial Dimension**

SPATIAL DIMENSION		
CHALLENGES	MEDIUM-TERM SOLUTIONS (2–5 YEARS AFTER DISPLACEMENT)	LONG-TERM SOLUTIONS (5–10 YEARS AFTER DISPLACEMENT)
<ul style="list-style-type: none"> <li>Informal settlements for displaced and host populations</li> <li>Identifying the location of displaced people</li> <li>Safe public spaces</li> <li>Insufficient data on the profile of displaced population (including demographic, household surveys, level of education, language, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Incentives for local governments to identify patterns of growth/shrinking and long-term development plan for incorporation of new areas of growth into existing municipality including transport links</li> <li>Incentives for local governments to address increased densification of existing settlements etc.</li> <li>Incentives for spatial and non-spatial data collection of land information for improved land administration in city.</li> <li>Incentives for local governments to develop an integrated plan targeting both ‘people and places’ affected by forced displacement in the city incorporating the voices of both male and female displaced people.</li> </ul>	<ul style="list-style-type: none"> <li>Local government planning efforts targeting both ‘people and places’ affected by forced displacement in the city.</li> <li>Incorporate informal settlements into financial, spatial, and physical plans/ services of the city</li> <li>Incentivize investment in parks and green spaces which women and children (both displaced and host) can safely access.</li> </ul>

■ People ■ Place

Source: Instiglio based on World Bank Group. (2021). Forced Displacement: An Agenda for Cities and Towns.

**Table 3: RBF Applied to the Physical Dimension**

PHYSICAL DIMENSION		
CHALLENGES	MEDIUM-TERM SOLUTIONS (2–5 YEARS AFTER DISPLACEMENT)	LONG-TERM SOLUTIONS (5–10 YEARS AFTER DISPLACEMENT)
<ul style="list-style-type: none"> <li>• Poor access to good quality and affordable basic services and infrastructure.</li> <li>• Lack of affordable housing for displaced population.</li> <li>• Insufficient information available about existing services.</li> </ul>	<ul style="list-style-type: none"> <li>• Incentivize better services through solutions targeting both host and displaced population. (e.g., social enterprises for WASH, slum upgrading, solar lighting)</li> <li>• Incentivize improved access to health and education (mobile health clinics, vouchers for health services, improving enrollment, etc.)</li> <li>• Ensure accessible communication about services with displaced population through appropriate languages and mechanisms</li> <li>• Conditional cash transfers based on critical behaviors— enrollment in school, vaccination, prenatal visits.</li> <li>• Incentivize increasing the available safe and affordable housing stock (eg. micro-finance housing improvements to landlords, new housing, tax incentives to landlords)</li> <li>• Incentives to provide property registration and land tenure registration services to displaced populations and host communities.</li> <li>• Incentivize housing support for displaced (eg. subsidy program, vouchers for rental housing, legal aid, etc.)</li> <li>• Remove legal and administrative barriers (such as proof of residency) from accessing services (esp. for displaced women and girls).</li> <li>• Incentivize streetlights and other urban design mechanisms to increase personal security.</li> <li>• Incentivize safe connective infrastructure to ensure that the camps or remote host areas are connected to jobs, services, in nearby cities.</li> <li>• Provide access to legal aid services and mediation to address eviction</li> </ul>	<ul style="list-style-type: none"> <li>• Incentivize extension of existing infrastructure and services in most populated displaced-hosting areas</li> <li>• Incentives for digitization of land registries and land information in displaced-hosting municipalities/districts</li> <li>• Incentivize local governments to improve infrastructure and services planning aimed at integrating displaced populations (World Bank, 2023).</li> </ul>

■ People ■ Place

Source: Instiglio based on World Bank Group. (2021). Forced Displacement: An Agenda for Cities and Towns.

populations (GPRBA, 2015). In Colombia, RBF is being used to encourage a city hospital system to serve the displaced population. RBF can also be used to incentivize the building of service provider capacity. To meet the objectives of the World Bank’s Solid Waste Management Project in the West Bank RBF was used to improve the services and financial sustainability of the service provider.<sup>4</sup>

**RBF can provide the flexibility to adapt or create new interventions to meet the needs of forcibly displaced people.** The arrival of displaced communities may require adapting programs or services. Medellin, Colombia which hosts one of the largest populations of displaced Venezuelans, has a program meant to assist the homeless population in finding sustainable housing. The city noticed that the success rate for displaced people was significantly below that of the host community and is currently using RBF to motivate the service provider to identify and

implement adjustments to improve the effectiveness of the intervention for displaced population (Instiglio 2024).

**Providing incentives for local governments or service providers to dedicate resources to the construction of infrastructure can address long-term development challenges.** The case study in Uganda showcased in Box 4 demonstrates how incentives to local governments are used to strengthen infrastructure and capacity in refugee-hosting districts by providing them with conditional investments based on their success in meeting indicators.

### 3.3 Social Dimension

**RBF can be used to promote the integration of displaced populations within host communities.** Displaced people often face discrimination and harassment, and have weak local social networks, both of which increase their security

<sup>5</sup> Based on interviews with project’s team staff.

**Table 4: RBF Applied to the Social Dimension**

SOCIAL DIMENSION		
CHALLENGES	MEDIUM-TERM SOLUTIONS (2–5 YEARS AFTER DISPLACEMENT)	LONG-TERM SOLUTIONS (5–10 YEARS AFTER DISPLACEMENT)
<ul style="list-style-type: none"> <li>• Barriers to a integration of displaced into host communities.</li> <li>• Lack of information about the needs of displaced populations.</li> <li>• Inability to access justice and security resources</li> <li>• Lack of access to social protection programs</li> <li>• Lack of safety and security in displaced hosting areas, especially for women and girls who are exposed to GBV and harassment.</li> </ul>	<ul style="list-style-type: none"> <li>• Incentivize social protection programs to target displaced population and host communities.</li> <li>• Incentivize accountable and transparent dispute resolution and mediation mechanisms for housing, land and property</li> <li>• Promote social cohesion activities between displaced and host communities</li> <li>• Facilitate Gender-Based Violence (GBV) prevention and response training for displaced and host communities .</li> <li>• Create specialized task forces and efforts to address GBV.</li> <li>• Partnerships with civil society organizations (CSOs) and community-based organizations (CBOs) to collect data, raise awareness, run sensitization programs etc.</li> <li>• Establish a 24-hour hotline and services for GBV .</li> </ul>	<ul style="list-style-type: none"> <li>• Incentivize the institutionalization of participatory planning approaches and integration policies in host city. For example, by integrating the displaced population’s needs into how social programs are designed.</li> </ul>

■ People ■ Place

Source: Instiglio based on World Bank Group. (2021) and Joireman (2023).

risk and future impoverishment (Sarzin, 2019). Supporting the integration of host and displaced communities improves overall conditions for both the displaced and host communities. RBF can be used to motivate programming to better incorporate the needs of displaced people (e.g., language adaptations, sensitization of program implementers, etc.). It could also be used to incentivize the involvement of both displaced and host community participants and organizations in the same program, with the objective of encouraging integration and coexistence (Mousa, 2020).

**RBF can be used to adapt the justice and security systems to respond to the inflow of forcibly displaced populations.**

Cities that host displaced populations often suffer from poorer justice and security systems. This makes these cities vulnerable to criminal activities and puts their inhabitants at risk of (additional) displacement . To adequately serve

**“Providing incentives for local governments or service providers to dedicate resources to the construction of infrastructure can address long-term development challenges.”**

forcibly displaced people, justice and security systems often require the addition of translators, female staff, or public servants sensitized regarding their cultural barriers.

**3.4 Economic Dimension**

**RBF has been used in middle- and low-income countries for workforce development outcomes, and could be used to incentivize these outcomes for displaced populations.**

In Colombia, the city of Bogota used a performance-based contract to achieve the job placement of over 33,000 individuals (Bogotá Trabaja, n.d.). Workforce development outcomes have also been enhanced through RBF in Nepal, the West Bank, Gaza, and Jordan (Borkum et al., 2023; Instiglio, 2018; World Bank, 2017). Evaluations of the financing mechanisms used in Colombia revealed that RBF successfully incentivized the private sector to improve job placement and retention outcomes among women, migrants, and other vulnerable populations (Prosperidad Social, n.d.).

**Displaced populations typically have poor access to financial services—due to the lack of identification and/or limited credit history (World Bank, 2021).**

De-risking financial access for vulnerable populations can occur through grants for specific purposes such as sanitation facilities improvement. In Ghana, an RBF instrument was used to improve the affordability of household toilets for

**Table 5: RBF Applied to the Economic Dimension**

ECONOMIC DIMENSION		
CHALLENGES	MEDIUM-TERM SOLUTIONS (2–5 YEARS AFTER DISPLACEMENT)	LONG-TERM SOLUTIONS (5–10 YEARS AFTER DISPLACEMENT)
<ul style="list-style-type: none"> <li>• Lack of information and networks limit displaced population's access to formal job markets.</li> <li>• Mismatch of skills for the displaced population to access formal job market (eg. rural agricultural background, language barriers, professional degree not recognized, etc.)</li> <li>• Lack of access to financing to start businesses; regulatory and legal constraints for business registration</li> <li>• Forcibly displaced are most likely to work in the informal economy with lower wages.</li> <li>• Mismatch of skills for the displaced population to access formal job market (eg. rural agricultural background, language barriers, professional degree not recognized, etc.)</li> <li>• Insufficient targeting of displaced populations in economic inclusion programs.</li> </ul>	<ul style="list-style-type: none"> <li>• Incentivize skills training for the displaced and host populations</li> <li>• Incentivize access to finance, legal aid, and banking for displaced people</li> <li>• Incentivize education (including language) (especially for youth and women) to access job market.</li> <li>• Support job placement and retention for the forcibly displaced and host populations.</li> <li>• Sensitize host community regarding displaced peoples' right to work.</li> <li>• Incentivize support to entrepreneurs in starting or expanding business</li> <li>• Affordable childcare and women-friendly workspaces for displaced and host community women (World Bank, 2023)</li> <li>• Partnerships with private sector to provide internships or jobs as well as to advise on regulatory reforms.</li> <li>• Registering informal workers with labor departments or relevant government agencies for social security and better wages</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen market integration of displaced populations, e.g., streamline business licensing and permitting</li> <li>• Develop and implement infrastructure, skills, and enterprise support to enable displaced population, to contribute to local economy.</li> <li>• Matching or competitive grant program for business development</li> </ul>

■ People ■ Place

Source: Instiglio based on World Bank Group. (2021). Joireman. (2023).

those living in urban low-income areas, by subsidizing part of the upfront cost for toilets (GPOBA, 2018a). A similar approach could be used to de-risk targeted access to micro-finance or other types of financial services for displaced populations.

**Local authorities can create incentives to support entrepreneurs from displaced groups and vulnerable host populations.** As part of the Economic Opportunities for Jordanians and Syrian Refugees Program for Results loan, the government incentivized outcomes aimed at creating economic opportunities for vulnerable populations. The program included financing tied to indicators on investment promotion, investment climate, digital financial inclusion, and entrepreneurship, among others. Outcomes were intended to benefit both Syrian refugees and the host populations (World Bank, 2023a). Similar outcomes and outputs could be achieved through other forms of RBF by encouraging local governments to create a local market and investment climate that is inclusive of marginalized

areas hosting displaced populations, including near settlements.

### 3.5 Institutional Dimension

**City governments need technical and financial support to implement RBF programs that address the needs of displaced people.** Local government budgets can depend on inter-governmental fiscal transfers which do not always account for the costs of integrating displaced populations and attending to their needs (OECD, 2017). Municipal governments are not always motivated to take care of these populations in situations with scarce resources. Tying funding to outcomes can incentivize local authorities to take action. The Program for Results Uganda (Box 4) is an example of how the national government tied funding to the local achievement of results. In the USMID project, the government of Uganda's national Annual Performance Assessment (APA) system was used to track progress, handle complaints, approve procedures, and



**Table 6: RBF Applied to the Institutional Dimension**

INSTITUTIONAL DIMENSION		
CHALLENGES	MEDIUM-TERM SOLUTIONS (2–5 YEARS AFTER DISPLACEMENT)	LONG-TERM SOLUTIONS (5–10 YEARS AFTER DISPLACEMENT)
<ul style="list-style-type: none"> <li>• Lack of process to get/replace legal documentation</li> <li>• Absence of legal status and representation</li> <li>• Lack of financial and technical capacity to support displaced population</li> <li>• Unclear roles and responsibilities between different tiers of government.</li> <li>• Lack of political and institutional representation of internally displaced populations</li> </ul>	<ul style="list-style-type: none"> <li>• Adapt fiscal transfer system through performance-based transfers or grants that target improvement in financial management, service delivery and accountability.</li> <li>• Clarify intergovernmental functional responsibilities in areas that affect displaced people</li> <li>• Motivate city governments to achieve results like improving and maintaining infrastructure or improving administrative capacity</li> <li>• Develop medium- to long-term plan to account for protracted displacement (e.g. budget planning that accounts for different future scenarios regarding the number of displaced people, capacity building requirements, investment needs, etc.)</li> <li>• Incentivize inclusion of organizations of displaced people into civic and political processes.</li> <li>• Develop communication strategies to inform displaced population of services and get their input on programs; social media applications such as Telegram or WhatsApp may be appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• Create policies to improve displaced population's legal rights and their access to justice and political system in host areas.</li> <li>• Articulate and integrate the responsibilities of local, regional and national governments with regard to both refugees and Internally Displaced People</li> <li>• Institutionalize inclusion and representation of internally displaced people through legal and administrative actions, e.g. ensuring political representation and voting rights</li> </ul>

■ People ■ Place

Source: Instiglio based on World Bank Group. (2021). Joireman. (2023).

assure quality. The incentives, capacity development support, and APA system increased local government performance to above target levels.

**Flexibility in financing and implementation schedules allows the achievement of targets.** Grant disbursement

cycles may not always correspond with local needs or capabilities. For the Uganda project and other infrastructure projects, there is a need for greater resources in the initial stages to address the fiscal gaps in urban capital investments and flexibility in the duration of the program for capacity building.

## 4. Operationalizing RBF: Making it Work



**Implementing an RBF instrument is a context-dependent, iterative process.** There is no one-size-fits-all solution, nor a single way to design and implement RBF. That said, there is a general framework that provides guidance on how to design and implement an instrument in cities with forcibly displaced populations. The following section details the design process for an RBF instrument, highlights important barriers and offers advice on how to assess and negotiate the enabling environment for the implementation of RBF solutions.

## 4.1 Choosing an RBF Instrument

**The most critical factor in choosing a RBF instrument is identifying which agents/organizations need incentives.**





If the objective is to incentivize a national government or

implementing agency a Program for Results (performance-based loan) may be the best instrument to use. If the national government would like to incentivize local governments to focus on results, then a performance-based transfer from the national to the local government would be the most effective instrument. If the objective is to incentivize an implementing agency, then a performance-based contract may be the best approach. Lastly, if the goal is to involve the private sector, either to absorb some of the risk or to engage the public sector in catalyzing outcomes for the population, then an impact bond could be considered (Instiglio, 2018).

**The stage of the program will also influence the**

**decision of which instrument to use.** An intervention in an early innovation stage (i.e. the program design is still being defined, and the intervention lacks evidence of its

**Figure 2 Overview of RBF Instruments**

LEVEL OF CHANGE	SYSTEM		PROGRAM			
INTERVENTION MATURITY	High		Low			
INTENDED EFFECT OF RBF	 Strengthening institutional capacity and enhancing effectiveness	 Scaling cost-effective, evidence-based programs	 Catalyzing the adoption of promising interventions	 Encouraging outcomes-oriented interventions		
RBF INSTRUMENT	Results-based aid	Performance-based loans	Performance-based transfer	Performance-based contracts	Impact bonds	Prize-based challenges
	A multilateral agency or a foreign government awards resources to a government if predefined results are met.	A development bank provides a loan to the government with disbursements conditioned upon the achievement of pre-defined results.	An intragovernmental fiscal transfer based on the achievement of predefined results.	A service provider receives payments if predefined results are met.	An investor provides upfront capital to a service provider and only gets paid back by the government (SIB) or a donor (DIB) if the predefined results are reached.	An open bid competition that awards a predefined prize for the best innovation developed in a predefined time.
INCENTIVIZED ACTOR	National Government	Local Government	Service provider			
OUTCOME PAYER	Multilateral or Bilateral	National Government	Donor/Government			

Source: Instiglio.

effectiveness) may be best fit for a performance-based contract or impact bond. In contexts where RBF is new, piloting a program is highly recommended. Performance-based contracts are usually smaller and offer the service provider the flexibility to adapt the intervention as it is being implemented; an example is the Colombia maternal services case in Box 2. A mature intervention (one with strong evidence of effectiveness with the target population)

may be better suited for a larger performance-based transfer or performance-based loan. In Uganda, the performance-based loan helped scale a results-focused mindset to local governments hosting refugees (Box 4).

**The type of RBF instrument and the intervention design must be adapted to the setting in close collaboration with RBF experts, male and female beneficiaries, context**

### Box 5. Performing UFD Contextual Analysis

#### #1: Place-based Needs: City types influence the most appropriate RBF instrument (World Bank Group, 2021)

The needs of a city facing violent conflict will be significantly different from that of a peaceful city stressed by large number of displaced people, a city hosting or located next to a camp for displaced people, or a city that receives relatively few refugees. The table below illustrates how the type of city and the location of the displaced population within the city should be considered while designing an RBF instrument.

TYPE OF FLOW	MOSTLY OUTFLOW		MOSTLY INFLOW	
	DISPLACED	LOCALIZED	DISPLACED	
City typology	Highly <b>damaged cities</b> that are being reconstructed and may or may not see the population returning.	Cities with <b>urbanized camps</b> within or near cities and <b>where displaced people are a small percentage of the population</b> and are concentrated in specific neighborhoods.	Cities where the displaced make up a large <b>percentage</b> of the population and are dispersed across the city.	
Considerations for instrument	<ul style="list-style-type: none"> <li>Avoid complex instruments</li> <li>Objectives of using RBF – catalyzing adoption, providing flexibility, or enhancing outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>Existence of governance structures/ implementers within the areas where the displaced reside</li> <li>Objectives of using RBF: scale, improve adoption, piloting, improve M&amp;E</li> </ul>	<ul style="list-style-type: none"> <li>Instruments that serve both host communities and displaced to ensure political buy-in</li> <li>Objectives of using RBF: to improve targeting the displaced population, catalyze adoption</li> </ul>	
Example	<p><b>West Bank and Gaza – Solid Waste Management Project (World Bank, 2019b)</b></p> <p><b>Instrument type:</b> Performance-based grant</p> <p><b>Description:</b> The development objective of the project is to improve solid waste management services in the Gaza Strip through the provision of more efficient, environmentally- and socially-sound waste management systems.</p> <p><b>Value-added:</b> The program was designed to encourage reconstruction in a fragile context</p>	<p><b>Semillas de Apego Program in Colombia<sup>a</sup></b></p> <p><b>Instrument type:</b> Performance-based contract</p> <p><b>Description:</b> The program was designed to tackle the profound psychological consequences of conflict and displacement, particularly among the most vulnerable in Colombia. The program’s essence lies in nurturing a resilient foundation for children’s psychological growth while aiding caregivers in processing their own trauma.</p> <p><b>Value-added:</b> RBF was employed to scale the successful pilot intervention</p>	<p><b>Ethiopia Economic Opportunities Program (World Bank, 2023c)</b></p> <p><b>Instrument type:</b> Program-for-results (Performance-based transfer)</p> <p><b>Description:</b> This initiative focuses on enhancing employability, generating economic opportunities, and improving labor productivity. The program includes components of capacity-building, operational support, economic opportunities for refugees, and public employment services for Ethiopians.</p> <p><b>Value-added:</b> The program was designed to target both refugees and host communities</p>	

(continued on next page)

**Box 5. Performing UFD Contextual Analysis** *(continued)*

**#2: People-based Needs: Differing needs of the displaced population influences appropriate RBF instrument (World Bank, 2021)**

When a large, rapid inflow of displaced people occurs, cities need emergency humanitarian responses. As the displacement becomes protracted, interventions should become more development oriented and focused on sustainably integrating displaced people into the urban fabric. RBF is generally more suitable for development responses to protracted crises but can be used in humanitarian settings. The table below provides considerations when choosing an instrument for different crises, as well as similar interventions for different requirements. The examples given are not from fragile settings with forced displacement, but are indicative of RBF strategies which could be used in those contexts.

TYPE OF CRISIS	RECENTLY DISPLACED	PROTRACTED CRISIS
Type of response required	Development response to address the immediate needs of the population.	Development response to integrate the displaced population into the city.
Considerations for instrument	Short-term instruments that incentivize innovation for effective delivery of services.	Sustainable instruments that can be integrated into government or longer-term program delivery are more suitable to address development needs.
Example	<p><b>The Sanitation Challenge for Ghana (SC4G) (Gould &amp; Brown, 2020)</b></p> <p><b>Instrument type:</b> Prize-based challenge</p> <p><b>Description:</b> The SC4G aimed to stimulate local government to develop and implement innovative approaches to urban sanitation, thus delivering tangible improvements across the urban areas served.</p> <p><b>Value-added:</b> The program was designed to rapidly improve sanitation services to poor and vulnerable urban populations.</p>	<p><b>Cameroon Water Supply Coverage Expansion (World Bank, 2014)</b></p> <p><b>Instrument type:</b> Output-based aid (Performance-based contract)</p> <p><b>Description:</b> The project objective was to expand access to the urban water supply in Cameroon through a subsidized household connections program. An estimated vulnerable population of 240,000 people gained access to safe piped water.</p> <p><b>Value-added:</b> The program was designed to expand the longer-term utility system to reach more vulnerable urban populations.</p>

Source: Instiglio.

<sup>a</sup> Internal Instiglio resources.

**experts, and program staff.** Displaced populations have different needs based on their education and skills, traumatization, and social capital. Including stakeholders in the program design ensures appropriate activities and implementation structures.

**More than one instrument can be employed and adapted to address challenges.**<sup>5</sup> In Jordan, which hosts the world’s second-highest number of refugees per capita, some 730,000 refugees are registered with UNHCR. They are predominantly Syrian, with large groups from Iraq, Yemen, Sudan, and Somalia. 81% of these refugees live in urban areas rather than refugees camps (UNHCR, n.d.). Two different instruments have been used to address economic

challenges faced by Syrian refugees—the Jordan Refugee Impact Bond (Box 3) and the Economic Opportunities for Jordanian and Syrian Refugees Program for Results (World Bank, 2023a). The first instrument seeks to fill funding gaps while enhancing the livelihoods of refugees and host communities through business development training, networking, and cash disbursements to entrepreneurs. It targets refugees and Jordanian entrepreneurs, particularly women, youth, and vulnerable groups. The second instrument is a performance-based loan which elevates economic prospects for Jordanian hosts and refugees by leveraging investments, simplifying regulations, improving investment promotion, and improving labor market conditions. The impact bond is a people-based solution

<sup>5</sup> Interviews with World Bank staff.

focused on addressing the immediate needs of refugee and host community entrepreneurs and households, while the Program for Results is a people and place approach to address the labor market constraints, investment climate, and institutional needs.

potential areas where the results chain risks breaking down. Once these areas are identified, this can shed light on where RBF can add value (Innovations for Poverty Action [IPA], 2016). Box 6 provides a step-by-step guide on how to perform a diagnostic to identify barriers.

## 4.2 Identifying Barriers

**Identifying barriers to the achievement of results requires an analysis of the theory of change.** This process of mapping the results chain from program inputs and activities to expected outcomes and impact uncovers

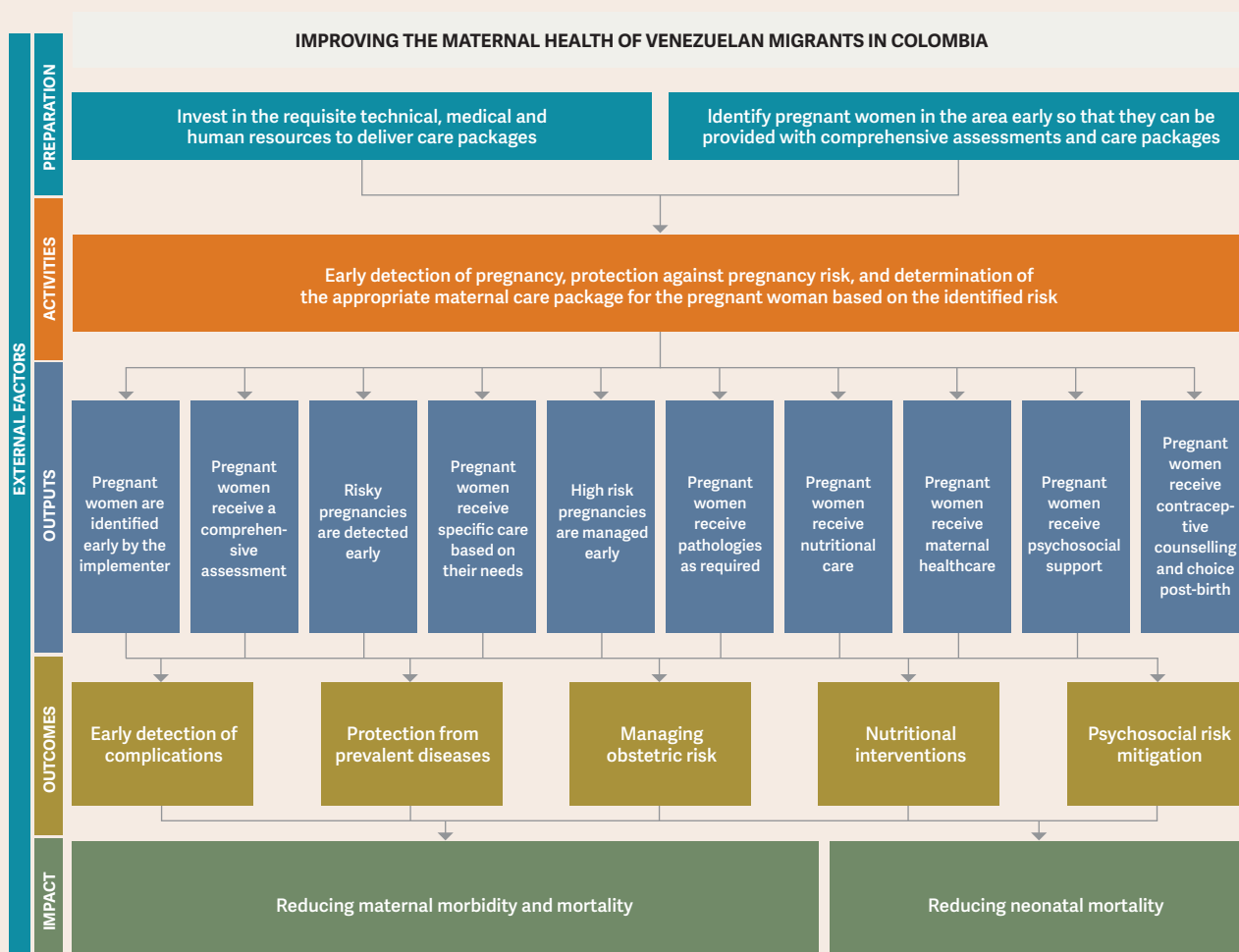
## 4.3 Understanding the Intervention and Mapping Stakeholders

**Once the people and place needs and solutions have been identified, it is important to gain a deeper understanding of the intervention and the stakeholders**

### Box 6. Steps to Identify Barriers to Achievement of Results

#### Step 1: Map a Theory of Change

A theory of change maps the pathway through which an intervention is expected to create an impact. World Bank projects involve the creation of a theory of change during the project preparation phase. The theory of change outlined below is an example from the case study for improving the maternal health of Venezuelan refugees in Colombia presented in Box 2.



(continued on next page)

## **Box 6. Steps to Identify Barriers to Achievement of Results** *(continued)*

### **Step 2: Identify Barriers to the Achievement of Results**

Barriers to the achievement of results can be identified by assessing which activities in the results chain are at risk of not translating to tangible outputs or outcomes. It is important to also identify externalities that may impede the achievement of results but are outside the manageable control of the implementer, e.g., financing gaps, environmental factors, data gaps, etc. Performance inefficiencies can be improved by RBF, but externalities are outside of RBF's scope.

A factor to consider when addressing forced displacement in cities is if the target population cannot be easily identified or reached. For example, since Venezuelan migrants are often excluded from the health system in Colombia, locating and targeting them was a key priority. This meant that an RBF instrument design was well positioned to incentivize the implementer to seek out vulnerable migrant women. The program design team pinpointed late identification of diseases (e.g., HIV, syphilis) and late detection of risky pregnancies to be key existing challenges within the current system. This led to the metrics selected in the design: prenatal assessments during pregnancy, early detection of prioritized diseases, adequate management of obstetric risk, protection against diseases associated with pregnancy.

Source: Interviews with the project team.

**involved.** Mapping the implementation arrangement of the intervention is important. In cities with forced displacement, there is often a combination of interested actors (e.g., national and municipal governments, international organizations, NGOs, bilateral organizations), each with its own mandate, objectives, and constraints. Stakeholders may be involved in the intervention in different capacities outside of the funding flows, such as monitoring, evaluation, advisory, and technical assistance.

**To map implementation arrangements, it is necessary to assess daily functions, roles, responsibilities, and capabilities of stakeholders and trace the financial and governance flows.** This facilitates analyzing how the intervention aligns with stakeholders' mandates and objectives. The next step is to assess the role and responsibilities of each stakeholder during design and/or implementation to understand their incentives. The third step involves tracing the relationship between each stakeholder and mapping the potential governance and financial flows; this narrows the focus on potential incentivized agents.

## **4.4 Adapting Design to UFD Contexts**

**UFD contexts require a design adapted to both the needs of the displaced population and its host community.**

This section presents the key considerations for adapting design elements. Most considerations focus on the transfer of risk to the incentivized agent and assess how

the unique nature of UFD contexts affects their ability to absorb risk. The section also highlights how to achieve better targeting of populations, increased flexibility, and a stronger shift towards results-centric interventions and M&E.

### **4.4.1 Program Parameters**

**In a UFD context defining the target population is critical.**

It is important to identify whether the program will address delivery challenges for both the host and displaced population or concentrate solely on the latter, as well as determining whether it will target demographic subgroups, such as women and children, disabled people, etc. UFD programs need to carefully consider geographic scope. Will the instrument target certain neighborhoods, the entire city, or the broader metropolitan area. Geographic scope affects the logistics of a program and influences the program's logistics and adaptability. Tailoring the geographic focus is essential for effective interventions.

**Program duration must account for the dynamic shifts in displaced populations while not relying on optimistic expectations that displaced people will return home.**

While RBF typically aligns with medium- to long-term developmental initiatives, the volatility of some situations requires a nuanced approach. The fluctuation in displaced populations due to inflows and outflows can impact whether targets are achievable. Given the potential gaps in historical data regarding the time required to achieve

## Box 7. Steps in Mapping RBF Implementation Arrangements

### Step 1: List and Categorize the Involved Stakeholders

List all stakeholders involved in the design and implementation of the program. Categorize stakeholders in a matrix, both by the type of organization (e.g., government, NGO, private sector, foundation, bilateral, multilateral, community-based organization) and by their role within the program implementation (e.g., co-donor, implementer, verifier, program coordinator).

### Step 2: Assess the Responsibilities of the Stakeholders

Within the matrix of involved stakeholders, record their responsibilities within the specific segments. If the stakeholder has multiple responsibilities, ensure that all are recorded. For example, in the Uganda case study the World Bank serves both as the “program funder” and on “the governance committee”. Dual responsibilities should be specified within the matrix. This is also an appropriate time to further assess the technical capacity and experience level of potential implementers. A list of potential questions to assess is below.

IMPLEMENTERS
<ul style="list-style-type: none"><li>• If the program is not a pilot, has the implementer been involved in the previous iterations of the program?</li><li>• If the program is a pilot or if the implementer has not been involved in previous iterations, has the implementer worked in the specific city before?</li><li>• If the implementer has not worked in the city, has it worked in a similar context?</li><li>• If the implementer is not highly experienced in these spaces, are there alternative implementers?</li><li>• Has the implementer run a similar scale program before, and does it understand the sequential steps and requirements to run the intervention?</li><li>• Does the implementer have a skilled workforce, or are they capable of hiring a skilled workforce?</li><li>• Is their workforce local and/or possess sufficient contextual knowledge to set the program up for success?</li><li>• Does the implementer understand the challenges associated with working in a UFD context (e.g., more volatile, difficult-to-reach population)?</li></ul>

### Step 3: Trace the Relationship between the Involved Stakeholders

Once all stakeholders have been categorized in the matrix and their responsibilities recorded, a flowchart should be constructed to demonstrate the relationship between the involved stakeholders. Three types of flow should be mapped: governance flows, financial flows, and the result-verification flow. Flowchart examples are included in the case study text boxes.

Source: Instiglio.

measurable outcomes, project designs must accommodate these uncertainties.

**Assessing the financial management ability of organizations and adopting a gradual scaling strategy based on performance can overcome capacity gaps and enhance the efficacy of interventions.** The capacity of agents to manage resources determines the funding they can absorb, potentially limiting the program financial size. Over-allocating resources to an unprepared agent risks inefficiencies and should be avoided. Instead, beginning with a pilot program in cities that lack prior RBF experience allows for a gradual scaling based on performance outcomes, ensuring a phased and evidence-driven expansion.

### 4.4.2 Payment Metrics and Targets

**Four main criteria are used in determining payment metrics: proximity to the goal, ease of measurement, manageable control, and avoidance of perverse incentives.** Payment metrics should align with the objective that the stakeholders desire, such as improving maternal health, or improving displaced-host relationships. They should be relatively easy to measure and chosen in a way that is attuned to available data. In some cases, innovative data collection methods may be useful. For example, in the World Bank’s Borno State Water Supply project aimed at providing reliable water supply and sanitation for Maiduguri, Nigeria information on targeted populations was lacking. So the project team leveraged multiple data sources,



**Figure 3 Summary of Key RBF Elements**

ELEMENTS		RELEVANCE FOR THE RBF MECHANISM
<b>Program parameters</b>	Target population and geographical focus	<ul style="list-style-type: none"> <li>Target population (geography and eligibility criteria) defines the verification mechanism and required inputs for it. This is particularly important when designing an RBF mechanism for refugees/migrants.</li> </ul>
	Duration	<ul style="list-style-type: none"> <li>Duration establishes achievable results for the service provider and payment schedules</li> </ul>
	Financial size	<ul style="list-style-type: none"> <li>Financial size defines the scale of the program</li> </ul>
<b>Payment metrics</b>	Payment metrics and indicators	<ul style="list-style-type: none"> <li>Indicators provide a way to measure the achievement of results</li> <li>Targets will allow to identify ambitious, but realistic, results for the service provider to achieve and will also help to identify payment structure and verification mechanisms</li> </ul>
	Targets	
<b>Payment structure</b>	Funding tied to results	<ul style="list-style-type: none"> <li>Funding tied to results will determine how much risk is transferred to the service provider</li> </ul>
	Payment weights	<ul style="list-style-type: none"> <li>Payment weights will determine the focus of the service provider to achieve results and earn the incentive and will provide insights to establish the payment function</li> </ul>
	Payment function (Price per result)	<ul style="list-style-type: none"> <li>The payment function and schedule sets the rules for the payments based on the level of results achieved, and will also give highlights on the correct verification mechanisms</li> </ul>
	Payment schedule	
<b>Verification and evaluation</b>	Verification mechanism	<ul style="list-style-type: none"> <li>Verification mechanism determines the size of the incentive to pay to the service provider</li> <li>Defined verification mechanisms ensure accountability of results achieved and payments disbursed</li> </ul>
	Evaluation mechanism	<ul style="list-style-type: none"> <li>Evaluation mechanism provides evidence of the effectiveness of the program and the RBF mechanism to improve program's impact</li> </ul>

World Bank Group, 2021.

including satellite data imagery, surveys done by external consultants, and existing data from utilities.<sup>6</sup> Metrics should be within the manageable control of the incentivized agent. In volatile settings it is important to ensure that agents are paid for what they accomplish and are not penalized for occurrences outside of their control. Finally, metrics should be designed to avoid perverse incentives, such as incentivizing service providers to only work with the population most likely to succeed.

**Where incentivized agents may lack experience with the targeted population, conservative target setting is advisable, especially in the early stages of the program.** Striking the right balance between ambitious, yet realistic, targets is key to program success. Conservative targeting allows the incentivized agent to first build familiarity with

the unique challenges and the dynamics involved in a UFD context while gradually raising the performance expectations. In a multi-year program, the first year could involve conservative targets, that then become more ambitious over time.

**Local organizations can support the metrics selection process through their knowledge of the population and data collection capacity.** Local organizations have a deep understanding of the needs and challenges of the target populations (Kara et al., 2022). Including them in the metric selection process can lead to contextually appropriate metrics. The Jordan Refugee Impact Bond, described in Box 3, highlights how engaging organizations working in a specific sector with displaced populations can be helpful as they can best leverage the flexibility provided by RBF. In Jordan,

<sup>6</sup> Interviews with World Bank staff involved in the project.

Near East Foundation (NEF) had experience with the Syrian population and was able to leverage its strong reporting practices to determine meaningful, evidence-based outcome metrics and payment triggers (Near East Foundation, 2022).

Table 7 includes examples of metrics used for projects in different People in Place dimensions. These examples are not exhaustive; they illustrate the types of metrics that can be included in RBF instruments. Where possible, program metrics should align with World Bank Scorecard metrics for ease of program evaluation.

#### 4.4.3 Payment Structure and Pricing

**The payment structure must align with the specific needs and goals of the program.** The payment structure

determines how much of the funding is allocated to outcomes rather than outputs, and at what points in time the funding is disbursed. There is usually a trade-off between offering an organization flexibility and protecting it from taking on too much risk, both of which are important. In the case of the maternal health care program in Colombia, 80% of the funding was tied to services, while 20% was tied to results, in this way the service provider did not take on too much risk and was locked into the services tied to 80% of the funding.

**One way to strike balance between flexibility and risk management is to begin with a lower risk program, in which risk can be added gradually.**<sup>7</sup> Initially a smaller portion of the funding can be tied to results, with most of the funding tied to inputs. As all the actors involved begin

**Table 7: Examples of Metrics Used for Projects in Different People in Place Dimensions**

*World Bank Scorecard Metrics (2024) are in bold.*

DIMENSION	METRIC
Spatial	<ul style="list-style-type: none"> <li>Number of properties registered in refugee-hosting areas</li> <li>Neighborhoods with large percentages of displaced people identified</li> <li><b>Number of people in need of protection identified</b></li> <li>Successful implementation of a land information system</li> </ul>
Physical	<ul style="list-style-type: none"> <li><b>% of displaced-hosting area inhabitants with access to electricity</b></li> <li><b>% of people with access to basic drinking water, sanitation and hygiene services (% women)</b></li> <li>Number of displaced children (girls) in school</li> <li><b>% of population receiving essential health services (% female)</b></li> <li><b>% of children who cannot read by end of primary school age</b></li> <li><b>% of population living in extreme poverty</b></li> <li><b>Number of displaced people and people in host communities provided with services</b></li> <li><b>Number of people benefitting from sustainable transport infrastructure and services</b></li> </ul>
Social	<ul style="list-style-type: none"> <li>Amount of funding to displaced-led organizations.</li> <li>Increase in the perceived level of integration of displaced populations</li> </ul>
Economic	<ul style="list-style-type: none"> <li><b>% of population in waged employment (% women)</b></li> <li><b>% of people covered by labor program</b></li> <li>Number of displaced people retained for X months in a job</li> <li><b>% of youth not in education, employment, or training (% women)</b></li> <li><b>Number of displaced people and people in host communities provided with livelihoods</b></li> <li><b>Number of women with a financial account</b></li> <li>Number of displaced-led enterprises formalized</li> <li>Business survival rates</li> </ul>
Institutional	<ul style="list-style-type: none"> <li>Hosting local governments have implemented Institutional Strengthening Plans</li> <li>Displaced-hosting local governments integrate displaced populations in their planning and budgeting</li> </ul>

Source: Authors.

<sup>7</sup> Low-capacity agents cannot absorb as much risk as higher-capacity agents. Generally, outputs that are closer to activities that are more in their control are more achievable. Hence, to balance risk and avoid setting the incentivized agent for failure, tying more funding to outputs can be an option.

to gather a better sense of the baseline and their capacity to improve results, more funding can be tied to results. This gradual process allows for an organization to adapt to Results-based Financing. In Haiti, this strategy was used for the USAID Haiti Health Systems Project 2004. Funding under this program began with a low-risk transfer strategy in 1999. At first, NGOs received fixed funding, providing stability. Subsequently, NGOs took on a 5% budget risk, which also came with a 5% bonus, encouraging a focus on performance. As the program grew, a larger percentage of funding was tied to clear milestones and service outcomes. This shift marked a strategic advancement in motivating healthcare providers (Grittner, 2013).

**Basing the pricing of services for displaced populations on the costs of delivering services to the host population is a practical starting point.**<sup>8</sup> However, it is important to acknowledge costs can differ depending on the context. In cases where the target displaced population is isolated from traditional delivery networks, expenses associated with reaching and providing services to them can escalate. Pricing mechanisms need to be carefully calibrated to ensure that the costs of service delivery to displaced populations are appropriately covered. Relying solely on host population cost estimates may underestimate expenditures.

**Where exact costs of delivering services are unknown, a multifaceted approach is imperative.** Triangulating information from various sources and employing various pricing methodologies are possible strategies. A risk premium may be added to the known cost of service delivery in the host community to account for the additional challenges to reaching displaced people. For example, in The Global Partnership for Results-Based Approaches (GPRBA) West Bank and Gaza Solid Waste Management project (World Bank, 2018),<sup>9</sup> part of the disbursements was based on achieving a certain level of service quality. A buffer in the price for the result was included to account for the new service level, while the service provider was able to recover this additional cost through user fees.

**Differential pricing is a helpful tool to improved targeting.** Differential pricing as a strategic tool enhances targeting by assigning a higher value to outcomes achieved for a particular group of people (e.g., women, children). Increased financial incentives for specific groups can encourage an implementing organization to direct effort and resources to

the challenges pertinent to these populations. Differential pricing can also prioritize and target displaced populations within an intervention not exclusively designed to address their needs. For example, in a workforce development performance-based contract implemented by the municipality of Bogota, the program included support for migrants with work permits within the targeted population. Additionally, differential pricing for job placement of women was introduced to address the challenges they face in finding employment.<sup>10</sup>

#### 4.4.4 Verification

**Verification determines mechanisms to measure and pay for results and ensures accountability.** It also aligns stakeholders around the quality of evidence that is necessary for payment, avoiding future disputes. Building a verification method that is technically sound and transparent is important in ensuring that all stakeholders are incentivized appropriately. Verification methods should set rigorous standards that maximize accountability and minimize perverse incentives and other undesired consequences. Aligning with government or development partners on the existing data collection and verification capabilities will help reduce costs and challenges. For example, UN agencies serving displaced people may already have systems in place to collect data about these populations. In contexts where there are no systems in place to track displaced populations, they will need to be developed for the RBF instrument. This can be more expensive but the data collected can be helpful for future programs and organizations. When a goal of RBF is strengthening performance management and M&E practices, data created through the verification process could feed into separate learning agendas or uses. To maximize these benefits, data management systems should be incorporated into the design and implementation. When the project is new, evidence is needed to determine its suitability, and the verification data can inform subsequent stages of the RBF instrument or future programs.

**In highly fragile contexts, greater flexibility (e.g., adapting sample sizes or margins of error) can be used in the verification, but this should be transparent.** Contexts where the target population is mobile require greater flexibility in verification processes, as pre-established

<sup>8</sup> The price per result serves as the fundamental unitary value for each performance metric within the RBF framework. The method used to establish the price per result can vary and it is contingent on factors such as availability of providers and information.

<sup>9</sup> Although this project was not specifically targeted at displaced populations, it was implemented in a fragile urban context with characteristics similar to UFD contexts.

<sup>10</sup> Internal Instiglio resources.

verification methodologies may become irrelevant or unfeasible. In the cases of recently displaced people, where future movement might be anticipated, guidelines can be established on how verification should be adapted and what parties should be involved in the decision. Adding flexibility to verification does not reduce transparency if the process through which changes are made is clear for all the stakeholders involved and is established at the design stage.

**Verification methodologies should reflect the circumstances of vulnerable populations.** Special care should be taken to ensure that vulnerable populations are not exposed to risks through the verification process (e.g., interviewing women about healthcare). Intrusive verification methodologies can increase mistrust of the implementing organization, rendering its task more difficult and affecting performance. For this reason, verification methodologies should be developed in consultation with local organizations and the target population.

## 4.5 Assessing the Context

**The enabling environment for RBF conditions the feasibility of different instruments and strategies to address identified gaps.** Assessing the enabling environment involves examining political, technical, and administrative conditions. The assessment may propose interventions to fortify the institutional environment and address shortcomings. Analyzing political conditions includes gauging stakeholder commitment to program objectives and their willingness to integrate RBF into service delivery. Evaluating technical conditions entails assessing the capacity and feasibility to measure and verify payment metrics and identifying actors capable of achieving these objectives. Assessing administrative conditions considers legal and administrative capacities for implementing RBF, such as municipalities' ability to contract based on results, or their capacity to manage performance.

### 4.5.1 Political Conditions

**Political conditions refer to the buy-in of stakeholders toward the RBF objectives and methods.** RBF leads to changes to procurement processes and requires the buy-in of stakeholders involved in the design and implementation process. There are various factors that may reduce stakeholder buy-in. Political contexts in which the displaced population is stigmatized or seen as competing for scarce resources may prove more challenging. Programs designed to support the displaced, but which bypass local governments in the planning or implementation process, are less likely to have the buy-in of stakeholders.

**Political cycles may affect stakeholder buy-in and may mean that projects need to be aligned with political timelines.** During the conflict in Syria, Lebanon, facing political challenges and power struggles, witnessed shifts in priorities during election cycles that significantly impacted the support provided to Syrian refugees in urban areas (Boustani et al., 2016). Changes in government priorities post-election influenced the allocation of resources, leading to constraints on budgets and adjustments to programs supporting refugee integration, education, and healthcare in urban centers (Forster & Abdalkader, 2021). It may make sense to delay the RBF design phase until after elections to assure buy-in of a new administration that will eventually implement the program. Local and national elections may follow different timelines.

**Ensuring that programs for displaced populations also includes host populations may increase political buy-in and social cohesion.** Designing programs so that they benefit host populations, and so that the results tied to the funding either include host community results, or positive spillovers, not only enhances buy-in, but can also create active collaboration with established delivery organizations. Interventions that drive positive outcomes for both the host and displaced communities boost social cohesion and goodwill from the host community toward the displaced (Abbas Khan, 2020).

### 4.5.2 Technical Conditions

**UFD contexts have data availability and management obstacles, which may require creative strategies to improve data collection.** To condition payments to results through RBF, results need to be measured and verified. It is therefore a pre-condition for RBF that local entities either have administrative data or the capacity to collect and analyze data to determine outcomes. Since displaced populations are often unregistered and hard to locate, they also may be more difficult to follow up with.

**Collecting data for displaced populations may require developing fit-for-purpose strategies such as partnering with local organizations with knowledge and trust of displaced populations or using technology such as Whatsapp messages to follow up on mobile population.** Whatsapp messages used in Colombia to implement a panel survey of Venezuelan migrants were found to have response rates 12 and 27 percentage points higher, respectively, than short message service (SMS) and interactive voice response (IVR) surveys (Fei et al., 2022). Where data collection is a challenge the RBF project can be

### Box 8. Haiti: Strengthening Data Collection for Effective Incentives in the Education Sector

The government of Haiti has been implementing RBF programs in the education sector called Tuition Waiver Programs. These programs directly pay fees to public schools conditional on quality requirements. Haiti's education system has weak infrastructure and substantial data collection obstacles which created a challenge to reliable data and monitoring for verification. Through a REACH Knowledge, Learning, and Innovation grant, the government participated in an exercise to progressively define a results framework and a quality assurance system. The goal was incremental data gathering on simple indicators, leveraging small successes to build enthusiasm and engagement. Concentrating on 3<sup>rd</sup>-grade learning standards and assessments, the grant laid the foundation for systematically collecting information on learning outcomes. It progressively strengthened data collection mechanisms, contributing to the development of capacity and information systems essential for an RBF instrument.

Source: Results in Education for All Children (REACH), 2017.

used to improve data collection and management capacity. This was done in Haiti as described in Box 8.

**Previous sectorial experience with RBF can provide benchmark information on metrics, prices, and verification strategies.** Given the significant use of RBF for workforce development, stakeholders can draw on best practices when developing outcome metrics, determining prices, and developing verification strategies. In Colombia, five impact bonds used employment metrics and have leveraged pension and healthcare contribution data to determine employment and trigger outcome payments (Social Finance and Fundación Empresario por la Educación [SIBs.CO], 2018). Nepal's Employment Fund and Morocco's Taehil Workforce Development Program built on that experience in the design of their respective programs (Instiglio, 2018; Ministry of Economic Inclusion, Small Business, Employment and Skills [MIEPEEC], 2023).

#### 4.5.3 Administrative Conditions

##### **Administrative conditions—the legal and institutional context—affect the readiness for an RBF instrument.**

Beyond the political buy-in and the availability of results to measure, RBF requires a regulatory environment and local capacity. The Colombian National Planning Department's Political Economy and Social Council (CONPES) helpfully issued a strategic document on results-based financing for public servants to understand the benefits of RBF and

how to implement it within the Colombian legal system (CONPES, 2021). Colombia's current and past National Development Plans have also included mentions of RBF, signaling to public servants that the national leadership is aligned with this focus on tying funding to results (Departamento Nacional de Planeación [DNP], 2018, 2023). In many cases, RBF requires allocating multi-year funding, which is often a challenge for governments which work on yearly budget cycles. To address this restriction in Colombia, the government created a National Outcomes Fund, in which program budgets can be deposited to pay for medium-term results (SIBs.CO, 2021).

**RBF instruments require coordination across levels of government.** While municipal authorities bear the primary responsibility for their residents, the multifaceted nature of providing services to forcibly displaced populations requires collaboration across municipal, regional, and national governmental structures. For example, in both Afghanistan and Pakistan, delivering services such as education and healthcare to the displaced is a challenge for cities due to the lack of identification cards, which are the national government's responsibility. To address this challenge, alternative registration forms, such as the Proof of Registration Card for Afghan refugees, were introduced (Joireman, 2023).

The table below gives a summary of some considerations emerging from the conditions discussed above.

**Table 8: Summary of Key Political, Technical, and Administrative Conditions for RBF**

POLITICAL CONDITIONS			
Condition categories	Key considerations	Addressing gaps	
		People-Based Approach	Place-Based Approach
<b>Stakeholder buy-in</b>	<ul style="list-style-type: none"> <li>Is there sufficient buy-in from the relevant decision-makers including the local government and partner organizations?</li> <li>Is the buy-in likely to be sufficiently stable and sustainable?</li> </ul>	<ul style="list-style-type: none"> <li>Ensure representation of displaced communities in decision-making processes.</li> <li>Establish feedback channels from the affected population.</li> <li>Target host as well as displaced community</li> <li>Engage in advocacy efforts showcasing the benefits of RBF for both host and displaced populations.</li> </ul>	<ul style="list-style-type: none"> <li>Align RBF to existing incentive environment</li> <li>Strengthen administrative capacity in the local government</li> <li>Involve partners with similar objectives in the RBF instrument</li> <li>Seek complementary efforts between the RBF instrument and other urban and displaced-related programs.</li> </ul>
<b>Stakeholder alignment</b>	<ul style="list-style-type: none"> <li>Do stakeholders involved in urban planning/delivery and displacement response have shared objectives?</li> <li>Are mandates around displaced populations in the local government established clearly among different entities?</li> <li>Where are responsibilities overlapping?</li> </ul>		
TECHNICAL CONDITIONS			
<b>Probability to measure and attribute results</b>	<ul style="list-style-type: none"> <li>What is the degree of quality data availability prior to RBF intervention in displaced hosting areas?</li> <li>Can results be objectively measured at a reasonable cost and time, and within manageable control?</li> </ul>	<ul style="list-style-type: none"> <li>Develop community-led data collection initiatives leveraging local knowledge,</li> <li>Establish partnerships with local organizations to access community-specific data.</li> <li>Implement targeted surveys to capture social impact indicators from diverse perspectives</li> </ul>	<ul style="list-style-type: none"> <li>Implement geospatial mapping to capture and visualize data specific to areas with forcibly displaced people.</li> <li>Utilize geographic information systems (GIS) to map social impact indicators providing a spatial understanding of improvements in UFD areas.</li> </ul>
<b>Data availability</b>	<ul style="list-style-type: none"> <li>Is there sufficient data to identify results connected to the desired social impact?</li> <li>Is there available demographic data on the displaced population?</li> <li>Are displaced populations easily identifiable and targeted?</li> <li>What are the patterns of settlement?</li> <li>What are the commuting relationships between camp and town?</li> <li>What are the main data gaps in the targeted results?</li> </ul>		
ADMINISTRATIVE CONDITIONS			
<b>Regulatory Environment</b>	<ul style="list-style-type: none"> <li>Are there specific municipal policies to do with the unique challenges of forced displacement in urban areas, such as zoning regulations for informal settlements and land-use policies that consider the needs of displaced populations?</li> <li>How well do urban legal frameworks support RBF principles for UFD, considering factors like property rights, public services access, and employment for displaced individuals?</li> <li>Is there a regulatory mechanism ensuring inclusion and protection of displaced populations in urban areas, especially regarding the right to work, access education, and participate in local decision-making?</li> <li>Are there legal barriers hindering RBF implementation in urban UFD, such as restrictions on financial transactions, property ownership, or service access based on asylum seeker versus refugee status?</li> </ul>	<ul style="list-style-type: none"> <li>Advocate for flexible legal amendments accommodating UFD realities.</li> <li>Conduct a legal audit to identify and address barriers for displaced individuals</li> </ul>	<ul style="list-style-type: none"> <li>Collaborate with local policymakers to develop urban policies addressing UFD challenges.</li> <li>Establish a regulatory body for inclusive policy oversight with displaced community representation.</li> </ul>

(continued on next page)

**Table 8: Summary of Key Political, Technical, and Administrative Conditions for RBF** (continued)

ADMINISTRATIVE CONDITIONS (continued)			
<p><b>System Readiness</b></p>	<ul style="list-style-type: none"> <li>• Are procurement processes designed to efficiently address the urgent and evolving needs of displaced individuals in urban areas, particularly for essential services such as healthcare, housing, or education?</li> <li>• How well are administrative systems prepared to facilitate the establishment of mobile health clinics and other decentralized service delivery mechanisms within urban areas, ensuring accessibility for displaced populations?</li> <li>• Are there streamlined channels and collaboration frameworks among administrative entities, service providers, and development organizations to ensure cohesive and rapid response in delivering services in UFD?</li> <li>• How does the administrative system address the complexities of multi-stakeholder involvement, including public, private, and non-profit sectors, to enhance the resilience and sustainability of service provision in urban settings?</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a UFD-specific coordination platform for effective service provision.</li> <li>• Incorporate cultural sensitivity training for personnel.</li> <li>• Implement community empowerment initiatives and advisory boards for diverse voices</li> </ul>	<ul style="list-style-type: none"> <li>• Streamline procurement with a dedicated UFD task force.</li> <li>• Develop a plan for mobile service units, leveraging existing infrastructure.</li> <li>• Implement a centralized coordination mechanism for stakeholders in UFD service provision.</li> </ul>
<p><b>Stakeholder Capacity</b></p>	<p><b>Local government Capacity</b></p> <ul style="list-style-type: none"> <li>• Do governments understand the unique challenges of urban forced displacement and the specific needs of displaced populations?</li> <li>• Are they able to coordinate with other stakeholders to deliver the required interventions or services?</li> </ul> <p><b>Service Provider Capacity</b></p> <ul style="list-style-type: none"> <li>• How well-equipped are local service providers in urban areas for dynamic and diverse UFD contexts, and what training resources do they need for effective RBF implementation?</li> <li>• What partnerships exist between service providers and local authorities in UFD, and how can these be strengthened for enhanced service delivery through RBF?</li> </ul> <p><b>Beneficiary Capacities (Host and DP)</b></p> <ul style="list-style-type: none"> <li>• Are there specific measures addressing challenges like language, cultural diversity, and social integration?</li> <li>• Are displaced people exposed to hazards based in where they settle?</li> <li>• Can the local economy absorb or build on skills of the displaced people?</li> </ul>	<ul style="list-style-type: none"> <li>• Develop tailored communication materials for stakeholders.</li> <li>• Engage stakeholders in strategic planning sessions, showcasing successful case studies.</li> <li>• Offer targeted training for service providers and facilitate collaboration forums.</li> </ul>	<ul style="list-style-type: none"> <li>• Establish regular coordination meeting with stakeholders to align priorities.</li> <li>• Target interventions for improving infrastructure and institutions in affected 'places'.</li> </ul>

Source: Instiglio.

## 5. Conclusion





**Forced displacement is increasingly urban and protracted.**

These changes compound global urban development challenges, as displaced populations strain the municipal infrastructure in the cities where they settle. Many of these cities are in low- and middle-income countries which are already facing development challenges.

**An influx of displaced people transforms cities, presenting numerous challenges.**

Spatially, locating displaced populations is challenging as they settle among the urban poor and in peri-urban areas. Physically, a large influx strains existing service infrastructure, requiring expansion of key educational and healthcare services in crowded and budget-constrained cities. Socially, competition for jobs and services may create tension between host communities and displaced populations and everywhere the safety of women and girls is threatened. Economically, displaced people face challenges in accessing livelihood opportunities due to language barriers, lack of skills and limited market access. Institutionally, local governments face capacity constraints in coping with the evolving needs of both displaced and host communities (World Bank Group, 2021) and may not have the financial resources or legal mandate to address their needs.

**RBF can provide incentives to overcome the difficulty of serving dispersed displaced populations in cities.**

Urban displaced populations are challenging to locate, particularly in densely populated urban settings, and require additional resources to effectively target. RBF is a strategic mechanism to incentivize the allocation of resources for service delivery, linking payments to improved outcomes within targeted communities. It has the potential to fill financing gaps through public/private partnerships and new sources of funding.

**RBF promotes program effectiveness via enhanced flexibility and local solutions.**

RBF's focus on achieving outcomes provides the flexibility to tailor interventions according to the needs of the population and the constraints of the context. The RBF strategy of linking payment to predefined results, empowers innovation. Organizations and implementors can use local knowledge, networks, and resources, thereby increasing program effectiveness and responsiveness.

**RBF solutions can build capacity and enhance outcomes.**

Though they can be time- and resource-consuming and require more technical expertise when compared to traditional funding mechanisms there are reasons to use RBF. RBF solutions are most suitable for medium- and long-term development responses because RBF requires time to undertake in-depth design, assessments requiring significant data, new financial arrangements, and negotiation among various stakeholders.

**RBF solutions can be designed to address all five dimensions (spatial, physical, social, economic, and institutional) of the People in Place approach, addressing both the needs of the cities and the displaced people within them.**

In the spatial dimension, solutions might include incentivizing data acquisition and urban planning. In the physical dimension, targeted service delivery can be incentivized. In the social realm, RBF can foster the adaptation of existing justice and protection systems for displaced women and girls. Economically, a common use of RBF aims to provide marginalized populations with skills training. Finally, municipalities' institutional capacity can be strengthened in the long-term by conditioning funding to results in displaced-hosting areas.

**The choice of the RBF instrument is primarily determined by the implementor, but the maturity of the intervention and the context play crucial roles.**

Different instruments target distinct agents. For example, a performance-based loan is suitable to incentivize national governments, a performance-based transfer for local governments, and a performance-based contract for implementing agencies. Early-stage innovations favor performance-based contracts or impact bonds and mature interventions align with performance-based transfers or loans.

**Effective RBF programs hinge on design, including parameters, payment metrics, payment structure, and verification.**

Program parameter decisions such as selecting the target population impact political buy-in. Payment metrics should consider the availability of data to ensure feasibility. Payment structure should be aligned with stakeholder capacity; fostering flexibility when innovation is needed but maintaining a balance of risk. Finally, verification methodologies should be simple enough to be adopted by local governments and attentive to the protection of vulnerable displaced populations.

**Successful RBF programs require an understanding of stakeholders and the political, technical, and administrative conditions.**

To identify solutions, first, a theory of change needs to be built and analyzed to identify where the main constraints to results are that RBF could help overcome. Effective program design then requires mapping the network and roles of stakeholders to develop a deep understanding of their capacity, relationships, and risk tolerance. Understanding these relationships is necessary to strategically place the appropriate RBF instrument. Political buy-in, stakeholder alignment and the needs of displaced populations are all vital to program design. Strategies should be broad enough to include host communities to increase government support and promote social cohesion. Technical aspects require leveraging

existing data systems and a scaled approach. A thorough consideration of administrative conditions, such as the regulatory environment and stakeholder capacities, is essential to effective program design.

**In conclusion, RBF presents a useful approach to addressing the multifaceted challenges of urban forced displacement.** By aligning incentives with specific, measurable outcomes, RBF can enhance the effectiveness of interventions aimed at supporting both displaced populations and host communities. This

approach fosters targeted service delivery, empowers local stakeholders to adapt solutions to their unique contexts, and builds capacity within institutions to sustain long-term development. The positive impacts of RBF shown in the case studies, underscores the promise of this innovative financing mechanism. With careful design, stakeholder engagement, and a focus on context-specific needs, RBF can play a role in creating urban environments that better serve the needs of all residents, both displaced and host.



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# Photography

## Front Cover

Pressmaster / Shutterstock.com

Young Muslim woman holding her two daughters by hands while standing in half ruined house.

## Page v

Mohamed Azakir / World Bank

## Page vi

Irina Shatilova / Shutterstock.com

Senior woman with backpack in yellow hat holds biometric passport and train ticket waiting train on station platform.

## Page 3

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Daily life of rohingya refugees at balukhali camp in Cox's Bazar, Bangladesh on February 02, 2019.

## Page 4

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Sanliurfa, "Türkiye – Syrian refugees families who came from Kobani district living in refugees tent in Suruc district, 20 October 2015.

## Page 8

Istvan Csak / Shutterstock.com

Gyekenyes, Hungary – War refugees at the Gyekenyes Zakany Railway Station on 5 October 2015. Refugees are arriving constantly to Hungary on the way to Germany.

## Page 10

Panga Media / Shutterstock.com

Quito, Ecuador – Venezuelan family flying from the crisis and now begging for work and money on the streets on September 9, 2019.

## Page 19

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Happy caucasian mother refugee reunited with child kissing her near fence barbed wire.

## Page 20

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Juba, South Sudan – South Sudanese children walk around in a refugee camp on April 10, 2014.

## Page 26

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Milan, Italy – political refugees working on a tailoring of the no-profit association Linea Adele, in Milan on April 18, 2018.

## Page 40

Kharaim Pavlo / Shutterstock.com

A Grandmother in the ruins of her house destroyed by Russia's invasion of Ukraine.

## Page 43

Ruud Morijn Photographer / Shutterstock.com

Two black female refugees in the Netherlands seen from the back. Both women wear a colorful scarf.

## Page 44

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Baidoa, Somalia – African women carrying water with yellow drums on 15 May 2019.





