The people of Haiti have long been overwhelmed by health problems related to rapid population growth, poverty, poor diet, and emerging diseases. Since 1995, Management Sciences for Health (MSH) has led the implementation of the USAID-funded Haiti Health Systems 2004 Project (HS2004), working to improve the Haitian population’s access to high-quality health services while building systems that can be sustained by Haiti’s own technical and financial resources in the future.

In Haiti, MSH is working with a network of approximately 30 local, service-delivery nongovernmental organizations (NGOs) to implement the HS2004 project. The broad project goal of providing efficient and high-quality primary health care services to the people of Haiti is being met through these organizations. All have an established mission to provide services, and all have engaged in a process to improve efficiency and impact of services.

These NGOs each have an individually negotiated contract with MSH to provide a preferred service package that was designed (with full participation of a broad array of stakeholders) to meet the following agreed-upon project goals:

- Increased use of quality child survival services
- Increased use of quality reproductive health services
- Reduced transmission of selected infectious diseases

The USAID funding support system operating in Haiti before HS2004 reimbursed NGOs for documented costs but did not link support payments with results. Identified problems with such a cost-reimbursement system include the following:

- Because NGOs are reimbursed for all reported costs, they have weak incentives to become more efficient.
- Weak incentives to become more efficient can be translated into weak incentives to improve management and operations.
- Because payment is not tied to results, cost-based reimbursement has weak incentives to expand coverage of services.
- The lack of a results orientation can also imply weak incentives to improve clinical quality as well as quality as perceived by consumers.
Performance at Outset

A 1997 population-based survey found wide ranges in the performance indicators established by HS2004 (Eichler, Auxila, & Pollock, 2000). For example:
- Some NGOs achieved contraceptive prevalence rates of 25%, while others achieved less than 7%.
- Some NGOs succeeded in providing a minimum of two prenatal visits to 43% of pregnant women in their regions, while others only reached 21% of this important target group.
- One NGO succeeded in ensuring that a trained provider attended 87% of births, while a worse-performing NGO only succeeded in attending 53%.
- Vaccination coverage varied widely, with one performer only reaching 7% of the target population while a good performer reached 70%.
- One NGO made sure that 80% of women knew how to prepare Oral Rehydration Therapy (ORT), while another only educated 44%.

This wide range in a sample of indicators was in no way correlated with costs incurred per visit (rough estimates of average costs per visit ranged from $1.35 to $51.93). Some NGOs with high estimated average-per-visit costs were relatively poor performers, while other low-cost NGOs achieved more impressive performance targets. While it is clear that conditions differ among regions of Haiti, it is not likely that wide differences can be explained by conditions that are completely outside the control of health care providers. It is also clear that an NGO with high average-per-visit costs and poor performance indicators is not efficient.

Starting to Establish Accountability

A primary strategy of HS2004 to improve performance by health institutions was to establish accountability for results by tying reimbursement to achievement of explicitly defined indicators (a performance-based contracting mechanism linking payments directly to results). NGOs funded through HS2004 are subcontractors, not grantees, and explicitly agreed to the goals, terms, and conditions of the contract. All NGO partners have performance efficiency and impact requirements.

To develop the capacity of NGOs to succeed in a performance-based funding environment, it was important to work with managers to strengthen institutional capacity in financial management, strategic planning, human resources management, patient flow, and drug and commodities management. Indicators of performance were measured and targets established to facilitate transformation toward a results-oriented system.

In the third year of the project, a small group of NGOs agreed to participate in a test of a performance-based incentive system designed to stimulate innovation and accountability. The preselection criteria for NGO participation were as follows:
- A defined target population
- Sound technical performance
- Provision of the minimum package of services, as defined by the project
- Sufficient accounting and monitoring capabilities
- Capacity to manage project funds
- Good audit reports and financial review results

In 1999, three NGOs met these criteria and agreed to participate in the incentive program (see Figure 1). That group expanded over the following five years to include nine NGOs (one-third of the participating network). A 10th NGO was included during the second year of the program but withdrew from the incentive program after one year due to implementation problems.

The Stakeholders

The stakeholders directly involved in this process included the NGO managers, the individual staff members, USAID, and the HS2004 implementation team. The communities served were, of course, the primary stakeholders on the overall project but were not directly involved in the development of this program.

Goals and Process

The performance-based financing model provides incentives for NGOs to deliver high-quality services in a way that uses resources most efficiently. To increase coverage of the population for essential services and to ensure that quality is adequate, indicators of coverage and quality were developed in conjunction with each participating NGO. Financial incentives, in the form of a financial bonus, were designed to encourage innovation and efficient use of resources.

<table>
<thead>
<tr>
<th>HS 2004 Phases</th>
<th>Phase I</th>
<th>Transition</th>
<th>Phase II</th>
<th>Phase III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Periods (P)</td>
<td>P.1-Pilot</td>
<td>P.2</td>
<td>P.3</td>
<td>P. 4-Extension of P.3</td>
</tr>
<tr>
<td>Duration</td>
<td>5 months</td>
<td>6 months</td>
<td>12 months</td>
<td>3 months</td>
</tr>
<tr>
<td>Number of NGOs</td>
<td>3</td>
<td>3</td>
<td>7</td>
<td>6</td>
</tr>
</tbody>
</table>

Figure 1. Performance-Based Contracting Periods.
Performance improvement targets were established and a portion of the historically funded budget received by participating network NGOs was withheld. NGOs had the opportunity to earn back the withheld amount plus an additional bonus (award fee) if they reached performance targets.

**Institutional Systems**

Managers of participating NGOs note that they have strengthened their systems for planning, financial monitoring, and impact evaluation. The incentive created by the award fee has made it important for the NGOs to monitor their own progress and efficiency as a matter of internal routine before the data are required for reporting under the contract procedures. Only by tracking progress and results closely can managers understand when to change an ineffective strategy or practice in time to avoid the cost of falling short of a performance target.

**Using Information to Identify and Solve Problems**

Participating NGOs have noted that this approach to contracting has caused them to monitor the efficiency of their service strategies. The prospect of the award fee, along with the fact that excessive costs are not automatically reimbursed, has created an incentive for managers to control costs and monitor the utility of expenditures and to use this monitoring data to identify problems and inefficiencies in their operating systems. Some examples of problems identified and resolved within individual NGO operations are noted below:

- A flawed supervision system was identified wherein community health workers (CHWs) were not getting any useful support or supervision (the workers reported to higher-level staff with whom they were rarely in direct contact). The solution was to train auxiliary nurses, who were in regular, direct contact, to supervise the CHWs.
- One large NGO found that senior clinical staff were upholding clinical standards but not adhering to good management practices for resource management. The directors met with the nurses and physicians to engage them in the concept of running the organization as both a service-delivery (mission-driven) NGO and also as a business, with cost recovery and resource conservation as goals, along with delivery of services. They received training in specific management systems and principles.
  - One NGO discovered a serious problem with the collection of user fees. Because of a misunderstanding in the purpose of the exoneration program, fees were often being waived for the wrong people (20%–30% of clients were exonerated, but often those exonerated were able to pay the fees, while the poorest clients did not access needed services because they were being charged). A new system was devised for managing this program and staff were trained in both how to manage it and why the guidelines were important. With the new system in operation, those who can pay do so (increasing clinic income), while those who cannot are more regularly exonerated. In the end, more services were delivered at a lower cost.

**Organization Behavior Change**

Participating NGOs have found ways to use the award fees earned by distributing them in different ways to improve their programs and motivate staff.

A positive result has been a widespread increase in staff motivation to target the indicator results. A concern that has arisen has been the potential for neglecting other important elements of the service package that are not tied to specific performance indicators—a potential caused directly by the incentive to meet indicator targets. While HS2004 only looks to the set of indicators in the performance contract, these NGOs themselves look to the full range of services in the working infrastructure in Haiti is not always reliable. There can be situations where essential resources, equipment, and commodities are not readily available. As the award fee is linked to results, managers and service delivery staff have been creative in finding ways to meet targets even when support systems fail. An example of this innovative spirit was noted in the performance data for immunization. Essential vaccines, for various reasons, were frequently not available in the quantities and places and at the times needed throughout the health system (although they were often somewhere in the country). While the NGOs in the program struggled to meet their targets for immunization, the fall-off in immunization rates among this group was small compared to the significant deterioration in coverage in the rest of the system. Staff did not sit and wait for deliveries that would not come; they anticipated needs and went in search of the needed vaccines—with frequent success.
making determinations of incentive payments passed through to their staff. The staff, therefore, target delivery of the full package of services.

Monitoring and Evaluation

The project has established a routine system for monitoring and evaluation; providers compile monthly service reports from the partner NGOs and share these reports across the service delivery network. Periodically, assessment teams made up of network NGO staff, project team members, USAID staff, and representatives of partner organizations in the HS2004 service delivery network perform a review of the performance and quality of services provided by all partners. Using the Service Delivery and Management Assessment protocol, a program designed to assess both service delivery and the efficiency and effectiveness of the management systems that support those services, all service delivery points are visited by these assessment teams and all reported performance data are verified. This protocol was so successful that it has been adapted for use in Angola as well; it will soon be available on line (http://erc.msh.org).

Gathering and Sharing Information

Improving institutional sustainability is one of the primary goals of HS2004. To facilitate learning and sharing among Haitian NGOs, HS2004 helped create an NGO network. Regular meetings encourage sharing of strategies that both succeed and fail in the challenging Haitian environment. The network effect enables NGOs to support each other in developing efficient systems and, because all service statistics and cost-efficiency data are shared, each NGO can monitor the strength of its performance in the market. HS2004 has shifted resource support (sometimes entirely) away from groups that do not perform well and toward those that do.

Results: Service and Health Impacts

Early successes of this experience include marked improvements in immunization rates and organizational change. The NGO network in general has had a positive impact on a range of national health indicators. The NGOs in the incentive program, while not always meeting all targets, have made even more progress, earned significant award fees, and generated a performance that sets a high standard for the other partners in the network.

The results have been positive in two ways. The first impact has been on the delivery of health services. These figures reflect the impact of the Performance-Based Contracting (P-B C) program on service access and quality. It's important to note that the targets are estimates and that the project has been open to reviewing targets if it seems that they had been based on incorrect assumption. To date, no NGO has asked to lower targets, even when it seems that an NGO might not meet them. Figure 2 shows the success rate (as a percentage of the target incentive for each of the three years of the program) for each participating NGO. It does not represent individual indicator results.

Reports from individual NGO managers have indicated high satisfaction with the program and observed that the processes of monitoring, identifying problems that could impede performance, and devising actions have had a positive impact on motivation. An apparently low success rate in 2002, P. 5 in Figures 1 and 2, represents in some ways the increased expectations taken on by continuing NGOs but also is directly linked to system problems with commodity distribution in Haiti that resulted in unavailability of essential vaccines and family planning supplies when they were needed. This factor was not a basis for lowering expectations, but did cause NGOs to come up with tactics

<table>
<thead>
<tr>
<th>NGO</th>
<th>Population Served (total 1,194,008)*</th>
<th>Percent of Incentive Earned (achievement of All Targets)</th>
<th>Indicator change during P-B C participation and Years in program</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P.1</td>
<td>P.2</td>
<td>P.3</td>
</tr>
<tr>
<td>1</td>
<td>167,374</td>
<td>70</td>
<td>85</td>
</tr>
<tr>
<td>2</td>
<td>323,513</td>
<td>80</td>
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<tr>
<td>3</td>
<td>55,983</td>
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</tr>
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<td>4</td>
<td>127,706</td>
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<td>5</td>
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</tr>
<tr>
<td>6</td>
<td>125,207</td>
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<tr>
<td>7</td>
<td>126,700</td>
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<tr>
<td>9</td>
<td>59,620</td>
<td>78</td>
<td>50 to 88</td>
</tr>
<tr>
<td>10</td>
<td>63,000</td>
<td>48</td>
<td>78 to 77</td>
</tr>
</tbody>
</table>

*Non-P-B C NGOs serve 1,312,207 (total population served by HS2004 network is 2,506,215).

Figure 2. Achievements of NGOs in Performance-Based Contracting Program.
to improve their own abilities to secure supplies in an environment where the selection, procurement, distribution, and management for essential drugs and pharmaceuticals were failing.

This successful model has the potential to be adopted by public payors, donors, and private payors that want to improve the impact of their funds. The NGO network has established a forum for exchange and quality monitoring that can extend beyond the timeframe of HS2004. Some of the participating NGOs have begun negotiation with other donors to adopt a similar system for managing and improving performance.

**Reference**


**Approach to Financial Incentives**

Each participating NGO, under a fixed-price, award-fee type of contract, has agreed to accept 95% of its target budget (estimated cost of meeting service delivery goals) as the fixed-price funding base, with payments issued at intervals and in amounts agreed by the NGO.

The performance incentive would amount to 10% of the target budget when all targets are substantially met (resulting in an additional 5% over the target budget that can be allocated by the NGO on a discretionary basis).

Failure to meet individual targets results in a reduction of the incentive according to a pre-specified formula. General failure would result in no incentive payment and would represent a significant penalty to the NGO (5% of projected operating costs).

A sample copy of the contract format can be found in Manager (Volume 10, No. 2), published by MSH, and in the database of contract models “Sample Contract Provisions for Performance-Based Payment” made available by The World Bank.

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John did his graduate study at the Fletcher School of Law and Diplomacy at Tufts. Prior to joining MSH 14 years ago, he served Harvard University as Assistant Director of the Harvard Institute for International Development (HIID), which worked in a broad range of fields and brought together the skills and resources of seven of the Harvard Faculties. Prior to (and during) his graduate study at Fletcher, he served as the Associate Director of Career Services & Off-Campus Learning for the Faculty of Arts and Sciences at Harvard and before that, he worked in theater (in Kenya with the Kenya National Theatre and with the Publick Theater in Boston). John may be reached at jpollock@msh.org.

**Management Sciences for Health (MSH) is a non-profit organization that exists to help bridge the gap between what is known about public health and family planning needs and problems and what is actually done to solve them. MSH employs a diverse staff (including citizens of more than 45 countries) and bases its work in the formation of effective local partnerships.**