



**RESULTS-BASED FINANCING AND THE
EFFICIENCY OF ECONOMIC GROWTH:
EVIDENCE, TRANSMISSION CHANNELS, AND
INTERNATIONAL COMPARISON**

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***Abstract.** Results-Based Financing (RBF) links the allocation or disbursement of funds to the verified achievement of predefined outputs or outcomes. This article examines whether and how RBF can improve the efficiency of economic growth—raising growth outcomes per unit of public spending—through stronger incentives, improved public financial management (PFM), and higher-quality public investment and service delivery. Using a rapid evidence review and comparative institutional analysis, the paper synthesizes lessons from (i) results-linked financing operations using disbursement-linked indicators, (ii) performance-informed budgeting reforms, and (iii) sector-level RBF initiatives. International evidence suggests RBF is most effective when it relies on a small set of meaningful indicators, credible verification, and integration with medium-term budgeting and spending reviews. Persistent risks include limited use of performance information in budget allocation, indicator overload, and strategic gaming. Policy implications are discussed with a brief comparison between OECD practice and reforming systems such as Uzbekistan’s medium-term fiscal strategy agenda.*

***Keywords:** Results-Based Financing; Performance Budgeting; Public Spending Efficiency; Public Investment Management; Disbursement-Linked Indicators; Economic Growth; Governance; OECD; Uzbekistan.*

1. Introduction

Public finance reform increasingly emphasizes value for money: not only how much is spent, but what results are achieved. In this context, Results-Based Financing (RBF) has expanded as an approach that links funding to verified performance. At the international level, results-linked operations (e.g., the World Bank's Program-for-Results) formalize disbursement against agreed results and emphasize the use and strengthening of country systems [1]. Performance budgeting reforms, widely adopted in OECD countries, pursue a similar logic by shifting budget discussions from inputs to results and accountability [2].

This article asks a macro-relevant question: can RBF increase the efficiency of economic growth by improving how public resources translate into productivity, infrastructure quality, and human capital? Rather than assuming a direct and immediate effect on GDP, we focus on institutional and managerial channels—public investment management, service delivery performance, and allocative efficiency that condition the growth payoff of public spending [3,4].

2. Methods

The study applies a rapid evidence review combined with comparative institutional analysis. The aim is to synthesize policy and evaluation findings on (a) results-linked financing modalities and (b) performance-oriented budgeting and PFM reforms that affect the efficiency of spending.

Sources were selected to prioritize (i) primary institutional guidance and evaluation syntheses (IMF, World Bank, OECD), (ii) cross-sector evidence reviews on payment-by-results and RBF, and (iii) country diagnostic materials relevant to Uzbekistan (PFM/PEFA-related

reporting and fiscal strategy documents) [1–8]. Findings are organized using a transmission chain:

RBF design → incentives and verification → spending efficiency and service delivery → public investment quality / human capital → productivity → efficiency of economic growth.

3. Results

International practice distinguishes three clusters of results orientation.

a) Results-linked financing operations use disbursement-linked indicators (DLIs) or similar mechanisms to release funds after specific results are achieved and verified. Such designs aim to align incentives and strengthen systems for fiduciary management, procurement, and monitoring [1,5].

b) Performance-informed budgeting embeds performance information into the budget process to improve transparency, managerial focus, and potentially the allocation of resources across programs. OECD evidence emphasizes that most member countries now use some form of performance budgeting, but the degree to which performance data changes actual allocation decisions varies widely [2,6].

c) Sector-level RBF (e.g., service delivery and health) pays providers or subnational units for verified outputs. Evidence reviews show potential gains in targeted service indicators, but effects are context-dependent and sensitive to design quality, verification, and the baseline capacity of institutions [7].

3.2. Why growth impacts are typically indirect

The macro literature more consistently supports a conditional claim: the growth payoff of public spending depends on spending

efficiency, public investment management, and governance quality. IMF analysis highlights that efficient and well-allocated public spending can boost growth, while weak institutions and poor allocation reduce returns [3]. Similarly, IMF work on public investment management argues that investment scaling delivers stronger output when project selection, implementation, and maintenance are robust [4]. World Bank synthesis work notes that the growth impact of public investment is mixed across countries and tends to be larger where governance and efficiency are stronger [8].

Accordingly, RBF should be interpreted primarily as an institutional technology that can raise the ‘conversion rate’ from spending to outcomes in infrastructure, human capital, and productivity—thereby improving the efficiency of economic growth [3,4,8].

3.3. International comparison: common patterns and risks

Table 1. Illustrative comparison of results orientation across contexts (synthesized from [2,6,7]).

Context	Main instrument	Typical strength	Typical risk
OECD budget systems	Performance-informed budgeting; spending reviews	Transparency; managerial focus; prioritization discipline	Limited impact on allocations; indicator overload
Results-linked multilateral financing	DLIs / results-linked disbursement	Clear focus on verified results; system strengthening	Gaming; narrow indicators; verification burden
Sector-level RBF (service delivery)	Paying for performance; conditional transfers	Can raise targeted outputs in the short run	Context dependence; sustainability and distortions

Reforming systems: the case of Uzbekistan

Uzbekistan has articulated a reform direction consistent with international practice: gradual transition toward performance-oriented

budgeting within a medium-term fiscal framework [9]. Diagnostic reporting also underscores implementation challenges typical of reforming systems—including the need to strengthen links between strategic planning, macro-fiscal forecasting, and annual budgeting, and to deepen program-based budgeting and public investment management capacity [10]. UN development finance assessment materials similarly emphasize that timely PFM reforms are important for progress toward performance-based budgeting and medium-term perspectives [11].

4. Discussion

International evidence implies that RBF is most likely to improve growth efficiency under four conditions. First, it should target high-leverage spending areas (public investment, education, primary health, and maintenance) where efficiency gains are more likely to translate into productivity and long-run growth [3,4]. Second, it should use a limited set of meaningful indicators to avoid information overload and compliance-driven reporting [2,6]. Third, it requires credible verification (audit, data validation, and clear protocols) to reduce gaming and protect integrity of performance signals [5,7]. Fourth, performance information must be connected to the budget calendar and spending reviews so that results can influence reallocations and policy choices rather than remaining a reporting exercise [3,6].

Key risks recur across countries: (i) allocation inertia, where budgets remain historically determined despite better data [6]; (ii) weak baseline PFM capacity, which can turn results frameworks into formalities [12]; and (iii) unintended distortions, where actors optimize measured indicators at the expense of unmeasured priorities [7]. These

risks underscore the need for gradual implementation, indicator parsimony, and system strengthening.

5. Conclusion

Results-Based Financing does not automatically generate economic growth, but it can raise the efficiency of growth by improving how public resources convert into productive outcomes. The strongest international message is conditional: where spending efficiency, public investment management, and governance are stronger, the growth payoff of public spending is higher [3,4,8]. RBF contributes to these channels when it prioritizes a small set of verifiable indicators, credible verification, and integration with medium-term budgeting and spending reviews [2,3,6]. For reforming systems such as Uzbekistan, this points to a sequenced approach: pilot RBF in high-impact programs, build verification and PFM capacity, and ensure that performance information meaningfully informs resource allocation decisions over the medium term [9–11].

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