Cash on Delivery Aid: An innovative proposal for linking aid to outcomes

Presentation by Desmond Bermingham

based on work by
N. Birdsall, W. Savedoff, O. Barder, K. Vyborny, and A. Mahgoub

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Innovative financing mechanisms + ? = effective development

- There have been recent advances in innovative methods for raising funds for development
- Need to ensure that additional funds are put to use in the most effective way to achieve desired outcomes
- Existing financial instruments have varying degrees of an explicit focus on outcomes
- We believe that not only the existence of innovative funds, but the innovative delivery of these funds can lead to effective development
Overview

- The idea of COD Aid
- Obstacles to aid effectiveness
- Key features of COD Aid
- Making it practical: Primary Education

Based on …

- COD Aid initiative, led by Nancy Birdsall, William D. Savedoff & Ayah Mahgoub
The Idea: Cash on Delivery Aid

- An open ‘contract’ offered by one or more funders for recipients to sign on
- Specific amount for specific progress, e.g. $200 per child taking a competency test in the final year of primary school
- Not meant to substitute for existing aid

The Idea: Countries use funds for what they think will work best . . .

- textbooks...
- teacher training...
- ...improving roads so children can get to school...
- ...conditional cash transfers...
- ...early nutrition programs to boost learning outcomes...
The Problem: Accountability goes in wrong directions

- In high-income countries, taxes finance service delivery and taxpayers monitor quality
- In aid-dependent countries, citizens have weak incentives to monitor aid-financed programs
- Absent local scrutiny and weak outcome measurement, funders seek to control inputs
- Neither funder nor recipient knows real production function

Solutions? Aid-financed approaches that focus on results

- Sectoral
  - Global Alliance for Vaccines Initiative (GAVI)
- Macro level
  - General and Sector Budget Support (GBS)
  - Development Policy Loans (DPLs)
- Micro level
  - Conditional cash transfers (CCTs)
  - Global Partnership on Output-Based Aid (GPOBA)
<table>
<thead>
<tr>
<th>Key features of COD Aid</th>
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<tr>
<td>○ Funder pays for outcomes, not inputs</td>
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<td>○ Recipient chooses how to achieve progress not the funder</td>
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<td>(“Hands-off”)</td>
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<td>○ Independently verified by a third party</td>
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<td>○ Transparent to the public</td>
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<td>○ Complements other aid modalities</td>
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**Hands-On Approaches**

- Traditional Project Aid
  - Identification
  - Design
  - Negotiation
  - Approval
  - Startup
  - Implementation
  - Tech. Assist.
  - M & E
  - Final “Evaluation”
  - Outcome Measurement?

$\text{funder engaged in almost every phase}$

…compared to a **Hands-Off Approach**

- Traditional Project Aid
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- Cash on Delivery Aid
  - Validation of outcomes by third party

$\text{funder and recipient agree measure of progress}$

$\$\$\$
Making it practical: Universal Primary Completion

- The shared goal is to reach universal completion of quality primary education.
- The unit of progress is an “Assessed Completer” (a student enrolled in the last year of primary school who takes an approved standardized test).
- The funder pays US$200 per Assessed Completer beyond base year enrolment.
- Transparency: The recipient publishes enrolments, Assessed Completers & test scores; while the funder contracts an agent to conduct retests in a random sample of schools.

COD Aid complements other funding

- Bilateral Agencies
- Multilateral Institutions
- Private Foundations
- NGOs
- Technical Assistance
- Education Projects
- Sector Programs (e.g. SWAPs)
- Budget Support
- Global Initiatives (e.g. FTI)

COD Aid
- Research

Foreign Aid

Domestic Spending

Domestic Taxpayers
We welcome your comments and feedback

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Or look for “Cash on Delivery Aid” at:
- www.cgdev.org/section/initiatives