

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

Paris, France ~ May 29, 2009

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 ...

- O. Barder and N. Birdsall. "Payments for Progress: A Hands-Off Approach to Foreign Aid." CGD Working Paper 102.
- COD Aid initiative, led by Nancy Birdsall, William D. Savedoff & Ayah Mahgoub
- N. Birdsall, W. D. Savedoff, & K. Vyborny. *Cash on Delivery: A New Approach to Foreign Aid, An Application to Primary Schooling.* (forthcoming).

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

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



Photo: U.S. Department of State

textbooks...



Photo: Anna Lindh Euro Mediterranean Foundation

teacher training ...



Photo: Horizons Unlimited

...improving roads so
children can get to school ...



Photo: Pierre Holtz, UNICEF

...early nutrition programs to
boost learning outcomes...



Photo: Prefeitura Municipal de Erechim

...Conditional cash transfers...

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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

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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)

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COD Aid builds on but differs from other approaches



- Macro level (not household or provider)
- Program outcomes that are incremental (not pass/fail like many policy conditions)
- Measurement and transparency makes recipient government accountable to citizens rather than funders
- Funders are also more accountable – to their own legislators and taxpayers for outcomes

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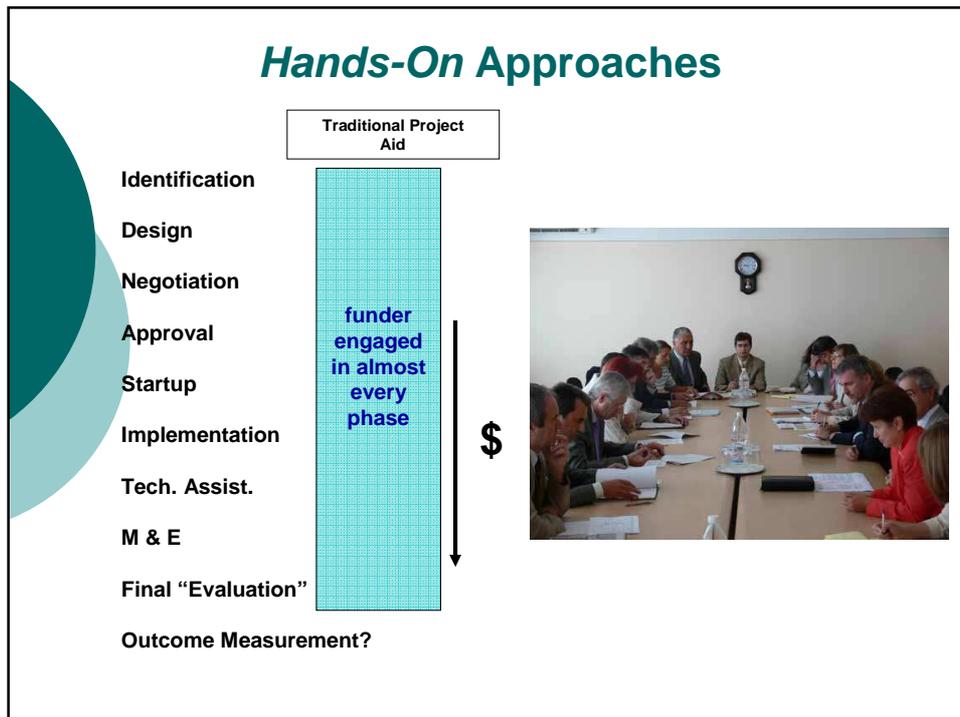
Key features of COD Aid



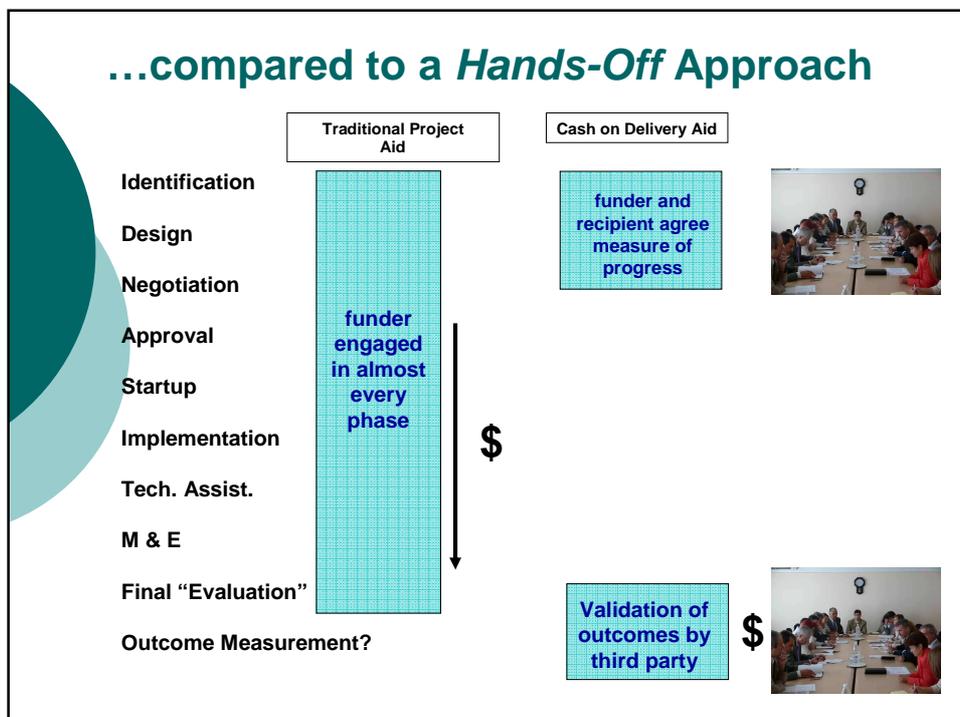
- Funder pays for outcomes, not inputs
- Recipient chooses how to achieve progress not the funder (“Hands-off”)
- Independently verified by a third party
- Transparent to the public
- Complements other aid modalities

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Hands-On Approaches



...compared to a Hands-Off Approach

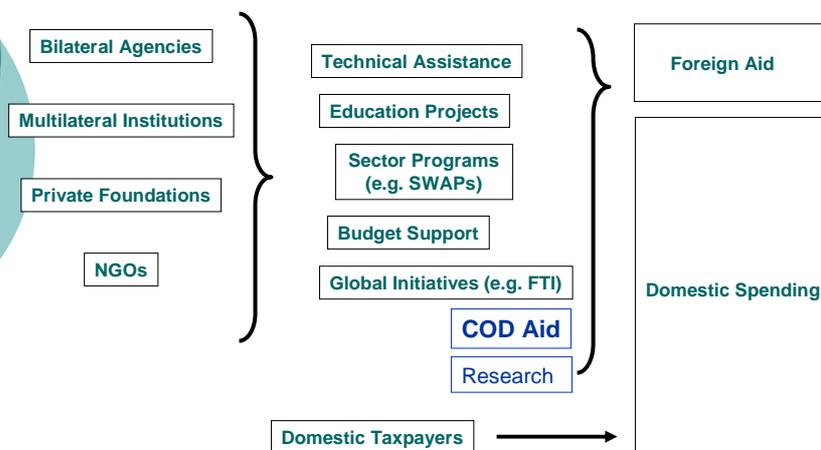


Making it practical: Universal Primary Completion

- 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.

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COD Aid complements other funding



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We welcome your comments and feedback



For further information, please email

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Or look for “Cash on Delivery Aid” at:

- www.cgdev.org/section/initiatives