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Cash on Delivery aid: Some Comments/Observations

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The general idea of Cash on Delivery aid (COD) has a great deal of promise to improve the effectiveness of aid, despite the practical issues to be worked out, especially when it comes to scaling up aid for attaining the MDG education goals. The paper by Birdsall and Bader, "Payment for Progress: A Hands-Off Approach", CGD Working Paper 102 (June 2006) provided a good conceptual sketch of the rationale for this approach, giving a good review of the debate over aid effectiveness. The follow-up CGD Note on Progressed-Based Aid (October 2007) by Birdsall, Savedoff and Vyborny goes further and deals with some of the practical issues that must be confronted in order to implement the COD approach. There is a widespread assumption that much aid is used ineffectively and inefficiently, so any approach to improve this situation is most welcome. Thus, the argument of these papers that the COD approach would provide incentives to use existing foreign aid and domestic resources more effectively has much merit to it.

There are three broad areas of comments that strike me as needing special attention:

- Sequencing of finance (or maybe pre-finance) of those inputs/resources needed by the country to make the measurable progress upon which COD will be disbursed.
- Assessment and verification of progress in completion and learning achievement.
- Overall evaluation of COD approach and learning why it works/does not work in particular contexts.

Pre-Financing Capacity

The CDG Note (October 2007) paper refers to this issue when it asks the question (p.9) how can the country make progress if does not receive payments until it has already achieved some of the goals. The reply given there is that countries do not start from a blank slate, but have available already both domestic and foreign resources. As mentioned above, COD funds play the role of an incentive to use existing resources more effectively in terms of improved outcomes. In a way, that is the perennial goal of most project- and sector based aid—to help a country use its own resources more efficiently and effectively for the purpose of development. Since the domestic resources for development is usually much larger than the foreign resources, the foreign aid also plays the critical role of a catalyst.

While the assertion that countries are not starting from a blank slate may well be true, especially in some aid-dependent countries, it is not an assertion that always could be taken for granted. Thus, each country situation would need to be analyzed to see if it has the financial capacity to purchase whatever inputs would be needed—buildings, book, teachers, etc. Some type of stock taking would be needed in the case of each country to see what resources it has at hand to see if it can realistically pre-finance its resource needs.

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In the case of institutional capacity to build up the statistical resources needed, the COD approach already allows for the TA to be provided to the country paid for by the COD donors. In the case of a country like Liberia, this appears to be necessary. Liberia is coming out of its long civil war without good statistical information on schools and households.

Assessment of progress in completion of primary school

For some countries, getting accurate enrollment data will be a challenge. On top of that, getting primary completion data is even more challenging. A good administrative system of reporting enrollment from the school level to the district level and up the chain to the national level is needed. An annual school census is also necessary to provide an accurate accounting of enrollment. In the case of Liberia, the first school census after the civil war ended was conducted in school year 2005/06. It was scheduled to be repeated for school year 2007/08. But the school census does not have information the number of successful completers. The requirements of successful primary completion varies by country, in some cases defined as passing the exit exam for the primary school certificate, while in other cases it simply means getting passing grades on school or classroom teacher assessments.

If progress is to be measured by enrollment rates or primary completion rates, then household data is needed in addition to school data on enrollments. The household data is needed to get information on the children not enrolled in school as well as their ages. Then net enrollment rates for primary can be calculated. But this assumes that the school enrollment data from the school census also has the ages of children in each grade of primary. However, for this purpose, detailed (and expensive) household surveys are not needed. Rapid and basic information HH surveys are now available, such as the Core Welfare Indicator Questionnaire (CWIQ) type survey, which has been done in countries like Liberia and Nigeria. Liberia is also scheduled to conduct a national population census in March 2008, which should help to establish good baseline information about education.

Some countries have a large number of over-age students that could affect the measures used for progress in completion of primary school. This reflects civil strife that interrupted opportunities to attend school as in Liberia and Sierra Leone or the start up of free primary education as in Kenya and Uganda. Unless statistical information is available about the ages of students enrolled and also completing primary, just dividing the number of those completing primary by the age at which primary is completed can lead to large variability over time. For example, as the bulge of over-age completers works its way through the system, the completion rate may fall if adjustments are not made for the age of completers. This puts more demands on the school census data for collecting age information about students as well as on household survey or national population census data.

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Assessment of Progress in Learning Achievement

Relying upon primary completion information is not enough to judge quality, especially if a country has a policy of automatic promotion. In Africa, most countries have eliminated their end of primary cycle certificate national exam in so that is generally not available as assurance that educational learning standards are being maintained. When it comes to assessing learning achievement, setting up a national assessment system for primary education based upon testing a representative sample of students would seem to be a reliable way to proceed. However, as pointed out in the paper by Marlaine Lockheed¹, not only is it difficult and expensive, but it may not actually yield the measures of progress that are sought. Moreover, it takes time to develop and implement national assessment programs if they are not already in place. This could delay implementation of a COD program.

Perhaps a more pragmatic approach to measures of learning could be taken. Marlaine mentions in her paper the use of donor-developed tests of competency in the early grades, the most recent being the Early Grade Reading Assessment (under development by RTI with support from USAID, the World Bank and others). Although it is not for accountability purposes, it may serve to assure that students in the early grades (about grade 3) and also those completing primary are at least literate. This approach shares some similarities with the Rapid Reading Assessment approach, advocated by Helen Abadzi in the Bank's IEG. Helen and Luis Crouch (also involved in the RTI effort) have done a good case study using Rapid Reading Assessment in Peru. I was part of a team that tried out the Rapid Reading Assessment in Pakistan and in Nigeria, with guidance from Helen, on a very limited and informal basis during school visits there. Based on that experience, I believe it could be done, even in countries like Liberia where there are severe capacity constraints to set up a national assessment program. However, despite some attractive features, the Rapid Reading Assessment has its limitations and probably cannot serve as a national assessment. I am sure Marlaine knows more about this and may have some opinion about its relevance and practicability for the purpose at hand. If the purpose at hand, at least initially, is to assure that primary school completers have attained some basic measure of literacy, then that may be the way to begin, while building up more comprehensive measures of progress along the way. Rapid assessment of mathematics to assure basic numeracy could also be developed until more comprehensive language and mathematics assessment become available in a country.

As the name implies, Early Grade Reading Assessment might be used to make some partial payments for progress around the third or fourth year after starting a COD program in a country. This has the benefit of reducing the time lag in making payments and might increase the positive incentive effects if countries do not have to wait five or six years for the full primary cycle to see some payments for progress.

¹ "Measuring Progress with Tests of Learning: Pros and Cons for Progress-Based Aid in Education", Center for Global Development (January 15, 2008).

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The formula for payments in the most October 2007 CDG Note has a coefficient of \$20 dollars for those students taking the test (above the “predicted” level). It could be more relevant to incorporate information about learning achievement test results if at all feasible. The Early Grade Reading Assessment is designed to establish more of a floor, i.e., a minimum level of achievement. If such a test is given to a good sample of the pupils completing primary, then it could be possible to measure the percentage completers that scores above the basic literacy minimum. In some countries, quality is so low that this might be a small percentage at first and progress at raising this percentage could be tracked and rewarded.

In fact, given the increasing evidence and importance placed upon quality of education for macro-economic growth², it could be argued that more weight be given to assuring that completion of primary assures at least literacy and numeracy. Would it be desirable to make a payment of \$50 for each primary school completer that demonstrates achievement of basic literacy? The World Bank’s evaluation³ (2006) of its support for primary education concluded that learning achievements was not sufficiently emphasized in its project portfolio, and I suspect this is true for much of foreign aid for education. Thus COD might do more to given additional incentive for learning achievement in the MDGs.

Overall COD Evaluation

As plans for implementing COD programs go forward, plans should also be made for evaluating the COD versus other approaches. A good experimental or randomized design could be commissioned to compare the effectiveness of the COD approach versus conventional ones. Even if such designs can give definitive answers about best approaches, it would be good to try to understand why COD works (or does not work as well as hoped for). As much possible, the evaluation should try to get inside the PBE programs and not treat them as a “black box” so that we can understand why they work and what can be replicated under similar conditions. Thus some qualitative case study methods can be part of any evaluation design. It would take some time for programs to start up and be evaluated, but good thinking about how to do so can begin now. Even if such evaluation takes a long time, the need for effective development assistance will be with us for many years to come. There will no doubt be time to incorporate the results of evaluation of COD into the plans for the post-MDG era, when it will be likely that many countries have not the reached the MDGs. The education needs will still be great for those that have met the MDGs.

² See Hanushek and Wossman (2006) for a report, commissioned by the World Bank (available on its education website), on quality of education and contribution to macro-economic growth. The micro-economic evidence of education and productivity goes back many years and was surveyed by Glewwe (2002) in the JEL. But attempts to assess the contribution of education to economic growth was less successful until Hanushek and other researchers began using improved measures of quality of education at the national level.

³ See “From Schooling Access to Learning Outcomes: An Unfinished Agenda”, Independent Evaluation Group, World Bank (2006).

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Other Observations

In some countries with federal systems, working with state or provincial governments on COD pilots might be simpler to begin with. Considering the situation of countries like Nigeria or Pakistan, where traditional education projects to date have produced disappointing results, it may be more productive to identify reform minded state/provincial governments that would be amenable to trying pilot COD programs that could afterwards spread around the country. The Bank and other donors have already decided in such countries, India and Pakistan for some time now, and recently Nigeria, that working with state governments may be more effective. If the initial COD funding is grant money, then the issue of which level of government signs or guarantees a loan might not be an issue.

A final question relates to the idea of no strings attached to the use of the COD money once it is disbursed. One wonders what incentive the Ministry of Education would have to do a better job if the COD funds went to the government as whole, with no guarantee that the MOE would benefit from additional funding. If the COD money stayed within the education sector, even if to finance the increased demand for secondary education that would result from the MDGs, MOE would retain some incentives. But if MOF allocated the money according to its priorities, the MOE could lose interest.