
Cash On Delivery

A new approach to foreign aid

Nancy Birdsall and William D. Savedoff
with Ayah Mahgoub and Katherine Vyborny

With an application
to primary schooling



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Preface and acknowledgments

Since its inception, the Center for Global Development has put a premium on translating independent research into practical ideas. This book is firmly in that tradition. It is part of a broader initiative I have led at the Center—with enthusiasm and with increasing passion—to develop and disseminate a simple and practical approach to development aid that can help official and private funders realize the reforms they have promised on paper but failed to deliver on the ground. The approach is called, simply but revealingly, Cash on Delivery Aid.

Even the fiercest aid critics recognize that some aid programs bring results: millions of lives have been saved and millions of children educated because of aid programs. But tougher questions remain: has aid helped—can it help—strengthen the institutions of an effective and responsible state that eventually provides services by, for, and with its citizens on its own? Does aid in some settings actually makes things worse by, for example, short-circuiting state building (for instance, reducing the incentive for tax collection) and sustaining corrupt or ineffective governments? Even “good” aid to responsible states has come into question. As aid has become an increasingly complicated and difficult business—with unhealthy competition among funders and high transaction costs for aid-dependent governments—has the aid system itself become a constraint on state-building? As aid-dependent governments focus on satisfying the demands of their donors rather than those of their own citizens, has aid set back the elusive process of building state institutions that are responsive to their own citizens?

Friends of aid argue that aid is less politicized now than it was during the Cold War and that the official donors are making progress fixing the system’s problems: fragmentation, lack of coordination, lack of ownership,

lack of alignment with recipient-country priorities, lack of transparency, lack of results, lack of evidence about results, and more lacks! But insiders know that progress is painfully slow and, in many low-income countries, worryingly reversible.

The Cash on Delivery Aid (COD Aid) approach presented in this book is designed to allow funders and recipients to escape the “lacks” of the system listed above. Mostly it allows funders to escape the trap that many aid programs create, a trap that makes recipients responsible to funders for inputs instead of to its own citizens for development outcomes.

COD Aid builds on a rich body of earlier work on aid effectiveness at the Center: on debt relief and reduction with its implications for the larger aid architecture (*Delivering on Debt Relief*), on demonstrably effective large-scale international public health programs (*Millions Saved*), on use of aid for performance incentives to non-governmental organizations and households (*Performance Incentives in Public Health*), on the seven sins of donors and what to do about them (*Reinventing Foreign Aid*), on why evaluation doesn't get done (*Evaluation Gap*), on the Millennium Development goals (*The Trouble with the MDGs*), on aid and growth (*Counting Chickens When They Hatch*), on rethinking the U.S. foreign assistance program, on advance market commitments (contingent spending in the rich world buying measurable gains in the poor world), on aid and institutions (*After the Big Push?*), and more.

Like so many good ideas, this one began with a short note I received from Owen Barder, at the time a part-time staff member at the Center. That note led to a jointly authored 2006 CGD working paper, “Payments for Progress: A Hands-Off Approach to Foreign Aid.” In 2007, I joined forces with CGD visiting fellow William Savedoff to further refine the idea. We began a comprehensive process of research and consultation to further develop and improve it. We undertook new research, commissioned background papers from experts, interviewed dozens of practitioners, and engaged in extensive consultations with officials, technical experts, and civil-society representatives. We convened meetings to discuss our proposal and participated in events sponsored by others to present our work and receive feedback and insights on what to take into account when refining the idea. From a good idea to the challenges of a practical program has been a long and still unfinished journey of discovery and learning in itself.

In this book we present the results of our work so far. We do so in the spirit of matchmaker, hoping our work will bring together funders and aid-receiving governments. In Part I, we situate the literature on whether aid is effective within the realm of questions about the shortcomings of the system. We then describe our idea, COD Aid, as a new kind of delivery mechanism for aid that we believe addresses the inherent problems with transfers of any kind from a funder (bilateral or multilateral official agency or private foundation) to a recipient (a government or major program implementer). In Part II, we apply the approach to primary education, showing one example of how the approach could be practically implemented. We also briefly propose

applications of COD Aid to other sectors. Ultimately, the parents of this approach (country and donor partners) will decide how to raise it, but we hope this book will serve as a practical guide.

This book and our initiative are a result of the generous and immensely valuable input of many people over the past few years. My coauthors and I would like to extend a very special thanks to several individuals. First we thank Owen Barder whose keen thinking and commitment to making aid work started us down this path. We are immensely grateful for the valuable insights and stellar advocacy of Desmond Bermingham, Ambassador Mark Green, Robin Horn, CGD Board member Ngozi Okonjo-Iweala, Elizabeth King, Nancy Lee, Rakesh Rajani, Smita Singh, and Alcione Vasconcelos. Their guidance and outreach were and continue to be critical to the enhancement of our proposal and to sharing the idea with a broad audience. We would also like to extend a special thanks to President Jakaya Kikwete of Tanzania, Kofi Annan, and Minister Maghembe of Liberia for their strong support and their request for donors to try COD Aid.

The ideas in this book were shaped by the excellent background papers prepared for this initiative by Maurice Boissiere, Luis Crouch, Paolo de Renzio, Merilee Grindle, Marlaine Lockheed, Jonathan Mitchell, Michael Woolcock, and Ngairé Woods. We also extend sincere thanks to our colleagues Satish Chand, Mead Over, and April Harding for both their contributions to this proposal and to alternative applications of COD Aid.

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We are grateful for the feedback and guidance of countless other people, but especially to that of K.Y. Amoako, Jean Arkedis, Tayani Banda, Amie Batson, Luis Benveniste, Nicolas Burnett, Robin Davies, Mourad Ezzine, Linda Frey, James Habyarimana, Brian Hanssen, Nigel Harris, Harry Hatry, Ward Heneveld, Sheila Herrling, George Ingram, Pierre Jacquet, Lars Johannes, Michael Keating, Elizabeth King, Timo Mahn, Jeremy Mark, William Masters, Nadim Matta, Gavin McGillivray, Lynn Murphy, Carmen Nonay, Marianna Ofosu, Patrick Osakwe, Richard Parr, Claudia Pieterse, Mary Joy Pigozzi, Alice Poole, Ben Power, Lant Pritchett, Olivier Ray, Sonal Shah, Sarah Jane Staats, Miguel Szekely, Binh Thanh Vu, Patricia Veevers-Carter, and Jane Wales.

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We are grateful to Lawrence MacDonald for his continued feedback and guidance on many aspects of the initiative, and for his creativity in naming our idea Cash on Delivery Aid. John Osterman was generous with his guidance and helped shepherd the book to completion—we are very grateful for his help. We want to express our appreciation to Amy Smith for unraveling some of the more complicated arguments and her professional and comprehensive editing.

The work of this book and this initiative are coming to fruition through the generous support of the William and Flora Hewlett Foundation.

Any remaining errors are our full responsibility—and an opportunity for you to further advance these ideas!

Nancy Birdsall
President
Center for Global Development
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