



## Where Can Cash on Delivery Aid Work?

Cash on Delivery (COD) Aid as a general concept could work almost anywhere but the challenges of implementation and the likelihood of success will vary with context. The main characteristic of a country where COD Aid could make a big difference is one in which the promise of additional unconstrained funds could facilitate effective action to achieve shared development goals. Other contextual factors – the amount of money, the potential gains, information systems, institutional capacity and the like – only make the likelihood of success greater or smaller.

In today's "fragile states"<sup>1</sup>, encouraging development through foreign aid is extremely difficult, regardless of its form. The key challenges to implementing COD Aid in such countries are (1) establishing a baseline against which to measure progress, (2) verifying progress when information systems are weak, (3) relying on the government to design new strategies and articulate its demand for technical assistance, (4) relying on the government to implement its program with a weak institutional base, and (5) expecting the political system to respond coherently to the externally generated incentives.

Nevertheless, COD Aid might be more successful in fragile states than traditional forms of aid for a number of reasons. First, COD Aid requires serious efforts to gather data and establish information systems that can make a large difference to subsequent policymaking. All too often, this core requirement of good governance is left to be addressed after more immediate needs are met – even when it is unclear if the immediate actions are making any difference. Second, while it may be risky to rely on governments in fragile states to design and implement their own programs, traditional approaches that substitute foreign for domestic institutional capacity also encourage dependence and compromise sustainability. Third, fragile states may have greater flexibility to respond to the COD Aid incentives with innovative approaches because vested interests tend to be weaker and government bureaucracies are less entrenched and less resistant to introducing innovations.

At the other extreme, COD Aid might seem irrelevant to large countries with relatively strong domestic capacity for public policy. However, COD Aid may still be relevant in such cases because the funds are additional and unconstrained. In other words, COD Aid might provide governments with a new resource or lever for introducing change in contexts where there are strong vested interests and entrenched bureaucracies. Alternatively, national governments in such countries might be interested in using the COD Aid approach to encourage progress in relatively worse off regions, particularly if they have a federated political structure.

Most countries are likely to lie between these extremes, in which case there will be better information and more constraints than in fragile states, but weaker information systems and fewer constraints than in larger countries with strong public institutions.

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<sup>1</sup> For a definition of fragile states, see OECD (2006).