



Cash on Delivery Aid: Exploration of Feasibility in Liberia
William D. Savedoff and Ayah Mahgoub
April 5 – 9, 2010

Purpose of the Trip

The Center for Global Development has developed a new approach to foreign aid that is outcomes-focused and promotes recipient government ownership called Cash on Delivery Aid (COD Aid). CGD has commissioned background papers and convened experts and stakeholders to discuss and develop a practical COD Aid proposal for improving the effectiveness of foreign aid. As part of this work, our team has developed a specific proposal for applying the COD Aid approach to financing accelerated progress toward universal primary school completion, detailed in *Cash on Delivery: A New Approach to Foreign Aid with an Application to Primary Schooling*.¹ As a next step, we are exploring whether and how to pilot COD Aid with government officials, funders, and civil society leaders in several countries.

CGD began discussing COD Aid with the Liberian government in 2009. Steve Radelet, Nancy Birdsall and Ayah Mahgoub met with Liberian government officials – including the president, minister of finance, minister of planning, deputy minister of planning, minister of education and his special assistant – at meetings in Monrovia, Stockholm and Washington DC. These officials expressed interest in considering a COD Aid approach to new external financing for basic education in Liberia.

To follow-up on the interest expressed by these officials, we visited Monrovia in April, 2010 to assess the feasibility and usefulness of a COD Aid agreement in Liberia. We met with government officials and development partners to explain the COD Aid concept; to learn about the challenges facing Liberia’s education system; and to learn from comments and reactions to this aid modality.

Based on our preliminary exploration, we believe that Liberia is an excellent candidate for piloting a COD Aid program for basic education. The government’s resources for education are growing: it has received commitments of \$44.5 million from donors and has budgeted \$25 million for the sector for 2010. It has submitted proposals to donors for additional education support that could provide the government with \$14 to \$15 million more per year for the next three years. A COD Aid program for education could provide the government with as much as an additional \$3.5 million per year of funding that it could spend at its discretion.² The following report describes the potential for a COD

¹ In this book, we propose that funders offer to pay recipient governments a fixed amount for each additional unit of progress toward a commonly agreed goal, e.g. US\$200 for each additional child who takes a standardized test at the end of primary school. That is, the funders pay “cash” only upon “delivery” of the agreed outcome. The key features of this proposal are: (1) the funder pays only for outcomes, not for inputs, (2) the recipient has full responsibility for and discretion in using funds, (3) the outcome measure is verified by an independent agent, (4) the contract, outcomes and other information must be disseminated publicly to assure transparency, and (5) this approach is complementary to other aid programs. To learn more, visit http://www.cgdev.org/section/initiatives/_active/codaaid.

² Assuming most children who finish primary school would take an assessment exam, and the number who finish would increase by about 5% per year.

Aid program for primary schooling in Liberia and suggests next steps for the government and development partners if there is interest in implementing such a program.

Motivation for Exploring a Pilot in Liberia

CGD has had the opportunity to work closely with Liberian government officials during post-war reconstruction and has observed firsthand the progress the country has made during this short period. While progress has been impressive, needs in the country are still great. The government is confronted with the challenge of rebuilding systems and shifting to long term policy planning and decision-making. A COD Aid program could help facilitate the transition.

Liberia is a prime candidate for COD Aid in education because:

- the government's *education strategy* is shifting from a focus on inputs and access to education toward establishing the systems needed to improve effectiveness and quality of schooling and learning;
- development partners are seeking ways to improve the *effectiveness of increased aid for basic education*;
- several active development partners are seeking *engagement with limited in-country presence* since they are either reducing their physical presence in Liberia or incapable of establishing a large presence there; and
- *political transitions* due to the recent leadership change in the ministry of education and the upcoming presidential election are expected to increase attention towards measuring and communicating government progress in providing basic services, including education.

Education strategy: The Liberian civil wars destroyed the country's economy and crippled the provision of education as well as other public services. Between 1989 and 2003, approximately 80% of the country's schools were destroyed.³ In addition, the war killed teachers or caused them to flee and disrupted teacher training. Where schools and teachers were able to function, their financial resources were extremely limited so many schools introduced or increased user fees. These factors greatly reduced the portion of school-aged children receiving education in Liberia and also reduced the future supply of qualified teachers.

These issues have left a lasting impact on the education sector in Liberia. The shortage of schools and teachers coupled with the large influx of overage students has led to large class sizes and tremendous pressures on existing capacity. Insufficient numbers of textbooks limited students' abilities to study after school hours and reduced the effectiveness of classroom instruction, which was frequently occupied by teachers copying passages from textbooks onto chalkboards. Thus the main focus of post-war education efforts has been to build and rehabilitate schools and acquire and distribute classroom materials. Over the past three years, the government has built 40 new schools and reduced the student-textbook ratio from 27:1 to 2:1.⁴

³ Liberian Primary Education Recovery Program 2007

⁴The Education Sector Plan of Liberia (2010 – 2020)

The Government of Liberia, with support from its development partners, has made substantial progress over the past few years in physically rebuilding and restocking infrastructure for basic education and is increasingly focusing on improving the systems needed to address the quality of schooling and learning. It has built dozens of schools, trained a growing number of teachers, and distributed millions of textbooks across the nation. These efforts have not been seamless. For example, there have been issues with the quality of textbooks, textbook distribution efforts, and the quality and standardization of teacher trainings. Nevertheless, the government has made strides in meeting a large share of its post-conflict emergency education needs, and is better positioned to transition toward long term strategic planning and decision-making. As a part of that transition, officials in the Ministry of Education have included in the Education Sector Plan of Liberia (ESP) strategies to improve data collection and use, governance, management, and monitoring. They recognize that improving the quality of basic education will require a suite of efforts and activities.

The government has also taken the lead in establishing systems through which to improve its management of development assistance. Though the number of development partners active in Liberia is small relative to other low-income countries, the potential for development partners to overload the government with transactions may be greater because of the fragility of post-conflict institutions. To increase aid's effectiveness and minimize its burdens, the government has established two aid coordinating bodies: the Liberia Reconstruction and Development Committee (LRDC) and the Philanthropy Secretariat. The LRDC is the entity that sets goals, plans, coordinates, monitors and evaluates development programs in Liberia.⁵ It facilitates development partner harmonization and promotes cross-ministry collaboration. The Philanthropy Secretariat is a small office within the president's Executive Mansion that attracts and coordinates private development partner involvement in Liberia. In addition to enabling the government to take the lead on the implementation of its development strategies and visions, these newly established entities could enable development partners to harmonize their efforts and increase the impact of their support.

Effectiveness of increased aid for basic education: Liberia's development partners have been responsive to the government's request for increased support for basic education. Since 2007, Liberia has been in discussions with the World Bank and the Education for All – Fast Track Initiative (FTI) for a substantial education aid program. In the meantime, a public-private partnership involving the Netherlands, the Open Society Institute (OSI) and Open Society Initiative for West Africa (OSIWA) established an Education Pooled Fund (EPF) that is managed by UNICEF and supports the Liberian Primary Education Recovery Plan (L-PERP).

The EPF represented a significant innovation both for Liberia's education sector and for international aid effectiveness efforts, but development partners have expressed concerns that some of the objectives of the EPF have not been met. Because it streamlined processes, the Fund represented the first major effort to reduce the burden on Liberia's Ministry of Education which was struggling to meet high post-war demands. OSI's contribution to the Fund was the first of its kind – no private funder had previously provided program support directly to a government.

⁵ The LRDC Steering Committee is chaired by the president, and the committee consists of four Working Committees pertaining to each of the government's four pillars for reconstruction and development. Government ministries, development partners and major NGOs are members of these committees.

Although it helped the government improve education service provision, some worried that the government continued to treat this money as an emergency fund, neglecting the need for a long-term strategic planning and decision-making approach. They argued that stronger ministry capacity to engage in strategic planning would have led to speedier and more cost-effective implementation of programs.

Despite these concerns and the limited funds left in the EPF, the government is likely to receive education support for the next two or three years from several new sources. It recently submitted a proposal for FTI catalytic funding of about \$40 million for the period 2010 to 2012. The government has also recently applied for a Millennium Challenge Corporation three-year threshold program which includes a request for funding for basic education.⁶ These two new sources of funding could provide the government with almost \$15 million per year of additional resources for basic education.

Engagement with limited in-country presence: Several development partners, including those that are currently providing development assistance to Liberia and others interested in initiating support to the country, are unable to support programs that require a large staff presence. Several of the development partner representatives we met with – representing both public and private development organizations – indicated that the number of their organization’s staff members based in Liberia had been diminishing over the past few years. Both types of development partners seem more inclined to support pooled mechanism, such as the existing health or infrastructure pooled funds in Liberia, which require less development partner involvement. A similar mechanism that builds on the EPF could help the government attract support for education from new development partners, including from some of the private foundations the government’s Philanthropy Secretariat plans to engage.

Political transitions: Current political transitions in the country could provide an impetus for a significant education initiative. The Ministry of Education is emerging from a period of political uncertainty. Minister Othello Gongar, who served as the education minister during the wars, has recently assumed leadership of the ministry. President Ellen Johnson Sirleaf is preparing to run for re-election in 2011, and individuals we met expected that she would showcase progress on education in her campaign. With greater attention turning to education, and an expectation of greater stability in the Ministry, there seems to be significant interest in better measurement and communication of results.

In its ESP the government states that effective government interventions to improve education progress are minimal simply because the government lacks the resources it needs to implement these interventions. As development partner engagement wanes during the country’s transition from emergency humanitarian and reconstruction efforts to long-term development efforts, COD Aid could provide additional resources for a substantial period of time, and in a manner that may be less burdensome for both the government and development partners, and more conducive to strengthening new government systems. The government and development partners in Liberia

⁶ The total funding proposal amounts to approximately \$14 million for three years, and a share of that funding would be allocated for education programs.

demonstrated flexibility and innovation in achieving education goals, and COD Aid could provide the mechanism and resources through which the government continues that tradition.

Technical Viability of a COD Aid Agreement in Liberia

During these discussions, we discussed different measures of progress for a COD Aid agreement. Most attention was focused on measures related to completing of primary school, but some of those interviewed raised the idea of focusing on secondary school or on early grade reading. This report focuses on the technical viability of a COD Aid agreement for reaching universal primary school completion, with comments on the other applications for education provided in the appendix.

COD Aid agreements are relatively easy to implement because their sharp focus on establishing the payment for a particular indicator of the desired outcome eliminates the need for discussing and negotiating strategies, work plans, milestones, and monitoring reports. In the case of our COD Aid proposal for primary school completion, a payment is made for each additional assessed completer, that is, the number of additional children in the final year of primary school who take a competency test relative to a baseline year.⁷

The requirements for a COD Aid agreement in Liberia are to have (1) an adequate test of competence in the final year of primary school, (2) an information system to collect and disseminate test scores, and (3) a process by which the government would verify and report the number of additional assessed completers in all schools (public and non-public). Highly desirable are (4) local research capacity for evaluating the agreement, and (5) civil society groups that are active and can be empowered by the agreement and the information it generates to support, pressure and positively engage the government.

Despite its post-conflict status, Liberia has the basic foundations for fulfilling these five requirements and therefore is capable, in our view, of implementing a pilot COD Aid initiative with relatively modest efforts during the contract negotiation phase – such as an evaluation of the quality and usability of the existing assessment exam – as indicated below.

Outcome measure: Choosing how to measure the outcome is one of the most critical factors in a COD Aid agreement and after substantial research we concluded that the number of additional assessed completers (the number of additional children in the final year of primary school who take a competency test relative to a baseline year) is a good proxy for the desired outcome of universalizing primary schooling. Paying for additional assessed completers in Liberia is possible because Liberia already has an exam in the final year of primary school (grade six) that could serve this purpose. Liberia is part of the West African Examinations Council (WAEC) testing consortium which helps administer this exam. In order to be a good indicator of educational outcomes, however, such an exam needs to measure competence and be equated to allow for comparisons from year to year. We were unable to meet with WAEC officials during

⁷ For more information on the choice of assessed completers as an indicator of progress for education and detailed terms sheets for an agreement, see Birdsall and Savedoff, *Cash on Delivery: a new approach to foreign aid with an application to primary schooling*.

our time in Liberia, but were told that efforts to improve the exam are currently underway, and the government is considering introducing another exam alongside the WAEC administered exams to better measure the amount and quality of student learning.⁸

In preparation for the COD Aid program, development partners could support the revision of the existing WAEC administered assessment exam, or support the development of a new exam prior to the start of a COD Aid program. Development partners could commission an independent technical review of the quality of the revised exam and its process of administration to assure that it meets the above criteria and to provide recommendations for its improvement.

Information system: The Ministry of Education established an Education Management Information System (EMIS) Unit in 2006. The EMIS Unit regularly collects data from district and county officials to track student, school, personnel and unit figures. A recent European Commission assessment of the EMIS found shortcomings in the type and quality of information collected by EMIS.⁹ The Unit is currently addressing these shortcomings. One recommendation for reform is that EMIS include WAEC examinations in its database. If WAEC exams are reported through the EMIS, then the annual EMIS report could be submitted to development partners as the request for triggering COD Aid payments.

One requirement that must be in place before COD Aid payments can be made is the assignment of a unique identification number to each student who takes the exam in the final year of primary school. Since students are eager to improve their chances of entering secondary school, many of them retake the exam in subsequent years. Counting the number of additional assessed completers requires distinguishing first-time test takers from repeaters. Establishing such a system would be extremely beneficial to public policy for accurately counting and assessing student completion and repetition at the sixth grade level.

Provisions for the type of information made public through a COD Aid agreement are also necessary for a COD Aid program. The government and development partners would agree on the information that would be disseminated and by what means during contract negotiation.

Verification: The government's report on student achievement on the assessment exam in the final year of primary school is a good basis for making the COD Aid payments, but for transparency, credibility and detecting problems, the report should also be verified by an independent agent. Verification of the government's report on outcomes not only provides assurance to development partners that their funds were disbursed against real results; it also provides the government with a means for checking the quality of its reporting systems.

A process for verifying the number of assessed completers and test score reports is explained fully in *Cash on Delivery* and would be feasible in Liberia, providing that a system of unique student identifiers is in place. The contract would specify a procedure for selecting an independent research institute or consulting firm to be contracted by the funder. This agent would conduct a retest of students in a randomly selected sample of schools and, using this information, estimate the number of assessed completers and average test scores. Combining this

⁸ The Education Sector Plan of Liberia (2010 – 2020)

⁹ The Education Sector Plan of Liberia (2010 – 2020)

information with a simple audit of the EMIS would provide the basis for verifying the government's report.

Research capacity: Despite the limited number of university faculty members qualified to teach in Liberia's few universities, university faculty have expressed a strong interest in undertaking research. During our visit, we met with the director and a researcher from the University of Liberia's Institute of Research who were interested in partnering with international researchers to undertake research associated with a possible COD Aid program. Such a partnership on a COD Aid pilot evaluation could not only contribute to the quality of the evaluation but would bring these academic resources to the attention of policymakers.

Civil society: A COD Aid agreement aims to shift government accountability away from development partners and toward its own constituents. For this reason, civil society groups and public information can contribute to a COD Aid agreement's success.

The number of civil society organizations supporting basic education in Liberia is small, as is often the case in post-conflict settings, but appears to be growing and could benefit from the information publicly provided through a COD Aid program. During our visit to Liberia, we were unable to arrange meetings with civil society organization leaders. However, we learned that recently, several regional CSOs have started branches in Liberia (e.g. the Forum for African Women Educationalists). Also, several international organizations have partnered with Liberian CSOs to help them increase their capacity (e.g. Education International has partnered with the National Teachers' Association of Liberia and the All Liberian Professional Organization). Government and development partner officials we spoke with find the work of some, such as Liberian Education for All Technical Committee (LETCOM) to be helpful. LETCOM is a coalition of Liberian CSOs advocating for a better education system. Nevertheless, a complaint we heard is that many CSOs active in Liberia provide limited substantive technical critiques and guidance to influence government efforts. Through a COD Aid initiative, civil society organizations would have better access to information on student achievement in primary school which could enable them to provide more grounded analyses.

Interest and Potential Benefits

A COD Aid program could facilitate the current shift in the government's and development partners' roles toward longer term investments and strategies. The following are specific reasons the approach could be useful in Liberia.

Development partners: Development partners in Liberia continue to make significant efforts to provide more effective development assistance to the government. They set a precedent in establishing the first public-private pooled education fund to support a post-conflict government. The government and development partners learned from that experience, and a COD Aid program would enable them to make further progress by providing funds through government systems.¹⁰ A COD Aid program would thus build on the successful aspects of the EPF, and

¹⁰ For example, Save the Children has advocated for development funds to be channeled through Liberian government systems.

would allow development partners with limited or no physical presence in Liberia to support education in the country. For all development partners, a COD Aid program would help generate data on results that would be useful for assessing progress.

Development partners directly provided social services during the Liberian civil wars and are now facing the challenge of altering their engagement to support the development of public institutions. A mechanism such as COD Aid would allow development partners to achieve this aim by disbursing their funds against measurable progress and giving the government greater latitude to choose its strategy and mix of program inputs.

Government: Despite the relatively small number of development partners supporting basic education in Liberia, government officials mentioned concerns about increasing fragmentation of foreign aid and the associated administrative and reporting costs. The government views a COD Aid program as an opportunity to access financial resources with lower transactions costs and a longer planning horizon.

A COD Aid program could be especially timely for the Ministry of Education because of its recent transition to new leadership. It is also timely because of the structures the government has set in motion for coordinating development assistance (e.g. the LRDC and the Philanthropy Secretariat). Those structures could foster inter-agency collaboration to address constraints to continued progress in the education sector. The promise of flexible funding in return for progress on primary schooling may help align incentives within the ministry and across cabinet ministries. Some officials in the Ministry of Education considered COD Aid as a means to convince the Ministry of Finance that it is achieving results and therefore merits additional domestic resources as well. It could use those resources not only to achieve continued progress in primary schooling, but also in secondary schooling – a subsector that receives less funding (in part because secondary schools receive user fees and are in less dire need of financial assistance) but could benefit from significant investments (especially as more students complete primary school).

All of the Liberian government officials with whom we spoke were favorable to piloting a COD Aid agreement. The existence of a national exam at the 6th grade level appears to provide the technical basis for proceeding and other important factors are either in place or relatively easy to establish. The critical ingredient needed to respond to the government's interest is a development partner willing to sit down and consider a detailed agreement. The development partners with whom we discussed the proposal expressed interest but none would explicitly commit, at this stage, to take action.

Recommendations for Moving Forward

Liberian government leaders have indicated a clear interest in participating in a COD Aid agreement for primary schooling (for agreements that would pursue alternative goals, see Box 1 below). The next step to developing such an agreement is to identify a funding agency that is willing to consider providing funds and to engage in working out the details of an arrangement. Such a development partner could enter the process either with the intention of being the sole

source of funds or seeking to mobilize funding from other parties – whether public and/or private. The agreement detailed in our book, *Cash on Delivery*, could serve as the starting point of developing the legal instruments necessary for the program.

Based on this trip, we identified five specific funding entities that could be the catalyst for responding to the Liberian government's interest in a COD Aid agreement. Additional funders such as the United Kingdom may be well positioned to take the lead on a COD Aid program in Liberia.

1. *The United States* has a strong commitment to providing Liberia with financial assistance and is strongly active in the education sector, especially with technical assistance. Funds that are already committed to Liberia would be difficult to reprogram toward a COD Aid agreement, especially since they are tied to specific projects. In general, US aid funds are tied more closely to traditional project approaches, but the strong US interest in innovation and linking aid to results suggest that the US might be open to piloting a COD Aid agreement – either through USAID or the Millennium Challenge Corporation (MCC). A key attraction to the United States might be the possibility of mobilizing private funding. So, for example, USAID headquarters could establish a fund to support a COD Aid agreement for Liberia and commit to finance half the students under the program over a five-year period (at a cost of US\$1 million to US\$3 million per year) on the condition that other contributors subscribe for the remaining amount.
2. *The Open Society Institute* has played a very significant role in financing the recovery of Liberia's education system since the end of the civil war – an unusually prominent role for a private foundation. OSI is extremely well-positioned to play a leading role in establishing a COD Aid agreement for a variety of reasons. As a private foundation, it has greater flexibility and can commit funds for longer periods than most aid agencies. It also has strong credibility with the government, has demonstrated that it can work with other agencies (notably UNICEF), has experience with the Education Pooled Fund, and could potentially mobilize other development partners – whether private or official.
3. *Sweden* has provided growing amounts of support to Liberia in recent years despite its small local staff presence. While it does not currently support basic education in Liberia, we were told that it is interested in supporting the sector. A COD Aid program could be appealing to Sweden because it would allow them to increase their support without increasing their physical presence. It could take the lead in establishing a COD Aid program by leveraging its new support to the sector to attract more funding for a COD Aid program.
4. *The European Union* has also provided significant support to Liberia – including increasing amounts of budget support – and is currently developing a new operation for basic education as well as evaluating a continuation of its budget support program. The EU could experiment with a pure COD Aid arrangement similar in fashion to the way proposed for the United States (see above). However, the EU has another viable option: it could adapt its variable tranche approach to budget support so as to approximate a COD Aid agreement. This would involve committing a much larger amount of funding to its variable tranche than it is accustomed (at least US\$2 million to US\$3 million per year) and then paying out these funds *only* against progress on the number of assessed

completers. Once in place, it could take advantage of having established a working legal arrangement and invite other bilateral and multilateral agencies to put money into a pooled fund.

5. *A multilateral agency* could establish a Trust Fund that would be committed to a COD Aid agreement for eligible countries and which would receive funds from private and public agencies. The *African Development Bank (AfDB)* expressed interest in playing such a role during our visit to Malawi and, with two potential applicants; the use of such a mechanism becomes more appealing. Money for such a Trust Fund would probably have to come from bilateral agencies and private funders. For example, DFID has a fairly limited program in Liberia at the moment but has demonstrated willingness and interest in putting its funding into programs managed by others; and they might consider contributing to such a COD Aid Trust Fund. *UNICEF* is another agency that could play such a role, having administered the EPF in Liberia. The World Bank or FTI could also be appropriate agencies for managing such a trust fund.

Appendix A: Two Alternative COD Aid Agreements

Our discussions focused on achieving progress toward universal completion of primary schooling. However, two other ideas for COD Aid agreements in education were also suggested and discussed.

The first alternative would pay Liberia for *increasing the number of children who can pass an Early Grade Reading Assessment*. Such an assessment is being implemented by Research Triangle Institute for second graders in Liberia. The appeal of such an agreement is that it would pay for a learning outcome and allow for innovation both within and outside of formal schooling. It would also support interest expressed by the Fast Track Initiative (FTI) in a COD Aid program that links funding to pass rates on early grade reading assessments.

A second alternative would be to pay COD Aid for each student *successfully completing the first or final year of secondary school*. Some education officials are concerned that secondary schooling is receiving inadequate attention relative to primary schooling. A focus on secondary school could not only raise awareness of this important education subsector but also strengthen the incentive for children to successfully complete primary school.

Appendix B: Individuals Consulted

Government of Liberia

Othello Gongar, Minister, Ministry of Education
Joseph Korto, Former Minister, Ministry of Education
James Robert, Deputy Minister, Ministry of Education
Josephine Travers-Porte, Assistant Minister for Planning, Ministry of Education
Katurah Siebu, Assistant Minister for Primary Education, Ministry of Education
Felicia Doe-Sumah, Assistant Minister for Secondary Education, Ministry of Education
Lincoln Ajoku, Liberia Fellow, Ministry of Education
Amara Konneh, Minister, Ministry of Planning & Economic Affairs
Sebastian Muah, Deputy Minister, Ministry of Planning & Economic Affairs
William Towah, Aid Management Unit Director, Ministry of Finance
Princetta Clinton-Varmah, Aid Management Unit Deputy Director, Ministry of Finance
Clemence Landers, Liberia Fellow, Ministry of Finance
Dan Hymowitz, Program Manager, Philanthropy Secretariat

Development partners

Carolyn Bryan, Deputy Mission Director, USAID
Luann Gronhovd, Education Development Officer, USAID
Mardea Nyumah, Education Specialist, USAID
Joe Pemagbi, Country Coordinator, Open Society Initiative for West Africa
Massa Crayton, Education Specialist, Open Society Initiative for West Africa
Alex Harper, Country Director, UK Department for International Development
Joan Casanova, Program Manager, European Union
Claudia Hermes, Project Manager, German Technical Cooperation

Researchers

Alfred Tarway-Twalla, Associate Professor and Director, University of Liberia's Research Institute
Nicola Cozza, Senior Research Consultant, University of Liberia's Research Institute