



Cash on Delivery Aid: Exploration of Feasibility in Malawi

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Purpose of the trip

The Center for Global Development has been developing 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.¹

As a next step, we are exploring with government officials, donor representatives, and civil society leaders in several countries whether and how to pilot COD Aid in their specific countries. At the request of officials within the Government of Malawi, we began sharing the approach with stakeholders in the country. In October 2009, Bill Savedoff visited Lilongwe and had initial meetings with government officials and development partners, many of whom expressed interest in considering a COD Aid approach to development assistance for primary education in Malawi.

To follow-up on the interest expressed during that trip, we visited Lilongwe in December 2009 with two objectives. The first was to meet with government officials and development partners to explain the COD Aid concept, to learn about current education plans and current and expected donor support for education, and to assess whether the COD approach would complement and strengthen current plans and programs. The second was to do a preliminary assessment of the dynamics of decision-making in Malawi's education sector – seeking to understand incentives and the nature of accountability among its stakeholders and its dependence and effects on other sectors – in order to assess whether and how the incentive created under a COD Aid contract would work to accelerate progress (in primary school completion with increased learning) in Malawi.

Based on our preliminary exploration, we believe that Malawi is an excellent candidate for piloting a COD Aid program for primary education. The following report describes the potential

¹ We propose that donors 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 donors pay “cash” only upon “delivery” of the agreed outcome. The key features of this proposal are: (1) the donor 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/codaid.

for a COD Aid program in Malawi and suggests next steps for the government and the donors if there is interest in implementing such a program.

Motivation for exploring a pilot in Malawi

Although the initial impetus for considering Malawi as a pilot country is the interest expressed from within the Government of Malawi, a confluence of factors make it a strong candidate for piloting the approach in the immediate future: it has completed an extensive process of strategic planning for the education sector with development partners, the benefits of additional detailed donor-involvement in planning of inputs are not strongly apparent, the country has taken strong initiatives on its own in the past, external funding is increasing, and the technical conditions for a COD aid agreement seem to be in place.

To begin with, the country is in need of resources, and is preparing to receive a substantial amount. Currently, per capita GDP in Malawi was 145 USD in 2006 and has grown by 13 USD since 1990 over time.² The country is one of the world's poorest, and receives approximately 30% of its government budget in foreign aid.³ Malawi has seen a recent improvement in primary completion rates with an increase from 23% to 35% over 5 years, but is still far from the Millennium Development Goal of universal primary completion by 2015.⁴

Malawi has developed slowly since 1994 when President Banda was removed from office and multi-party democracy was established. The first freely elected president, Bakili Muluzi, prioritized education and mandated that primary education be free and compulsory. Enrollment almost doubled from 1.6 million pupils to more than 3 million but the system was ill-equipped to handle the influx due to limited infrastructure and personnel. The government responded by hiring more teachers and building more schools. The policy was a success in terms of bringing children into classrooms; however, repetition is high, retention is low, and the quality of instruction is generally considered poor. The government has dealt with the problem in part by partnering with the non-profit sector (led by the Association of Christian Educators in Malawi - ACEM) which owns and manages more than half the country's primary schools and seeking external financial and technical assistance from development partners.

President Bingu wa Mutharika, who succeeded Muluzi in 2004, headed a minority government and his first term was marked by high rates of turnover in high government positions – including the Education Ministry. This period of instability delayed work on a comprehensive education strategy until recently when Malawi finalized its National Education Sector Plan (NESP) and developed the analysis and reports necessary to support a joint funding initiative and establish an Education Sector Wide Approach (SWAp) in partnership with foreign development agencies. Mutharika was re-elected in May 2009 and his party gained a majority in Parliament, leading

² World Bank. 2008. World Development Indicators.

³ Malawi Ministry of Finance, Debt and Aid Division. 2008. "Annual Debt and Aid Report 2007 – 2008."

⁴ Malawi Ministry of Education, Science and Technology. 2009. "Towards Quality Education: Implementing the National Education Sector Plan 2009 – 2013."

most of the people we interviewed to expect greater stability in government staffing and thus in programs and policy over the next four years.

The international community appears to be signaling confidence in the potential of this Malawian government to make significant progress on development goals by substantially increasing development assistance to the country. Three of the top donors in 2008 – the UK, the World Bank, and the US – have increased gross disbursements to Malawi by 80% from 2002 to 2008 and new donors such as the Millennium Challenge Corporation are entering into partnerships with the government that will result in a substantial increase in financial resources to the country as a whole and to the education sector in particular.⁵

Over the past few years, the government has promoted considerable improvements in primary completion rates and development partners have been collaborating with the government through the Education SWAp to prepare for a potentially significant sector expansion. As a part of this process, the government, with the support of its development partners, has drafted a ten year National Education Sector Plan (NESP) and a four year Education Sector Implementation Plan (ESIP) to help them achieve the goals outlined in the NESP. The ESIP also serves as a key document that will allow the government to apply for Fast Track Initiative (FTI) endorsement and catalytic funding.⁶ We were told that combined funding from the FTI, the Joint Financing Arrangement, and additional discrete funding committed through the Education SWAp could amount to between \$80 and \$100 million per year of support for the education sector over the next few years. If this funding materializes, it will be significantly higher than the \$53.8 million received for education in 2007.⁷

Consequently, Malawi is at a very important juncture for making educational progress. The need for improving primary school promotion, retention and quality is well appreciated by everyone involved. The country appears to be leaving a period of political uncertainty and high turnover and entering a period of relative stability. It has policymakers committed to making progress and open to experimentation. It has undergone a lengthy process of strategic planning and engagement with development partners that is culminating in an application for funding from the Fast Track Initiative (FTI). Some development partners have already moved toward more flexible funding modalities (e.g. budget support) and/or tried to direct their funding to fit within the government's sector-wide plan. Development partners have also made efforts to focus more on results and less on inputs, with varying degrees of success.

Into this context, a COD Aid agreement could be particularly helpful at ensuring that the existing strategy to improve primary completion rates is implemented and possibly accelerating progress even further. The constraints that the current educational approach does not address are the limited managerial time of Malawi government officials, the availability of truly flexible funding, and stronger alignment of incentives toward increasing primary completion. If an agency or foundation were to provide funding through a COD Aid approach, it would address all three of these constraints. The only obstacle to implementing a COD Aid approach is finding an

⁵ OECD DAC. Creditor Reporting System.

⁶ To learn more about the Education for All – Fast Track Initiative, visit www.education-fast-track.org.

⁷ Malawi Ministry of Education, Science and Technology. 2009. "Towards Quality Education: Implementing the National Education Sector Plan 2009 – 2013." Lilongwe.

agency, foundation or group willing to try it since the government has expressed its interest and the technical conditions are also favorable as discussed in the next section.

Technical viability of COD Aid in Malawi

COD Aid agreements are relatively easy to implement because they focus on establishing the payment for a particular indicator of the desired outcome. This 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. The requirements for a COD Aid agreement in Malawi 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. In Malawi, all these factors appear to be in place or can be encouraged with relatively modest efforts as described 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 additional assessed completers (the number of children in the final year of primary school who take a competence test more than in the baseline year) is a good proxy for the desired outcome of children with a completed primary education in which learning has been an objective. Paying for additional assessed completers in Malawi is possible because Malawi already has an exam in the final year of primary school (Standard Eight) called the Primary School Leaving Certificate Exam that could serve for this purpose. 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 told that the Malawi National Examinations Board (MANEB) does a good job administering this exam, that it is oriented toward measuring competence⁸, and that it is the focus of attention for measuring quality of schooling at the primary level. Before signing a COD Aid agreement, it would be advisable to commission an independent technical review of the quality of the Leaving Certificate Exam and its process of administration to assure that it meets the above criteria and to provide recommendations for its improvement. The COD Aid agreement should also include funding available to the government for improving the test if such recommendations are made.

Information system: Malawi has an Education Management Information System (EMIS) that has been developed with support from development partners. We were told of problems with the

⁸ Many countries have exams whose primary purpose is to rank students in a given year with the passing score determined by the number of seats available in secondary school. Such exams cannot serve for a COD Aid agreement because the number of students taking the exam is affected by how many seek to attend secondary school and the test scores are not useful for judging the quality of primary schooling since they vary from year to year and with the supply of secondary seats. Though a student's score on the Leaving Certificate Exam affects their entrance into secondary school, the test and scoring appear to be aimed at measuring how much a student has mastered at the primary level.

EMIS that are of concern – including basic issues in estimating gross and net enrollment rates. MANEB has its own system for reporting the number of students taking tests and their scores which it reports to the Ministry of Education. Because the COD Aid agreement pays for the additional assessed completers, the MANEB reports on the Leaving Certificate Exam are all that is needed to get government reports.

The one difficulty with using the Leave Certificate Exam to count assessed completers is that MANEB currently assigns a new identification number each time a student takes the exam. Since students are eager to improve their chances of entering secondary school, many of them will retake the exam in subsequent years. Counting the number of additional assessed completers is impossible without a way of distinguishing first-time test takers from repeaters. Therefore, using the Leave Certificate Exam to count the number of assessed completers would require introducing a unique student identification numbering system. Such a modification would be extremely beneficial to public policy for accurately counting and assessing student completion and repetition at the Standard Eight level.

A final, relatively easy measure, necessary for the agreement, in terms of the information system, is to incorporate provisions for what kind of information is made public, at what levels of disaggregation and in what forms.

Verification: The MANEB report on the Leaving Certificate Exam 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. A process for verifying the number of assessed completers and test score reports is outlined in our book and would be feasible in Malawi, providing that a system of unique student identifiers is introduced by MANEB.

Research capacity: We identified a number of researchers in Malawi who could be considered for participating in an evaluation of a COD Aid pilot. In particular, we noted that the Center for Social Research at Chancellor College in Zomba has conducted research on Malawi's education system, including publications in international journals. They have partnered with international researchers on comparative studies with other countries in the region. We also identified a number of ongoing social science research projects from the University of Pennsylvania and University of California that suggest high quality research is being conducted in partnership between international and local researchers. The involvement of such partnerships in a COD Aid pilot evaluation could not only assure a good quality evaluation but might also have the added benefit of bringing 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 their own constituents. For this reason, civil society groups and public information are important to a COD Aid agreement's success. Civil society was repressed during Malawi's first three decades of independence, however since the mid-1990s, civil society groups have grown in strength and effectiveness. Some organizations, such as Action Aid, are concerned with government accountability while others, such as the Civil Society Coalition for Quality Basic Education (CSCQBE), are focused on the education sector.

Civil society has particularly contributed to progress in the education sector. Church organizations own and manage most of the country's schools (in a partnership with government that provides teachers and policy oversight). These church-run schools are represented nationally by ACEM. The CSCQBE includes a wide range of stakeholders concerned with primary education, including ACEM, Forum for Women Educationists in Malawi, and Action Aid. The Teachers Union of Malawi represents the interests of approximately 46,000 public school teachers in Malawi. In addition, local communities have built their own schools which at least in the case of secondary schools have been subsequently brought into the government system.

The prominence of civil society organizations and their readiness and ability to engage with government officials varies. One of the key challenges for these organizations is that they have limited resources at their disposal. Many of these groups rely on international agencies to provide funding through specific projects. Some staff members expressed concern that they are losing funding as a result of a shift among aid agencies toward direct budget support. The key domestic challenge for these organizations, however, is the lack of transparency regarding government decisions and information because this limits their ability to provide grounded analysis with which to advise (or pressure) the government and development partners to improve development outcomes in the country. Through a COD Aid initiative, civil society organizations active in the education sector would have better access to information on student achievement in primary school which could enable them to provide more useful analyses for stakeholders in the country.

Interest and potential benefits for the government and donors

The investments made to date in planning and preparing to improve the education sector in Malawi are considerable. COD Aid could provide a means for utilizing these resources more effectively. The following are specific reasons the approach could be useful for development partners and the Government of Malawi.

Development Partners: Currently, development partners play a significant role in the education sector in Malawi – not just in terms of funding but also in providing consultants who work within government ministries, engaging in regular meetings and dialogues with officials, and requesting reports and documentation to apply for additional funding. This imposes significant transaction costs on development partner staff and government officials. While much of this work is understandable on an issue by issue basis, the net effect when combined with limited government staff and high turnover has presented a formidable challenge to completing plans and initiatives on time. The response of development partners has been to increase technical support which can dilute government ownership of its plans.

While in Malawi, we met with officials from donor agencies that are active in the basic education sector in Malawi.⁹ Many were interested in COD Aid. Some viewed it as a means for providing an incentive for the government to reform certain aspects of the educational system that are currently being tabled but could make quick gains (for example automatic promotions).

⁹ A list of the organizations and officials we met with is available at the end of this report.

Others view this as a means to fulfill commitments signed in Paris and Accra.¹⁰ Others perceive COD Aid as a way to introduce and sharpen the focus on results by all parties while providing flexible funding that could allow the government to address issues beyond primary education, for example, to prepare the government for an expansion of secondary schooling.

Government: The Government of Malawi is poised to make significant progress on primary education if it can implement the strategic plans that have been developed over the last few years. The Ministry of Education has experimented with innovative approaches to increasing enrollment and retention of students in schools including school grants, cash transfers, and school feeding programs.¹¹ It is receptive to new ideas and conscious of the need to experiment, evaluate, and learn. Government officials expressed interest in a COD Aid approach for several reasons. They were particularly interested in the flexibility of the additional funding that such an agreement would provide and saw it as a means to align incentives for improving primary education across ministries and levels of government (i.e. national and local). Some viewed it as a means for the Ministry of Education to get support from other government ministries without risking its core budget.

Recommendations for moving forward

From our research in Malawi, we identified three broad ways that the COD Aid approach could be useful.

Within existing aid initiatives (budget support, Education SWAp), attention to outcomes could be strengthened by including the number of assessed completers as an indicator.

At least three foreign aid agreements include indicators for educational progress: the Common Approach to Budget Support (CABS), the variable tranche of the European Union's budget support operation, and the Education SWAp. The CABS monitors the student-teacher ratio and the survival rate of students to Standard Five, without specific penalty or reward associated with reaching stated goals. Malawi's Education Sector Implementation Plan (ESIP) – which serves as the basis for the SWAp – contains several indicators in addition to student-teacher ratios and survival rates that are related to system efficiency, including dropout and repetition rates. It also includes the completion rate, measured by the number of students taking the Leaving Certificate Exam. However, as noted earlier, many students take the exam multiple times and therefore the 75% completion rate indicated in the ESIP is likely to be seriously overestimated. The variable tranche of the European Union's budget support contained €500,000 each for increasing the survival rate of boys and girls to Standard Five. According to the 2008 Joint Report, neither target was met, so this part of the tranche was not disbursed. We were unable to find out the

¹⁰ Through the High Level Forums on Aid Effectiveness in Paris (2005) and Accra (2008), more than 100 nations committed to several principles to increase aid effectiveness. To learn more, visit www.oecd.org.

¹¹ To learn more about some of these programs, visit www.ipc-undp.org/publications/cct/africa/PilotingMalawiCT.pdf and documents.wfp.org/stellent/groups/public/documents/communications/wfp201690.pdf.

quality of the survival rate information but believe it is not likely to be as accurate as the budget support agreement would suggest given the current state of the EMIS.

It would be relatively easy for the government and development partners to incorporate additional assessed completers in these or other agreements (as a new indicator or substitute for others). Doing so would be beneficial in several ways: it would strengthen the focus on results; improve the accuracy of information about primary schooling outcomes; and provide a more credible measure to which tranches or payments could be linked.

A further modification to existing arrangements would be to move away from “all or nothing” tranches (as in the EU agreement and the proposed SWAp program) to incremental amounts associated with units of progress. The units of progress could be additional assessed completers as with a COD Aid agreement, but they could also be created from current survival or class size indicators.

A COD Aid agreement could be implemented by one or more agencies in partnership with the government.

A number of development partners are in a good position to pilot a COD Aid agreement, either on their own or in partnership. DFID appears to have the greatest flexibility and is taking a leading role in the Education SWAp. If the UK were interested in piloting COD Aid, it could do so within the envelope of current operations that are under consideration; however, it would be more attractive if the UK put additional funds into the COD Aid pilot as a complement to the SWAp and with the justification of global interest in piloting the experience. 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). Finally, the European Union has already established an agreement that is very close to a COD Aid arrangement. If it were to convert its variable tranche to a component that pays annually on the basis of incremental progress (as done in a COD Aid approach) then the only question would be whether the amount could be increased enough to make it a strong incentive at the national level. If the EU were interested in taking leadership with such a non-tranchered variable component, 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.

An international or regional organization could establish a fund for COD Aid agreements for which Malawi could be the first candidate.

A regional or international organization, like the African Development Bank, could set up a special Fund to which public agencies and private foundations could contribute. The fund would establish a model COD Aid agreement with limited eligibility conditions (e.g. existence of an appropriate exam in the final year of primary school) and provisions for verification. Countries could inspect the model agreement and, if interested, join by simply signing the contract (the outline for such an arrangement is provided in CGD’s forthcoming book).

Individuals Consulted

Government of Malawi

Bernard Sande, Ministry of Education, Science and Technology
Moffat Chitimbe, Ministry of Education, Science and Technology
McKnight Kalanda, Ministry of Education, Science and Technology
Claver Yisa, Ministry of Education, Science and Technology
Peter Simbani, Ministry of Finance
Ali, Ministry of Finance
Tayani Banda, Ministry of Finance
Aaron Batten, Ministry of Finance

Development Partners (Donors)

Development Partner Education Working Group
Benedict Kunene, African Development Bank
McPherson Jere, Canadian International Development Agency
Don Taylor, UK Department for International Development
Jorgen Friis, German Technical Cooperation
Muna Meky, World Bank
Ramsey Sosola, US Agency for International Development
Maleta, US Agency for International Development
Panji Chamdimba, United Nations Children's Fund
Mumo Matandala, Japanese International Cooperation Agency
Akane Totani, Japanese International Cooperation Agency
Anna Tallant, World Food Program

Development Partner Agency Heads

Frank Kufakwandi, African Development Bank
Gwen Hines, UK Department for International Development
Jason Lane, UK Department for International Development
Chrissie Kamwendo, World Bank
HansPeter Schwaer, German Embassy
Richard Kimball, US Agency for International Development
Curt Reintsma, US Agency for International Development
Katrien de Pauw, Flemish International Cooperation Agency
Richard Dictus, United Nations Development Program
Vincent O'Neill, IrishAid
Shinji Obuchi, Japanese International Cooperation Agency
Unni Poulssoon, NORAD
Stefan Hafstein, Iceland International Development Agency
Maitland MacFarlan, International Monetary Fund
Horst Pilger, European Commission

Civil Society

Julie Juma, ActionAid
Susan Kaunda, ActionAid

Elaine Kelsey, CARE

Norman Tembo, CARE

Lexon Ndalamu, Association of Christian Educators & CS Coalition for Basic Education

Denis Kalekeni, Teachers Union of Malawi

Wezi Shaba, Teachers Union of Malawi

Belliam Msukwa, Teachers Union of Malawi

Andrew Ussi, Link for Education Governance