

'Cash-on-Delivery' Aid A Red Herring or the Future of Aid?

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Now that the focus of international aid is very much on efficiency and outcomes, any model that appears to guarantee both is bound to attract the interest of donors. Thus, the approach of 'Cash-on-Delivery' Aid (COD Aid), which has been developed by Nancy Birdsall and others at the Center for Global Development, is receiving a lot of attention. One reason is that it seems to chime with the prevalent demand for a 'bigger bang for each buck' as the public spending of donor countries is slashed in the wake of the global financial crisis.

This Development Viewpoint questions the assumed merits of COD Aid by assessing three of its major claims: 1) it would improve recipient ownership of policies and programmes, 2) it would make aid flows more regular and sustainable, and 3) its focus on measurable outcomes would enhance aid's effectiveness. Our conclusion is that COD Aid is far from problem-free; instead it poses continuing challenges and raises new questions.

The 'Cash-on-Delivery' Aid Model

The COD approach argues that aid disbursements should become contingent on the achievement by recipients of pre-agreed outcomes in particular programmes or sectors. For example, funding for education might be based upon agreed annual increases in general enrolment rates, female enrolment rates or achievement levels. Donors would focus on the targets, leaving the recipient of aid free to devise its own policy or strategic plan for achieving them.

COD Aid appears, at first sight, to be an obvious strategy. Continued aid payments always should depend on good progress towards objectives, right? After all, isn't that the purpose of monitoring and evaluation?

And, indeed, COD Aid is not entirely original in its linking of aid disbursement to the achievement of results. But in linking aid to specific objectives or targets, it is a much more focused approach, with the potential—its proponents argue—for substantial gains in impact. So, how does COD Aid perform?

Improving Recipient Ownership

The champions of COD Aid claim that after the donor and recipient have mutually agreed the measurable outcomes upon which continued disbursements will be based, the recipient is free to devise the strategy for meeting those outcomes without external interference. Direct Budgetary Support (DBS) has a similar aim: it does not oblige the recipient government to spend aid in externally-defined areas, but enables it to take the measures that it sees fit to achieve agreed objectives.

COD Aid is not designed to replace DBS, which is linked to improving the general planning and implementation strategy of the government. Instead, COD Aid encourages the achievement of outcomes in specific programme areas. In this sense, it could improve recipient ownership of programme financing.

However, it could be misleading to regard COD Aid as a tool for improving

ownership in any substantive sense. Since such outcome-oriented systems impose targets on recipient governments, any meaningful sense of ownership is likely to be undermined. National policies and programmes are already supposed to be mutually agreed, based upon engaging civil society in discussions, reflecting local needs and assessing the concrete structural and social barriers to progress.

Ultimately, COD Aid is mainly a tool for donors: they can more effectively justify and defend their aid and monitor the spending and policies of recipient governments without appearing to be heavy-handed or prescriptive.



Photograph by Jason Duff

This criticism does not undermine the case for COD Aid since its proponents are not describing it as a panacea. It is not being advertised as a replacement for all aid channels, but as an additional tool that could achieve gains in particular programme areas. However, this approach's claims that it promotes national ownership are decidedly problematic.

Stabilising Aid Flows

An aid model that proposes to reduce or even withdraw aid if the outcomes are not achieved would appear to be deeply destabilising, rather than working to reduce the recognised problem of aid volatility. Surely, the ability of recipient governments to plan over the long-term would be adversely affected. And there are numerous factors outside the control of those implementing programmes that could impede the achievement of agreed targets.

Supporters of COD Aid argue that once the outcomes and monitoring methods have been agreed, donors could pool their resources without imposing new structural demands upon the recipient. It would also be easier for new donors to join in without requiring renegotiation of the conditions. Also, since the recipient government knows that aid flows are linked to

outcomes, not to changes in donor policies and priorities, it could focus on achieving targets without fear that the aid might stop because of a change in government.

Critics of the COD aid model argue that because of the structural complexity of poverty, inequality and social exclusion, a government could fail to achieve outcomes because of factors that it could not have anticipated or would not have the capacity to address. In reality, it seems unlikely that donors would simply withdraw aid if outcomes were not met once, or there was good cause for missing the targets.

A relevant example is the strategy being proposed by the Clinton Health Access Initiative for malaria control in settings in which the conditions for the disease are endemic. Governments would receive funding provided malaria levels remained below a certain ceiling. However, should that ceiling be breached, funding would not be withdrawn, but greater control would be exercised by donors over policy and strategy until government performance regained the momentum necessary to reach the agreed outcomes.

While such an approach would address the problem of aid instability, it tends to undermine the national ownership of policies and strategies. Because of the ever-present threat that donors would step in to reassert controls (or withdraw funding), recipient governments would be less likely to employ new or innovative programmes because of the fear of the consequences for failure.

These issues lead to the natural question about who benefits most from COD Aid. Is it the recipient governments, who might prefer, in fact, other mechanisms more compatible with both aid stability and national ownership? Or is it primarily the donors, who can exercise more effective influence over how aid is allocated and how its impact is judged?

Enhancing Aid Effectiveness

Perhaps the main benefit of COD Aid could be its focus on measurable outcomes. For specific programmes, such as increasing the number of women attending ante-natal clinics, raising vaccination rates for children or reducing malaria prevalence rates, the outcomes could be easily monitored. And thus the efficiency of a particular aid-supported programme could be measured.

Such an approach could also help improve the monitoring and reporting mechanisms of recipient governments. This would be especially important in settings where a dearth of official records can contribute to the exclusion of individuals from vital welfare services.

But the benefits of such results-oriented programmes remain ambiguous. Does COD Aid provide the citizens in a country receiving such assistance a suitable set of measures against which they could judge the performance of their government? Or do such externally determined targets actually constrain governments from directly addressing the demands and wishes of the population?

Such results-focused external assistance could limit the scope for innovation and flexibility. And it could fail to address the constraints imposed by the underlying structural causes of poverty and inequality. Sadly, the record of donors in linking their programmes to wider development objectives is not commendable (see this author's recent [post on procurement policies](#)). In this sense, COD Aid does not offer an approach that avoids more of the same.

Summing Up COD Aid

So how should we evaluate COD Aid? Its advocates are certainly not claiming that it is a new magic bullet. Though it remains largely untested, it appears to have the potential for improving outcomes in specific areas that are particularly suitable to a result-based approach. Certain health programmes, for example, could show measurable gains from the COD Aid approach.

But some of its broad claims are questionable. For example, it will not necessarily improve national ownership. Also, it might not offer a more stable mechanism for aid flows. As discussed here, even when it helps stabilize aid, it could end up undermining national ownership. COD Aid is based upon the presumption that results-oriented aid is better and more efficient than other forms. But this claim, too, is problematic: in some cases and sectors such an approach might be more effective, in others it is likely not to be.

COD Aid is an approach that deserves to be tested. But even if successful, it could be only one tool amongst many in the necessarily complex efforts to reduce poverty, inequality and social exclusion. The danger is that once politicians seize upon this approach, they are likely to construct simplifying narratives based on largely unsubstantiated claims and propagate the misconception that achieving specific measurable outcomes are the Holy Grail for the optimal allocation of development financing.

For background material and more contributions on current development issues, see Michael Jennings's blog:
<http://mikejennings101.wordpress.com/>