



Cash on Delivery Aid: For Energy Access?

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*Results Based Approaches in Energy – Learning from Other
Sectors*

World Bank

May 7th, 2012

What is COD Aid?

- A contract: Funder pays a government \$XX for each increment of progress against an agreed outcome
- E.g.: \$100 for each additional child entering secondary school; each new household with access to water or electricity
- Donor pays annually over (at least) 5 years
- Following recipient's annual report on measured progress

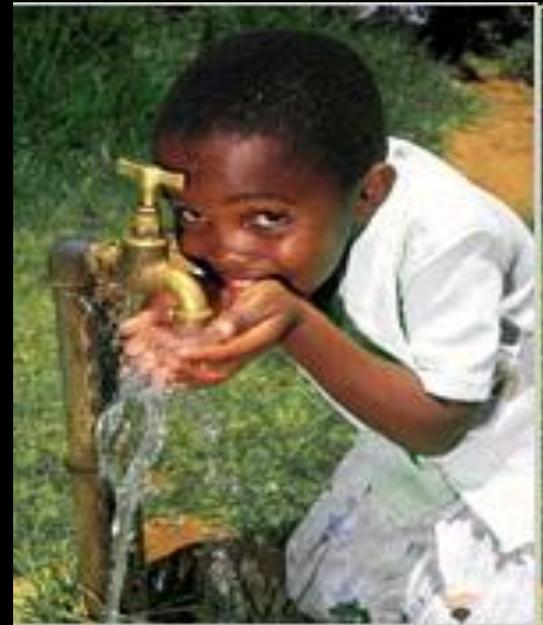
COD Aid a specific form of P4R:

- The “result” is an OUTCOME not an output or input
- Ideally it is a SINGLE outcome
- That can be measured in increments, e.g. percentage decline in deforestation; average increase in learning of schoolchildren; number of additional households with access to x am’t of water or energy
- (And can be independently verified)

COD Aid: Five Key Features

- Government paid for an outcome not inputs
- Hands-off funder (“ownership”)– unless asked
- Independent third-party verification
- Transparency through public dissemination
- Complementarity with input-based aid programs

Donors pay annually for outcomes not inputs... (5 years. . .)



Hands-off funder leaves plans and decisions to the recipient government ...

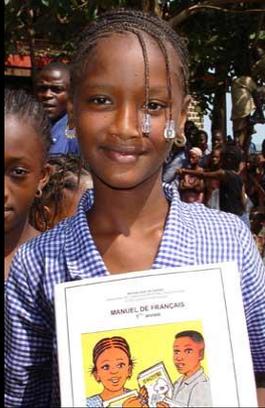


Photo: U.S. Department of State

Perhaps textbooks



Photo: Anna Lindh Euro Mediterranean Foundation

teacher training



Photo: Horizons Unlimited

improving roads so children can get to school



Photo: Pierre Holtz, UNICEF

early nutrition programs to boost learning outcomes



Photo: Prefeitura Municipal de Erechim

conditional cash transfers

... and changes in policies, bureaucratic rules, and/or political relations



pay incentives for teachers in rural areas



transferring authority to local government



making a deal with the union



changing the minister

The government's annual reports on results are independently verified...



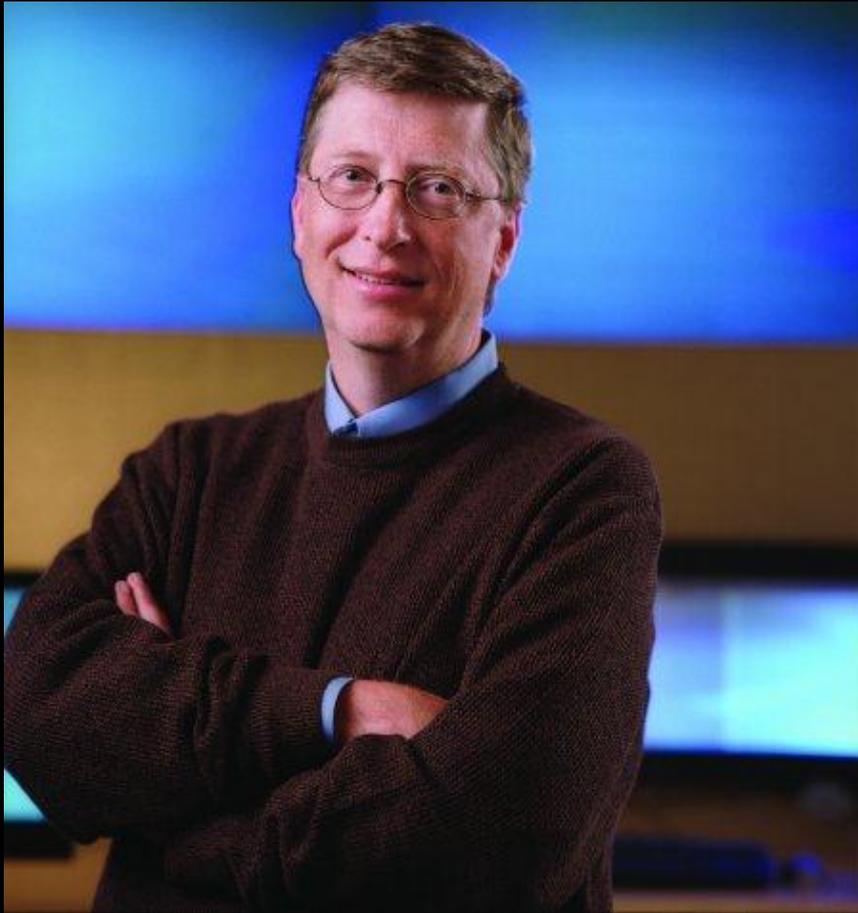
Contract, annual government-reported results, and annual third-party verification reports are all public...



Why COD?: Connects two major objectives of aid spending

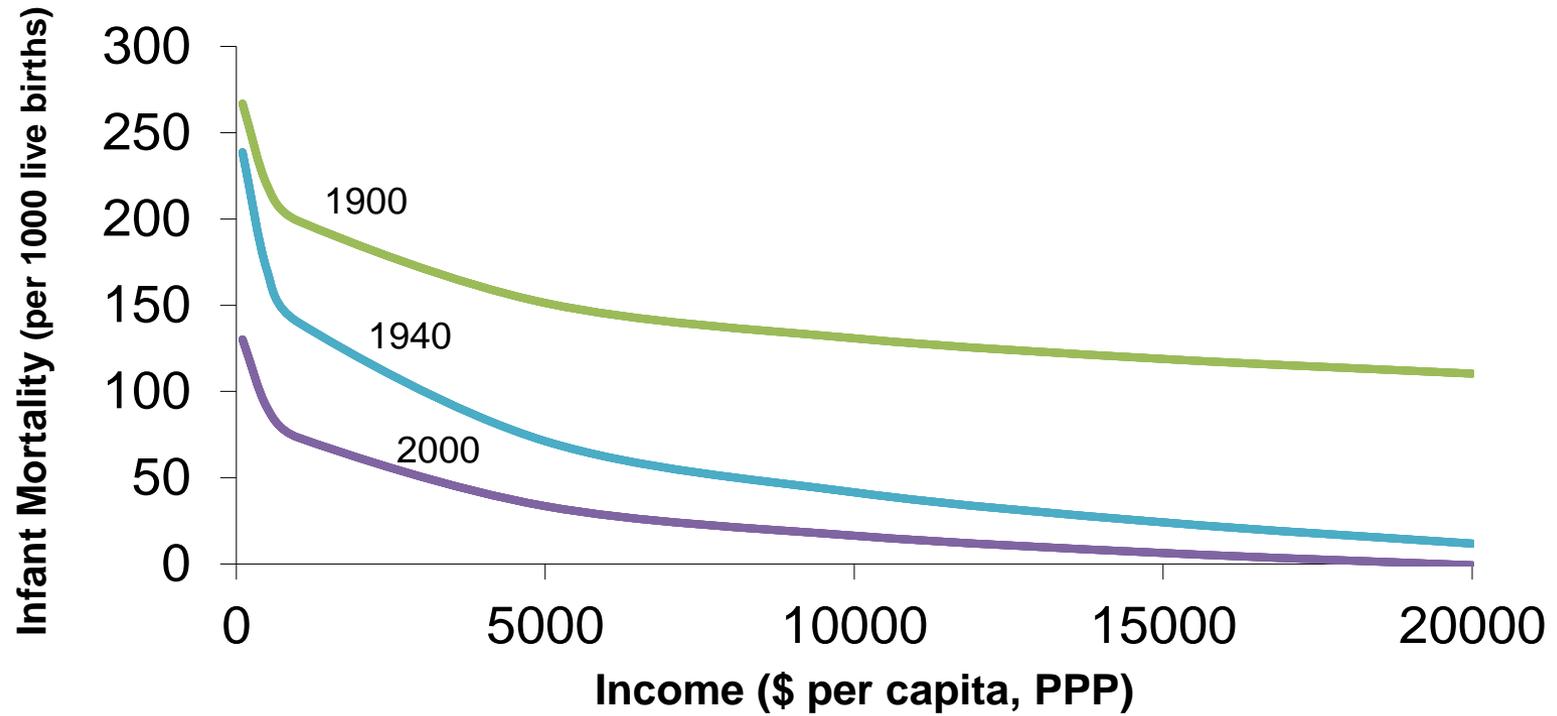
- Short term: To reduce poverty and improve well-being (better lives now)
- Long-term: To encourage broad-based growth and accountable government; build “institutions”; transform the state and society

Short term: Better lives now



Good
evidence
this works

Infant Mortality



Source: CGD Essay by Charles Kenny, February 2011

Long term: to transform state and society



Much
harder to
show
this works



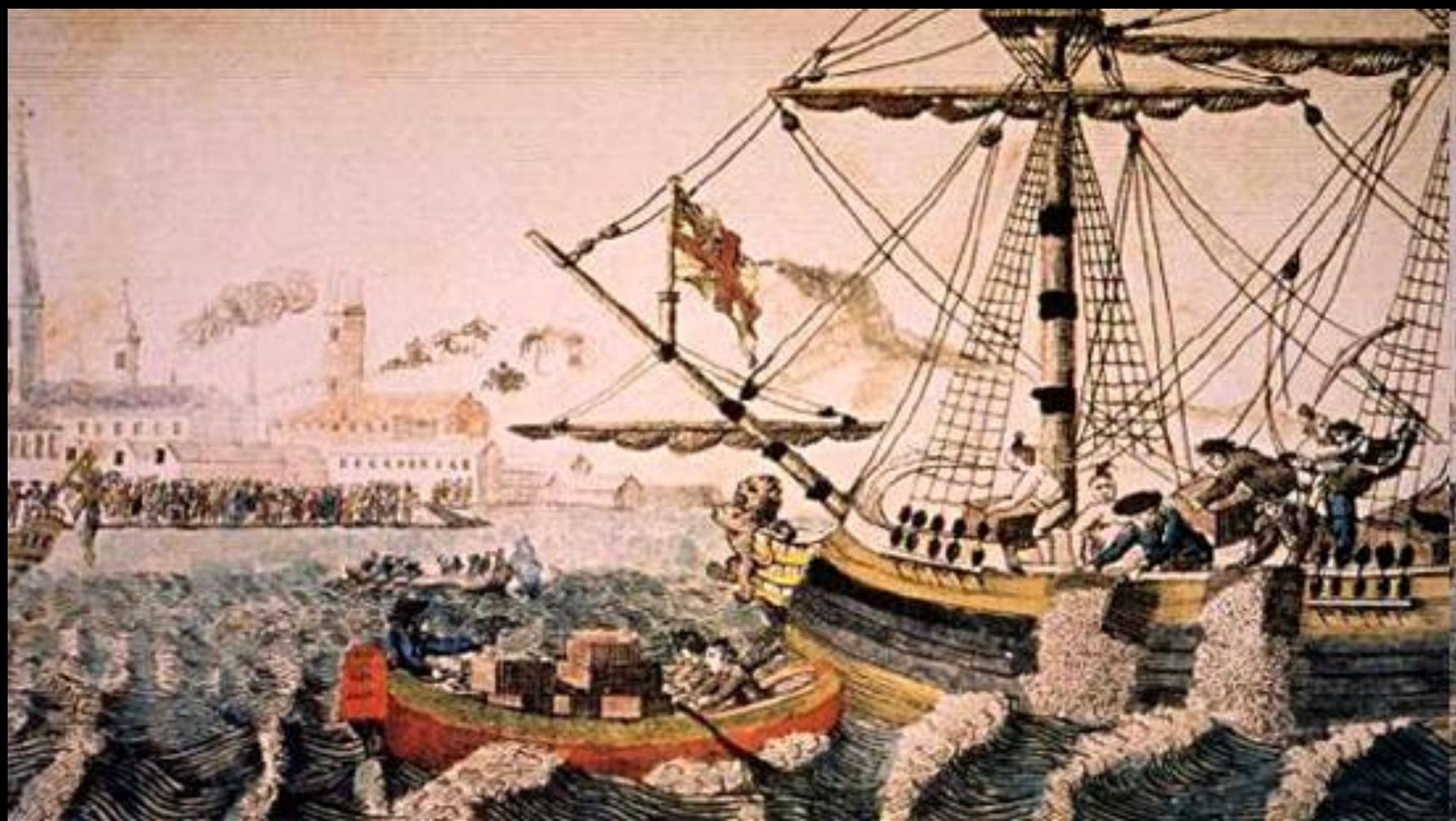
WORLD BANK HEADQUARTERS
Washington, D.C.

Why #2

- Makes recipient governments accountable to their own citizens -- by shifting responsibility and risk

World Bank loans and grants often put Bank between the government and its citizens: whether projects or PBLs





So: Why COD Aid?

- I. Links better lives now to long-term transformation
- II. Makes governments accountable to *their citizens*
- III. (Oh: And . . . helps funders focus on results instead of disbursements)

COD Aid #1: For increased rural access (only off-grid?; only “clean”?) , e.g.:

- Malawi government is paid \$XX for each new rural household with YY megawatts available
- By any process, product, at any price
- Via any provider: local private providers, co-ops, local govts; co-generation among households
- Creates incentive to fix policy, pricing, financing, other constraints; experiment and adapt; govt can pass on payment to providers

COD Aid #2: For increased urban access

- Donor pays Karachi (Pakistan) govt 10% “bonus” on revenue collected against (metered) billings for electricity
- Karachi govt supports higher tariffs; peak-load pricing; pays its own bills owed the utility(!); lobbies central govt on circular debt problem
- Innovates on guarantees to wary private investors

Common concerns

- Upfront costs
- Disbursement “risk”
- Attribution issue
- Donor staff expertise/role?
- What about waste and corruption?
- Fragile states: “capacity” constraints

Some benefits of COD Aid

- Governance; social contract
- Emphasizes measurement!
- Managing complexity: focus on results
- Funder experts respond to demand for ideas, for help, for consultants
- Allows for experimenting, adjusting
- Could leverage other money
- Helps meet Paris commitments
- Can try might work in fragile states

COD Aid in practice: examples under discussion



Ethiopia and Rwanda education pilots



Clinton Health Access Initiative: sustaining malaria control (Zanzibar)



CGD study group on financial incentives for tobacco control



African Development Bank: “cash for cash” – water bills paid? energy bills paid?

... More examples. .

FORMA: Forest Carbon Partnership
Facility

World Bank P4R?

“With Cash on Delivery, **developing countries can choose** which investments will move them forward most quickly.”

-Andrew Mitchell

“The idea is to give recipients more control over aid spending—long an aspiration of thoughtful activists who point to waste, bureaucracy, unpredictable flows and confusion among foreign-aid programs.... With cash in hand and new ideas, Britain **has a rare chance to blaze a trail.**”

-The Economist

“The central idea of handing over ownership to countries and paying for performance **is well worth experimenting with.**”

- Nicholas Kristof

“[The COD Aid approach] has the potential to change the relationship between donors and partner governments and reinforce the development community's **focus on results.**”

-Kofi Annan

“[COD Aid] is **especially refreshing** in an aid world with so much dogma about how to do specific aid interventions and far **too little reward for trial and error** experimentation...”

-Bill Easterly

“[COD Aid is] designed to **liberate donors from their usual bureaucratic constraints** and make recipient governments truly accountable to their own citizens. In fragile states, Cash on Delivery Aid offers one way for outsiders to **contribute to nation-building, helping to strengthen rather than undermine local institutions.**”

- Ashraf Ghani, Finance Minister of Afghanistan (2002-2004)

Some benefits of COD Aid

- Makes governments accountable to citizens not outside donors
- Expertise from outside (“technical assistance”) is demand- not supply-driven
- Can leverage non-public money
- Allows for experimenting, failing, learning
- Can work where governments weak – and help to strengthen them

Why?: When the enabling environment is the problem

- Problem is not technical or ROI but political and “policy” risk (pricing/local govt monopoly)
- Problem is not human “capacity” but system dysfunction, lack of incentives
- Problem is not lack of solution but social and political consensus on the “problem”
- Institutional and political change takes time; outsiders cannot do it