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## [Oaktree Exchange Goes Live: Owen Barder Online](#)

by [Owen Barder](#) on 3 Feb 2011 in [Overseas Projects](#) { [Edit](#) }



### **Whose country is it anyway?**

It was stifling hot in that room in Kampala. Education experts from sixteen donors sat sweating in their shirtsleeves. Four senior officials from the Ministry of Education dealt patiently with a variety of opinions and advice, some of it sensible, much of it contradictory. I was visiting from headquarters, to learn about how Uganda was improving its relations with donors.

The impression was of donors behaving as if they were the country's official opposition: demanding information, proposing alternatives, and holding officials to account.

Later, I challenged the donors about all this. Why were they so aggressively holding the government to account? They had an excellent answer: we have to demonstrate to our own taxpayers that the aid we give has been properly spent.

How can we square this circle? Donors must be accountable to their taxpayers and demonstrate that aid money has made a difference; but developing countries must be accountable to their own citizens, not to officials from foreign countries.

[Cash on Delivery aid](#), an idea developed by the [Center for Global Development](#) in Washington, may be part of the answer. If donors could link their aid to agreed outcomes, rigorously and independently measured, then developing countries could make their own choices about how to achieve those goals, and be accountable to their own citizens for the progress they make. They could draw in external expertise as they need it from the experts whose advice they value. They could decide for themselves what combination of public and private provision they prefer; and which priorities to pursue first.

Of course, there is some risk for developing countries that progress will not be made; and donor money will not be paid. But this is a much smaller risk than they face today: that donors will make an unpredictable decision to withhold or withdraw aid, for their own domestic political reasons. The path of outcomes against which COD aid would be paid – such as school completion or infant mortality – is much more predictable and stable than today's volatile aid flows. And donors (and their taxpayers) will at last be confident that their money is flowing to countries that are able to use it, and away from countries that are not yet in a position to do so.

This idea has yet to be tried in practice. It remains to be seen whether donors really can bring themselves to make a binding commitment to pay on results, and to avoid interfering in how those results are delivered. We do not yet know whether the money spent on process evaluation can be shifted into rigorous, independent measurement of outcomes. We do not yet know how innovative and successful developing countries can be, given the chance to make their own choices; and once the donors get out of the way, we don't know how quickly a stronger social contract will develop between citizens and their governments. All these uncertainties are strong reasons to test the idea of Cash on Delivery in pilots, using the additional resources from rising aid budgets.

Cash on Delivery is an effort to address a number of the problems of the aid system today. If it works, it offers the prospect of aid which respects country ownership, is stable and predictable, uses the systems of developing countries themselves, and enhances rather than diminishes domestic accountability.

## About Owen.Barder

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## 9 Responses to “Oaktree Exchange Goes Live: Owen Barder Online”

1.

Michael B 3 Feb 2011 at 3:55 pm # [Edit](#)

Hi Owen,

Thank you very much for being part of this Exchange.

This is a very sensible idea. There are a few things, however, which I feel it could fail to address if not planned carefully. Mostly to do with the often complex social controls on some poverty metric. Say, for example, a donor offers to pay X dollars for every child under 5 in Pakistan who is removed from the malnourished statistic. That's a great goal, and depending on X a great incentive too, but it fails to address what many people might regard as the real problem – gender inequality, resulting in malnourished women who give birth to low-birthweight babies, and women who have less say about how food resources are directed within the household.

Just a thought. I'd love to hear yours.

Kind regards,  
Mike.

[Reply](#)

2.

Cat S 3 Feb 2011 at 4:54 pm # [Edit](#)

Hi Owen

I wonder if COD would operate more effectively in a more holistic and flexible framework that responds to community needs, rather than as a blanket approach by donor countries. For example, promoting COD where ever possible but acknowledging sectors/individual cases where it might not work and using other innovations in aid effectiveness as an alternative.

Bottom up scrutiny of aid deliverables (covered in Colliers 'The Bottom Billion' around p 50) works on similar outcomes based logic to COD but is about communities being informed, through education and awareness, of what deliverables they are meant to benefit from and thus being able to hold government and NGOs to account.

Do you think something like this could be complementary to COD and insulate against some of its negative effects?

[Reply](#)

3.

Louise 3 Feb 2011 at 4:57 pm # [Edit](#)

Hi Owen,

Thanks for sharing your thoughts on Cash on Delivery Aid. I was just wondering: Cash on Delivery aid promises to increase the accountability of governments to their people partly by making the process

more open and visible to the 'recipients'. Do you think this is enough to improve accountability or are there still significant barriers to people on the ground being able to access this information and make use of it? (For example, if the method of distribution is the Internet or it's not publicised in a way that makes it truly accessible to people).

It would be interesting to hear based on your experiences in Africa whether you think it's realistic to expect simply publicly releasing this information will have the desired outcomes. Perhaps you know of more effective ways to inform the wider community about how the aid is being used and what progress has been made?

I hope that makes sense!

Thank you,  
Louise.

[Reply](#)

4.

Owen.Barder 3 Feb 2011 at 7:03 pm # [Edit](#)

@Michael – I agree that this won't solve every problem; and you are certainly right that gender inequality is a hugely important issue. But I think it would be a mistake to expect any aid programme to solve every problem; at the moment we provide aid for things like education and health in ways which are no more (and no less) likely to solve the problems you identify. And to the extent that societies do tackle those long term social and institutional changes, so improving (for example) maternal health, a Cash on Delivery pledge on maternal mortality will reward them for doing so.

@Cat – Yes, COD should be part of a broader set of relationships. For example, in the face of a natural disaster, I would not expect COD aid to be the most useful instrument to respond to community needs. But we should take care not to be too prescriptive about how communities address their own challenges.

You are absolutely right about the need for communities to be aware, through awareness, transparency and education, about the services they should expect. I certainly think this should be a complement to Cash on Delivery. The aidinfo team, which I used to lead, has coincidentally posted today an excellent presentation which sets this argument out in more detail. Take a look at:

<http://www.aidinfo.org/iati-presentation/player.html>

@Louise – I certainly don't think that Cash on Delivery aid is enough, on its own, to improve accountability, though I think it will help. Today's presentation by aidinfo (link just above) gives some great examples of how transparency increases accountability, reduces diversion of money and improves service delivery.

I think that governments and donors should find ways to release information in a way that is open, accessible and re-usable. Most people who use information will get through information intermediaries – whether media, websites, text messages, civil society organisations, or community leaders. The job of government and donor is not to try to serve all the different needs for information, but to ensure that these information intermediaries are able to get easy access to the information they need in a format they can easily and cheaply use.

One advantage of Cash on Delivery is that it makes it quite clear that it is the government which is

responsible for seeing to it that services are delivered. If they deliver, they can rightly claim the credit; if they fail, they cannot blame donor conditions and interference. This may help to strengthen the accountability relationship between government and their citizens; but I don't think even the most ardent supporter of Cash on Delivery would pretend that this alone will solve all the questions of accountability and aid effectiveness.

Owen

[Reply](#)

5.

Sahil S 3 Feb 2011 at 9:23 pm [# Edit](#)

Hi Owen,

I'm not familiar with the mechanics of overseas aid, but I'd imagine in many cases donors would give a significant proportion of overall aid promised at the startup phase of a project, covering initial capital costs (building, training etc). In doing so, donors share some of the "outcome risk" with recipients.

If this is the case, given it awards funds retrospectively, COD presumably can't help any recipients in need of startup capital? Does this exclude many (most?) worthwhile aid projects?

Thanks

[Reply](#)

o

Owen.Barder 4 Feb 2011 at 12:43 am [# Edit](#)

@Sahil

Yes and no.

You are absolutely right that, under the present conventional system, money is provided up front for the start up phase of a project. However, money is provided only after considerable effort and form-filling, and only for programmes which donors decide they are willing to fund; and the donors often have strong views about what should and should not be done. Some development programmes which have been successful, such as fertilizer subsidies in Malawi, were not financed by donors at the outset because the donors were not sufficiently convinced of their merits.

Under Cash On Delivery, as you rightly say, the donors would not make payments until the results are achieved. They would, however, make a binding promise at the outset, which turns the future social benefits (reduced maternal mortality, primary school completion etc) into fiscal revenues. That promise would enable a developing country to invest their own money, or raise money from other sources, because they know that if the programme is successful they will have a revenue stream with which they can remunerate the funder. They could, for example, enter into back-to-back contracts with private providers, on a pay-for-performance basis; they could borrow money from social investors willing to provide temporary finance who are convinced of the merits of the plan; or they could raise the necessary start-up money from philanthropic

foundations and other donors who want to make temporary, short term grants for development but who want to avoid being sucked in to long term financing of recurrent costs.

This means that Cash on Delivery widens the field of possible funders for developing countries. Today, they have to persuade a handful of donors, who often act in concert, of the merits of their plan to get funding; under Cash on Delivery they have a much wider and more diverse field of possible funders, and they need only to find an organisation which is sufficiently convinced of the merits of the scheme to put up the start-up money temporarily, knowing that if and when they succeed the investment can be repaid.

Furthermore, the proposal for testing the merits of Cash on Delivery is that a part of the rising aid budget be pledged in this way, rather than through conventional aid. That means that the whole of the aid budget which is currently being provided is available to developing countries to finance the up-front investment needed.

So, yes: it is true that recipients would have to find the start-up costs; but that is true today, and Cash on Delivery breaks the monopoly that traditional donors have today on deciding what should proceed, allowing recipients to raise the money from a much wider variety of possible funders, whether from their own resources, continuing conventional aid flows, social investors, or one-off support from other public and private donors.

Owen

[Reply](#)

6.

[Paddy](#) 4 Feb 2011 at 11:02 am [# Edit](#)

Hi Owen,

Thanks for your very interesting blog.

I just have a quick question – do you believe the COD system could circumvent the important work of civil society in development, namely NGOs and the private sector, by placing all the responsibility on government? As you note in reply to Louise’s post above, COD “makes it quite clear that it is the government which is responsible for seeing to it that services are delivered” – however, isn’t it also the case that, particularly in developing societies, civil society also plays a crucial role in delivering much-needed services, such as education (albeit informal), health, and even income-generation?

I wonder if the COD concept places too much emphasis on the role of government in development, and not enough on NGOs and other civil society organisation.

Thanks again!

[Reply](#)

o

Owen.Barder 4 Feb 2011 at 3:22 pm [# Edit](#)

@Paddy

You are absolutely right that, in many countries, civil society plays an important role in service delivery (for example, in health and in education).

I strongly believe that it is for the nation itself, not for donors from outside, to decide the appropriate balance of government, civil society and private sector provision of services. These are issues on which different communities can sensibly reach different conclusions.

One advantage of Cash On Delivery aid is precisely that it allows a nation to decide this for itself. The donor promise of payment on results enables a government either to go ahead and deliver those services itself, or to pass on the offer to civil society organisations and to the private sector if the nation decides this is how they want to organise their service delivery. Conventional aid does not give countries the ability to make that choice for themselves.

Civil society also plays a crucial role in holding governments to account. With conventional aid, this is very difficult, because it is difficult to disentangle whether success and failure are the responsibility of the government or of donors who have actively engaged in determining policies and priorities, and whose own behaviours have an important influence on whether the aid works. With Cash on Delivery, responsibility lies squarely with the government.

Owen

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