

# Contents

*Foreword* ix

*The Report Team* xi

## **Overview Rethinking the Money and Ideas of Aid 1**

- The New International Environment 7
- New Thinking on Development Strategy 9
- Money Matters—In a Good Policy Environment 14
- Aid Can Be the Midwife of Good Policies 17
- Money Matters—In a Good Institutional Environment 19
- Aid Can Be the Midwife of Good Institutions 21
- Money, but More Ideas, Too 23

## **1. Money Matters—In a Good Policy Environment 28**

- Different Countries, Different Fortunes 29
- Why the Divergence? 32
- In Countries with Good Management . . . 34
- Aid Has Not Favored Countries with Good Management 40
- Be Focused 44

## **2. Aid Can Be the Midwife of Good Policies 47**

- Money—Good or Bad for Reform? 48
- Ownership—What Money Cannot Buy 50
- Fomenting Reform 53
- If Commitment, Money—If Not, Ideas 58

## **3. Money Matters—In a Good Institutional Environment 60**

- Fungibility? 62
- Public Spending—Quality not Quantity 74
- What Should Donors Do? 78

## **4. Aid Can Be the Midwife of Good Institutions 83**

- Better Public Provision 84
- Public Provision without Public Providers 92
- Making Aid Work for Better Public Services 96

## **5. Money, but More Ideas, Too 103**

Vietnam: Adjustment without Lending 105

El Salvador, Pakistan, and Brazil: Education's Decentralization  
and Reform 108

Cameroon: Health Financing and Delivery 111

Africa's Road Maintenance Initiative 113

Conclusion 115

## **Appendixes 121**

Estimating the Effect of Aid on Growth 121

Explaining the Success or Failure of Structural Adjustment  
Programs 126

Analysis of the Fungibility of Foreign Aid 130

The Impact of Civil Liberties and Democracy on Government  
Performance 135

Estimating the Impact of Analytical Work 139

## **Selected Bibliography 143**