1. From ‘fragile states’ to ‘states of fragility’

2. Reducing poverty will hinge on success in building resilient institutions

3. Better allocation and smarter use of development assistance

4. Looking beyond ODA
From ‘fragile states’ to ‘states of fragility’
List of Fragile States used in this report

50 COUNTRIES:

- 1.4 billion people
- 20% of the world’s population (2015)
- Projections: 1.9 billion in 2030; 43% of people living on less than $1.25 a day, 62% by 2030
- Median age: 21 years, compared to the global median of 30 years

Sources for list:
(1) World Bank
(2) Fund for Peace
At risk and vulnerable countries in 2 or more clusters
Reducing poverty will hinge on success in building resilient institutions.
Fragile States reach fewer MDGs

- There is **absolute progress** - fragile states have increased primary completion rates by nearly 25%, compared to <15% for other developing countries.

- **BUT**

  Fragile states will **achieve fewer MDGs** than other developing countries.
Reducing poverty will require addressing fragility

Figure 2.5. (Q.3) Fragility and poverty projections
Poverty rate at USD 1.25/day

Number of people in fragile states list below the 1.25/day poverty line (millions)

Base case, 480
Improved institutions, 422
Improved policies and institutions, 351
3

Better allocation of development assistance
Some good news: ODA per capita to FCAS has grown over MDG period.
However: Serious ODA imbalances

Geopolitics in the MDG era:
22% of ODA to FCAS allocated to Afghanistan and Iraq

Aid orphans in the MDG era:
10/11 of the world’s aid orphans have been FCAS

ODA/capita range: $1000 to $29
ODA is not aligned to PB/SB in fragile states

- Alignment to PSGs **weak** in FS: 1.4% to security, 3% to justice, 4% to political reform
- Similar investment **pattern** to other developing countries
- Less ODA for **economic infrastructure** than other developing countries

![Pie chart showing ODA allocation](chart.png)

- **Non-PSG allocated aid, 46.09%**
- **Legitimate politics, 4.01%**
- **Security, 1.40%**
- **Justice, 3.13%**
- **Econ. foundations / revenues and services, 45.37%**
How about Germany’s funding of PSGs?

- **Legitimate Politics**: 8%
- **Security**: 1.2%
- **Justice**: 1.5%
- **Econ. Foundations / Revenues and Services**: 53.2%
- **Non-PSG allocated**: 36.2%

Total PSG allocated: 63.8%
Towards smarter aid for fragile contexts?
– Some examples...

• **Adapt traditional modalities**
  – E.g. Somalia Special Finance facility
  – General and sector budget support with special safeguards
  – Multilateral joint trust funds and pooled funds
  – Conflict and stabilisation funds
  – Hybrid facilities

**Innovative aid instruments and partnerships need strengthening**
  – “matching funds”
  – New technology and communications
  – South-South / triangular cooperation
  – Regional capacities to address fragility
Looking beyond ODA
Flows to ‘fragile states’ put in perspective
Remittances, FDI, ODA and OOF to fragile states, 2000-2012

- ODA remains largest flow to LDCs among them, but small in MICs
- Remittances: largest aggregate flow, but concentrated in small # of countries
- FDI negligible (only 6% of global FDI)
- Illicit flows undercut all these investments
To download the full report, visit:
www.oecd.org/dac/governance-peace