This 2015 OECD report on fragility contributes to the broader debate to define and implement post-2015 Sustainable Development Goals (SDGs). It points out that addressing fragility in the new framework will be crucial if strides in reducing poverty are to be made. It argues in favour of proposed SDG 16 – promoting peaceful and inclusive societies – which aims to reduce violence of all forms.

The 2015 report differs markedly from previous editions as it seeks to present a new understanding of fragility beyond fragile states. It assesses fragility as an issue of universal character that can affect all countries, not only those traditionally considered “fragile” or conflict-affected. To do so, it takes three indicators related to targets of SDG 16 and two from the wider SDG framework: violence, access to justice, accountable and inclusive institutions, economic inclusion and stability, and capacities to prevent and adapt to social, economic and environmental shocks and disasters. It applies them to all countries worldwide, and identifies countries that rank among the 50 with the highest vulnerability risk in more than one dimension. The group of countries most challenged on all five fronts differs little from the traditional list of fragile states and economies. Still, several middle-income countries with disproportionately high levels of crime-related violence, sub-national conflict or poor access to justice move into the spotlight. The report concludes that making headway on the targets will require building a new portfolio of tools and interventions, and an understanding of the role the international community should and can play in assisting this process.
Editorial

This year has the potential to be a turning point in the history of poverty reduction. As the end of the Millennium Development Goals (MDG) draws closer, we are witnessing progress given that extreme poverty has been halved worldwide, although the majority of fragile states and conflict-affected countries have not met the MDG targets. It is worthy to note that the MDG framework did not address the challenges faced by fragile and conflict-affected countries nor the context within which the MDGs were being implemented in fragile situations. It is evident that 15 years on, fragile and conflict-affected countries have been left behind. In the run-up to the Special Summit on Sustainable Development in September 2015, the UN Secretary-General’s synthesis report puts forward “justice – promoting safe and peaceful societies, and strong institutions”, as one of the “six essential elements” for delivering the Sustainable Development Goals (SDGs) for post-2015. The proposed goal on justice and peace will be an important step in tackling the challenges faced in fragile environments.

For this reason, the States of Fragility 2015 is highly relevant as it underscores just how important it is to recognise the nexus between fragility and poverty. The universal character of the post-2015 development framework calls for a broader understanding of fragility, risk and vulnerability. The nature of fragility has evolved over the past decade and so must our thinking. Conflict remains unparalleled and it can reverse national development gains by more than 20 years. Recent assessments of fragility have shown that the key drivers of conflict in many of the fragile and conflict-affected countries often revolve around injustice, inequality, ethnic tensions and, in extreme cases, religious radicalisation of various kinds. Climate change, environmental disasters and pandemic diseases such as Ebola have also exposed the vulnerabilities of many countries, from small island states in the Pacific to post-conflict West African states. Weak institutions could also be a source of collapse in seemingly strong states.

This report presents a truly innovative attempt to capture the diversity of risks and vulnerabilities that generate fragility in its many forms. It does so by looking at five main dimensions and identifying the countries and economies the most vulnerable to them. The work presents some astonishing facts, and opens up new perspectives and proposes a new course of action. A huge political push is now needed to radically improve the ways in which the New Deal principles are implemented, and to deliver results on the ground. Providers of development co-operation must reflect on the conclusions of this report, and channel their support to build peace and effective institutions in line with the national priorities of partner countries.

Much research is already underway in the run-up to the UN Special Summit on the Sustainable Development Goals framework. This report stands out because of the practical tool it offers for understanding and monitoring the multidimensional nature of fragility across the globe. Given the universal aspirations of the emerging SDG framework, the model proposed in this report could be highly relevant to the work underway to develop an SDG framework that is all encompassing. For these reasons, we hope that it will be developed further to support the UN-led sustainable development agenda and the goal of promoting safe and peaceful societies and strong institutions.

Erik Solheim
Chair,
Development Assistance Committee (DAC),
Organisation for Economic Co-operation and Development (OECD)

Dr Kaifala Marah
Minister of Finance and Economic Development,
Sierra Leone,
Co-Chair of the International Dialogue,
and Chair of the g7+ group of fragile states
Executive summary

Addressing fragility will be central to realising the post-2015 Sustainable Development Goals

States of Fragility 2015 is published at an important time for international development co-operation. In 2015, the world’s governments will agree on a successor framework to the Millennium Development Goals (MDGs). This framework will be more ambitious than ever, requiring in turn more urgent efforts to reduce the persistent poverty in fragile situations and strengthen the institutions that can deliver economic and social development.

Fragile states and economies lag behind in achieving the Millennium Development Goals

Many fragile states and economies have made important strides toward reaching the MDGs, but as a group they have lagged behind other developing countries. Nearly two-thirds of those now considered fragile are expected to fail to meet the goal of halving poverty by 2015. Just one-fifth will halve infant mortality by 2015, and just over one-quarter will halve the number of people who do not have access to clean water. These trends point to a growing concentration of absolute poverty in fragile situations. Today, the 50 countries and economies on the 2015 fragile states list (which is a sample group for analysis) are home to 43% of people living on less than USD 1.25/day; by 2030, the concentration could be 62%.

Fragility should be assessed differently in the post-2015 era

This report offers a new tool for assessing fragility that is more comprehensive than the traditional single categorisation of “fragile states”, and recognises the diversity of risks and vulnerabilities that lead to fragility. It identifies countries the most vulnerable in five dimensions of risk and vulnerability linked to fragility, and asks how likely they are to achieve the UN Open Working Group’s post-2015 goals and targets in those five dimensions: 1) violence (peaceful societies); 2) access to justice for all; 3) effective, accountable and inclusive institutions; 4) economic foundations; 5) capacity to adapt to social, economic and environmental shocks and disasters.

This approach to assessing fragility can help to identify national and international priorities by shedding light on which countries are the most vulnerable to risks, and can inform international financing allocations. This report proposes a model that can be modified to reflect the final negotiated development framework that will emerge in late 2015.

Left unaddressed, fragility will impede the post-2015 development goals

The goal of eradicating poverty will remain beyond the reach of many countries unless concentrated efforts begin now to address fragility. If institution building and conflict reduction continue at their existing pace, by 2030 nearly half a billion people could remain below the USD 1.25/day poverty line. Under a moderately optimistic scenario, in which countries’ institutions develop and conflict declines faster, that figure could reduce to 420 million people. A best-case scenario of rapid institution building and a widespread decline in conflict would reduce poverty to 350 million people.

Aid fills a significant finance gap in many fragile states, but there are huge imbalances in its distribution

While per capita official development assistance (ODA) to fragile situations has almost doubled since 2000, aid is distributed unevenly. Afghanistan and Iraq received significant flows in the MDG era – 22% of all ODA to fragile states and economies. At the same time, 10 of the world’s 11 aid orphans have been part of this pool of countries.

Remittances, the largest aggregate flow to fragile states and economies, benefit a small number of middle-income countries with big diaspora populations. Only 6% of foreign direct investment (FDI) to developing countries in 2012 went to fragile situations, and it was concentrated in just ten resource-rich countries.

Development finance can be better monitored and targeted at reducing fragility

Aid budgets are still adapting to the Peacebuilding and Statebuilding Goals (PSGs) endorsed in 2011 by conflict-affected and fragile countries, development partners and civil society. While there is no agreed framework for tracking aid to support the PSGs, a working model found that it remained low in 2012. Just 4% of ODA to fragile states and economies was allocated to the PSGs for legitimate politics, 1.4% for security and 3% for justice.

Some evidence suggests that aid is better aligned to needs for institution building: least developed countries (LDCs) with lower levels of institutional capacity receive higher per capita ODA financing. A significant burden of violence is concentrated in lower middle-income countries (LMIC), however, and these contexts receive relatively limited per
capita aid flows. Vulnerability to shocks and disasters is greatest among a cluster of LDCs and LMICs, but ODA to these states is not commensurate with their greater exposure.

Scaling up ODA to the poorest and most fragile countries could help to make greater inroads into reducing fragility in the post-2015 era, as can non-concessional finance to middle-income countries and investments in global public goods.

New norms are needed for tracking spending on peace and security

No international norms exist for tracking peace and security spending. Only UN peacekeeping (almost USD 8.5 billion per year) and ODA expenditures on security are tracked. A small portion of ODA, just 1.4% in 2012, is spent on security sector reform in fragile states. Agreeing on targets and norms for monitoring spending on global peace, security and conflict prevention would sharpen the focus on the quality of international efforts to prevent and reduce crises.

National ownership and international commitment are needed to reduce fragility

Fragile states have untapped opportunities to pursue development. Capitalising on them will require national ownership, international commitment and innovation. Multi-sectoral efforts to reduce violence, build trust in government and improve the quality of public services will be key to achieving a post-2015 goal for peaceful and inclusive societies.

Aid will need to be much smarter in the post-2015 era

The post-2015 debate offers a historic opportunity to make the international approach to fragility and financing “fit-for-purpose”. Far greater international political will is needed to support nationally owned and led plans, build national institutions at a faster rate, and help countries to generate domestic revenues and attract private finance. To this end, donors must be more flexible and risk tolerant to on-budget aid modalities that build national institutions. The international community can also develop more demand-driven aid innovations that support domestic revenue generation, enable South-South and triangular co-operation, and make greater use of public finance instruments that help to attract FDI.

Fragility in the post-2015 framework

International fragility policy is evolving

In 2015, the world’s governments will agree on a successor framework to the Millennium Development Goals (MDGs). This framework will be more ambitious than ever. It will be universal and will encompass a great many aspects of economic, social and environmental sustainable development.

The States of Fragility 2015 report looks ahead to the challenges that fragility will pose to delivering these goals by 2030. It is structured around eight questions that are introduced in this first chapter and then examined in more detail in subsequent chapters. Chapter 2 sets out the big picture: the challenges fragile countries face in achieving development goals and the obstacles to development posed by fragility across all countries in the post-2015 era. Chapter 3 takes stock of international financing for fragile situations. Chapter 4 outlines the opportunities and priorities for moving from fragility to resilience post-2015. Annex A describes the methodology underlying the three approaches to capturing the complexity of fragility that are presented in this report. Annex B provides additional statistical data related to some of the issues explored in the main body of the report.

The major findings of the report are relevant no matter how the post-2015 goals and targets are finally framed. Fragility can impede development in all countries. Building more resilient states that have the capacity and legitimacy to govern effectively and investing in global public goods will be essential for meeting global aspirations in the post-2015 era.

Question 1: How have fragile states fared in meeting the Millennium Development Goals?

Fifty countries and economies are on the 2015 fragile states and economies list, the sample group for analysis in the report. Almost half of them (23) have featured on all lists since 2007. Today, these countries are home to 43% of people living on less than USD 1.25 a day; by 2030, poverty is likely to be even more concentrated in fragile countries.

The MDGs were ambitious targets for all developing countries, but have been most challenging for fragile states. While many of these countries have made important strides in improving human development, as a group they have lagged behind other developing countries’ MDG performance.
According to World Bank data, nearly two-thirds of countries and economies in this group are expected to fail to halve poverty by 2015. By 2015, one-fifth of them will reduce child mortality by two-thirds and just over a quarter of them will halve the number of people who do not have access to clean water. While some fragile states have made major improvements in child survival and access to basic services, trends in global progress towards the MDGs still point to a growing concentration of poverty and weak human development in countries affected by fragility. Chapter 2 provides a more detailed evaluation of the progress towards the MDGs.

**Question 2: How should fragility be assessed post-2015?**

The MDGs did not include measures to reduce fragility or build state capacity and social and economic resilience. The lack of focus on peacebuilding and statebuilding in the MDG era appears to have compounded the slower rates of relative progress in development outcomes in fragile states.

While it is now widely recognised that the quality of institutions plays a central role in shaping development progress, there have been no formalised goals to support governance systems, and no targets to guide and monitor progress. The United Nations Open Working Group (OWG) on Sustainable Development Goals (SDG) responded to this omission. It acknowledged the interdependence of peace, institution building and development by proposing as a goal the promotion of “peaceful and inclusive societies for sustainable development”, as well as goals and targets for more inclusive and sustainable social, economic and environmental development.

A more universal approach for assessing fragility will be needed in the post-2015 period, one that moves beyond a single categorisation of fragile states toward measures that capture diverse aspects of risk and vulnerability. This report proposes a working model for analysing all countries’ risks across five clusters of fragility indicators: 1) violence; 2) access to justice for all; 3) effective, accountable and inclusive institutions; 4) economic inclusion and stability; 5) capacities to prevent and adapt to social, economic and environmental shocks and disasters. This model is put forward to stimulate fresh thinking and new ideas about these dynamic states of fragility and how to better track needs, aid flows and progress in achieving the SDGs in fragile situations. The approach to assessing fragility proposed here provides a basis for further development once the post-2015 goals, targets and indicators have been finalised.

The five proposed dimensions of fragility reveal distinct patterns of vulnerability. Countries vulnerable across multiple dimensions are most likely to have been identified on the fragile states list, but many lower middle-income countries are vulnerable to the risks of violence, economic shocks and natural disasters. Many of these countries are in Latin America and the Caribbean. Twelve countries identified as vulnerable in the economic inclusion and stability cluster have never been on a fragile states list.

A universal approach to assessing fragility has multiple benefits. It can help to identify priorities by highlighting countries that are vulnerable to specific risks and reversals of development gains; it can inform international priorities for jointly reducing fragility; and it can continue to focus efforts on making progress in the poorest and most fragile situations. A clustering approach also addresses some of the drawbacks of a single fragile states list. For example, countries themselves do not always find it helpful to be on the list. A single index can also miss important risks that interact with weak institutions and fragility such as climate change, pandemic threats and transnational organised crime.

The venn diagram on page 8 of this document illustrates the five-cluster working model presented in the report. Each of these five clusters – violence, justice, institutions, economic foundations, and capacity to adjust to shocks and disasters (resilience) – is represented as an oval. In the original analysis, each oval included the 50 countries and economies that showed the highest vulnerability and risk associated to the cluster in question. Here, we focus on those countries that rank among those 50 in more than one aspect. The 9 countries at the centre of the diagram rank among the 50 most vulnerable countries in all 5 clusters simultaneously. Moving out from the centre, those listed in the overlapping areas are among the 50 most affected in four, three and two clusters. The methodology for the clustering is presented in Question 2 and Annex A of the main report.
THE FIVE DIMENSIONS OF FRAGILITY

VIOLENCE
Reduce all forms of violence and violent deaths everywhere.

- Battle deaths (Uppsala University, 2014).
- Interpersonal injuries – disability adjusted life years (DALYs) (WHO, 2014).
- Political instability – average of figures, perceptions of the likelihood of political instability and/or politically motivated violence including terrorism (World Bank, 2014).

JUSTICE
Promote the rule of law at the national and international levels, and ensure equal access to justice for all.

- Birth registration – percentage of children under age 5 whose births are registered (UNICEF, 2014).
- Control of corruption – average of figures, perceptions of the extent to which public power is exercised for private gain (World Bank, 2014).
- Rule of law – average of figures, perceptions of the extent to which agents have confidence in and abide by the rules of society (ibid).

INSTITUTIONS
Develop effective, accountable and transparent institutions at all levels; reduce illicit financial flows and combat organised crime.

- Government effectiveness – average of figures, perceptions of public services, quality of civil service, degree of independence from political pressures, quality of policy formulation, credibility of commitment to policies (World Bank, 2014).
- Regulatory quality – average of figures, perceptions of the ability of government to formulate and implement sound policies and regulations that permit and promote private sector development (ibid).
- Voice and accountability – average of figures, perceptions of the extent to which a country’s citizens are able to participate in selecting their government, freedom of expression and association, free media (ibid).

ECONOMIC FOUNDATIONS
Reduce youth unemployment; promote economic, social and political inclusion.

- Doing Business Index – ease of doing business, average of a country’s percentile rankings on ten topics (World Bank, 2013).
- Education years – scaled years of education (Barro and Lee, 2010).

RESILIENCE
Reduce exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters; build adaptive capacity.

- Income inequality (Gini Index) (International Futures Model, 2014).
- Vulnerability – estimates the disaster risk of a country using internal and external factors (UNU-EHS, 2014).

Sources:
Barro and Lee (2010), www.barrolee.com
International Futures model (2014), www ifs du edu
UNU-EHS (2014), www.who.int/publications/search?k=Vulnerability
Uppsala University (2014), www.pcr uu.se/research/ucdp/datasets/ucdp_battle_related_deaths_dataset
World Bank (2013), www.doingbusiness.org/rankings
VENN DIAGRAM REPRESENTING FRAGILITY CLUSTERS ACROSS STATES AND ECONOMIES

HIGHLIGHTS

Institutions

Economic Foundations

Resilience

Justice

Violence

Central African Republic, Chad, Democratic Republic of the Congo, Côte d’Ivoire, Guinea, Haiti, Sudan, Swaziland, Yemen

Afghanistan, Bangladesh, Libya, Myanmar, Pakistan, Venezuela

Algeria, Iraq, Iran

Benin, Burkina Faso, Kiribati, Sao Tome and Principe, Suriname

Cameroon, Lao PDR

Cameroon, Congo, Madagascar, Sierra Leone

Central African Republic, Chad, Democratic Republic of the Congo, Côte d’Ivoire, Guinea, Haiti, Sudan, Swaziland, Yemen

Equatorial Guinea, Eritrea, Guinea-Bissau, Mauritania, Togo, Zimbabwe

Honduras, Lesotho, Mali, West Bank and Gaza Strip

Gambia, Malawi, Mozambique, Niger, Timor-Leste

Iran, Iraq

Comoros, Congo, Madagascar, Mauritania, Togo, Zimbabwe

Kenya, Uganda

Honduras, Lesotho, Mali, West Bank and Gaza Strip

India, Kosovo, Panama

India, Kosovo, Panama

Angola, Liberia

Cambodia, Fiji, Tajikistan, Turkmenistan

Cambodia, Fiji, Tajikistan, Turkmenistan

Papua New Guinea, Solomon Islands, Zambia

Papua New Guinea, Solomon Islands, Zambia

Equatorial Guinea, Eritrea, Guinea-Bissau, Mauritania, Togo, Zimbabwe

Equatorial Guinea, Eritrea, Guinea-Bissau, Mauritania, Togo, Zimbabwe

Note: The 9 countries at the centre of this Venn diagram rank among the 50 most vulnerable countries in all 5 fragility clusters simultaneously. Moving out from the centre, those listed in the overlapping areas are among the 50 most affected in four, three and two clusters. The five proposed dimensions are taken from the emerging SDG framework.

Source: See page 7 for details on the five dimensions of fragility explored in this report and Annex A of the full publication for the methodology.

StatLink  $\text{http://dx.doi.org/10.1787/888933228077}$

1 2

VIOLENCE
Reduce all forms of violence and violent deaths everywhere

JUSTICE
Promote the rule of law at the national and international levels, and ensure equal access to justice for all

INSTITUTIONS
Develop effective, accountable and transparent institutions at all levels; reduce illicit financial flows and combat organised crime

RESILIENCE
Reduce exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters; build adaptive capacity

ECONOMIC FOUNDATIONS
Reduce youth unemployment; promote economic, social and political inclusion
**Question 3: What obstacles does fragility pose to delivering the post-2015 agenda?**

The vast majority of the targets proposed by the UN Open Working Group are more demanding than their MDG equivalent, and especially challenging for fragile states and economies where poverty is likely to remain concentrated.

Fragility in all its forms will pose a formidable obstacle to eradicating extreme poverty for all people everywhere by 2030. Global success in poverty reduction over the next 15 years will heavily depend on success in building resilient institutions and societies and on reducing conflict. Question 3 of this report presents a set of scenarios that examine the scale and distribution of global poverty based on varying assumptions about the pace of progress in addressing fragility. These scenarios are not predictions. Rather, they are estimates of different global trajectories that serve to illustrate the change that is necessary to strengthen peaceful and inclusive societies by 2030. The scenarios suggest that:

- **Fragility will have a significant impact on the scale of global poverty.** Under the “current trend” scenario, 25% of people in fragile states (nearly 500 million) will remain at or below the USD 1.25/day poverty line in 2030. Under the more optimistic “improved institutions” scenario, that share falls to 22% (420 million), while the “best-case” scenario sees a fall to 19% (350 million).

- **Reducing poverty will require addressing fragility.** The countries and economies on the 2015 fragile states list are home to 43% of the world’s population living in absolute poverty. By 2030, poverty could become increasingly concentrated in fragile states: even under the best-case scenario, 62% of the global poor will be located in fragile states.

- **Unprecedented rates of progress will be needed to end poverty.** Even in the best-case scenario of improved institutions and development, which assumes major improvements to institutional capacity and reductions in violent conflict, fragile states will have large pockets of endemic poverty.

Efforts must begin now if the Sustainable Development Goals are to be met by 2030. Progress in building institutions and reducing conflict must accelerate in the early stages of the post-2015 period to preserve any realistic hope of meeting new goals and targets on income and poverty as outlined in the sustainable development agenda.

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**REDUCING POVERTY WILL DEPEND ON SUCCESS IN BUILDING RESILIENT INSTITUTIONS**

*Fragility and poverty projections (poverty rate at USD 1.25/day)*

Share of people in fragile states below the 1.25/day poverty line

![Graph showing poverty projections](http://dx.doi.org/10.1787/888933185025)

*Note:* For explanations on the three scenarios, see Box 2.5 (Q.3) in the main report.

*Source:* Authors’ calculations using the International Futures model.
Question 4: What sources of development finance are available to fragile countries?

There are significant data deficits on flows of non-official development assistance and domestic sources of finance. These data gaps make it difficult to accurately track the financial resources available to meet post-2015 ambitions. Foreign direct investment (FDI) data, for instance, are based on global statistics from the World Bank and cannot be disaggregated by sector. Data on official development assistance (ODA) and other official flows (OOF) are based on data from the OECD-DAC membership and do not reflect all amounts extended by non-DAC providers of development co-operation. Data on domestic revenues are currently available or reported for only 15 of the 50 countries and economies on the fragile states list. Better quality data are also needed for other flows, such as philanthropy and other private flows.

ODA plays a crucial role in filling finance gaps for poverty eradication and other development priorities in countries and economies with low domestic revenues and will continue to do so. Sixteen of the top 20 most aid-dependent countries have been on the fragile states list since 2007, when it was first compiled. Since 2000, per capita ODA to fragile countries and economies has almost doubled, and the majority of all ODA has been allocated to countries that are on the 2015 fragile states list. Since 2007, 53% of total ODA has been allocated to countries that are currently on the list. This trend is set to continue. Country programmable aid (CPA) to fragile states peaked in 2013, and is projected to stabilise at higher levels than CPA to non-fragile developing countries into 2017. This broadly reflects the international community’s intent to allocate aid to the poorest and most fragile countries. Non-traditional providers of development co-operation are also increasing development co-operation and investment in fragile situations. The United Arab Emirates, Turkey and the People’s Republic of China are estimated to be among the largest non-DAC providers in absolute terms, although China does not report its data to the OECD. Moreover, Turkey and the United Arab Emirates are among the most generous non-DAC providers to fragile situations in terms of percentage of their gross national income (GNI).

![Official Development Assistance Per Capita, 2000-12](http://dx.doi.org/10.1787/888933185031)

However, the positive aggregate trends in supporting fragile states mask imbalances in the distribution of ODA across countries that can have major implications for human well-being. No donor agency adjusts ODA allocations to take into account other agencies’ allocation decisions, and some aid allocation decisions are geopolitically driven. This causes under-investment in some countries and the persistence of aid orphans. Ten of the world’s 11 aid orphans have been at one time or another on the fragile states list; these include Guinea and Sierra Leone, which have been badly affected by the 2014 Ebola outbreak. Meanwhile, 22% of all ODA allocated to countries on the fragile states list between 2003 and 2012 went to Afghanistan and Iraq, largely driven by geopolitical considerations.

Other sources of development finance are negligible in many fragile states. Domestic revenues are growing, but from a low base. Remittances benefit a small number of countries with large diaspora populations, and many fragile states that do not have natural resources find it hard to attract FDI. Only 6% of FDI to developing countries goes to fragile states. OOF, which comprise non-concessional loans and other flows that are not primarily directed at development aims, are also heavily concentrated in a smaller number of countries.
FRAGILE STATES AND ECONOMIES GENERATE LOWER DOMESTIC REVENUE THAN OTHER DEVELOPING COUNTRIES

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<th>Average domestic revenue, % of GDP</th>
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Question 5: How is aid allocated in fragile states and to reducing fragility?

The majority of ODA to fragile states has been dedicated to sectors linked to the MDGs, and is therefore reflected in the Creditor Reporting System (CRS) as related to social services, economic infrastructure and services, health, population and education. Aid budgets are still adapting to the five Peacebuilding and Statebuilding Goals (PSGs) endorsed in 2011 by the g7+ group of conflict-affected countries and OECD member countries. While there is no agreed framework for tracking aid to the PSGs, a working model for tracking assistance found that by 2012, ODA support for the PSGs remained low. Just 4% of ODA to countries on the fragile states list was allocated to the PSGs for legitimate politics, 2% for security and 3% for justice. Country-level experience also suggests donors have not fully aligned aid with national peacebuilding and statebuilding frameworks.

Similarly, viewing ODA allocations through the lens of the five fragility clusters shows that aid is not always aligned to risks and vulnerabilities that will continue to contribute to fragility in the post-2015 era. This is not to suggest that aid is the answer to all of these challenges. Rather, it is an attempt to understand what role aid may play among the resources a country has at its disposal to counter the risks and threats it faces. There is some evidence that aid is aligned to needs for institution building: countries with lower levels of institutional capacity receive higher per capita ODA financing. However, a significant burden of violence is concentrated in lower middle-income countries and these contexts receive relatively limited per capita aid flows. In addition,
Addressing fragility will also require investment in global public goods such as peacekeeping and conflict prevention, measures to advance low-carbon economic growth and reduce carbon emissions, and systems to detect and respond to disease outbreaks with pandemic potential. However, there are no agreed estimates of financing needed for these public goods and no agreed norms for monitoring spending.

In the post-2015 era, monitoring and targeting of finance aimed at reducing fragility can be improved by:

- Implementing a global system of statistics for all available sources of development finance – not just from traditional donors, but also non-traditional providers of development co-operation and private actors.
- Drawing on tools such as the five dimensions of fragility to identify vulnerabilities, needs and resource trends.
- Introducing updated aid sector codes in the OECD-DAC’s Creditor Reporting System for accurately tracking support for the post-2015 goals and targets and the PSGs.
- Agreeing on financing needs and norms for tracking expenditures on global public goods.

Addressing fragility will also require investment in global public goods such as peacekeeping and conflict prevention, measures to advance low-carbon economic growth and reduce carbon emissions, and systems to detect and respond to disease outbreaks with pandemic potential. However, there are no agreed estimates of financing needed for these public goods and no agreed norms for monitoring spending.

In the post-2015 era, monitoring and targeting of finance aimed at reducing fragility can be improved by:

- Implementing a global system of statistics for all available sources of development finance – not just from traditional donors, but also non-traditional providers of development co-operation and private actors.
- Drawing on tools such as the five dimensions of fragility to identify vulnerabilities, needs and resource trends.
- Introducing updated aid sector codes in the OECD-DAC’s Creditor Reporting System for accurately tracking support for the post-2015 goals and targets and the PSGs.
- Agreeing on financing needs and norms for tracking expenditures on global public goods.
**Question 6: Is security spending aligned and commensurate with the security challenges, risks and vulnerabilities that contribute to fragility?**

Peace and security investments can help address fragility. With the important exception of peacekeeping, however, there is no agreed international system for measuring security spending that benefits global stability. Question 6 of this report highlights the significant and systematic gaps in data that make it difficult to assess how much is spent on security assistance, and to what ends. Based on available data, ODA allocated to building security sectors in fragile states totalled 1.4% of all aid in fragile situations in 2012. When security spending in Afghanistan and Iraq is removed, the investment in security in other fragile situations is even lower — less than 1%. Even if data gaps are dramatically biasing these figures downward, there is likely to be serious under-investment in countries that are aiming to develop their security and rule of law institutions as a matter of priority.

These types of spending all have the potential to reduce global fragility, and a more coherent system of measuring security spending as a global public good could support more effective international conflict prevention and resolution efforts. Any development of new norms for reporting is technically challenging given the need for precision and rigour, with countries potentially wary of the risks of repackaging international “militarised” and national security spending as ODA. Countries could consider whether to:

- Agree on norms and responsible global institutions for reporting and collating relevant peace and security spending.
- Develop indicators of impact of spending on peace and security.
- Agree on a methodology for monitoring spending on conflict prevention and for capturing how much is spent on conflict prevention versus intervention in existing conflicts and crises.

The OECD-DAC work on broadening its measurement framework to be fit for purpose for post-2015 presents an opportunity to assess the real level of investment in this area.

**Question 7: What opportunities exist to address fragility?**

The post-2015 process has catalysed an unprecedented debate about how to overcome obstacles to sustainable development. This political will can be harnessed. At the national level, fragile countries are increasingly directing their own processes of recovery. Many of these efforts will galvanise around implementing a post-2015 peaceful and inclusive societies goal.

Fragile countries and economies also will have to navigate factors that can unlock development — or impede it — in the post-2015 era. They will have increasingly young and urbanised populations; many will continue to manage the challenges of large natural resource endowments and deepening connections to global markets. With sound institutions in place, these factors can drive economic transformation and reduce poverty. Innovations in multi-sectoral responses to reducing violence, building trust in government and improving the quality of public services will all be paramount.

**Question 8: What should international support look like in the future in order to be “fit for purpose”?**

Fragile and conflict-affected countries are hard environments in which to spend aid well. On the recipient side, fragile states often have weaker institutions and absorptive capacity for aid. Many fragile situations have been poorly served by supply-driven aid approaches. Although donors place a heavy emphasis on co-ordination in fragile states, the reality is that in many contexts they still pursue distinct agendas. These challenges are often political: they reflect divergent interests of national and international actors that are difficult to shift. As a result of these pressures, aid is often less than the sum of its parts — it is not always delivered in ways that either align with national priorities or build sustainable institutional capacity.

To rise to the challenge of the post-2015 era, aid needs to be made smarter.

The New Deal endorsed in Busan in 2011 calls for aid to be aligned to national political priorities to build national institutions through national budgets. It is an assertion of national ownership. So far, however, New Deal implementation has only been partial. Political commitment is needed on all sides to build momentum and real change. It will be important for g7+ countries to strengthen uptake and understanding of the New Deal within governments and to engage all levels of society in the process.
This report calls for smarter demand-driven aid modalities and instruments in the post-2015 era. In particular, it will be essential to:

- **Adapt existing on-budget aid modalities** to more fragile situations to improve harmonisation and flexibility, and to accelerate the pace of development of national institutions and systems.

- **Test innovative smart aid modalities.** Southern actors are already experimenting with new forms of demand-driven support. “Matching funds” models, if properly calibrated, could reward demand-driven national innovations and performance in generating revenues. Greater efforts can also be driven into funding regional capacities for reducing fragility.

- **Scale up aid instruments that can stimulate private resources** but are currently under-utilised. Aid instruments such as risk guarantees, new debt instruments and equity investments can all assist countries to mobilise private finance.

Meeting universal development ambitions will be harder than ever in the post-2015 era. Potential contents of a new package of measures to better support fragile situations and reduce fragility could include priority commitments to:

- **Introduce a new tool for monitoring universal fragility risks and vulnerabilities and finances** in the post-2015 era. This report proposes a working model that can form the basis for an international tool once post-2015 goals, targets and indicators have been agreed.

- **Allocate more of total ODA to the poorest and most fragile countries**, and reverse the declining trend of ODA to least developed countries. It is important to keep in mind the existing UN target to allocate 0.15-0.20% of national income to least developed countries.

- **Address imbalances in the distribution of ODA across fragile situations**, starting with the countries that are underfunded.

- **Agree on strengthening finance beyond aid** — scaling up resources to middle-income countries; boosting countries’ own domestic revenues; working to achieve firm international commitments to scale up support for public financial management; for reducing the transaction costs of remittances; and a new global partnership for stemming illicit financial flows.

- **Agree on targets and norms for tracking spending on global public goods** such as peace and security, climate, food security and health.

- **Develop a diversified package of smart aid instruments** — to mobilise private development finance; reward domestic revenue generation; make more use of technology for reaching the poorest and most vulnerable people; and scale up South-South, regional and triangular co-operation.

- **Ensure that peer review and aid oversight mechanisms capture performance and accountability** for aid in fragile situations.

- **Implement a global system for collating credible, accurate, timely and relevant global statistics for all sources of development finance** — not just from traditional donors, but non-traditional providers of development co-operation and private actors too.

BIBLIOGRAPHY


Notes: The list of fragile states and economies assembled by the OECD for this report, results from a compilation of two lists: the countries on the World Bank-African Development Bank-Asian Development Bank Harmonized List of Fragile Situations, and the countries on the Fragile States Index developed by The Fund for Peace which are in the “alert” and “warning” categories (scores above 90).

For more information and to access the full report States of Fragility 2015: Meeting Post-2015 Ambitions, visit: www.oecd.org/dac/governance-peace