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Fragile States and US Foreign Assistance:
Show Me the Money
By Stewart Patrick and Kaysie Brown

Abstract

The Bush administration has increasingly acknowledged that weak and failing states represent the core of today's global development challenge. It has also recognized that such states are potential threats to international peace and security. But despite the rhetoric, it has yet to formulate a coherent strategy around fragile states or commit adequate resources towards engaging them. Excluding funding for Iraq, Afghanistan, Pakistan, and HIV/AIDS, the administration's FY07 budget request proposes to spend just \$1.1 billion in direct bilateral assistance to fragile states—little more than a dollar per person per year. In this new working paper, CGD research fellow Stewart Patrick and program associate Kaysie Brown urge U.S. policymakers to consider increasing aid to fragile states and to think creatively about how and when to engage these troubled countries. The authors also call for the policy community to integrate non-aid instruments into a more coherent government strategy. To put its money where its mouth is, the U.S. should treat aid to weak and failing states as a form of venture capital, with high risk but potentially high rewards.

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Fragile States and US Foreign Assistance: Show Me the Money*

Stewart Patrick and Kaysie Brown **

The events of September 11, 2001, taught us that weak states, like Afghanistan, can pose as great a danger to our national interests as strong states. Poverty does not make poor people into terrorists and murderers. Yet poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders.

--2002 National Security Strategy of the United States of America

Weak and impoverished states and ungoverned areas are not only a threat to their people and a burden on regional economies, but are also susceptible to exploitation by terrorists, tyrants and international criminals. We will work to bolster threatened states, provide relief in times of crisis and build capacity in developing states to increase their progress.

--2006 National Security Strategy of the United States of America

In the National Security Strategy of September 2002, President George W. Bush memorably declared that the United States was, for the first time in its history, “now more threatened by weak and failing states than we are by conquering ones.” By now, the president’s declaration is supported by several studies and analytical reports documenting the threat that weak states pose to American and global security.¹ Five years later, however, his administration is still groping with how to translate that vision into practical policy. The overriding goal should be to help bolster the institutional capacities of poorly performing developing countries, so that they can deliver to their inhabitants the essential political goods of physical security, economic growth, and accountable government. Success in this effort will require *both* a strategic approach that integrates all relevant instruments of U.S. influence *and* sufficient resources to make a tangible difference on the ground. It will also require patience and perseverance, given the long time frames needed to promote sustained institutional change.

The Bush administration’s foreign aid reform plans have the potential to improve the strategic coherence of U.S. policy toward weak and failing states. But resources are another matter. A close analysis of the FY07 budget request illustrates a yawning chasm between the administration’s rhetoric about weak and failing states and the actual allocation of federal dollars, only a tiny portion of which are devoted to reforming and stabilizing these troubled countries. While spending aid effectively in fragile states can be extremely challenging, current budgetary requests are inadequate compared with the magnitude of the task at hand.

Where Does the Money Go?

* 2007 U.S. Budget Request data is available at <http://www.cgdev.org/doc/weakstates/07BudgetRequests.pdf>.

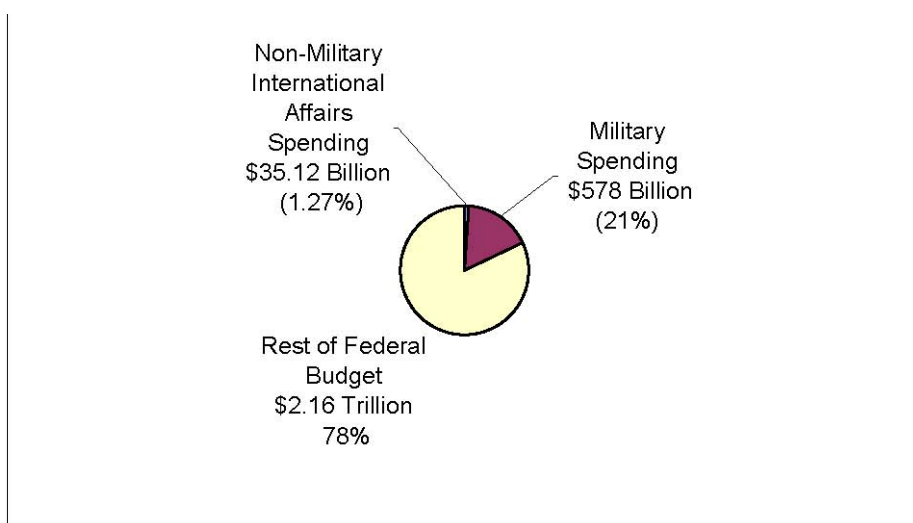
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In January 2006, Secretary of State Condoleezza Rice proclaimed a bold new vision of “transformational diplomacy,” including a sweeping overhaul of U.S. foreign assistance. The ultimate objective of this initiative, in Rice’s words, is to help “*build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system.*”² In propounding this vision, the Bush administration has underlined the intimate connections between economic stagnation, authoritarian misrule and weak institutions in the developing world, on the one hand, and political instability, violent conflict and extremism, on the other. As the President himself declared to the United Nations General Assembly in September 2005, “we must help raise

up the failing states and stagnant societies that provide fertile ground for terrorists.”³ The goal of U.S. policy, informed by 9/11, is to help replace today’s fragile states with stable democracies by employing the so-called “three D’s” of U.S. engagement—diplomacy, development and defense—as well as other relevant instruments.

Despite these pronouncements, the United States continues to under-invest in the critical civilian components of national security that are most relevant to addressing the long-term challenge of weak governance and chronic poverty in the developing world. As a first cut, it is useful to compare the military and non-military shares of total U.S. global engagement. Notwithstanding a significant increase in overall U.S. foreign assistance over the past several years,⁴ the FY07 budget request remains heavily skewed toward military expenditures, short-changing critical civilian investments in state-building. For FY07, including supplemental appropriations, the Bush administration’s proposed defense spending—the so-called “050 account”—amounts to a staggering \$578 billion. This is approximately 21% of the total federal budget request of \$2.77 trillion.⁵ By contrast, requested funds for international affairs—the so-called “150 account” which funds the State Department and other central foreign affairs initiatives—amount to some \$35 billion, a mere one-sixteenth of military spending. Of this amount, foreign assistance represents nearly \$24 billion, or less than 1% of the federal budget.⁶

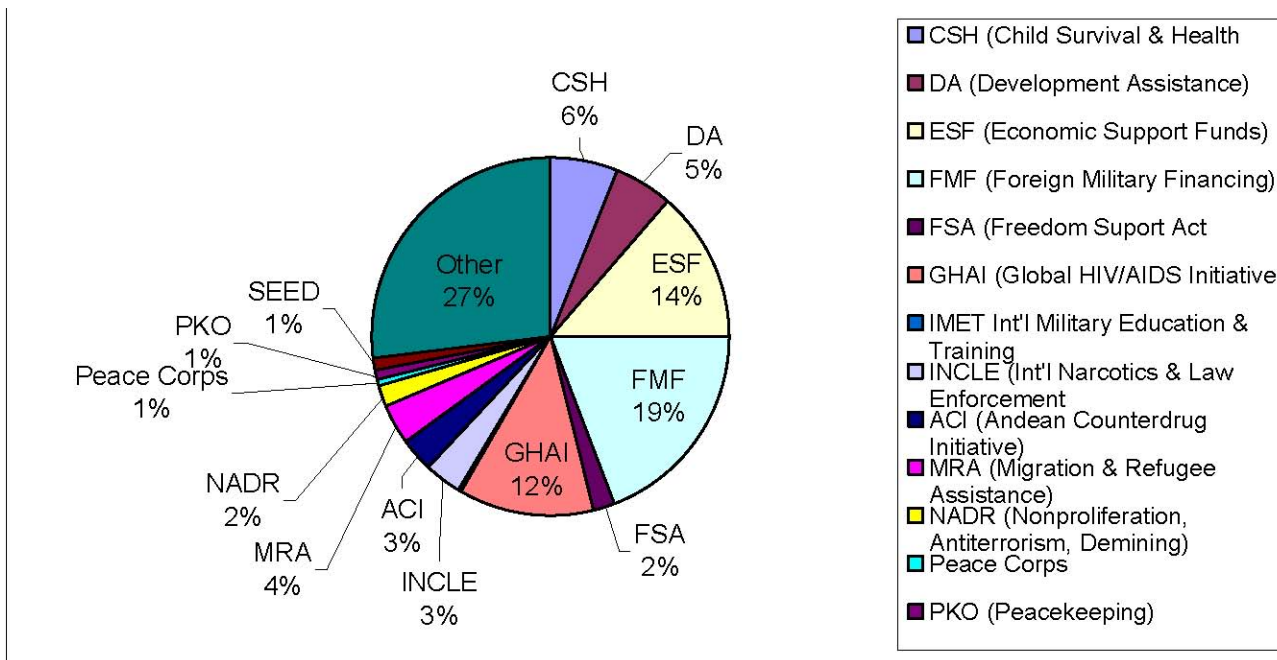
Figure 1: FY07 US Budget Request – Swords vs. Ploughshares



This budgetary imbalance is not simply a post-9/11 phenomenon: it antedates the “global war on terrorism” and the occupation of Iraq.⁷ The consequences of this resource disparity are increasingly problematic, however. Beyond exaggerating the position of the Department of Defense within the country’s national security framework, it leaves the United States well resourced to fight wars but inadequately prepared to actually address the root causes of political instability and state failure in the developing world. In post-conflict environments it also encourages an over-reliance on U.S. soldiers to conduct reconstruction activities more appropriately performed by civilian actors.⁸

Foreign assistance, of course, takes multiple forms and is intended for a variety of objectives. If we break down the FY07 foreign aid request by category and purpose, we can get a better sense of the administration’s priorities in the developing world (See Figure 2).⁹

Figure 2: FY07 \$23.72B Foreign Operations Breakdown by Sector (Proposed)



What this chart makes clear is that core bilateral development aid amounts to a relatively small percentage of proposed U.S. outlays, with only 5% devoted to development assistance (DA) and 6% for child survival and health (CSH). The administration’s signature health aid innovation—the Global HIV/AIDS initiative to combat the global spread of HIV/AIDS—accounts for 12% of the budget request. Meanwhile, support for foreign militaries amounts to nearly a fifth of all requested U.S. aid, while Economic Support Funds—assistance destined for strategic allies that may or may not have much to do with true “development”—amounts to 14% of the total. Finally, just over a quarter of U.S. aid (marked “other” in the chart) is channeled through multilateral organizations, including international financial institutions, the UN and others.

The destination of U.S. foreign aid is also highly unevenly distributed among the world’s 150-odd developing countries. Nearly one-third of the total amount—ome \$7.84 billion—goes to a mere seven countries, as listed in Table 1.

Table 1: The Big Seven in '07

| US FOREIGN ASSISTANCE WINNERS: | | | |
|---------------------------------------|--------------|-------------------|-------------------|
| <i>(FY 07 requests)</i> | | | |
| Country | Total | (% US aid) | Per Capita |
| 1. Israel | \$2.46b | (10.4%) | \$366 |
| 2. Egypt | \$1.76b | (7.4%) | \$26 |
| 3. Afghanistan | \$1.12 b+ | (4.7%) | \$36.25 |
| 4. Iraq | \$748m+ | (3.2%) | \$30 |
| 5. Pakistan | \$738m | (3.1%) | \$4.98 |
| 6. Colombia | \$560.5m | (2.4%) | \$12.60 |
| 7. Jordan | \$457m | (1.9%) | \$86 |

The newly appointed Director of Foreign Assistance, Randall Tobias, recently conducted his own analysis of

where foreign assistance dollars have been concentrated in past years. By following the money, he concluded that the United States had pursued five main policy goals, accounting for some 71% of U.S. foreign assistance:

- Cultivating Middle East partnerships
- Sustaining traditional Eastern European partnerships
- Assisting anti-narcotics measures in the Andean region
- Fighting HIV/AIDS in select countries
- Responding to humanitarian crises as they occur

Even in these five focus areas, Ambassador Tobias believed that the design and implementation of U.S. foreign assistance was poorly-coordinated, *ad hoc* and not mutually supportive of the overarching objectives of transformational diplomacy.¹⁰ Thus, the current goal of foreign aid reform is to ensure greater strategic planning and coherence across agencies in designing and implementing U.S. aid.

Given the rhetorical priority that the administration has given to weak and failing states in this reform agenda, it seems apt to ask what portion of overall U.S. foreign assistance is actually being directed toward the challenges facing these countries. To answer this question we first need to specify the relevant population of states.

Identifying Weak and Failing States

Although there is no universally agreed definition of weak and failing states¹¹ (or as we call them synonymously, fragile states), there is general consensus that such countries are disproportionately poor ones that have difficulty performing the core functions of statehood, including the provision of basic physical security, delivery of basic services, and the provision of legitimate government. Employing a methodology developed jointly with colleagues at the Brookings Institution, which builds on earlier work by the CGD-sponsored Commission on Weak States and U.S. National Security,¹² we define the current universe of weak and failing states (WFS) as 52 lower income and lower-middle income developing countries¹³ that have evident shortcomings in all three of these areas.¹⁴ These failures may reflect a genuine lack of capacity, a lack of political will, or both. Table 2 lists these countries alphabetically. Taken together, these countries possess more than 1.1 billion inhabitants, or approximately 17% of the world's population of 6.5 billion. Approximately half of the countries on this list are either in conflict or emerging from it. Nearly two-thirds—33 of 52—are located in Africa. While we recognize that there may be some quibbles concerning particular countries on this list (as well as the omission of a handful of other states), our approach – focusing on poor countries that have difficulty performing basic state functions—is similar to that adopted by the world's leading bilateral and multilateral development agencies.¹⁵

US FOREIGN ASSISTANCE WINNERS:

(FY 07 requests)

Country Total (% US aid) Per Capita

1. Israel \$2.46b (10.4%) \$366
2. Egypt \$1.76b (7.4%) \$26
3. Afghanistan \$1.12 b+ (4.7%) \$36.25
4. Iraq \$748m+ (3.2%) \$30
5. Pakistan \$738m (3.1%) \$4.98
6. Colombia \$560.5m (2.4%) \$12.60
7. Jordan \$457m (1.9%) \$86

Table 2: Today's Weak and Failing States

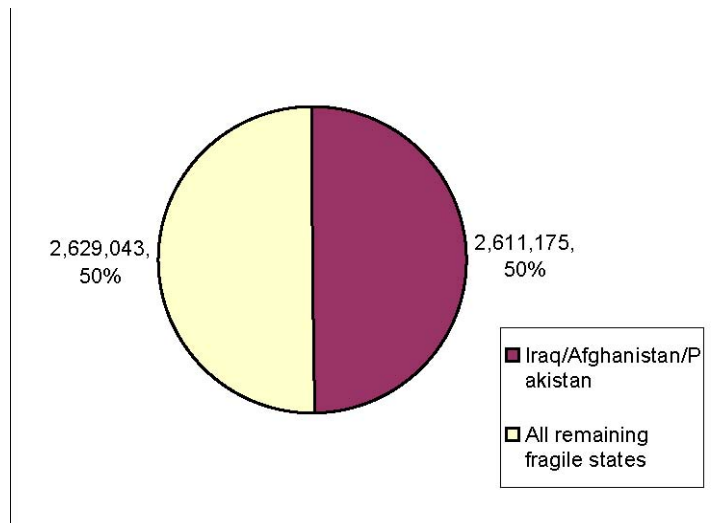
| | | | |
|-------------------------|---------------|------------------|-----------------|
| Afghanistan | Djibouti | Malawi | Sierra Leone |
| Angola | Eritrea | Mali | Solomon Islands |
| Bangladesh | Ethiopia | Mauritania | Somalia |
| Burkina Faso | Guinea | Moldova | Sudan |
| Burundi | Guinea-Bissau | Mozambique | Tajikistan |
| Cambodia | Haiti | Myanmar | Tanzania |
| Cameroon | Iraq | Nepal | Timor-Leste |
| Cent. African Republic. | Kenya | Niger | Togo |
| Chad | Korea, D.P.R. | Nigeria | Uganda |
| Comoros | Lao PDR | Pakistan | Uzbekistan |
| Congo, Dem. Rep. | Lesotho | Papua New Guinea | Yemen, Rep. |
| Congo, Rep. | Liberia | Rwanda | Zambia |
| Côte d'Ivoire | Madagascar | Senegal | Zimbabwe |

Source: Center for Global Development and Brookings Institution, 2006

Show Me the Money

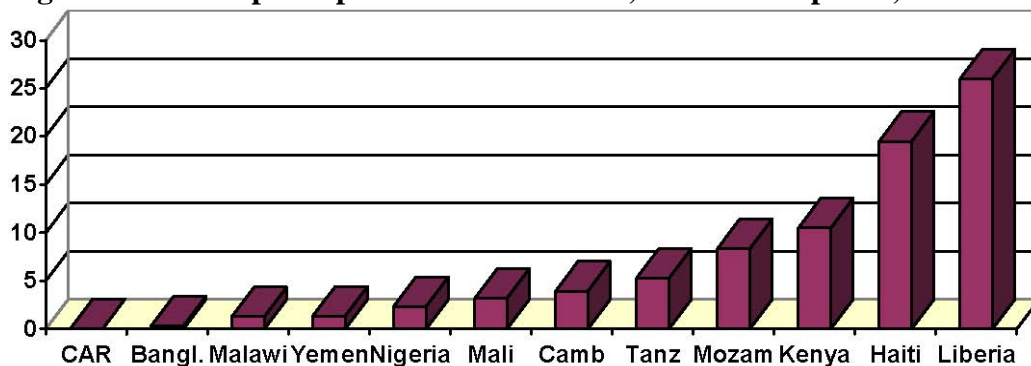
What percentage of direct U.S. bilateral assistance is destined for weak and failing states? A lot less than first meets the eye. If the administration's FY07 budget request is approved, *we estimate that this cohort of states stands to receive approximately \$5.2 billion in bilateral assistance, or 40% of the \$13.2 billion total requested for U.S. bilateral assistance (out of the total \$24 billion foreign operations budget). This global figure declines precipitously, however, if we remove assistance to Iraq, Afghanistan and Pakistan, two theaters of war and a central front line state in the Bush administration's "global war on terrorism," which together account for half of the entire fragile states budget. Excluding these three countries, bilateral assistance to fragile states plummets to roughly \$2.6 billion, or less than \$3 per person for the residents of the remaining WFS.*

Figure 3: Fragile State U.S. Budget Requests for FY07



For the remaining 49 fragile states, there remains huge variation in per capita US bilateral aid flows. Clear winners include Liberia (\$26 per capita), Haiti (\$19.50) and East Timor (\$18), all countries coming out of conflict. Clear losers would include Nigeria (\$2.35), Yemen (\$1.3) and the Democratic Republic of the Congo (0.75), with the major neglected countries being Bangladesh (\$0.34), Niger (\$0.30), Eritrea (\$0.19) and the Central African Republic (\$0.03).¹⁶

Figure 4: Annual per capita U.S. bilateral aid, selected recipients, FY07 budget request (U.S. dollars)



Beyond raising possible questions of equity, enormous disparities in per capita assistance suggest that U.S. policy attention to fragile states varies enormously. Naturally, some degree of selectivity in U.S. engagement is to be expected. Foreign aid is intended to serve a wide range of purposes, hardly limited to poverty alleviation, and the precise constellation of perceived U.S. interests in each case will be unique. There is also no reason that the United States should be financially committed in all places. For example, one could imagine a division of labor, whereby France concentrates on assistance to countries of Francophone Africa. More problematic is when other donors also ignore the same fragile states, creating the phenomenon of “aid orphans.”¹⁷

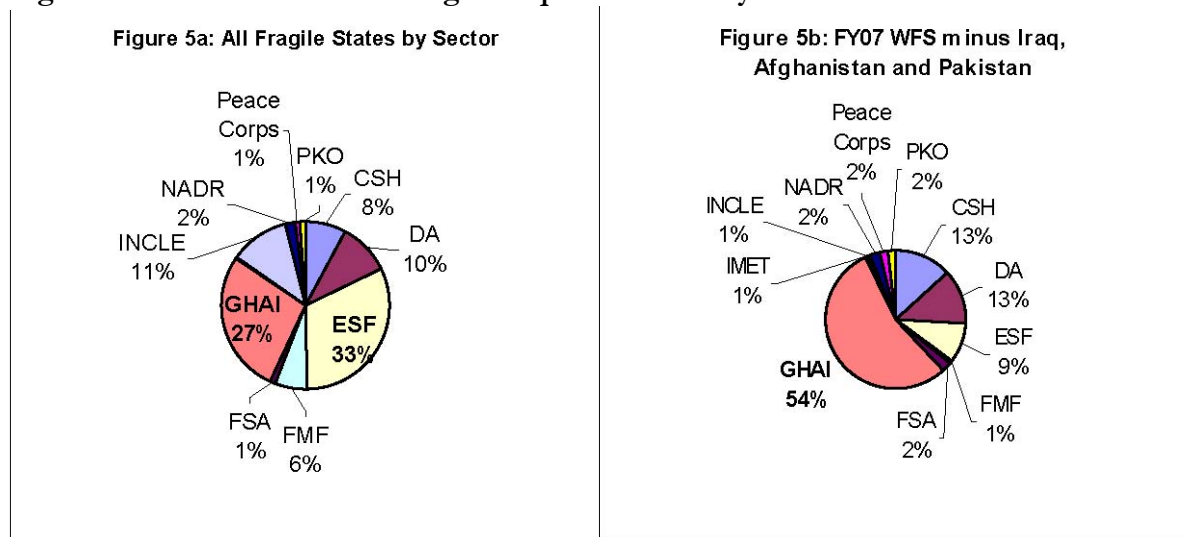
It is also true that some fragile states have extraordinary aid needs. It is no accident that the five fragile states that are the highest per capita recipients of U.S. aid are post-conflict countries facing daunting reconstruction challenges: Afghanistan, Iraq, Liberia, Haiti and East Timor. At the same time, such an aid allocation echoes Ambassador Tobias’ finding that the United States tends to respond to crises from a reactive posture, rather than attempting to anticipate emerging fragility and instability and to address such long-term issues as poverty and institution building.

Finally, we readily concede that some fragile states are extremely poor candidates for U.S. foreign assistance. Where governance is atrocious, as in Robert Mugabe’s Zimbabwe, U.S. bilateral aid could be wasted or even counterproductive, by bolstering an authoritarian regime’s effort to cling to power.¹⁸ Despite these key distinctions between different types of WFS, it is unclear whether a coherent strategic vision—rather than a fragmented aid bureaucracy—is actually guiding the current objectives and subsequent allocation of resources by country.

Follow the Money

What precisely is the United States spending its money on in fragile states? How does this sector allocation compare with the breakdown of U.S. foreign assistance more generally? The following two charts disaggregate bilateral U.S. foreign assistance to fragile states. To control for the heavy military and “global war on terrorism” focus of the U.S. efforts in Iraq, Afghanistan and Pakistan, the chart on the left (Figure 5a) includes all fragile states, including those three countries, whereas the one on the right omits them. The analysis below focuses primarily on the chart on the right (Figure 5b)—the requested funds for fragile states minus Afghanistan, Pakistan and Iraq.

Figures 5a and b: FY07 US Budget Request to WFS by Sector



Overall, proposed assistance for development objectives—through CSH and DA, for instance—is a significantly greater percentage of proposed U.S. aid for the 49 fragile states in Figure 5b than for average aid recipients in Figure 2, at 26% total for fragile states compared to 11% for the global total request, respectively. This makes logical sense, since weak and failing states tend to be among the poorest countries. In contrast, weak and failing states in Figure 5b receive a smaller proportion of their aid as ESF funds (9%) than the share of total global requests (14% in Figure 2). If we include Iraq, Afghanistan and Pakistan, however, as in Figure 5a, the total share of ESF for all fragile states jumps to a whopping 33%—reflecting the perceived geopolitical importance of those three countries.

The most striking finding in Figure 5b is the massive share of requested U.S. assistance that is devoted to combating HIV/AIDS in fragile states. For FY07, requested funding for the Global HIV/AIDS Initiative accounts for more than half of bilateral U.S. foreign aid to those countries. This is particularly obvious in the case of Africa, where the *President’s Emergency Plan for AIDS Relief (PEPFAR)* represents 63% of all requested bilateral U.S.

assistance for fragile states in Africa—or \$1.4 billion out of a total of \$2.2 billion. The remainder amounts to \$880 million, with CSH and DA requests—at \$685 million—totaling not even half of the HIV/AIDS budget. The case of Nigeria is instructive: For FY07, the overall budget request is \$320 million. If we remove the \$272 million requested under PEPFAR, that figure plummets to \$48 million, or approximately 50 cents per Nigerian per year. Likewise, removing Kenya’s \$285 million GHAI program reduces U.S. bilateral aid to a modest \$50 million, or \$1.50 per person per year.

The point here is not to suggest that U.S. HIV/AIDS spending should be curtailed. Indeed, studies have shown that programs to combat the spread of the disease and treat its victims are among the most effective uses of foreign assistance.¹⁹ Our purpose is to demonstrate the modesty of the U.S. resources devoted to other aspects of development. If we omit HIV/AIDS spending (as well as all spending on Iraq, Afghanistan and Pakistan) we find that *the total FY07 budget request for bilateral assistance to fragile states amounts to a mere \$1.1 billion of the total \$24 billion foreign aid request, or a little over a dollar per person per year in 49 of the world’s poorest and weakest states.* By way of comparison, this is roughly equivalent to four days’ spending on the Iraq war in the summer of 2006.

Nothing Ventured, Nothing Gained?

What should we conclude from the Bush administration’s modest requests for aid to bolster and reform the world’s 50-odd fragile states? On one level, it is unsurprising. Notwithstanding the growing concern with weak and failing states as potential threats to national and international security, within the international donor community the recent trend has been to channel aid resources preferentially to so-called “good performers,” along the lines of the MCA, on the reasonable grounds that aid is most effective in good policy and institutional environments.²⁰ Almost by definition, engaging weak and failing states is a riskier proposition; there is a greater danger that external aid may be wasted, thanks to high levels of corruption, low absorptive capacity or repressive or unresponsive regimes, so that injecting more resources would not necessarily advance development prospects or other foreign policy objectives.

Nevertheless, the current donor preoccupation with good performers may be greater than warranted, overlooking evidence that carefully focused foreign assistance can encourage policy reform and institutional development in weak and failing states,²¹ and that the absorptive capacity of such countries is often greater than imagined.²² A 2005 study of aid allocation by the World Bank’s LICUS Unit, in collaboration with the OECD-DAC Secretariat and the IMF, suggests that fragile states as a group “received 40% less than their policy and institutional performance and poverty would predict.”²³ More recently, a comprehensive DAC study in July 2006 points to wide disparities between aid to some fragile states and other low-income countries, despite similar governance and performance indicators. The study’s authors posit that neglected fragile states, such as Sierra Leone, Tajikistan and Burundi, tend to be less strategically important to donors, as well as suffering from aid fatigue (including high volatility and declining aid flows) as they transition from immediate to medium-term post-conflict phases.²⁴

Moreover, an approach that effectively writes off a large group of states—particularly those most at risk of civil violence or collapse—may ultimately serve neither the U.S. national nor the broader global interest. For if the risks of engaging fragile states are high, so are the costs, in the words of Paul Collier and Lisa Chauvet, of allowing them to “stew in their own juice.” According to their calculations, the global economic cost of one country falling into LICUS status (the World Bank’s designation for “Low Income Country Under Stress”) amounts to a staggering \$82 billion.²⁵ This does not include other common spillover effects of weak and failing states, including transnational crime, terrorism, infectious disease, energy insecurity, environmental degradation and humanitarian catastrophes.²⁶

The Promises and Pitfalls of Foreign Aid Reform

To meet these challenges, the United States urgently needs a coherent strategy and adequate resources to foster development and stability not only in traditional development partners but also in the growing ranks of fragile states. The administration's foreign assistance reforms may permit a more effective response, by empowering the new Director of Foreign Assistance to supervise the drafting of coherent country strategies and—at least in principle—to shift aid allocations across countries and aid categories. Such integrated country strategies have the potential to bring some order to the fragmented foreign aid regime and greater coherence to the design and implementation of assistance programs.

A key shortcoming in the reform plan, however, is the omission (for diplomatic reasons) of any “fragile state” category in the administration's five-fold classification of aid recipients, which otherwise include:

- (i) “rebuilding” countries (12 countries emerging from conflict);
- (ii) “developing” countries (66 countries in various states of development);
- (iii) “sustaining partnerships” (43 countries with close relations to the United States);
- (iv) “transforming” countries” (24 countries eligible or on the threshold of MCA eligibility, with a hard hurdle for democracy); and
- (v) “restrictive” countries (11 rogue states or “outposts of tyranny” that the administration hopes will mend their ways).

Although the first and last of these categories include a number of fragile states, at least half of today's “fragile states” are lumped into the grab-bag category of “developing countries.”

There is now a window of opportunity available to coax better performance out of U.S. aid dollars. For FY07, the Bush administration has placed some 35 countries on a “fast track” involving the integration of foreign aid strategies. Twenty-one are “fragile” as defined by this paper.²⁷ Despite the lack of a government-wide fragile states strategy, this fast-track process provides a chance to re-evaluate the specific objectives and volumes of aid across the wide array of policy instruments.

To move beyond this *ad hoc* approach, however, the Bush administration must go one step further and develop a more comprehensive strategy for fragile states, backed up with the allocation of significant resources. Such an approach would be consistent with the *Principles for Good International Engagement in Fragile States*²⁸ outlined by the OECD/DAC in April 2005, and notably the conclusion that aid can have a favorable impact in such settings.²⁹ Although it can be difficult to engage with countries where aid has been ineffective in the past and where will and capacity are constrained or otherwise lacking, turning our back on these countries is no longer a smart or viable option, as the Bush administration itself has consistently recognized. We cannot afford to ignore the pervasive security and development challenges of the poorest and weakest countries. Yet, with the exception of a select group of states, the United States has failed to follow up on this insight with the resources required to improve the lot of fragile states.

Of course, simply dumping more money into these countries is neither realistic nor desirable. Any increase in aid volumes must be accompanied by creative thinking about the proper types of aid and their sequencing, as well as how to integrate non-aid instruments into a more coherent strategy. Inevitably, the precise type of U.S. interventions, and the rationale for engagement, will vary according to perceptions of national interest and the local context.

To improve its performance, the United States needs to introduce greater analytical rigor by systematically

distinguishing among fragile states on the basis of their (1) commitment to reform and (2) capacities to meet their responsibilities to their own citizens and the international community. It can then generate policy options tailored to these root causes of weakness. For example, recent research, suggests that early provision of technical assistance is effective only when fragile state governments already have a demonstrated commitment to reform, whereas specific investments in social sectors such as health and education—and particularly through local level institutions and civil society actors—may help to spur reform itself.³⁰

Taking account of legitimate concerns relating to aid effectiveness in certain fragile states, a complete strategic approach should also encompass a range of policy options beyond those included in traditional aid programs, such as security, rule of law programming, regional programs and the like.³¹ In some settings, the most effective approach may be micro-programming, or perhaps the leveraging of assistance through the greater use of multilateral organizations.

Our knowledge of what works is still in its infancy. The United States—indeed, the entire international community—is still learning about how best to engage across the spectrum of weak and failing states to pull countries back from the brink. Answering these questions is and should remain a dominant preoccupation of bilateral donors, multilaterals such as the World Bank and the United Nations, and of course research institutions. Despite these uncertainties, success is possible. Recent evidence from social projects within Timor Leste, Northern Uganda, Cambodia and North-Western Afghanistan in the past several years have shown that, while accomplishments are modest, it is possible to achieve sustainable results in poor governance frameworks.³²

Given the inevitable risks associated with engaging fragile states, the United States would be well advised to treat such aid as a form of venture capital—liable to have a higher rate of failure than typical aid “investments,” but also likely to have a higher long term payoff when it succeeds. Such an approach would require greater patience and a higher tolerance for political risk from the U.S. foreign policy and aid bureaucracies, as well as an unusual degree of forbearance from congressional paymasters. There will be no quick fixes and many setbacks, even when the overall balance sheet is positive. Nevertheless, sustained attention to fragile states is more likely to produce lasting returns than episodic and volatile engagement.

Today’s weak and failing states represent both the hard core of the development challenge and an increasing source of transnational threats to U.S. and global security.³³ It is clear that abandoning these countries is not the answer. Unfortunately, with a few idiosyncratic exceptions, the Bush administration is not yet putting its money where its mouth is.

Notes

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1 Chester A. Crocker, “Engaging Failing States,” *Foreign Affairs* (September/October 2003), pp.32-44; Commission on Weak States and U.S. National Security, *On the Brink: Weak States and U.S. National Security* (Washington, DC: Center for Global Development, 2004); Stewart Patrick, “Weak States and Global Threats: Assessing Evidence of Spillovers,” Center for Global

Development Working Paper 73 (January 2006).

2 Secretary of State Rice, "Transformational Diplomacy," speech at Georgetown University, January 18, 2006, <http://www.state.gov/secretary/rm/2006/59306.htm>

3 President George W. Bush, Address to UN General Assembly, September 15, 2005.

4 Between 2001 and 2005, U.S. Official Development Assistance (ODA) spiked from \$11.4 billion to \$27.5 billion. The increase over the 2004 figure, \$19.7 billion, is likely to be a temporary blip, since the lion's share (\$8.5 billion) of this increase represents supplementary funding approved by Congress to support recovery efforts in Iraq -- where the administration does not intend to seek future reconstruction funds) and, to a lesser degree -- Afghanistan. See Nancy Birdsall, Stewart Patrick, and Milan Vaishnav, "Reforming U.S. Development Policy: Four Critical Fixes," *CGD Essay*, February 2006.

5 Military spending for FY 07 encompasses the \$439.3 billion base budget, \$23.7 billion for funding for the nuclear activities of the Department of Energy, a \$50 billion "bridge fund" for the wars in Iraq and Afghanistan for the first part of the year, and a \$65 billion supplemental to cover the ongoing wars in Iraq and Afghanistan. source

6 Of the remaining \$11 billion, most goes to fund U.S. diplomatic presence overseas.

7 The US budget for fiscal year 2000 detailed spending for the Department of Defense at \$281.6 billion, whereas spending levels for International Affairs was at \$21.3 billion. See <http://www.gpoaccess.gov/usbudget/fy00/pdf/budget.pdf>

8 Miriam Pemberton and Lawrence Korb, *A Unified Security Budget for the United States*, Foreign Policy in Focus, May 2006.

9 This pie chart does not include the proposed \$3 billion for funding projects under the Millennium Challenge Account.

10 Ambassador Randall Tobias, "Advancing the Message that Foreign Assistance Works," speech for the U.S. Global Leadership Campaign, June 27, 2006.

11 More than forty systems for ranking governance have been created. See Marie Besançon, "Good Governance Rankings: The Art of Measurement," World Peace Foundation Reports, number 36 (Cambridge, MA: World Peace Foundation). Robert Rotberg, "Strengthening Governance: Ranking States Would Help," *Washington Quarterly* 28, 1 (Winter 2004-5), pp. 71-81. See Fund for Peace and Foreign Policy Magazine, "Failed States Index," (May/June 2006).

12 Commission on Weak States and U.S. National Security, *On the Brink: Weak States and U.S. National Security* (Washington, DC: Center for Global Development, 2004)

13 The list includes (1) lower income countries with gaps in at least two of these three functions and (2) lower-middle income countries that either possess all three gaps or are currently hot spots of conflict.

14 As a proxy for the security gap, we use the presence of armed conflict (at least 25 battle-related deaths) at any point since 1990, as recorded in the Uppsala/PRIO Armed Conflict Dataset. As a proxy for service delivery gap, we use the composite Human Development Index (HDI), which reflects a government's capacity to provide health, education, and a decent standard of living. As a proxy for the legitimate governance gap, we use the bottom two quintiles of the World Bank Institute's Governance Matters IV database (2005), which ranks 209 countries and territories on six measures: voice and accountability, political instability and violence, government effectiveness, regulatory burden, rule of law, and control of corruption.

15 DFID, *Why We Need to Work More Effectively in Fragile States* (January 2005). USAID, *Fragile States Strategy* (January, 2005). Magui Moreno Torres and Michael Anderson, "Defining Difficult Environments for Poverty Reduction," PRD Working Paper No 1, August 2004, <http://www.oecd.org/dataoecd/30/62/34041714.pdf>

16 The bottom ten countries for per capita aid flows in the FY07 budget request, receiving less than 30 cents per person per year from the United States in direct bilateral aid, are: Niger, Burkina Faso, Somalia, Cameroon, Eritrea, Comoros, Burma, Republic of Congo, the Central African Republic, and Papua New Guinea.

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