

TOWARDS THE EUROPEAN REPORT ON DEVELOPMENT

An inclusive and participatory process



MOBILISING EUROPEAN RESEARCH
FOR DEVELOPMENT POLICIES



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FOREWORD

Policy-making requires accurate, deep and timely knowledge of the situation. And development is no exception. However, research in this sector has not achieved its full potential for numerous reasons, including fragmentation of effort, as well as the lack of resources and challenges on the ground which make data collection difficult.

This is particularly true in the case of 'fragile countries'. The research work and the intensive debates undertaken for this year's European Report on Development (ERD) will, through better knowledge, help improve the development policies and practices employed to address complex situations – including conflicts, weak governance, the unsustainable exploitation of natural resources, and security threats – that characterise states experiencing fragility.

A first research paper was already produced in the framework of this initiative in 2008 and helped the EU design its response to the economic and financial crisis in such a way as to support efforts to achieve the Millennium Development Goals (MDGs).

The closely linked food, fuel and financial shocks threaten to reverse the recent progress made towards the MDGs. The human costs of the crises are particularly worrying for fragile Sub-Saharan African countries, where the ability to cope with shocks is limited. Overcoming fragility is an increasingly important priority in European development policies. It is also a key challenge for European security strategy.

Building common analytical ground on how better to grasp those difficult situations will help Europe define more coherent policies. This first edition of the ERD is a major leap forward for the European research initiative which seeks to clarify how to reconcile development goals with new global challenges. The involvement of African researchers is a valuable component of the initiative.

Françoise Moreau
European Commission

Giorgia Giovannetti
European University Institute



A EUROPEAN VISION FOR DEVELOPMENT

The EU is the world's largest provider of development assistance and is deeply committed to achieving the UN's Millennium Development Goals (MDGs). The European Report on Development (ERD) is a new initiative which seeks, in close co-operation with developing and donor country partners, to elaborate a European perspective on development issues – one that is based on knowledge excellence, innovation and the building of common ground between the European research community and policy-makers.

In particular, the ERD will enrich policy-making processes, stimulate debate and research on development issues in Europe, and amplify the EU's voice in the international arena. Coordinated by the European University Institute (EUI), the soon-to-be-published first edition is being drafted following intense networking activities with scholars, policy-makers and civil society.

The ERD 2009 is focusing on the complex and multidimensional issue of fragility and approaches to tackling it, with a specific focus on the African continent. Many sub-Saharan African countries are in situations which can be described as 'fragile'. The root causes of this fragility are manifold and include conflict, poor governance, weak institutions, lack of social cohesion, ethnic fragmentation, etc.

HANDLE WITH CARE

Countries experiencing fragility are extremely diverse, so there can be no 'one-size-fits-all' approach to their development challenges. However, one thing they share in common is that their fragility has severely affected their development prospects.

Since 2005, the issue of 'fragility' has been a high on the EU development agenda. In the European Consensus on Development, the EU states that it "will improve its response

to difficult partnerships and fragile states, where a third of the world's poor live". In 2007, an extensive debate led to a Commission Communication, a series of Council Conclusions and a Resolution by the European Parliament sketching out a comprehensive 'EU response to situations of fragility'*.

A 2008 EU research paper entitled 'Millennium Development Goals at midpoint: where do we stand and where do we need to go?' recommended a special development agenda for the so-called fragile states.

An EU implementation plan, with concrete proposals for a more coherent and strategic European approach to fragility, is due out in 2009. In addition, Member States adopted an EU response to help developing countries cope with the effects of the current financial and economic crisis.

* http://ec.europa.eu/development/policies/9interventionareas/governance_en.cfm



STRENGTH THROUGH EXCELLENCE

Stakeholder participation has been at the core of the process to compile the European Report on Development (ERD). At the centre of this multi-stakeholder and multi-disciplinary effort sits the ERD Steering Committee which has provided the leadership and vision necessary to guide the authorship process. It is composed of representatives of the European Commission and of the five EU Member States which are currently co-funding this initiative (Finland, Luxembourg, Spain, Sweden and the United Kingdom).

The report's main authors at the European University Institute have employed a process that is participatory, consultative and peer-reviewed. The report primarily relies on existing literature, but original research has been commissioned from specialised institutes and universities. Each consultation activity built on the background papers and issues papers which drew on both existing and new research.

These research papers were validated and discussed during a series of consultative activities (research workshops and conferences) prior to the finalisation of the report. Peer consultations of this kind helped ensure a transparent and participatory authorship process involving all the main stakeholders in Europe and in Africa.

MAIN FOCUSES

The more precise topics of the research workshops and conferences included:

- The various definitions of 'fragility', such as those used by various intergovernmental organisations and national aid agencies.
- Reasons for and determinants of fragility and, in particular, the challenges related to institutional capacity building.
- How international challenges and new trends – including energy security, high food prices, the global recession, shifting wealth and rising South-South co-operation – affect or will affect situations of fragility in Africa.
- The key role of the agricultural sector in helping fragile countries progress towards fulfilling the MDGs.
- Donors' aid policies and approaches in fragile states.
- Analysing, through case studies, successes and failures in particular national contexts.
- The various EU approaches to fragility, as well as how these link to the Policy Coherence for Development (PCD) principle, in particular the security and development nexus. An EU report on PCD is due out in September.

Cambridge

Brussels
EUROPE

Florence

Barcelona

AFRICA

Accra



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SPOTLIGHT ON AFRICA

8 **Brussels, 6th February 2009**

The groundwork for the consultation process started on 6 February 2009 when researchers and policy-makers – both from Europe and Africa –gathered in the EU capital for the ERD launch workshop.

At the strategic level, the meeting focused on how research could help overcome the challenges posed by fragility in developing countries, particularly in sub-Saharan Africa. It was also an opportunity to discuss the methodology and mechanics of this challenging process of research and policy dialogue.

The ERD's lead author, Giorgia Giovannetti of the EUI, sketched out the outline and main themes of the report and explained how the serious development challenges posed by fragility will be approached. To emphasise the importance of addressing fragility,

she noted that, although fragile countries make up only 15% of the population of the developing world, they account for a third of the world's poor and half of child mortality. Most of them (about 30) are located in sub-Saharan Africa.

Giovannetti underscored the importance of defining fragility in all its complex variations – stressing how individual states can move in and out of fragility – which means policy approaches need to be customised to meet very distinct circumstances. She also noted that Europe's own integration experience and enlargement to encompass countries with different institutions would be analysed to see whether any lessons can be drawn for Africa.

REINFORCING FRAGILE FOUNDATIONS

One focus of the workshop was the challenges related to institution building in situations of fragility. Thierry Verdier of the Paris School of Economics explored this theme in the context of the three core functions of the state: providing security, delivering basic public goods and services, and enjoying political legitimacy. He also focused on some of the most challenging trade-offs, namely the short versus long term and the so-called globalisation trade-off, as well as the role of regional integration in overcoming fragility.

TIME OF CRISIS

9 Franklin Allen of the University of Pennsylvania examined the actual and potential impact of the current economic and financial crisis on fragile countries. He explained that many fragile countries were already vulnerable before the financial crisis erupted due to high food and energy prices. The current global crisis can exacerbate their situation through a number of transmission channels, such as falls in export revenues, worsening terms of trade, declining migrant remittances, as well as possible drops in aid funding. He concluded his presentation by analysing China's role both as a model for Africa and as an increasingly important donor there.

Finally, Wendy Harcourt of the Society for International Development explained why gender inequality and its development policy implications would be a recurring theme in the report and throughout its elaboration process.

Brussels, 6th February 2009



More information:
http://erd.eui.eu/media/erd-flyer-a4_brussels.pdf

FOOD SECURITY IN FRAGILE COUNTRIES

Cambridge, March 17th-18th 2009

Before the financial crisis and the subsequent recession caught the world's attention, the global food crisis in 2007 and 2008 seriously corroded the food security of developing countries, particularly fragile ones, and the number of people going hungry rose.

A number of factors have been identified as contributing to the crisis, including unseasonable droughts in grain-producing nations, rising oil prices, the growing use of biofuels, and higher demand for meat among the burgeoning Asian middle classes.

Fragile countries being among the most vulnerable to food price shocks, the ERD workshop in Cambridge (UK) on 17-18 March 2009 brought together over 30 leading experts to examine the 'Food crisis and the development potential of the agricultural and commodity sector in fragile countries'.

Agriculture is a crucial economic sector in fragile sub-Saharan African states which also suffer from high food insecurity due to the predominance of subsistence farming. Adding to their vulnerability, fragile states are among the largest recipients of food and humanitarian aid, according to Giorgia Giovannetti, and the recent economic crisis is likely to push donors to reconsider their priorities.

SEEDS OF THE PROBLEM

Several speakers linked the recent food crisis with the wider debate on agricultural policy paradigms in sub-Saharan Africa, the evolution of the agricultural sector there, and the slowing rates of growth in African farm productivity.

Their presentations considered a number of factors which increase vulnerability and limit the capacity of the agricultural sector both to underwrite food security and ensure a stable income for farmers.

One key factor is the progressive worsening of agricultural terms of trade coupled with sub-Saharan Africa's low capacity to benefit from increasing commodity prices. This is partly due to a lack of appropriate price signals and access to outlet markets, as well as insufficient insurance and safety nets. Low investments in agriculture, agricultural R&D and rural infrastructure have also hurt productivity, leading many fragile countries to depend more on food imports, including food aid.

In fragile states, both the public and private sectors are weak, and agricultural development policy has failed to take account of local actors and practices. On a wider scale, in addition to the lack of regional integration, there are the difficulties associated with the liberalisation of the agricultural sector at global level.



FERTILE POLICY GROUND

The assembled policy practitioners, NGO representatives, academics and officials from international organisations drew some policy lessons from the preceding debate. They concluded that local partners and institutions, both formal and informal, should be involved in defining and implementing context-specific responses to fragility.

Productivity and scaling up in value chains need to be addressed through institutional, infrastructural and technological reforms. In addition, aid should combine both short- and long-term perspectives linking humanitarian aid to agricultural development policies.

Cambridge, March 17th - 18th 2009

More information:
http://erd.eui.eu/?page_id=794
http://erd.eui.eu/media/erd-flyer-a4_cambridge.pdf

POLITICAL TRANSFORMATIONS

Florence, 16th -17th April 2009

The governments of fragile states are usually unable – and some are even unwilling – to provide the basic public goods and services citizens expect of them, and suffer from a fundamental lack of effective state capacity. And where the state is absent, informal institutions, such as social and family networks, fill the void.

Security is also a critical issue. In certain extreme situations, such as in the midst of conflict, the utter lack of security can undermine or derail development efforts. An ERD workshop in Florence (IT) on 16 and 17 April 2009 aimed to chart a course for how state capacity could be built up in developing countries, and looked into ways of strengthening the security-development nexus.

Weak institutions and the volatility of the security situation in many fragile countries have profound implications for the development policy of the countries themselves and donors, such as the EU. Françoise Moreau from the European Commission's Development DG outlined the ongoing efforts to articulate an EU policy on fragility.

SECURING STABILITY

Pascal Vennesson and Christian Büger, both of the European University Institute, considered the vicious circle of protracted fragility, underdevelopment and insecurity, including the security-development dilemma. Participants highlighted in that regard that each notion was linked to a specific policy debate and that the security dimension of development assistance was limited to specific aspects like security sector and justice reforms.

Michael Barnett of the University of Minnesota argued that external peace-builders run the risk of entering into bargains with local elites who do not take into consideration the real needs of the population. He advised the international community to abolish the paternalistic assumption of "knowing better what to do" and

to involve local actors closely. At first, social cohesion is often more crucial than democracy in this process.

Overall, a consensus emerged that security is an essential precondition for development and that sustainability is an essential requirement for any peace-building process, hence the need to tackle security problems at their roots.

A STATE OF DEVELOPMENT

Building up institutions in fragile situations is a major challenge. Necla Tschirgi of the Centre for International Policy Studies at the University of Ottawa and Beatrice Pouligny of France's Centre for International Studies and Research both underlined the need to regard 'state-building' as a primarily political process in which external actors need to take into account the past and existing situation on the ground. Pouligny emphasised the potential advantage of building on existing local informal institutions and mechanisms and of relying on local knowledge regarding conflict resolution.

The international debate on state-building was criticised as being too normative and not grounded sufficiently in empirical evidence. Appropriate mechanisms for learning, liaising with local actors, and being able to adapt to changing situations were recommended.

François Bourguignon of the Paris School of Economics underlined that a good starting point for an effective state-building process in Africa is to recognise that external actors are not entitled to build something new from scratch, but should assist the mainly endogenous process of state formation.

Seth D Kaplan, a development and foreign policy analyst, argued that an effective approach in fragile parts of Africa would be to focus on the promotion of regional integration as an incentive for effective state formation, as well as on civil society and bottom-up approaches.

Florence, 16th - 17th April 2009



More information:

http://erd.eui.eu/?page_id=1037

http://erd.eui.eu/media/17436_ec_flyer-a4_florence_lr.pdf

STURDY POLICIES FOR FRAGILE STATES

Barcelona, 7th - 8th May 2009

Moving states away from situations of fragility requires solid policy framework grounded in a thorough understanding of what fragility is, what causes countries to become fragile, and the specific situations of individual countries. An ERD conference entitled 'The challenges of fragility to development policy' – bringing together researchers, academics, policy-makers and field workers from across Europe and beyond – took place in Barcelona in May 2009 to examine these very issues.

A number of speakers pointed out that fragility is an elusive concept, with different actors applying different definitions. The UK's Department for International Development (DFID) defines 'fragile' countries as those which "cannot or will not deliver core functions to the majority of its people". Paul Collier of Oxford University offered his own view: "Fragile states are too large to be a nation [i.e. are ethnically diverse] and too small to be a state [i.e. have tiny economies]."

The subjectivity and vagueness of the term makes it hard to measure. "Fragility, as a concept, was a political response to an operational issue, in particular, the design of aid allocations. It is difficult to measure but it should be seen in combination with structural vulnerability," noted Patrick Guillaumont of CERDI, the University of Auvergne's centre for international development research.

HANDLE WITH CARE

This potential ambiguity has some very concrete repercussions. For instance, if a certain measure of fragility turns out to be inappropriate or inaccurate, this would mean that aid allocations made on that basis may not be effective.

During the discussion, doubts were raised about the usefulness of the 'fragility' label, since it is sometimes used to define countries that are already 'broken', rather than those at risk of breaking.

Concerns were also raised about the relevance of a label that groups together countries which are of widely divergent economic and socio-political realities. One clear message that emerged

from the conference is that fragility applies to an extremely heterogeneous group of countries. In fact, as Stephan Klasen of the University of Göttingen discovered, "There is remarkably little correlation between fragility and progress towards the Millennium Development Goals", if we take into account the fact that fragile countries often started from a much lower base point.

RADICAL RETHINKS

There emerged a general consensus that conventional approaches to aid delivery need to be radically rethought in situations of fragility, especially the relationship between donor countries and recipient governments. In that regard, Collier recommended a "long term compact approach" grouping peacekeepers to provide security, donors to provide finance and the local governments to engage in reforms.

Luca Alinovi from the Food and Agriculture Organisation (FAO) stressed the need for the donor community to adopt a less risk-averse perspective when dealing with local institutions in fragile contexts. The 'political economy' of fragility, which relates to the

political and strategic interests of governments in deciding whether and how to intervene in a certain country, was also underlined as a key factor when analysing policy decisions. Other suggestions for helping countries move beyond fragility included the promotion of greater regional co-operation, and an increased commitment to existing codes and standards related to international trade in natural resources.

Closing the conference, the ERD's lead author Giorgia Giovannetti stressed that the EU, as the world's number one donor and given its broad set of instruments and its own internal track record of promoting stability and development, was well placed to make a difference.



Barcelona, 7th - 8th May 2009

More information:

http://erd.eui.eu/?page_id=1057

http://erd.eui.eu/media/20090518-erd-barcelona-article-v1-final_1.pdf

http://erd.eui.eu/media/17436_ec_flyer-a4_barcelona_lr.pdf

ECONOMIC STORM DAMAGE

Accra, 21st - 23rd May 2009

Despite initial expectations, the current economic and financial turmoil has not spared Africa. Recent IMF forecasts expect a drop in economic growth rates for the sub-Saharan region to a mere 1.5% for 2009 from an averaged 6% since 2000.

Most financial markets in sub-Saharan Africa are very small and poorly integrated, so the global crisis did not hit the continent's shores until it began affecting the real economy. "Although we were spared the first-round effects, we are suffering in the second round," observed Joe Masawe of the Bank of Tanzania.

For these countries where economic growth is crucial in their quest to achieve the Millennium Development Goals, this slowdown has serious socio-economic implications. According to figures from the African Development Bank, 27 million more people could fall into extreme poverty, while the International Labour Organisation expects a rise in unemployment by 8.5%.

To take stock of the situation and prescribe possible policies and actions, 80 European, African and international researchers and policy-makers gathered in May in the Ghanaian capital of Accra for an ERD conference entitled 'Financial markets, adverse shocks and policy responses in fragile countries'.

DESTABILISING FORCES

According to the ERD's lead author Giorgia Giovannetti, the crisis reached Africa through a number of indirect transmission channels, such as falling exports, a drop in remittances from diaspora communities, reduced access to trade finance, lower levels of foreign direct investment, as well as potential reductions in future foreign aid flows.

The shock has been especially severe in those countries that are politically unstable, such as the Democratic Republic of Congo and Sudan, noted Victor Davies of the African Development Bank. In addition, decreasing income streams could push some previously stable countries towards fragility, the assembled experts agreed.

The impact on countries in situations of fragility could be devastating, essentially because they are often more vulnerable and less resilient to external shocks, Giovannetti explained. However, there was a general consensus among the participants that the degree of vulnerability and resilience to external shocks varies significantly among fragile African countries.

Going from the macro to the micro level and to establish what this means concretely for Africa's poor, Abena Oduro of the University of Ghana explored what effects economic shocks can have on African households and the coping strategies they employed to deal with them, while Wendy Harcourt of the Society for International Development examined the gender angle of fragility.



SHOCK ABSORBERS

To prevent the worst from happening requires timely intervention based on the careful monitoring of the situation in each country. Towards that end, the EU recently adopted a response package to help developing countries cope with the global crisis, the Commission's representative Nicolas Gérard told the gathering.

The IMF's representative Sanjeev Gupta observed that many African countries, unlike developed countries, do not have scope for fiscal expansion to cushion the shock. Donors should take up some of the slack, he noted, with priority going to expanding social safety nets and infrastructure expenditures.

As foreign financial sources dry up, the need to tap the underutilised home front has become pressing, emphasised Ernest Aryeetey of the Institute of Statistical, Social and Economic Research at the University of Ghana. In addition, African countries should improve their financial markets which are currently hindered by a number of factors, including low population densities, stressed Franklin Allen of the University of Pennsylvania. This would help them to overcome their vulnerable dependence, highlighted by Philippe Martin from Sciences-Po, on foreign financing for their exports.

NEW FACES, NEW PERSPECTIVES

African researchers have an important role to play in tackling the development challenges facing their countries. In a bid to support young African academics and highlight their work, 15 researchers from across Africa presented their research at the conference, as part of the 'New Faces for African Development' initiative launched by the European University Institute in the context of the ERD process.

Together, the talented young researchers – who were drawn from an original pool of 158 submissions from 38 countries – provided valuable snapshots from the field. The issues they covered included the causes and consequences of fragility, how it affects education, the use of traditional African governance mechanisms to decentralise power, electoral violence and fragility, Zimbabwe's descent into fragility, oil management and food insecurity in Nigeria, gender discrimination in the labour market in Cameroon, as well as the link between aid and growth.

Accra, 21st - 23rd May 2009

More information:

http://erd.eui.eu/?page_id=837

<http://erd.eui.eu/media/20090603-post-accra-pressrelease2en.pdf>

http://erd.eui.eu/media/20090604_ec_flyer-a4_accra.pdf

THE FINAL CHAPTER

18 The underlying aim of all the preparatory events and the commissioned research papers is to provide input for and inform the drafting of the European Report on Development (ERD). At the beginning of the ERD process, the report's core team came up with a tentative outline and structure for the report – which was mirrored by the themes selected for workshops and conferences.

The themes covered by the original outline included the drivers and consequences of fragility; the challenges of institution building in fragile situations; food crises and the development of the agricultural sector; the impact of the financial crisis on fragile countries; and the policy implications of fragility.

In light of the consultation process and the various papers commissioned as part of the ERD initiative, a first draft of the Report was presented at the final preparatory event – 'Moving towards the European Report on Development 2009' – which took place in Florence in June 2009. Around 50 prominent researchers and experts attended the conference where they discussed the draft chapters and the ERD's structure.

COUNTERING FRAGILITY WITH RESILIENCE

In Florence, and during the preparatory process in general, a consensus has emerged that resilience needs to be promoted as a counterbalance to fragility. Resilience involves a wide range of issues, including land reform, the development of the agricultural sector, as well as the strengthening of coping mechanisms and social safety nets.

Participants agreed that the EU's development policies – and that of other donors – needed to be radically rethought to address the very specific needs of fragile countries. In addition, the Union needs to do more to utilise its potential in terms of the three 'Cs' (coordination, complementarity and coherence).



*Florence,
22nd - 23rd June 2009*

THE FINAL STRETCH

Conference on the consolidated draft report Brussels (BE)	This Commission-hosted conference enables stakeholders to discuss and comment on the consolidated version of the ERD and to refine its policy recommendations.	4 September 2009
Final version of ERD	ERD Steering Committee receives the final version of the report for validation	1 October 2009
Official launch Brussels (BE)	The official media event launching the ERD.	15 October 2009
European Development Days Stockholm (SE)	The report to be presented in Stockholm at the European Development Days.	23 October 2009

Further presentation events will be organised, both in Europe and abroad.

MEET THE TEAM

The ERD core team is made up of 11 members:

Giorgia Giovannetti – Team leader of the ERD report. She is a full professor of economics at the University of Florence and a visiting professor at the European University Institute and at the New York University in Florence.

Franklin Allen – Professor of finance and economics at The Wharton School of the University of Pennsylvania and co-director of the Wharton Financial Institutions Centre.

Shailaja Fennell – Lecturer in Development studies attached to the Department of Land Economy at Cambridge University, fellow of the university's Jesus College.

Wendy Harcourt – Editor of the journal Development and senior adviser at the Society for International Development.

Marta Reynal-Querol – Associate professor of economics at the University Pompeu Fabra in Barcelona and affiliated professor at the Barcelona Graduate School of Economics.

Pascal Vennesson – Professor of political science and joint chair of 'Security in Europe' at the European University Institute.

Thierry Verdier – Professor of economics and scientific director of the PSE (Paris School of Economics)

Ingo Linsenmann – ERD project manager at the Robert Schuman Centre for Advanced Studies in Florence.

Simone Bertoli – ERD project assistant at the European University Institute and research fellow at the Institute for Employment Research in Nuremberg.

Marco Sanfilippo – ERD project assistant at the European University Institute and researcher on Chinese FDI in Europe at the Centre for Advanced Studies on Contemporary China.

Elisa Ticci – ERD project assistant at the European University Institute, lecturer in economics at the University of Florence and consultant for the World Bank.

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