

WHAT DOES “INCLUSIVE GOVERNANCE” MEAN? CLARIFYING THEORY AND PRACTICE

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Foreword

With the advent of the 2030 Agenda, building inclusive states and societies is widely understood as a central concern for international development, and history has shown that inclusive states and societies are more prosperous, effective and resilient in the long run.

The evidence suggests that theoretical complexities around inclusive governance and its relation to cognate ideas include, but are not limited to, good governance, democratic governance and the Human Rights-Based Approach. Moreover, the links between inclusive governance processes and inclusive development outcomes are highly contingent and non-linear.

Given these complexities, the Governance Network (GovNet), a subsidiary body of the OECD Development Assistance Committee (OECD DAC), has commissioned this Note to provide conceptual clarity on how its members understand inclusive governance and to guide development practitioners on the conditions under which inclusive governance processes might contribute towards more inclusive development outcomes. The development of the Practice Note was managed by the GovNet Secretariat, based in the Global Policies and Partnerships Division of the Development Co-operation Directorate.

A central message of this work is that contextualisation is key. The process of altering power structures and redefining state-society relations is bound to be messy and contested, and although there may be enabling factors, there are no blueprints for change. “All good things” may not necessarily go together, and difficult tensions, dilemmas and trade-offs exist among equally compelling priorities.

Concluding with a practical message, this Note encourages practitioners to i) undertake diagnostics that contextualise inclusion; ii) identify the key obstacles to reform implementation; iii) convene locally led spaces for engagement; iv) co-create state capacity and more inclusive “rules of the game”; and v) design interventions that look beyond representation and participation as indicators of inclusion.

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Abstract

Inclusion in terms of both process (how decisions are made and who is included in that process and how and why) and outcomes (how wealth and prosperity are distributed and shared across a population and why) is a leading priority in international development, with the Sustainable Development Goals as perhaps the most ambitious articulation of this. As the evidence overwhelmingly shows, over the long term, more open and inclusive states and societies tend to be more prosperous, effective and resilient. And yet, it is far less clear how countries that today can be considered more inclusive in terms of both process and outcome got to where they are. This Note explores the relationship between inclusive governance and inclusive development. It finds that there is no automatic causal relationship between inclusion as process and inclusion as outcome in either direction. However, the Note also highlights that under certain circumstances, more inclusive processes can in fact foster more inclusive development, and it teases out several factors that have been important in this respect. By way of conclusion, the paper draws out implications for how international development actors can support inclusion more effectively through more politically aware ways of thinking and working.

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Abbreviations and acronyms

DAC	Development Assistance Committee (OECD)
GovNet	Network on Governance (OECD DAC)
HRBA	Human Rights-Based Approach
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
UN	United Nations
UNDP	United Nations Development Programme

The concept of inclusive governance: Key messages

The question of how to foster governance processes that i) are more inclusive and representative and ii) lead to development outcomes that are more broadly shared has emerged as a leading priority in international development, and for good reason. Over the long term, more open and inclusive states and societies tend to be more prosperous, effective and resilient. Less clear, however, is how countries that today can be considered more inclusive got to where they are, and how states and societies across the developing world can forge more inclusive governance processes over time in ways that will also contribute to broad-based prosperity and well-being.

This Note aims to frame an understanding of inclusive governance, both in relation to other established concepts and ideas in international development and as a contribution to ongoing debates on whether and how inclusive governance might contribute to more inclusive development outcomes.

Specifically, this Note finds that:

1. ***Inclusive governance has important intrinsic value*** that is rooted in enabling people to exercise voice and influence in the processes that concern them. Inclusive governance can also provide the basis for forging shared identity and common values and in this way, it can galvanise social cohesion.
2. ***Inclusive governance can also help to foster inclusive development outcomes, but this process is neither linear nor automatic.*** Rather, it is highly contingent and requires a great deal of strategic agency, vision, leadership and capacity to be effective. The role of the state in undergirding both inclusive governance and inclusive development is also essential.
3. ***Tackling exclusion and enabling inclusive governance processes and inclusive development outcomes are fundamentally about altering power structures and redefining state-society relations. This process of transformation is bound to be messy and contested.*** Tensions, dilemmas and trade-offs among equally important and compelling priorities will always exist, and there are no easy or ready-made ways to solve them.
4. ***There are enabling factors that can be harnessed to promote prosperity and shared well-being through inclusive governance, but there are no blueprints for how this can be done.*** Some of these enabling factors include state capacity, which is essential in undergirding both governance and development; ideas and narratives around identity and belonging; critical junctures (e.g. elections and constitution-making processes, political crises, natural disasters, etc.); political parties; strategic coalitions; and social mobilisation. All of these factors are important but also highly contingent.
5. ***Strategies for development practitioners to support inclusive governance processes more effectively so as to foster more inclusive development outcomes*** can include: i) identifying and contextualising pressures for greater inclusion and barriers to reform, including tensions, dilemmas and trade-offs; ii) enabling, brokering and convening locally led spaces for engagement and reform, and supporting strategic coalitions to address common challenges collectively; iii)

working to support capable states alongside more inclusive rules of the game, testing prevailing assumptions of how change happens and remaining mindful of unintended consequences along the way; and iv) focus not only on representation and participation but also on underlying power dynamics and how to nudge local socio-institutional norms and behaviours towards more inclusive outcomes.

1 Introduction

Under the Programme of Work and Budget (PWB) 2017-2018, the Governance Network (GovNet), a subsidiary body of the OECD Development Assistance Committee (DAC), has committed to support the implementation of SDG 16 in developing countries with a focus on inclusion as a key attribute of SDG 16, including in the sectors.

In line with these PWB commitments, GovNet members undertook to produce a body of work (comprising policy surveys, and a review of existing scholarship, evidence, and practice) to better understand the concept of inclusion in three main areas, including (i) what is meant by inclusion for the purposes of SDG 16, and how inclusion/exclusion relates to the concept of 'Leaving No One Behind?'; (ii) what appears to work in terms of achieving inclusive development outcomes and under what conditions, is it most effectively accomplished?; and (iii) finally, what are the unintended consequences that may arise when pursuing inclusion in highly diverse and changeable country contexts?

The question of how to foster governance processes that i) are more inclusive and representative and ii) lead to development outcomes that are more broadly shared has emerged as a leading priority in international development. The [Sustainable Development Goals](#) (SDGs) and the United Nations 2030 Agenda, which makes a commitment to leave no one behind (UN, 2015^[1]), are perhaps the most ambitious articulation of this consensus. [SDG 16](#) in particular calls on all signatory countries to “[p]romote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels” (UN, 2015^[1]). Other SDGs make specific commitments not only to “end poverty in all its forms everywhere”, but also to tackle marginalisation and respond to the needs of all groups, including in terms of income (SDG 1), health (SDG 3), education (SDG 4), gender equality (SDG 5), employment (SDG 8) and inequality (SDG 10) (Glassco and Holguin, 2016^[2]). Read in this way, the SDGs represent a powerful framework for transformation that is grounded in a shared understanding of inclusive institutions as both intrinsically valuable and indispensable for tackling poverty, inequality and exclusion and for achieving peace and development (Nur and Andersson, 2016^[3]; Joshi, Hughes and Sisk, 2015^[4]; Stuart and Samman, 2017^[5]; Fuentes and Cookson, 2018^[6]).

There are good reasons for this emphasis on inclusion. As existing evidence shows, in the short to medium term, more inclusive political settlements, at least among (competing) elites, are central to avoiding the recurrence of violent conflict and laying the foundations for more peaceful political processes (Rocha Menocal, 2015^[7]). At the same time, an extensive and well-established body of research shows that over the long term, states and societies with more open and inclusive institutions, both political and economic, also tend to be wealthier and better governed across a range of dimensions (including among others effectiveness, accountability, inclusion, peace and stability), and are also better at promoting sustained and broadly shared development.

Based in part on these findings and correlations, international development thinking and practice often tend to assume that more inclusive processes will automatically lead to more inclusive outcomes (Castillejo, 2014^[8]; van Veen and Dudouet, 2017^[9]). Yet such assumptions about how

change happens cannot be taken for granted. As the literature emphasises, these processes are likely to be non-linear, contingent and contested. Teasing out the complex relationship between (inclusive) governance and (inclusive) development, and the directions in which causality may run is an active – and far from settled – area of engagement and reflection.

This Note aims to inform how development practitioners understand inclusive governance. It explores how inclusive governance relates to other established concepts and ideas in international development including good governance, democracy, human rights-based approaches to development (HRBA), legitimacy and social cohesion. It further explores linkages (interdependencies and possible tensions and dilemmas) between inclusion as process (governance) and inclusion as outcome (development), and considers whether and how inclusive processes may foster more inclusive development outcomes.

The Note is focused on select flagship publications by established figures in the field of governance and development. It does not intend to be comprehensive or exhaustive. Rather, it is meant to encourage discussion and to contribute to ongoing thinking about how to foster more inclusive states and societies and how to work with countries across the developing world to leave no one behind.

2 Understanding inclusive governance

Defining governance

Governance means more than just “government”. It embodies the set of institutions or rules of the game, both formal and informal, that shape access to and participation and influence in political structures and processes; including parliaments, public sector organisations, electoral processes, legal systems and institutions (Grindle, 2007_[10]; Acemoglu and Robinson, 2012_[11]).

The 2017 World Development Report defines governance as “the process through which state and non-state actors interact to design and implement policies, within a given set of formal and informal rules that shape and are shaped by power” (World Bank, 2017_[12]). Thus, the emphasis is on how things are done (i.e. how decisions are made and policies implemented) rather than on what is being done. Governance is a dynamic concept that lies at the core of relations between state and society, comprising all of the processes and interactions of governing over a social system – whether undertaken by the state, the market, social groups and networks, or a combination of these.

Governance shapes and has a profound impact on the state and how it works along its three core dimensions – capacity, authority and legitimacy (Call, 2011_[13]) – as well as on the nature and quality of state-society relations. These dimensions are in constant interaction and overlap at a variety of levels (national, subnational, regional, international), creating a complex network of actors and interests. Depending on context, underlying power relations and the rules of the game or, in other words, the nature of the political settlement, stakeholders in these different arenas – such as elected representatives, government officials, civil society organisations, business lobbies, multinational corporations, multilateral organisations, gangs, organised crime networks, etc. – may play more or less important or influential roles in shaping governance dynamics (Hyden, Court and Mease, 2004_[14]; Fukuyama, 2013_[15]; Joshi, Hughes and Sisk, 2015_[4]; Rocha Menocal, 2017_[16]).

Unpacking inclusive governance

As Fukuyama (2013_[15]) has noted, governance relates to the ability of a state to make and enforce rules and to deliver services irrespective of the kind of regime that is in place (i.e. whether it is democratic or authoritarian or a hybrid that combines features of both). Governance is about the ability of actors to perform towards objectives and ambitions that derive from the dynamic interaction and power struggles among actors of state and society irrespective of what those objectives might be (Fukuyama, 2013_[15]).

Inclusive governance, on the other hand, refers to “a normative sensibility that stands in favour of inclusion as the benchmark against which institutions can be judged and also promoted” (Hickey, 2015^[17]). Inclusion as process, and the difference it makes to development outcomes, are an integral part of ongoing debates on governance and development.

Process-based inclusion refers to how decisions are made – who is included in decision-making processes and how and why, whose voices count, and how these dynamics and interactions shape both the nature and quality of decisions taken and how they are implemented. The extent to which governance is more or less inclusive has to do with the extent to and ways in which people and groups that have been traditionally left out or marginalised (including women; young people; racial, ethnic and religious groups; disabled people, transient and migrant populations, etc.) are able not only to participate but also to exert greater influence in political processes and to hold government authorities to account (Joshi, Hughes and Sisk, 2015^[4]; Fuentes and Cookson, 2018^[6]) (See Box 2.1).

Outcome-based inclusion refers to questions of distributional equity. These include, for example, the way in which key developmental outcomes such as growth, infrastructure, health, education, water and sanitation, social welfare, justice, or security are distributed or shared. Outcome-based inclusion speaks to who benefits from prosperity, why and to what effect (see Box 2.1).

Box 2.1. Who is excluded? From what and how?

As a collective phenomenon, exclusion happens when certain groups are systematically excluded, discriminated against and disempowered on the basis of one or more shared characteristics in ways that profoundly affect their access to economic opportunities, development and other resources as well as their ability to participate in political processes and exercise their rights (Stewart, 2010_[18]; Klasen et al., 2018_[19]). These group identities, which tend to be constructed and politicised rather than simply given, can include, among others, gender, ethnicity, religion, class and geography (Stewart, 2010_[18]).

Patterns of inclusion and exclusion are shaped through complex processes of interaction and contestation among different groups and interests within and between state and society. Their meaning and substance are defined, sustained, reinforced, reproduced and challenged over time through a complex web of existing and underlying political and social institutions (both formal and informal); economic structures and relations; legal frameworks and behaviours that are embedded in or reflect prevailing political structures; power dynamics; social and cultural norms and ideas/ideology (Stewart, 2010_[18]; Castillejo, 2014_[8]).

Those who are most likely to be “left behind” by prosperity and development are groups of people who face multiple and overlapping patterns of exclusion or “intersecting inequalities” (Paz Arauco et al., 2014_[20]). These tend to reinforce and exacerbate one another and to endure over time (Stewart, 2010_[18]; Paz Arauco et al., 2014_[20]; O’Neil and Domingo, 2016_[21]). Women represent an important cross-section of marginalised groups. For example, Dalit women are among the most disadvantaged, discriminated against and vulnerable groups in India due to the interaction of class, caste and gender, while indigenous women in Latin America and the Caribbean face discrimination and exclusion on the basis of gender, class and ethnicity. Young people all over the world are also confronted with intersecting forms of systemic discrimination and are thus particularly vulnerable (OECD, 2014_[22]; Glassco and Holguin, 2016_[2]).

Inclusive governance: Intrinsic value and instrumental purpose

Despite strong agreement on the centrality of inclusive governance in current discourse around Sustainable Development Goal (SDG) 16, considerable debate and disagreement remain within the international development community on how best to support it. Some actors focus on inclusive governance as a good in itself with intrinsic value. Others take an instrumental approach and see inclusive governance not as an end in itself, but as a means to achieving more inclusive development outcomes. The premise of this Note is that both intrinsic and instrumental approaches to inclusive governance are important and valuable.

Inclusive governance as intrinsic value

Inclusive governance as a concept has strong intrinsic value. This is because, in principle, inclusive decision-making processes give voice and basic freedoms to people to pursue the goals and aspirations they value and to seek redress when an injustice is perceived (Stiglitz, Sen and Fitoussi, 2009_[23]). In particular, following the Sen tradition, participating in and influencing one’s development through open and non-discriminatory (democratic) processes, having a say without fear, and speaking up against perceived injustices and wrongs are fundamental freedoms that are integral to one’s well-being and quality of life (Sen, 1999_[24]; Stiglitz, Sen and Fitoussi,

2009^[23]). In addition, through the rights and freedoms that inclusive processes bestow (e.g. political voice, freedom of assembly, free press, free flow of information, open participation in political decision making, etc.), citizens can expect to see policy decisions made in ways that are inclusive, participatory, representative of different societal groups and interests, transparent, and accountable (Rocha Menocal, 2012^[25]). Inclusive governance is intended to enhance citizen empowerment and agency and to secure stronger rights and protections for marginalised groups.

Inclusive governance as an instrumental means to inclusive development

The SDGs and the 2030 Agenda commitment to leave no one behind focus both on giving voice and influence to those who have been traditionally marginalised and on enhancing their well-being and fostering prosperity that is more broadly shared (UN, 2015^[1]). This suggests that inclusive governance is also necessary to achieve more inclusive development outcomes.

The instrumental logic undergirding these global commitments is, in principle, quite compelling. Increasing citizens' voice in governance processes, not only in terms of their participation but also in terms of their influence, should make public institutions more responsive to citizen needs and demands, especially those from groups that have been traditionally marginalised and otherwise excluded. This process of inclusion and engagement from a broad variety of stakeholders should also act as a check on public institutions and hold governments to account. In theory, this combination of voice and accountability should in turn generate outcomes that contribute to inclusive development because, by this logic, state authorities that are accountable to their people should use resources constructively rather than mispend or steal them (Carothers and Brechenmacher, 2014^[26]; Gaventa and Barrett, 2010^[27]; Rocha Menocal, 2014^[28]; Grindle, 2010^[29]).

This question around the intrinsic value and instrumental purpose of inclusive governance, with other areas in the field (for example, around democracy and development and around institutions and growth), has generated considerable scholarship and debate in both academic and policy-making circles, and it is far from settled. And an essential question remains: Under what conditions can inclusive governance contribute to more inclusive development outcomes and prosperity that is broadly shared? This question is addressed further below in this Note.

3 Inclusive governance and related concepts and ideas

Inclusive governance, as called for in the Sustainable Development Goals (SDGs), is not a clearly defined field of theory or policy within international development (Hickey, 2015_[17]). However, it is closely related to other concepts, ideas and areas of international engagement in the development field including good governance, democratic governance, a human rights-based approach to development, legitimacy and social cohesion. This chapter looks at those links.

Inclusive governance and good governance

Inclusive governance is an integral feature or characteristic of the good governance agenda, though that agenda is considerably more comprehensive. Good governance emerged as a core area of engagement among donors in the 1990s due to growing concern about the detrimental impact of state capture, rent-seeking and weak accountability on state capacity, government institutions and development effectiveness (Fritz and Rocha Menocal, 2007_[30]; Carothers and Brechenmacher, 2014_[26]; Norris, 2011_[31]).

The critical insight that institutions matter, combined with the empirical observation that on the whole and over time, wealthier countries (with the exception of some oil-rich states) tend to have better governance across a range of dimensions than do poorer countries (Fritz 2008), led to a new development agenda focused on good governance.

The good governance agenda is prescriptive about what governance ought to look like, on the basis of normative views that hold that certain forms or characteristics of governance either have intrinsic value and are good things in and of themselves, more instrumental arguments that assert certain governance arrangements are necessary to achieve inclusive development and shared prosperity, or both (Grindle, 2007_[10]; Carothers and Brechenmacher, 2014_[26]; Grindle, 2010_[29]). Good governance is based on the compelling idea that people all over the world would be much better off if political systems and decision-making processes were founded on institutions that are fair, judicious, transparent, accountable and inclusive (Grindle, 2010_[29]). Good governance also focuses strongly on the promotion of participation, the establishment of (formal) institutions based on blueprints, best practices and other normative aspirations¹ about how change happens. Often the end result has been “isomorphic mimicry”, with countries adopting prescribed institutional forms imported from elsewhere, which are then either unable to function as they do in more developed contexts or are actively prevented from doing so by powerful actors and interests in place (Andrews, Pritchett and Woolcock, 2017_[32]). The inability of good governance reforms to gain traction in so many developing contexts (Grindle, 2007_[10]; World Bank, 2017_[12])

¹ These normative aspirations include, but are by no means limited to, precepts ranging from inclusion, participation, accountability, rule of law, transparency and openness.

helped to encourage a shift away from institutional form to a much stronger focus on the way politics and power relations shape how institutions actually work in practice. Learning from these experiences, governance practitioners are seeking to shift away from promoting ‘the right institutions’ based on imported models and best practice in favour of promoting locally driven agendas that are more focused on problem solving, and that fit particular contexts (World Bank, 2017^[12]; TWP Community of Practice, 2018^[33]; Booth and Unsworth, 2014^[34]).

If there is a hard lesson that the international development community has learned from 20 years of experimentation with good governance reforms, it is that while institutions matter for development, we know a lot less about which institutions matter most, and when, where and why. Thus, what forms governance takes, and what values anchor it in different settings, are empirical questions. There are no pre-set formulas or combinations of the different elements of the good governance agenda that will automatically make governance more effective or generate well-being and development outcomes that are more broadly shared (Unsworth, 2010^[35]; Booth, 2012^[36]; Levy, 2014^[37]; Hickey, Sen and Bukenya, 2014^[38]; King and Hickey, 2017^[39]; Rocha Menocal, 2017^[16]). Rather, these are fundamentally political and deeply contested realms, full of ambiguity and uncertainty. Effective and inclusive institutions are surely the right ambition. But this does not help us understand how different institutional transformations happen and whether they are essential (pre-)conditions or, rather, iterative processes and outcomes of change.

Inclusive governance, democratic governance and the Human Rights-Based Approach

The rise of the good governance agenda coincided with the wave of democratisation that swept across the developing world from the 1980s onwards. As part of this process of democratisation, the role of citizens in exercising voice, having a say in decision-making, and holding governments to account (through mechanisms such as legal empowerment, elections, and other forms of consultation and participation) also gained prominence (Grindle, 2007^[10]). Still, only a relatively small group of international development actors – the United States and several Northern European countries being among the largest – have explicitly embraced democracy as an essential priority in the promotion of good governance.

Inclusive governance is also at the heart of the Human Rights-Based Approach (HRBA) that has been championed by a set of key actors in international development, including non-governmental organisations, Northern European donors and some multilateral organisations, especially within the United Nations (UN) (Carothers and Brechenmacher, 2014^[26]). Anchored in democratic governance as the essence of its approach, HRBA focuses on three elements of the good governance agenda – equality and non-discrimination, inclusion and participation, and transparency and accountability – that are seen as inalienable rights integral to development in terms of both their intrinsic value and their centrality in harnessing more inclusive outcomes (UNDP, 2007^[40]). Box 3.1 presents the UN definition of HRBA.

Box 3.1. How the United Nations defines the Human Rights-Based Approach

The human rights-based approach to development programming of the UN Development Programme – and thus, human development – is normatively based on international human rights standards as adopted by UN Member States. It builds on key human rights principles as outlined in the UN Common Understanding of a Human Rights Approach to Development Cooperation of 2003, including three principles with particular relevance for development programming: inclusion and participation, including political, economic, civil, social and cultural dimensions; equality and non-discrimination, which are especially important for minority groups and indigenous peoples; and accountability and rule of law. Inclusive governance encompasses the management of social, political and economic institutions for human development, and represents the essence of the rights-based approach.

Source: (UNDP, 2015^[41]),

Despite some differences in emphasis over the past 15-plus years, a consensus has emerged across the international development community on the centrality of several core governance principles – including accountability, transparency, participation and inclusion – that have become nearly universal features in policy declarations, international initiatives and global commitments, including the SDGs (Carothers and Brechenmacher, 2014^[26]). In many ways, these all are also intrinsic democratic values. Importantly, however, they are not exclusive to democracy, and the focus on these principles can help to transcend arguments about regime type and the relative effectiveness of authoritarian versus democratic systems.

Inclusive governance and legitimacy

Legitimacy² refers to the belief among key political elites and the public that the rules regulating the exercise of power and the distribution of wealth are proper and binding. As the World Bank (2011^[42]) has argued, legitimate institutions, both formal and informal, are a country's "immune system", so without a minimum degree of legitimacy, states will find it difficult to function and will remain unstable. Historically, states have relied on a combination of different methods to establish their legitimacy (Bellina et al., 2009^[43]; Call, 2011^[13]; World Bank, 2011^[42]). These include:

- external legitimacy (e.g. international recognition of the state)
- performance-based legitimacy (e.g. provision of public goods and services, economic growth)
- legitimacy based on ideas and/or ideology (e.g. nationalism and shared culture, communism, religious fundamentalism, shared values and/or solidarity)

² Legitimacy can be assessed through a set of so-called "right standards" (a normative approach) or through the perceptions and acts of consent of the authorities and citizens in a given society (an empirical approach). See, for further detail, (OECD, 2010^[71]), (McCullough, 2015^[64]) and (World Bank, 2017^[12]).

- legitimacy based on clientelism and neo-patrimonialism (e.g. the exchange of material benefits for political support)
- process-oriented legitimacy (e.g. the establishment of the rule of law, checks and balances, liberal democratic representation, participatory and/or inclusive decision-making processes)
- traditional forms of legitimacy (e.g. non-state communal and customary institutions and authorities, socially-rooted norms of trust and reciprocity)
- historical legitimacy (e.g. liberation struggles)

As is highlighted in this Note, inclusive governance refers to who is included in decision-making processes, how and why; what groups exert more/less influence on those processes and why; and how these dynamics and interactions shape the nature of decisions taken, the quality of such decisions and how they are implemented. As such, inclusive governance is closely linked to core dimensions of legitimacy, including most obviously process-based legitimacy. But inclusive governance is also related to legitimacy based on ideas and/or ideology because ideas play an essential role in shaping thinking and behaviour about who is included in and excluded from different political processes and why. And it is closely tied to legitimacy based on clientelism, which involves the selective incorporation, voice and influence of some groups (while not others) in exchange for political loyalty.

Inclusive governance and social cohesion

Social cohesion refers to the kinds of bonds and characteristics that link members of a social group to one another and to the group as a whole, to the overall quality of ties and relationships across different groups in society, and to how these groups function and/or work together (Kaplan and Freeman, 2015^[44]).

At its core, inclusion, in terms of both process and outcome, is intended to strengthen social cohesion and the fabric holding a society together. As stressed in the 2011 World Development Report (World Bank, 2011^[42]), states and societies interact more constructively in ways that promote common goals when ties of trust and reciprocity and a rich associational life bind citizens together and link citizens to the state. Importantly, such ties also need to be multiple cross-cutting rather than based on narrow identities, for instance purely on ethnicity, class or religion (Varshney, 2001^[45]). The quality and effectiveness of state-society relations are greatly impacted by the degree of cohesion that holds a society together and by the extent to which elites have or can develop a collective vision of a shared national project or common destiny with society at large. In this respect, social exclusion can be seen as the antithesis of social cohesion (Box 1). Social exclusion actively militates against the creation of a collective identity or sense of a shared nationwide public (Ghani and Lockhart, 2007^[46]). Through the different dynamics it generates, exclusion undermines trust and hinders collective action across groups (Berkman et al., 2008^[47]). In this way, it robs the state and different groups in society of the glue that can hold them all together.

4 Assessing linkages between inclusive governance and inclusive outcomes

Tensions and dilemmas

Current international development thinking tends to assume too easily that inclusive governance processes and more inclusive development outcomes go hand in hand almost automatically (Grindle, 2007_[10]; Carothers and Brechenmacher, 2014_[26]; Grindle, 2010_[29]). There is a strong desire among many in the international development community to see a causal link between inclusive governance and more inclusive development. Yet the relationship between inclusion as process and inclusion as outcome is complex and non-linear, and inclusion of one kind does not automatically require or lead to inclusion of the other kind. Patterns of inclusion and exclusion tend to be shaped and defined by underlying institutional arrangements or rules of the game, and result from power relations and/or powerful ideas and values that determine who is to be included or excluded and around what, how, why and to what effect.

A central tension in supporting inclusive governance and development transitions is the recognition that “all good things” do not always go together naturally. Often, multiple processes of transformation (political, economic, social, technological, etc.) are happening at the same time. Even if different dimensions of change happen simultaneously – or, in fact, because they do – they tend to generate tensions, dilemmas and trade-offs. The experiences of countries like Botswana, Brazil, Ghana, India and South Africa help to illustrate the complex push and pull that can arise when processes to foster inclusive governance coincide with attempts to promote inclusive development and the kinds of progress and setbacks that are involved.

The Working Paper produced as part of this project teases out three additional findings on the links between inclusive governance and inclusive development that warrant reflection. These are elaborated in the following subsections.

Inclusive processes do not automatically lead to inclusive outcomes

In theory, inclusive governance is intended to foster a political system where all citizens are equal and their voices count equally, which can create favourable conditions and incentives for more even distribution of wealth and broad-based public services delivery. Yet, the push for and expansion of inclusive governance across the developing world since the 1980s – as captured by the shift towards democracy and the explosion of citizen voice and engagement beyond the ballot box that has happened since – has coincided with patterns of development and prosperity that are highly skewed, resulting in an ever-increasing number of people and groups who are or feel marginalised or left behind. Thus, inclusive governance mechanisms that are intended to

promote greater voice and participation in decision making (including, for example, peace processes including a variety of actors and stakeholders, elections, constitutional assemblies, and/or quotas for marginalised groups) do not automatically make institutions more effective at enabling groups that have been traditionally marginalised to exert real influence or alter the distribution and exercise of power in society.

Inclusive governance is not a prerequisite for inclusive development

Historically, some of the greatest strides against inequality and social exclusion have been achieved not through inclusive institutions but through much more complicated, contentious, disruptive and perverse means. Often, it has been factors like mass wars, catastrophes such as the Black Death and authoritarian rule rather than open, inclusive and representative (democratic) decision-making processes, that have acted as “the great equalizers” (Scheidel, 2017^[48]). The natural tendency of democracy to fragment, diffuse and divide power has also raised the appeal of authoritarian models of development in some quarters. The evidence also shows that a variety of countries where inclusive governance has remained limited have nonetheless been remarkably successful at fostering developmental transformations and creating shared prosperity within relatively short periods of time. Examples include Chili, Chinese Taipei, Korea and Malaysia before their respective transitions to democracy. Nonetheless, betting on the greater developmental effectiveness of authoritarian systems is risky as it cannot be ascertained a priori that the end will justify the means. History is littered with examples of authoritarian systems, from Argentina to Zimbabwe, that have been far less successful in terms of promoting development.

Although inclusive governance does not automatically lead to more inclusive development, and more inclusive processes are not needed to foster shared prosperity, available evidence further suggests that exclusionary development outcomes profoundly undermine the quality and effectiveness of inclusive governance. Inequality and exclusion give those with means, resources, power or status outsize influence over policy-making and decision-making processes. Exclusionary development skews the provision of essential services away from those who are most in need. As seen with the rise or resurgence of populism and nationalist and/or anti-immigrant discourse in both the developing and developed countries, inequality also feeds polarisation. These imbalances in voice, access and opportunity disenfranchise segments of the population, generate social tensions, undermine trust in institutions, and can increase support for radicalisation and violence.

Pushing hard for inclusion in the absence of a capable state can be counterproductive

Both inclusive governance and inclusive development need effective and capable states to underpin them and to mediate competition between contending groups. Historically, and barring very few exceptions, countries that today are characterised by inclusive processes that are deeply rooted had an effective state in place first and then opened up (Fukuyama, 2016^[49]). All successful post-Second World War cases of long-term inclusive development have been in countries with high levels of state capacity. These include, for example, the East Asian Tigers (Hong Kong China, Korea, Singapore and Chinese Taipei), as well as China, Viet Nam and, more recently, Ethiopia and Rwanda. Yet, state capacity can often be taken for granted. Much current thinking on fostering inclusive governance, especially within the international development community, for instance, assumes that processes to promote inclusion in decision making are being built on the foundations of coherent and capable states, even if very often this is not the case (Carothers, 2007^[50]).

Firstly, there is a deficit of states that are capable and effective (Fukuyama, 2016^[49]). Secondly, often examples of 'effective states' have been characterised by rather limited mechanisms of inclusive governance. This does not mean that states with more inclusive processes cannot work effectively, but pushing hard for process-based inclusion when institutions are ineffective can be counterproductive (Hickey, 2019^[51]). For instance, inclusive governance may well foster more participatory decision-making processes, but such processes also tend to become more protracted, time-consuming and, often, uncertain. These can also become highly contested or conflictual and lead to stalemate. More inclusive processes also imply that public authorities are expected to engage with a wider range of actors when deciding on and implementing policy, which creates more actors who can block or stymie reform.

While citizens clearly value inclusive governance, they also are deeply concerned about delivery

In general, while citizens clearly value inclusive governance in principle, they are also deeply concerned about development outcomes and may lose patience with processes and systems that are not perceived as delivering on their needs and priorities, even if these processes are intended to be inclusive. A crucial implication is that, putting in place participatory and representative institutions of inclusive governance will not automatically result in increased popular support for a political system if it does not produce expected public goods and services. This is a particular challenge in incipient democracies with nascent institutions of inclusive governance because pressures to deliver are often extremely high and expectations unrealistic.

How can inclusive governance contribute to more inclusive development?

It is clear that over the long term, more open and inclusive states and societies tend to be more prosperous, effective and resilient. What is less clear, however, is how countries across the developing world can forge greater and more broad-based inclusion over time in terms of both process and outcomes. The crucial challenge is therefore how greater and more broad-based inclusion can be supported. The findings discussed in this Note highlight the profound complexities and paradoxes around inclusion and the dilemmas and trade-offs among different and equally compelling priorities at play.

Making governance more inclusive, tackling exclusion and promoting prosperity that is broadly shared are fundamentally about altering underlying power structures and dynamics and redefining state-society relations. This is bound to be a messy, non-linear and deeply contested process of transformation.

Perhaps the most significant lesson to emerge in international development is that institutions and the underlying politics and power dynamics that give them shape and substance – in short, political settlements – lie at the core of the challenge of how inclusive governance and inclusive development are linked (World Bank, 2017^[12]; Khan, 1995^[52]; Khan, 2010^[53]). Two recurring findings are also worth highlighting:

- In the short to medium term, greater horizontal inclusion among elites from competing groups, in terms of both who is included in decision-making processes and who benefits from the distribution of resources and wealth is absolutely essential to avoid the recurrence of violent conflict and to maintain peace and stability.
- Over the longer term, more broadly inclusive institutional arrangements that extend beyond elites underpin states and societies that are wealthier, better governed and less unequal. For the most part, broadly inclusive states tend to be democracies.

However, there is a big gap between these two findings, and, the fundamental question of how the boundaries of a more narrowly focused political system can be expanded to address wider state-society relations and to create a more broadly inclusive political order, is not yet fully answered. As highlighted in the Working Paper accompanying this Note, existing evidence points to the following factors as important in fostering more inclusive development outcomes through inclusive governance:

- ***Redistributive policies as important levers for combatting poverty and inequality.*** Policies intended to improve the coverage and quality of education, expand the coverage of public health care, and enhance market connectivity emerge as recurring factors in countries that have achieved reductions of inequality. Affirmative action measures such as quotas for women and other marginalised groups, as well as social protection programmes such as (conditional) transfer programmes, have also been important in efforts to promote inclusion as process and as outcome, often with considerable support from international development actors. These have helped to tackle intersecting inequalities over time, although they also have limitations. Yet, as the discussion in this Note suggests, sound policies are not sufficient on their own to address inequalities: it is the politics of policies, rather than the policies themselves, that are fundamental in shaping policy implementation and effectiveness and in determining what kinds of policies are feasible in the first place.
- ***State capacity and its linkages with society.*** As noted earlier, a functional state is essential to anchor inclusion as both process and outcome. The state remains the most significant entity with the mandate, capacity and legitimacy to redistribute wealth and resources; and it constitutes an indispensable partner for development actors to engage with. Effective states typically have had sufficient institutional capacity, autonomy and committed leadership to promote development goals and to manage and distribute rents in ways that avoid capture by narrow and particularistic interests, while at the same time remaining embedded in society (Evans, 1995^[54]). A key lesson for development actors is that effective and sustainable processes of inclusive governance require capable states alongside more inclusive rules of the game (Carothers, 2007^[50]).
- ***Critical junctures as opportunities for change.*** Critical junctures are watershed events or moments of change that have the potential to alter existing power relations and underlying rules of the game and to (re)shape political orders along more inclusive lines. Examples include peace processes to end periods of violent conflict; the making of a new constitution (e.g. Kenya after the electoral violence of 2007); a particularly formative election (e.g. the first post-apartheid election in South Africa); a particularly devastating natural disaster (e.g. the Indian Ocean tsunami of 2004); and a political, economic or social crisis (e.g. violence that led to the transformation of the city of Medellín in Colombia).
- ***Political parties as instrumental vehicles to mobilise collective action and organisation in support of more inclusive governance.*** States seem to be more likely to pursue and implement policies that promote more inclusive and equitable development over the long term where institutionalised political parties are in place. Parties can be programmatic or clientelistic or, more likely, a combination of both (Kitschelt, 2012^[55]). In almost all developing countries that have shown stability and resilience, national political parties have organised and centralised forms of patronage and managed rents. However, a core challenge for political parties across the developing world is that if they are to act as effective mechanisms for inclusive development, they need to move beyond their short-term focus on winning elections for their political survival – what Carothers (2006^[56]) called “relentless electoralism” – and develop longer-term visions for promoting prosperous and

inclusive societies. The structure, organisation and strategy of particular political parties will be important determinants of their ability to do this.

- **Strategic coalitions for reform.** Since redistribution efforts are likely to face strong opposition from those who benefit from the existing state of affairs, coalitions among stakeholders who support a given reform (even if their interests do not align in other ways) are often needed to get sufficient traction for change. At different times and under certain conditions, coalition building has proven positive, if not decisive, in enabling processes of bargaining around issues of broader public interest among a wide range of state and non-state stakeholders at different levels, including subnational, national, regional and/or global. The effectiveness of coalitions and their impact will invariably depend on the particular constellation of power relations and on the (changing) incentives and interests of the groups concerned. Coalitions matter to inclusive development on at least three levels (Hickey, 2019^[51]). The first concerns the nature of the ruling coalitions, and particularly whether they have incentives or ideological inclinations to be inclusive. The second relates to cross-class coalitions, or those that emerge over time in relation to specific process of capital development class formation or political maneuvering (Teichman, 2016^[57]). The third relates to policy coalitions that form around specific reform agendas (e.g. women's empowerment). In general, effective coalitions tend to be characterised by their ability to bring together elites and local and social constituencies across a variety of identities and interests, and to apply pressure both from above and from below.
- **Ideas and narratives around identity and belonging.** Ideas and narratives play a central role in forging identity and a sense of belonging, and they will often influence socio-cultural behaviours around who is included or excluded and from what, how and why. As highlighted earlier, the extent to which states and societies have been able to develop or sustain a shared sense of nation has been an important element in shaping developmental trajectories. Countries like Korea, Malaysia and Chinese Taipei, where in each the very issue of national survival was at stake, are good examples of that. More controversially, contemporary Rwanda has also been able to develop a strong and widely shared vision for the future that is grounded on a reinvented sense of nation that considerably downplays (or even denies) group-based identities.
- **International (f)actors.** Effective institutional transformation is driven from within, but international factors can influence the incentives and dynamics of domestic actors towards inclusion. This influence can be both positive (harnessing domestic pressures for greater inclusion) and less positive (reinforcing political inequalities or undermining the conditions for reform), and it extends well beyond aid. For example, foreign intervention and support during the Cold War was essential in enabling the kinds of authoritarian regimes that emerged across Asia, Latin America and the Middle East and North Africa. Global norms and goals such as the Sustainable Development Goals and Agenda 2030, can also provide levers for progressive reforms domestically.

Significantly, none of these factors are exclusive to systems or political orders that are characterised by inclusive governance, and they can also be found in systems where governance is far less inclusive.

5

How can this be helpful to practitioners?

In the absence of a direct or linear connection between inclusive governance and more inclusive development outcomes, the analysis contained in this Note helps to tease out several implications and practical steps that development practitioners could take to enable inclusive governance to foster inclusive outcomes more effectively or to nudge exclusionary systems and practices towards more inclusive development. Following are some of these practical measures.

Undertake diagnostics that:

- identify and contextualise pressures for greater inclusion and barriers to reform, including how different actors and groups promote or obstruct different forms of inclusion. These efforts will assist practitioners to develop a more fine-grained understanding of the conditions under which inclusive governance might contribute to more inclusive and sustainable development outcomes in a given context and, crucially, how and why.
- identify the tensions, dilemmas and trade-offs involved in reform processes.
- take into account the historical evolution of power dynamics that might influence prospects for change at the global, national and subnational levels.

Design interventions that:

- are grounded in credible theories of change, meaning theories of change that, first, recognise that supporting inclusive governance is not the same as supporting inclusive development and second, are realistic about what is politically and institutionally feasible (i.e. take into account the structures, relationships, interests and incentives underpinning reform processes).
- are based on informed and defensible choices between priorities.
- enable space for testing assumptions, identifying and tracking unintended consequences, and adapting theories of change accordingly.
- combine or at a minimum co-ordinate efforts to generate more inclusive rules of the game with measures to foster capable states to deliver broad-based development and shared prosperity, while taking into account tensions, dilemmas and unintended consequences.
- look beyond formal representation and participation and focus also on addressing underlying power relations and nudging local socio-institutional norms and behaviours towards more inclusive outcomes (i.e. participation that translates into genuine influence rather than entails mere information sharing and consultation).

- create opportunities for enabling, brokering and convening locally led spaces for collective engagement and reform and support strategic coalitions to address common challenges.

Monitor and adapt to:

- assess and track whether what is being tried actually works, and provide space and time for reflection.
- iterate, adapt and adjust to scale up activities that prove effective, and phase out those that do not with a view to support long-term, sustainable reform.
- undertake regular (rather than one-off) political economy analysis, adaptive and flexible project implementation, and active risk management as a way to justify experimentation and adaptation and to identify and address unintended consequences.

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