



Position paper on Inclusive Governance

Final report

August 2021

Study commissioned by MFA-DSH/KPSRL
Elaborated by ECDPM under the coordination of Jean Bossuyt



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Acknowledgements

This document has been prepared by the European Centre for Development Policy Management (ECDPM) on behalf of the Stabilisation and Humanitarian Department (DSH) and the Knowledge Platform Security and Rule of Law (KPSRL). The team included Jean Bossuyt (coordinator), Lidet Tadesse, Martin Ronceray and Bruce Byiers. The views expressed are solely the responsibility of ECDPM.

The authors wish to thank M. Wouter Biesterbos (DSH) and Christian Kuitert (KPSRL) for entrusting us this assignment and ensuring a highly effective and cordial coordination of the whole process, including the facilitation of valuable dialogue opportunities under prevailing COVID-19 restrictions.

Our appreciation also goes to all the other officials and strategic partners who committed time and energy to contribute to this analysis and report.

Acronyms

APRM	African Peer Review Mechanism
BBB	Building back better
BHOS	Netherlands policy on Foreign Trade and Development Cooperation
CSIS	Center for Strategic & International Studies
DCAF	Geneva Centre for Security Sector Governance
DMM	Multilateral Organisations and Human Rights Department
DSH	Stabilisation and Humanitarian Aid Department
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Community of West African States
EU	European Union
GDP	Gross Domestic Product
GoVNet	Development Assistance Committee Governance Network
IDEA	International Institute for Democracy and Electoral Assistance
IG	Inclusive Governance
ILO	International Labour Organisation
IPSS	Institute for Peace and Security Studies
ISS	Institute for Security Studies
KPSRL	Knowledge Platform Security & Rule of Law
LA	Local Authority
LGBTI	Lesbian, gay, bisexual, transgender and intersex
M&E	Monitoring and Evaluation
MFA	Ministry of Foreign Affairs
NIMD	Netherlands Institute for Multiparty Democracy
NL	Netherlands
NOREF	Norwegian Peacebuilding Resource Centre
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
TOC	Theory of Change
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VNG	Vereniging van Nederlandse Gemeenten

Executive Summary

The concept of ‘inclusive governance’ has recently appeared in international cooperation circles. Its emergence is closely linked to the Agenda 2030 and particularly SDG 16. The core distinctive feature is the addition of ***‘inclusion’ as a normative benchmark*** -premised on the assumption that inclusive societies and institutions tend to be more prosperous, effective and resilient in the long run. The MFA of the Netherlands, mainly through the Department of Stabilisation and Humanitarian Aid (DSH), has made ***inroads into the field of IG***, particularly in the context of its support to security, legitimate stability and the rule of law (in fragile settings). To pursue this agenda, a set of ***strategic partnerships*** have been concluded (e.g. with IDEA, NIMD, VNG, Clingendael, UNDP, DCAF, etc.) and diplomatic initiatives were taken in particular domains.

Building on these experiences, the need was felt within DSH to ***deepen the reflection process on how the Ministry of Foreign Affairs (MFA) should position itself within the wide field of inclusive governance*** and could adopt a more strategic approach to international policy influencing. To this end, a ***targeted desk research*** was commissioned by DSH and the Knowledge Platform Security & Rule of Law (KPSRL) to the European Centre for Development Policy Management (ECDPM), an independent foundation specializing in Europe-Africa relations. The deliverables include: (i) an overview of the international debate on inclusive governance and (ii) a set of recommendations for positioning the Netherlands linked to Dutch priorities, capacities, added value and existing partners. The present paper is based on targeted consultations with Ministry officials, Embassy staff as well as the above-mentioned strategic partners.

The overview (see chapter 2) shows that the term inclusive governance (IG) does not respond to a clearly defined field of theory or policy in international development. Over the past two years, the Governance Network of the DAC facilitated a two-year process of iterative consultations among its members, backed by comprehensive and diverse analytical work, on the concept of IG and its operational implications. It distinguishes between: (i) *inclusion as a process* (leading to a focus on how decisions are made, who is included, how and why, whose voices count and how these dynamics shape the nature and quality of policies as well as how they are implemented) and (ii) *inclusion in terms of outcomes* (leading to a focus on how key developmental progresses and benefits such wealth, prosperity, services, justice or security are equitably distributed and shared). The connection between the two core components of IG is neither linear nor automatic. Inputs in more inclusive processes are generally confronted with a ‘black box’ of dynamics, factors and actors that may or may not be conducive to foster inclusive development outcomes. The GovNet paper furthermore defends the view that inclusive governance is both an intrinsic value (i.e. a good in itself, linked to the democracy and human rights agendas) and an instrumental approach (i.e. a means to achieve more inclusive development outcomes, concentrating primarily on ensuring voice and accountability). Several donor agencies are embracing the concept of IG as both a theme and a ‘lens’ to be applied in other policy areas and sectors. There is limited interest to transform IG into the ‘new bible’; the focus is rather on how to effectively adopt IG approaches in different settings, particularly conflict/fragile states. There is important potential in better exploiting the linkages between IG and other, closely aligned policy concerns, such as building back better, the rights-based approach or the localisation dynamics. In the paper an analysis is provided of the African policy discourses on IG (which tend to be reduced to the peace and security area and to participatory development approaches), on how the concept is used in fragile settings (with growing attention to ‘exclusion’ as the core driver of conflict and instability) as well as on inclusivity issues in the economic sphere (e.g. with regard to inclusion in employment, corruption, informal trade or on the place and weight of ‘dirty deals’ between elites in conflict resolution and peacebuilding processes).

The consultations with the strategic partners of MFA indicate that the term IG does not always feature prominently and consistently in their respective policy discourses and strategies. However, the issue is at the heart of what the strategic partners do “*on a daily basis*”. There is a consensus that tackling exclusion and enabling inclusive processes and outcomes is essentially a ***political process***. To achieve impact, solid and politically savvy intervention strategies over a longer period of time are required, which combine diplomatic action, effective leverage and smart support programmes. Furthermore, there is a ***strong conviction that IG is as “there to stay” -considering the backlash of the democratic regression, the closing of civic space, the resurgence of authoritarian and populist rule*** as well as the negative impacts this has on inclusion, stability and security and development, particularly in fragile states. A clear interest exists to intensify the ongoing dialogue with MFA/ DSH on how IG could be more strategically and effectively fostered, both internally (as a crosscutting issue deserving the interest of various thematic units) and externally (in selected diplomatic fora, standard setting processes or on the ground, particularly in fragile settings).

Though the concept of IG is incipient, valuable insights have already been gained on what it means in practice to engage in this arena (see chapter 3). ***Lessons learnt*** include the (i) need to beware for shaky assumptions in interventions strategies; (ii) the huge resistance power holders can display for genuine inclusion; (iii) the possibility of having more inclusive development without inclusive governance; (iv) the messy, non-linear link between inclusive processes and inclusive outcomes; (v) the critical importance of adopting a multilevel approach; (vi) the centrality of ‘political settlements’ to determine the scope for change and (vii) the structural limitations of donor agencies to engage on IG linked to their own political economy. Furthermore, those supporting IG from the outside will also be confronted with ***thorny dilemmas and trade-offs for which there are no easy recipes*** -such as how to make a business case for IG in fragile/conflict settings when this clashes with the values agenda, how to select credible and legitimate actors, to whom and how to channel the funds, how to mitigate risks and when to “*pull the plug out*”. Based on the GovNet work and other studies, some generic ***coping strategies*** have been identified that could be used by donor agencies, -such as to focus on building state capacity, investing in ideas/norms, use critical junctures, engage with political parties and social movements and ensure strategic coalitions.

The scope of this study (also in terms of time and budget allocated to it) does not allow to formulate detailed recommendations regarding priorities for policy influencing. However, it is possible to suggest a number of ***critical political and institutional choices that could be considered for determining the future Dutch position on IG*** (see chapter 4). First, to recognize and fully exploit the potential of IG for addressing fundamental challenges of fragility, insecurity and inequality. Second, to refine the justification and narrative for upgrading the status of IG in Dutch foreign policy and cooperation as both a self-standing theme and a lens (to be mainstreamed across the board). Third, to define more explicitly the guiding principles underpinning IG interventions (including systematic power analyses; a focus on empowerment and co-creation of new governance rules; multilevel approaches and M&E systems that can track transformational changes). Fourth, to review the existing portfolio on IG by upgrading some priorities, while downscaling others and taking on board more forcefully the social and economic dimensions of IG. Fifth, to focus future policy influencing on the EU, the multilateral processes around SDG 16 as well as on the work on IG of the OECD and specialised dialogue facilitation / watchdog agencies (like the Extractive Industries Transparency Initiative or the International Budget Partnership). The existing collaboration with strategic partners could be deepened, amongst others by choosing more explicitly shared advocacy targets.

1. Background

1. ‘Good governance’ became a central priority for the international donor community in the early 1990s. Initially, it resulted in a ***normative and prescriptive agenda***, geared at putting in place in third countries the right type of (formal) institutions adhering to a set of governance principles (participation, transparency and accountability) as applied in Western democracies. Other labels soon followed suit (e.g. ‘democratic governance’ or ‘human rights-based approaches’) covering partly the same ground. However, the limited track record of promoting governance abroad by transplanting institutional models and best practices gradually led to ***more politically savvy and realistic approaches*** (e.g. the debate on ‘good enough governance’).
2. ***Inclusive governance*** is the new jewel on the crown. Its emergence is closely linked to the Agenda 2030 and particularly SDG 16. The core distinctive feature is the addition of ***‘inclusion’ as a normative benchmark***-premised on the assumption that inclusive societies and institutions tend to be more prosperous, effective and resilient in the long run.
3. The concept of inclusive governance (IG) is getting ***increased attention*** by both policymakers and practitioners. At policy level, commendable efforts were recently made by the DAC Governance Network (GovNet) to clarify the precise meaning, added value and operational implications of inclusive governance. Several donors at bilateral (e.g. Sweden, Germany, Norway, Switzerland, USAID) or multilateral level (e.g. UNDP) are exploring ways and means to better integrate IG in their overall cooperation processes while providing incentives and guidance on how to apply it to their staff in country offices.
4. The MFA of the Netherlands, mainly through the Department of Stabilisation and Humanitarian Aid (DSH), has made ***inroads into the field of IG***, particularly in the context of its support to security, legitimate stability and the rule of law (in fragile settings). The related Theory of Change (TOC) stresses the need to address drivers of instability and insecurity, amongst others by promoting ***‘political governance’*** -geared at “*strengthening national and local level governance structures that are inclusive and accountable to their constituencies*”.¹ The resulting activities aim to promote democratic space, to enhance the social contract between citizens and the state as well as to strengthen core institutions (e.g. political parties and parliaments) and civil society / community engagement in political decision-making. To pursue this agenda, a set of ***strategic partnerships*** have been concluded (e.g. with IDEA, NIMD, VNG, Clingendael, UNDP, DCAF, etc.) and diplomatic initiatives were taken in particular domains.²
5. Building on these experiences, the need was felt within DSH to deepen the reflection process on how the Ministry of Foreign Affairs (MFA) should position itself within the wide field of inclusive governance and could adopt a more strategic approach to international policy influencing, particularly towards fragile countries. Other push factors to explore the role and added value of the Netherlands on IG are:
 - the need to ensure inclusive decision-making in COVID responses in terms of ‘building back better’ (BBB);
 - the emphasis on ‘localization’ (an approach originating from the humanitarian sector) to improve ownership and resilience of domestic actors in terms of striving for better governance;
 - the democratic regression and shrinking civic space in a growing number of countries;
 - the growing prominence of issues related to inclusive societies and institutions within the Netherlands itself.

6. To this end, a **targeted desk research** was commissioned by DSH and the Knowledge Platform Security & Rule of Law (KPSRL), to the European Centre for Development Policy Management (ECDPM), an independent foundation specializing in Europe-Africa relations. The deliverables include: (i) an overview of the international debate on inclusive governance and (ii) a set of recommendations for positioning the Netherlands linked to Dutch priorities, capacities, added value and existing partners. Methodologically, a clear choice was made for a '**co-production approach**' involving iterative dialogue moments with the MFA staff all along the process as well as consultations with strategic partners, Embassy staff and experts. It should be noted that the assignment was limited in time and budget. This also means that the coverage of the complex issue of IG (as an emerging policy domain) had to be focused (also in terms of stakeholders that could be consulted) and that the resulting analysis inevitably concentrates on essential points -without any pretence to be exhaustive. The same holds true for the recommendations made. Further internal debates and targeted dialogues with core allies sharing an interest in IG will be needed to refine the action agenda for the future.
7. The **structure** of the resulting desk review is as follows. After this introduction, Chapter 2 seeks to present an overview of the international debate on IG by focusing on the origin of the concept, its core ingredients, the place and weight it currently occupies in international and African policy discourse as well as on its meaning in the context of fragile states and in the economic domain. Chapter 3 brings together emerging key insights and lessons of experience gained in applying IG, amongst others by focusing on core dilemmas and trade-offs external agencies encountered and possible coping strategies. The concluding chapter 4 presents a set of recommendations for the future positioning of the Netherlands within the IG debate and for policy influencing priorities.

2. Overview of the international debate on inclusive governance

2.1. Origin of the concept

8. The IG agenda is not entirely new. It builds on a **legacy of previous governance concepts** (such as 'good governance', 'democratic governance' or 'human rights-based approaches') which referred, directly or indirectly, to notions of inclusion or inclusivity in decision-making processes or development programs. For instance, the longstanding principle of 'participation' -a key component of the governance agenda- partly encapsulated concerns to ensure that marginalized and vulnerable groups could express voice and exercise influence.
9. The **emergence of the IG as a distinctive approach is linked to the universal Agenda 2030**, with its global call "to leave no one behind" as well as SDG 16 in which signatories committed themselves to "promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels". The words 'governance' and 'democracy' are conspicuously absent from this SDG, reflecting the compromise nature of the Agenda 2030. That is why the rather general and vague lens of inclusion stands central (coupled to the notion of accountability). However, particular targets related to SGD 16 and indicators for SDG reporting and monitoring provide interesting insights on what inclusive governance is supposed to cover (see Box 1).

Box 1: Most relevant targets and indicators related to inclusive governance (SDG 16)

Among the ten targets of SDG 16, the following are closest to the core IG agenda:

- Target 16.3: Promote the rule of law at the national and international levels and ensure equal access to justice for all.
- Target 16.6: Develop effective, accountable and transparent institutions at all levels.
- Target 16.7: Ensure responsive, inclusive, participatory and representative decision-making at all levels.
- Target 16.8: Broaden and strengthen the participation of developing countries in the institutions of global governance.
- Target 16.10: Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.

The indicators used are generally a combination of quantitative data and surveys on levels of satisfaction. A case in point is target 16.6 with two indicators: (i) primary government expenditures as a proportion of original approved budget, by sector and (ii) proportion of population satisfied with their last experience of public service.

Source: Agenda 2030 for Sustainable Development

- 10. Other SDGs reinforce the call for IG approaches**, particularly by tackling marginalization and responding to the needs of all groups in terms of income (SDG 1), health (SDG 3), education (SDG 4), gender equality (SDG 5), employment (SDG 8) and inequality (SDG 10). Taken together, the SDGs therefore 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*”.³ In practice, it also means ***IG is not merely a thematic area but also a lens and an approach that is relevant in other domains and sectors***. This view was corroborated by several interviewees, who indicate that “*inclusive governance is everywhere*” -with the resulting challenge of delineating its scope and field of application in support strategies (see further below).

2.2. Definition and core ingredients

11. The ***term ‘inclusive institutions’ does not respond to a clearly defined field of theory or policy*** in international development. The same holds true for the concept of IG. Furthermore, there are major (conflicting) debates on whether inclusion is a necessary ingredient and driver of development or rather a long-term outcome of development processes. Some academics see institutions as a crucial factor in shaping progress on governance and development while others dismiss these claims as a-historical and argue that stability (through political settlements agreed at elite level) and state capacity come first and before inclusion.
12. Against this background and in the light of the Agenda 2030 concern with inclusive societies and institutions, the Governance Network of the DAC facilitated a two-year process of iterative consultations among its members, backed by comprehensive and diverse analytical work, on the concept of IG and its operational implications. The resulting framework provides useful pointers to elucidate the meaning of IG as well as its core ingredients.

13. Compared to the technocratic interpretation of governance as the ability of a state to make and enforce rules and to deliver services -irrespective of the kind of regime that is in place- the key ***distinctive feature of IG is the addition of ‘inclusion’ as normative benchmark*** against which institutions can be assessed and promoted. As illustrated in Box 2, the GovNet distinguishes ***two dimensions of inclusion***:

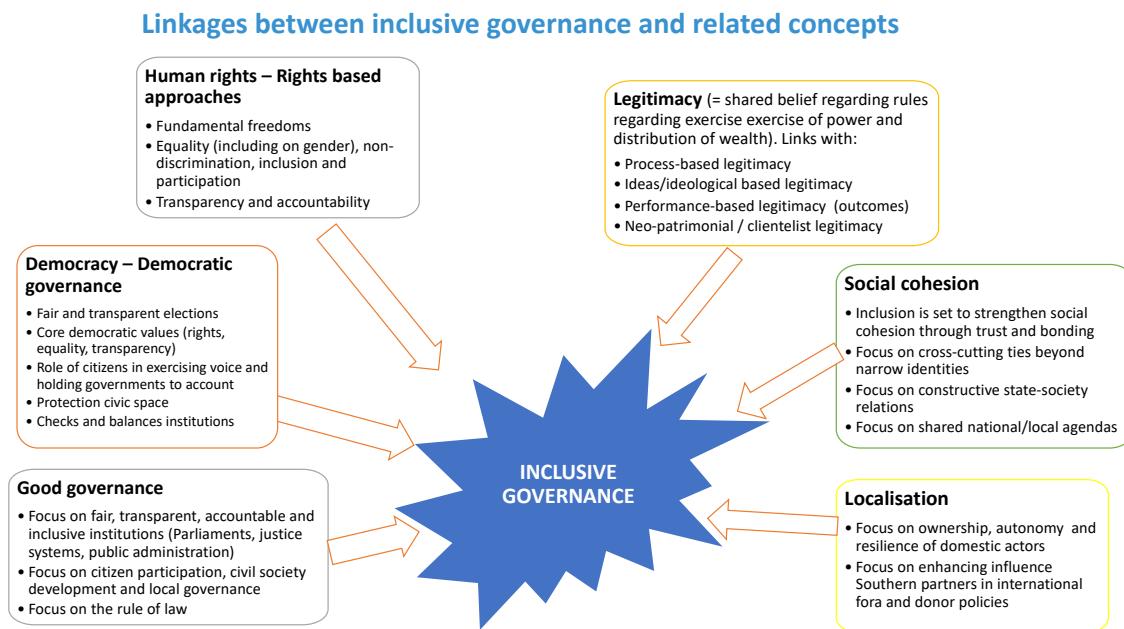
Box 2: The two interlinked sides of inclusive governance

- ***Inclusion as a process***: leading to a focus on how decisions are made, who is included, how and why, whose voices count and how these dynamics shape the nature and quality of policies as well as how they are implemented.
- ***Inclusion in terms of outcomes***: leading to a focus on how key developmental progresses and benefits such wealth, prosperity, services, justice or security are equitably distributed and shared.

Source: OECD, 2020

14. This distinction puts on the table the essential challenge of this new agenda: under what conditions and how can efforts to promote inclusive governance ‘process-wise’ also contribute to more inclusive development outcomes? The connection between the two core components of IG is neither linear nor automatic. Inputs in more inclusive processes are generally confronted with a ‘black box’ of dynamics, factors and actors that may or may not be conducive to foster inclusive development outcomes.
15. The GovNet paper furthermore defends the view that inclusive governance is both an ***intrinsic value*** (i.e. a good in itself, linked to the democracy and human rights agendas) and an ***instrumental approach*** (i.e. a means to achieve more inclusive development outcomes, concentrating primarily on ensuring voice and accountability).⁴ However, there is no consensus on this point within the international development community, leading to different response strategies in practice.
16. This is not merely an academic debate. It confronts external agencies with ***thorny strategic choices*** related to the fundamental values they seek to pursue, the ultimate objective of their support as well as to the level of policy coherence they can provide in this field. A case in point is the resurgence of autocratic and populist rule that can be observed in many countries across the globe. This process is generally accompanied by systematic attacks on autonomous civic space and fundamental freedoms, leading to the exclusion of dissenting voices. This is in flagrant contradiction with key targets of SDG 16. It also drastically reduces the scope for genuine inclusivity in institutions and societies. How should external agencies react in such ‘hostile’ settings in terms of pushing an IG agenda?
17. In this light, it is useful to explore the linkages between inclusive governance and other core concepts or approaches embraced (to different degrees) by the international community and the Dutch Ministry of Foreign Affairs. This may help to see the possible ***points of intersection*** ('snijvlakken') between the ***IG agenda***, as defined above, and ***other thematic priorities*** (see Figure 1). It also provides an incentive to better delineate the specific added value of investing in IG -as compared to efforts done in related domains.

Figure 1: Linkages between inclusive governance and related concepts



18. Several observations can be made regarding linkages between IG and related fields of intervention:

- Content-wise, it is possible to see many **common elements in the agendas pursued by these various strands**. Examples include the stress on governance principles such as participation, transparency and accountability, the focus on institutions, the concern for constructive state-society relations (social contract), the need to involve citizens and civil society in decision-making, etc. All these elements are also part and parcel of the IG agenda.
- Yet there are also **differences**. This holds particularly true regarding the good governance agenda. The IG approach clearly differentiates itself on two key elements. First, the centrality of inclusive processes (much more explicit and far reaching than in the good governance agenda). Second, through the adoption of a political approach to institutional change, reflected in the shift away from a focus on institutional forms and best practices. In the IG approach, power and politics occupy the center stage in the ToC. This has major implications for practice as well. The task at hand under the IG banner is to promote locally driven reform agendas, elaborated by a plurality of formal and informal actors, that are more focused on problem solving and that fit particular contexts.
- Furthermore, the **distinctive nature and added value of IG also depends on the actual choices** made by external agencies intervening in this policy area. An interesting example is the relationship between ‘inclusive governance’ and ‘inclusive democracy’. During the consultations for this study, the point was made that the latter concept may be more promising in terms of ensuring genuinely inclusive institutions and societies. If the democratic guarantees are lacking for equal political participation, then the subsequent attempts to ensure inclusive processes may be doomed to fail. Experience indeed suggests that power holders can manipulate the terms of engagement, display a wide array of co-optation techniques or rely on ‘ritual’ forms of participation which do not challenge existing power relations. A second example relates to the inclusion of local authorities (LAs) as representative and accountable political entities. Many IG initiatives (including by the Netherlands)

have sought to engage more with LAs in recent years. Yet what is ultimate purpose of such processes and support programmes? Is the primary aim to instrumentally enhance the capacity of LAs to implement *national* policies and donor-supported initiatives (reflecting a vision of LAs as mere executing agencies of plans and programmes conceived by central agencies)? Or is the objective rather to politically and institutionally ‘empower’ local authorities to conceive and implement, with all relevant actors in the territory, a coherent set of *local public policies* (reflecting a vision of LAs as autonomous development actors, endowed with a general mandate to respond to the needs of the citizens and a capacity to mobilize additional local resources for more inclusive development outcomes)?

- The issue of **localization** fits nicely with the IG agenda, particularly the process dimension and related concern on how decisions are made, who is included, how and why, whose voices count, etc. Yet it raises quite fundamental questions in practice, considering the power imbalances between stakeholders, the informal rules shaping the behaviour of actors, the asymmetry of information and the complexity of policy processes. Furthermore, experience shows that effective localization needs to be backed up by action at national level (e.g. through suitable legislation) and at international level (e.g. to ensure policy coherence or to agree on shared standards for IG in multilateral fora).
19. In addition to these connections with related themes, the IG agenda also focuses on the inclusion of specific actors. Women and youth have been the target of international support for a long time (as reflected in the existence of specific donor policies, plans and instruments). However, other groups are increasingly moving to the forefront, reflecting various forms of discrimination (e.g. LGBTI or migrants) as well as new-style organizational models for actors to express voice and influence decision-making (e.g. informal social movements). In fragile contexts such as the Sahel, the inclusion of customary and religious groups in ‘hybrid’ local governance systems is a key challenge to maintain peace, stability and social cohesion.⁵

2.3. Place and weight of inclusive governance in policy discourse

20. To address this question, this section will first analyse to what extent the IG agenda is making its headway into the policy discourse of (i) multilateral and bilateral agencies; (ii) strategic partners of the MFA/DSH; (iii) African institutions, civil society organizations and think tanks. We also provide a bird’s eye view on the place and weight of inclusive governance in fragile settings and in relation to the economic sphere.
21. Regarding the **international donor community**, our analysis confirms that the **debate on IG is still in an incipient phase**. The GovNet has provided a valuable forum to structure productive debates on the meaning and added value of IG -compared to all other approaches and lenses used in the past to promote governance. On the whole, the process generated quite some interest, though at this stage, the number of effective ‘champions’ of this agenda is still limited among members. The most active bilateral participants were Sweden, Norway, Switzerland, Germany and USAID while on the multilateral side UNDP could report interesting attempts to integrate IG in mainstream development cooperation processes.
22. Most other agencies are catching up with the debate and (timidly) exploring what it may mean for them. Others believe the concern for IG is already largely covered by their existing support strategies in relation to governance. The EU is a case in point. So far, it has not really embraced the concept of IG (beyond generic references to inclusion as a governance principle). Yet when examining the overall governance portfolio of the EU in third countries, it is possible to discern a wide range of support programs, that seek to promote,

under a different label, similar agendas than those pursued by IG, including in the economic sphere. Still other agencies concentrate concerns for IG on fragile settings (e.g. the World Bank).⁶

23. There is limited enthusiasm among GovNet members (including Dutch actors) to push IG forward as the “*new bible*” in relation to governance or to have yet another “*mandatory thick box*”. The interest rather lies in moving “*beyond concepts*” and focus pragmatically on the operational challenges involved in applying IG in a globally deteriorating democratic environment and with due respect for the multiple limitations of external agencies promoting a value agenda. To this end, GovNet is now investing in a cycle of case studies aimed at producing practice-based insights on how to effectively programme for IG in ways that lead to more inclusive outcomes in different development contexts.
24. Based on the consultations with the ***strategic partners of the MFA / DSH***, the following tentative overall conclusions on the place and weight of IG in their policy and practice can be formulated:
 - Though the term ‘inclusive governance’ does not always feature prominently and consistently in their respective policy discourses and strategies, the issue is ***at the heart of what the strategic partners do “on a daily basis”***. The organisations involved may have different mandates and choose different entry points, yet the IG agenda has become “*part of their DNA*”, ToCs and intervention logic.
 - The ***issue of IG is there to stay***, as all strategic partners experience the backlash of the democratic regression, the closing of civic space, the resurgence of authoritarian and populist rule as well as the negative impacts this has on inclusion, stability and security and development, particularly in fragile states.
 - There is also a consensus among strategic partners that tackling exclusion and enabling inclusive processes and outcomes is essentially a ***political process***. This has major implications for the strategy to be adopted by donor agencies that want to invest in IG. To achieve impact, solid and politically savvy intervention strategies over a longer period of time are required, which combine diplomatic action, effective leverage and smart support programmes. Short-term project approaches of a predominantly technocratic nature will not alter the prevailing power relations. There is also a risk that classical aid interventions end up being primarily oriented towards achieving ‘results’ (that primarily fit donor agendas and accountability requirements) while limiting the space to truly ‘localize’ development priorities and ensure genuine ownership at different governance levels (national/local) for home-grown reforms.
 - Considering these realities and constraints, there is a clear interest among strategic partners to intensify the ongoing dialogue with MFA/ DSH on how IG could be used more strategically and effectively fostered, both internally (as a crosscutting issue deserving the interest of various thematic units) and externally (in selected diplomatic fora, standard setting processes or on the ground, particularly in fragile settings).
25. It is also important to integrate ***African policy discourse*** in this overview as the effective uptake of IG approaches will also depend on the degree of political support at the level of core African institutions, state actors and civil society organisations. The main finding of the documentary research is that ‘inclusion’ often features as guiding principle in African policy documents related to peace and security, but much less in the sphere of governance. In the latter domain, ambitions tend to be limited to ensuring ‘people-driven development’ and (popular) ‘participation’ -alongside a formal commitment to multi-party democracy. There is generally an ***assumption that outcomes (socio-economic development) matter more than the ‘how’ questions (governance)***, which suits authoritarian leaders who can claim some performance-based

legitimacy (e.g. Rwanda, Ethiopia). In core continental policy documents, inclusion is equally associated with non-discrimination of specific groups (e.g. Africa's youth, women, other groups) to be upgraded through affirmative action (e.g. regional gender quotas) as well as to improved access to services. Examples of such an approach towards IG are the 2001 Constitutive Act of the AU, the 2007 '*African Charter on Democracy, Elections and Governance*' and the 2013 African Union (AU) '*Agenda 2063*'.

26. Perhaps not surprisingly, a more ambitious approach to IG can be found in the policy discourse underpinning the ***African Peer Review Mechanism*** (APRM). However, as the APRM seeks to engage with Heads of State, it adopts a prudent approach, e.g. by recognizing that governance and the degree of inclusiveness ultimately remains a national prerogative. Still, in country level governance reports, APRM focuses on inclusive electoral systems (including the option of proportional representation) and on inclusion in access to services, growth and development. It also stresses that inclusiveness is a feature of transformational leadership.
27. Regarding ***regional organizations***, the formal attention given to IG tends to be uneven, both in terms of the formal political mandates provided by Member States and the actual actions undertaken by regional bodies (often limited to assessing election integrity). Much alike the continental level, IG tends to be restricted to promoting popular participation or ensuring better inclusion of specific groups (women in particular). ECOWAS has a wider institutional mandate (based on the 2002 Protocol on Democracy and Good Governance) but in practice this has mainly been used in situations of crisis resolution.
28. At ***civil society level***, leading organizations involved in peacebuilding, conflict prevention and resolution such as the Institute for Peace and Security Studies (IPSS), ACCORD or the Institute for Security Studies (ISS) acknowledge in generic terms that ***exclusion*** (from access to political spaces or a share of economic resources) is a major ***trigger of conflict***. They insist on 'inclusivity' of core actors and stakeholders in formal conflict resolution processes through dialogue, fair elections and respect for human rights. Yet this discourse is generally not further elaborated in strategic plans in terms of why inclusion matters and how this can realistically be promoted in different settings. It is largely assumed that this is the way to go achieve results in peacebuilding and conflict prevention/resolution.
29. An interesting case is the ***Ibrahim Mo Foundation***. The governance index it has developed has one pillar dedicated to 'inclusion and equality' (alongside three other pillars assessing participation, rights and gender). Five indicators are used: equal political power; equal political representation; equal civil liberties; equal socio-economic opportunities and equal access to public services. This provides a relatively robust framework for the Foundation to monitor overall trends on inclusive governance, which have globally deteriorated on the continent in the past years. This finding is globally confirmed by Afro barometer surveys, though this tool so far has not truly integrated, from a methodological point of view, a coherent approach to capture perceptions on the degree of inclusive governance.

2.4. Inclusive governance in fragile states

30. There is a growing recognition that establishing inclusive societies in fragile states is probably the core challenge conditioning all other governance and development outcomes that the Agenda 2030 seeks to achieve. Despite massive injections of foreign aid in fragile states, exclusion of citizens remains the dominant reality, including in the Sahel and the Horn of Africa, leading to a vicious cycle in which instability and underdevelopment feed each other. Social, ethnic or racial divisions hamper efforts to improve governance, put in place fair institutions and foster economic opportunity. This, in turn, tends to create a zero-sum competition for power and resources⁷ and a huge disconnect between elites and people (as recently

illustrated by the coup in Mali). To prevent these vicious circles, it is argued that ‘inclusiveness’ should get a much higher profile among the international donor community.⁸

31. This is also the core message coming out of a recent report by the International Crisis Group,⁹ calling for a ‘course correction’ in the Sahel stabilization strategy in the light of the spiralling violence in rural areas and mounting public anger at the region’s governments. It also observes that Sahelian security forces and local militias appear to be committing more abuses against civilians, driving more recruits into jihadists’ arms. Reinforcing state authority has primarily taken the form of “quick-impact” development projects, which tend to be ineffective in areas where insecurity reigns or citizens distrust the state. The report concludes that *“shifting tack requires changing the narrative underpinning the international strategy from one highlighting insecurity to one centered on a crisis of governance”*. It implies an adaptation of priorities, with a focus on fostering local dialogues as a means of presaging the state’s return to rural areas, and, secondly, wider governance reform. Other reports arrive at similar conclusions and confirm the relevance of the IG agenda as presented above.¹⁰
32. In contexts of fragility/conflict, the concept of inclusive governance has been primarily seen as a conflict prevention and peace building mechanism. The documentary analysis suggests that the ***link between inclusive governance and peace*** is based on the following rationale:
 - If systems of governance are inclusive then grievances can be managed, differences can be negotiated and 'equity' (of any form) can be addressed. This assumption is based on the observation that while there are identity/narrative aspects to why violent conflicts occur, there are also material causes to them. Often marginalization, inequitable distribution of resources, exclusion or lack of representation from national politics and/or economics, etc. contribute to conflict.
 - Inclusion or inclusive governance is also seen as an end in and of itself. This relates to the notion of 'positive peace': a situation in which there is not only absence of violence but also prevalence of social harmony among different actors because fair levels of equity are applied.
33. In practice, ***various forms of inclusive governance and different level/types of inclusivity*** have been tried in conflict affected settings. Some of these inclusive governance systems were specifically designed in order to address (identified) violent conflict dynamics while in other cases strengthening state legitimacy or existing capacities for conflict resolution (should they occur) is the core challenge.
34. A first type of inclusivity relates to ***national level elite bargaining around a suitable political settlement***.¹¹ This approach is used to bring different conflicting parties to an arrangement that would convince them to give up violence and end hostilities. Research suggests that, in the short to medium term, more inclusive political settlements or arrangements at the elite level are crucial to avoid the recurrence of violent conflict.¹² However, this does not mean that competition for power or influence ends, but it will be achieved by other means (e.g. elections, tapping into state resources, etc.). Furthermore, political settlements do not necessarily alter power dynamics and many do not bring about genuine inclusion (across levels) nor do they always lead to inclusive development outcomes (e.g. stability or economic progress).
35. Somalia is a case in point. The power sharing agreement resulting from the Mbagathi process conceived as a conflict prevention mechanism, did not prevent the various clans to continue shifting their allegiances vis-a-vis Al Shabaab, Ethiopia, other regional players and each other in order to seek positions of power and influence to secure their interests. The compact agreed upon enjoyed limited legitimacy among the population but held firm because the cost of moving outside the political process was too great. This

confirms the lessons learnt in other fragile settings that elite bargains are just the initial step, which then needs to be followed up by wider societal engagement, particularly from the ‘middle class’, without which it is hard to maintain the peace.

36. A **second type** of inclusivity relates to the use of **federalism / decentralisation as a conflict resolution tool**. It potentially allows different (comparable) identity groups to gain more power and enhanced levels of autonomy to self-administer their territories. It promises greater local democracy, citizen participation, the mobilization of additional local resources, enhanced service delivery and a virtuous circle of better governance and accountability. This explains why the donor community has invested substantial funding to promote decentralization, particularly in fragile, ethnically divided settings.
37. However, the **track record of externally supported decentralization reforms is limited across the globe, particularly in fragile contexts**. Bringing governance closer to the people is no panacea considering structural constraints such as the reluctance of central government agencies to truly empower local authorities (in terms of mandate, autonomy, predictable financial resources) and a host of local level challenges, including poor institutional capacity, elite capture, political conflicts and violence (e.g. on the control of natural resources). The key lesson learnt for external actors is to avoid “*uninformed and overambitious social engineering projects*”. Decentralization reforms are essentially political processes determined by politics, existing power relations, interests and incentives. Evidence suggests that technocratic approaches primarily geared at improving local level service delivery does not help to enhance state legitimacy and reduce fragility. What is needed is **investing in processes** that help to build inclusive local governance institutions from the bottom-up (as a self-standing ‘result’ with its own intrinsic value) while focusing on the delivery of services in sectors that are the most relevant and contested in a given context.¹³
38. A third type of inclusivity particularly relevant for fragile states is “**who gets a voice and can effectively exercise influence**”. In recent decades, quite some progress has been achieved in terms of recognizing the crucial importance of including women and youth in the search for sustainable peace and stability of a country. Less evident, but particularly relevant in the African setting, is the **inclusion of informal traditional systems of governance** (e.g. chiefs, elders, religious organisations, etc.). These often can ensure more presence on the ground and often enjoy more legitimacy than the formal state (in its central and local expressions). They tend to play critical roles in dispute settlement (e.g. on land) and reconciliation. However, it is also recognized that these traditional systems are not necessarily inclusive in their set-up or in the way they discharge their responsibilities (e.g. gender exclusion) or compatible with international standards on human rights or the rule of law. Furthermore, the performance of these informal authorities hinges on contextual elements, including experience, social capital, availability of funding as well as security aspects (the levels of legitimacy they enjoy may turn them into a ‘suspected actor’ in the eyes of both the state and armed groups).
39. Dutch support to stability and security in Mali (and other fragile countries) is increasingly framed along the lines of the IG approach. This is still work in progress and very much a learning process. Yet the IG ingredients are clearly there: (i) in-depth political economy analysis of the hybrid local governance systems (including power relations, interests and incentives); (ii) a systematic attempt to include all relevant formal and informal actors (including traditional authorities) in local public policy-making processes or development interventions and (iii) monitoring whether, when and why inclusive processes also lead to inclusive development outcomes.

2.5. Inclusive governance in relation to the economic domain

40. As mentioned before, ***inclusive governance is not only a theme linked to the way politics and societies function and interact.*** Inclusion transcends the field of political governance as such. It provides ***equally a lens*** and possibly an approach that can be highly relevant in other domains and sectors. One such domains is the economic sphere, which appears to be particularly relevant considering Dutch priorities related to trade promotion, employment creation, management of value chains and natural resources, particularly in fragile settings.
41. In the GovNet paper on IG, the economic aspect appears only indirectly. Societal inclusion in defining economic governance questions is not really mentioned. Similarly, there is little to no discussion of ‘inclusive economic governance’ in the economics literature.
42. However, that is not to say that the idea is absent. The following examples illustrate the potential relevance of inclusive governance approaches in terms of contributing to more equitable opportunities in terms of employment, wealth and prosperity:
- ***Inclusion through employment.*** The quest for ‘inclusive economic growth’, aspires to ensure that GDP growth translates into (more and better) employment as well as rising incomes across a broad section of society. That is arguably at the heart of SDG 8 and the ILO concept of ‘decent work’. The 2013 World Development Report on employment was therefore indirectly about ‘inclusive economic governance’, to the extent that this is defined as the formal and informal institutions that shape investment and job creation, including wider economic policies that affect the incentive to invest and expand firms. Spatial approaches (around cities or territories) may equally create important employment spill overs that can be helpful for economic inclusion. Furthermore, for inclusive employment to lead to inclusive outcomes, the core challenge is to raise productivity within sectors (e.g. through technology) or by offering opportunities in other higher productivity sectors (e.g. moving from farming to processing).
 - ***Informal trade and economic inclusion.*** Much of the work on informality and small-scale women traders is essentially about inclusion and economic opportunity, i.e. on how to create systems that allow, and protect informal trade to take place across borders.¹⁴ Movements around Fair Trade and Cooperatives are clearly about promoting greater economic inclusion, though that ambition is often undermined by the wider economic environment.¹⁵
 - ***Inclusion and corruption.*** Though counterintuitive at first sight, some forms of corruption can be a source of inclusion. Research looking at trade, customs officials and insecurity in Tunisia, Mali and three other countries, found that “*customs administrations are flexible in conflict-prone borderlands, and tailor the fiscal burden to make it acceptable to local economic operators*”. While there is a clear element of rent-seeking involved, that negotiation and toleration by national and local authorities is at the same time geared at ensuring income generation for the local population, hence also about economic inclusion, albeit informal. Bribes as fees to ‘facilitate’ informal operation is a critical issue which emerges in work on transport and transport corridors in West Africa. Armed groups need supplies, making trade resilient to conflict, thus creating conditions for traders to continue - even if that entails higher prices or alliances for security. However, more importantly: “*controlling trade and ensuring that trade flows remain effective is a sign of governance capacity (and revenue) for those who aim to rule a territory*”.¹⁶ The notion of inclusive governance can therefore cut both ways.

- **Economic exclusion**. There is growing literature on the political economy of industrial policy and economic transformation which integrates an analysis of levels of inclusion and exclusion regarding who benefits from the gains derived. This is particularly the case for global value chains. The sharing of the pie varies by sector, the nature of the resource and the power relations in the chain. However, evidence suggests that buyer interests by lead value chain companies generally dominate, to the exclusion of others. Furthermore, the underlying ‘political settlement’ shaping such processes, translates into different levels of voice for different types of firms. Large protected firms, operating in the local economy, are very much part of domestic policy making process and focused on excluding others to maintain rents. Firms operating in more competitive markets are essentially excluded from policy processes.
- **Economic inclusion and fragility**. In fragile economies, where systems of exclusion are often connected to war economy profits, the objective of ‘inclusive economic governance’ is about overcoming the dominance of certain companies in a situation of weak state capabilities. Furthermore, violence is commonly not only a result of weak state capabilities but is a governing strategy. That is, “*politicians abdicate the monopoly of force and collude with violent groups to maintain power*”. In such settings, IG seem particular relevant yet “*complicit states are far more common than those that are merely weak, and require a different solution*”.¹⁷
- **Inclusive dirty deals**. Research on how countries emerge from conflicts stress the importance of politicians engaging in ‘dirty deals’ to break the vicious cycle of violence as a governance form, including with economic actors and bureaucrats benefiting from instability. Key actors must be given “*the opportunity to trade war making for moneymaking*”, sometimes implying control of a ministry for rent-seeking purposes. Another study of cross-border insecurity in fragile African states suggests that “*the role of traditional and religious authorities may not be as important as it seems, and economic elites like traders may provide more powerful support to state services*”.¹⁸ At the same time, to emerge from instability, “*countries must have economies that are not controlled by their political and economic elites or unduly twisted to benefit the privileged. Small businesses and entrepreneurs are essential to create a middle class that is independent of the government and able to speak out against it without fear of losing livelihoods.*” The same study notes that “*opposition movements in Africa succeeded in places where they could amass financial support from businesses not affiliated with the ruling party.*” This aligns with approaches taken to create employment and investment opportunities that somehow succeed outside the realms of the conflict economy.

2.6. Conclusion: a still relatively loosely defined concept yet harbouring potential

43. The concept of IG and related debate among policymakers and practitioners is still in an ***incipient phase***, reflecting the relatively recent genesis of the new label to engage on governance. It is still a loosely defined domain of work, lacking visibility in the overall policy discourse of the international donor community. There is limited eagerness to adopting IG as a new ‘paradigm’ or fashion, to be translated, in a mandatory way, in donor policies, strategies, tools and instruments.
44. Yet at the same time, the review suggests that ***the core of the IG agenda*** (i.e. the normative focus on inclusion and the distinction/desirable continuum between inclusive processes for inclusive development outcomes) resonates well with (i) the overall philosophy of the Agenda 2030 (“leave no one behind”); (ii) key lessons learnt in fostering development (e.g. the need for endogenous change processes driven by domestic institutions and actors); (iii) the critical importance of politics and power in shaping how state-

society relations work in practice and benefits are distributed; and (iv) the increasingly recognized centrality of ‘inclusion’ to address the interlocked problems of instability, insecurity and underdevelopment in fragile countries. All this suggests that the IG agenda has both a compelling rationale and a real potential in terms of increased relevance and impact.

45. This assumption on the potential of the IG agenda was fully confirmed during consultations with the strategic partners of MFA/DSH. While there are differences in terms of concepts and entry points used, all of them stressed the ***practical value of IG as “a lens and an approach” that can be applied both in the field of governance and in other policy domains/sectors***. The internalization of this agenda is (logically) still work in progress, but the various partners have gone through a ***steep learning curve***. This is reflected in (i) the use of increasingly sophisticated diagnostic tools to scope the problem of exclusion; (ii) the elaboration of context-sensitive ToCs that make a distinction between processes and outcomes while recognizing possible trade-offs; (iii) a better reflection process on the choice of implementation approaches (in terms of levels of intervention, tools, funding modalities, etc.) as well as (iv) attempts to put in place M&E systems that allow for learning, iteration and adaptation, based on checking whether the IG approaches used deliver not only on processes but also on outcomes and, ultimately, changes in underlying power structures and norms.
46. Based on the review and the consultations, it could also be argued that ***the IG agenda is, on paper, highly relevant for the disrupting times we live in***. The growing polarization of today’s world, exacerbated by democratic regression, autocracy, populism and closing of civic / media space, is likely to lead to more exclusion and more conflict. Since 2010 there has been a major increase of citizens world in autocracies (from 48% to 68%).¹⁹ COVID-19 has often provided an additional excuse to further restrict essential freedoms (particularly of expression), reduce democratic oversight and stigmatize critical voices. This, in turn, hampers the room for inclusive approaches on how best to deal with the pandemic in a transparent and equitable way, thus preventing that vulnerable groups again carry the heaviest burden.
47. Yet at the same time, ***these evolutions also change fundamentally the role, place and space for maneuvering of external agencies***. After the fall of the Berlin wall, there were two decades where support for democracy, governance, human rights could be assumed to be a relatively shared agenda with partner countries. This no longer prevails as these issues have become heavily “contested” by many governments in third countries and at the level of global powers (with competing societal and economic models). Paradoxically, the IG agenda may be more relevant than ever but also increasingly hard to put into practice. Liberal democracies, including those that defend IG agendas, do not seem to have “*put their act together*” in the same way as autocrats have done (in terms of expanding control on their societies with increasingly sophisticated methods).²⁰

3. Emerging lessons of experience, dilemmas and coping strategies

3.1. Lessons of experience

48. Though the focus on IG (as described above) is a relatively recent phenomenon, ***valuable insights have already been gained on what it means to engage in this arena***. Based on the work of GovNet, documentary analysis and the consultations undertaken, seven main lessons are presented below. They apply to various regime types and in particular to fragile states:

(1) Beware of shaky assumptions.

49. Though IG avoids the highly normative approach of the ‘good governance’ agenda (by focusing on inclusion rather than on a quite comprehensive set of prescriptions, templates and best practices) there is still a risk to base the TOCs and intervention logic on shaky assumptions. Examples include:

- the belief that ‘participation’ and ‘inclusion’ is by definition something good or that civil society on its own has sufficient transformative power to alter the rules of the game;
- the tendency to ‘go local’ as more results can be achieved at this level without addressing the structural constraints for improved governance at macro level (e.g. fiscal decentralization);
- the danger of emphasizing too much the distinction between ‘supply’ and ‘demand’ driven approaches (as better governance often results from the ‘co-creation’ of public goods and services);
- overoptimistic connections between investing in more inclusive processes and obtaining more inclusive outcomes.

(2) Ensuring inclusion is a “hard job”

50. Practitioners pushing for inclusive processes have been confronted with a wide variety of thorny political and operational challenges, particularly in autocratic and/or fragile states. These range from the existence of sufficient political ‘space’ for adopting genuine inclusive multi-actor approaches, to diversifying/identifying the relevant actors (beyond formal structures or the ‘usual suspects’) or carrying out power analyses to map the interests and incentives of the different players and mitigate the risk of elite capture/co-optation. Agencies involved in security sector reform experienced that authoritarian régimes may be open to reforming the police but less so to also include other key actors (such as special security forces or militia). All this turns the potentially useful lever of ‘localization’ into a challenging job as it may end up reinforcing the hand of powerholders and those in favour of the status quo. An additional challenge is to ensure that dialogue processes are locally-driven, adequately facilitated (with a view to create trust and a levelling playing field) and result-oriented (i.e. leading to effective action on the ground). At a more mundane level, the question also arises when and how to limit inclusion to keep the processes involved manageable.

(3) Inclusive governance is not a prerequisite for inclusive development

51. This insight is corroborated by substantial evidence of ‘success stories’ in terms of strides against inequality and social exclusion, which have not been achieved through inclusive societies and institutions (e.g. the Asian Tigers and more recently some authoritarian ‘developmental’ states in Africa). However, this is slippery ground as there is also abundant evidence of authoritarian systems that have led to the collapse of the economy and rampant levels of poverty (e.g. Zimbabwe). Furthermore, exclusionary development outcomes -characterized by highly skewed access to income, services and opportunities- have often been the bedrock for fragility and conflict.

(4) Inclusive processes do not automatically lead to inclusive outcomes

52. As observed above, there is no linear, causal relationship between inclusion as a process and inclusion as an outcome in either direction. Inclusive approaches have been promoted since the fall of the Berlin Wall, fuelled by the new democratization wave and a proliferation of civil society organizations across the globe. However, this has not prevented patterns of development and prosperity to remain highly skewed in third

many countries, leaving an ever-increasing number of people behind, marginalized and alienated from politics.

53. In a similar vein, inclusive processes may create space for citizens to have a say in policy processes, but this in itself does not suffice to make institutions more effective or alter the power relations and the rules of the game that keep people in poverty. Donor agencies involved in local governance have been systematically confronted with this conundrum. While their initiatives may have enhanced the levels of inclusivity in local planning processes, they have generally been much less successful in changing the behaviour of local elites or influencing the national framework conditions that are crucial for unleashing the potential of the local level of governance. This aligns with a lesson of experience identified in the GovNet paper, related to the risk of "*pushing hard for inclusion in the absence of a capable state*"²¹ which can manage the complexity of multi-actor processes and ensure that at the end effective reform agendas are formulated and acted upon.

(5) Need for multi-level approaches

54. Experience strongly suggests that promoting an IG agenda requires action at multiple levels:

- *local* (now increasingly the privileged arena for donor interventions);
- *national* (despite the growing difficulties to build reliable partnerships with central government actors, particularly in fragile/conflict states);
- *regional* (particularly when there is a backlash at national level and regional players can exercise peer pressure or mediate);
- *continental* (e.g. with the African Union in its dual role as norm-setting actor and, on paper, also guardian of the treaties/charter);
- *international* (through diplomatic efforts aimed at clarifying / expanding the architecture of norms and standards, monitoring progress).

(6) Political settlements as determining factor

55. The GovNet paper is explicit that "perhaps the most important lesson to emerge in international development is that institutions and the underlying politics and power dynamics that give them shape and substance -in short the political settlements- lie at the core of the challenge of how inclusive governance and inclusive development are linked".²²
56. This invites external agencies to clearly assess the prevailing political settlement and understand how it promotes and impedes development and in what ways. Research has been done to categorize political settlements according to how broad their social foundation is and how concentrated their configuration of power (across regime type).²³ Each political settlement type has strengths and weaknesses in terms of prospects for political and economic development. Navigating through these various dimensions is key to nudge states and societies in the direction of improved governance and human well-being.
57. This insight has major implications for fragile settings. It calls for respecting a certain sequencing in political dynamics, whereby keeping the peace in the short to medium term is deemed to be primarily dependent on ***horizontal inclusion among elites*** from competing groups (both process-wise and in terms of access to resources). Only when this works out, over a longer- term period, ***more inclusive institutional arrangements*** may see the daylight. That, of course, leaves open the question how this transition can be supported/accelerated, including through external agencies (see further below).

(7) Limitations imposed by the authorizing environment of donor agencies

58. Like in earlier attempts to influence positively ‘good governance’, democracy and human rights in third countries, external agencies will be confronted with structural constraints linked to their own political and institutional environment when promoting IG. The factors are well known and will also condition the chances of having impact with IG approaches. They boil down to four key constraints -which may slightly differ from agency to agency:

- *Capacity to think and act politically in a consistent manner.* In the past decade, several donors have made major strides forward in terms of enhancing their capacity to carry out relevant analyses before programming their overall cooperation strategy and aid interventions (ranging from stakeholder analysis to power or political economy analysis). Stakeholders interviewed for this study, confirmed this enhanced interest in and institutional capacity of Dutch actors to carry out such politically savvy diagnostics to inform support strategies. However, experience suggests that the **effective use of these analyses in actual programming processes** (including the choice of aid modalities and funding channels) **remains a major challenge**. Often the passage from analysis to programming is characterized by a dilution of the political intelligence accumulated. This occurs for many reasons, including fear to antagonize partner governments, competing commercial or security interests, risk aversion, lack of creativity in playing with procedures and instruments (e.g. to reach out to informal actors) or disbursement pressures.
- *Concern to show tangible development results rather than progress in (longer-term) institutional development processes.* This is a critical issue for the IG agenda which is all about making institutions and decision-making processes more inclusive -by definition a complicated, messy, non-linear and uncertain endeavour. Yet a wide range of political, bureaucratic and accountability pressures may push donor agencies to **privilege development outcomes without investing commensurately in getting the processes and institutions more inclusive** over time. On the whole, the culture of donor agencies, as developed over the past decades, has been strongly ‘needs’ and ‘solution-oriented’. This often led to a situation where the external actor ends up (too much) in the driving seat of the process. This approach still largely prevails, also among implementing agencies, despite the growing interest in ‘localization’. The challenge for external agencies is to **function more as a “radar”, detecting to promising dynamics in specific contexts and then building on these**.
- *Silo approaches preventing integrated approaches.* This is a longstanding institutional constraint -to be found across the board irrespective of the organizational structures adopted by donor agencies. As mentioned before, the IG agenda is “everywhere” and transcends the sphere of political governance. It is equally relevant in the economic sphere or in sectors (water, education, health). Furthermore, abundant evidence shows the limits of governance and democracy promotion efforts in the absence of development dividends for the population. Particularly in fragile states, there have been longstanding calls for integrated or ‘comprehensive’) approaches, in which all core drivers of conflict and division are taken on board. However, the institutional set-up of donor agencies tends to work against pursuing effectively and consistently such integrated approaches.
- *Limited collective action, including at EU level.* Despite a plethora of policy documents calling for improved coordination, complementarity and coherence, particularly at EU level, there are still major limitations in terms of collective action to effectively push core values, including governance (as various thematic evaluations have demonstrated). This may also affect the relevance and impact

of the interventions in favour of IG. This fragmentation plays into the hand of (authoritarian) partner countries who can apply the traditional technique of ‘divide and rule’, thus reducing the risk of a more concerted approach with enhanced political leverage from the EU side.

59. During the consultation process, the question was systematically raised what the ***core assets and structural constraints*** were of the Netherlands to intervene as a relevant actor in IG. The feedback on the assets (mainly applied to DSH, but extended to the overall Ministry) was quite convergent. Strong points are the preparedness of the Netherlands “*to stick out its neck*” on political issues and governance problems in third countries (despite the price tag that can be attached to such a stance). Furthermore, a willingness to listen and to engage in deeper policy discussions with trusted strategic partners (enjoying predictable funding), including on issues related to power, politics and dilemmas / trade-offs around joint programmes. This is coupled with a comparatively high degree of flexibility in programming, allowing for learning and adaptation as the process moves on. Support from Embassies is generally also appreciated, facilitating joint action and enhanced political leverage.
60. Limitations were mainly seen to exist in the (mis-) ***match between ambitions and capacities*** (particularly at Embassy level, exemplified in the constraints to have recurrent strategic dialogues with implementing agencies or ensuring an effective M&E system on transformative changes obtained), the ***fragmentation*** of the portfolio (often preventing a structured follow-up of valuable initiatives) as well as the ***(thematic) organizational structure*** of the Ministry, which does not facilitate integrated approaches. As a result, the IG agenda is formally taken up by DSH in charge of security and the rule of law, but it is less clear how effective linkages can be developed with other units (dealing with human rights, democracy, economic development, etc.) where inclusion is also a major topic. This type of structures also creates challenges of policy coherence –as one interlocutor commented: “*where do the different policy strands meet, if anywhere?*”. Arguably, coalition-building for policy influencing, particularly with the EU at national level, has scope for improvement in the Dutch context. A more pro-active and coherent strategy for engagement at EU level could help enhancing political leverage towards poorly performing third governments.

3.2. Key dilemmas and trade-offs

61. A first dilemma frequently encountered by external agencies is about how to make a ‘business case’ for interventions on IG in fragile/authoritarian setting when this clashes with the normative ‘values’ agenda promoted by the EU and Member States. This tension is fully recognized in the abovementioned GovNet paper. However, by nature, the political settlements in fragile, conflict-affected settings, are imperfect, messy and subjected to a complex set of push and pull factors with an uncertain outcome. As mentioned before, ‘dirty deals’ may first need to be concluded in order to create more stable conditions and prospects for inclusion. It is ultimately a political choice to determine whether it is worth taking the risk of investing in IG processes despite the poor track record on human rights, the repressive attitudes towards civil society and media or the prevailing discriminations towards vulnerable and marginalized groups.
62. A second dilemma relates to the ***choice of partners***. Evidence from the field increasingly shows the difficulties encountered by external agencies to have effective, reliable and productive dialogue and collaboration with central government actors. This is due to a combination of factors (strong incentives among elites to keep the status quo, limited reform commitment, weak state capacity, absence of credible policies, etc.). It pushes external agencies to engage more with civil society with a view to push forward critical governance and development agendas. This is understandable and defendable, yet the point was

made that “*the pendulum may have swung too far*”. The impact of support to civil society is ultimately largely conditioned on progress at the level of the elites and the state apparatus.

63. In a similar logic, there is a **tension between investing at central level and ‘going local’**. Regarding IG, there is a marked preference for donors to focus on local level processes of inclusion, as these are perceived to be more conducive and open to change. This is undoubtedly a welcome move, considering the blockage of decentralization reforms in most (fragile) countries and the huge need for building more solid local governance systems that can address pressing development and security challenges. This implies turning local authorities (as elected political bodies with a general mandate) into more legitimate and capable institutions. It also requires effective collaborative arrangements with citizens, civil society and the private sector. However, the success of such exercises depends largely on progress made in the reform of national framework conditions. Local authorities cannot be expected to become trusted and legitimate institutions if they lack basic levels of autonomy and reliable funding (fiscal resources) nor can they be expected to deliver social accountability to citizens. A coherent multi-level approach to promoting IG seems key to ensure transformative change in local governance-and that is proven to be highly challenging for donor agencies involved.
64. A fourth dilemma concerns **risk mitigation**. As fostering IG is a highly political process, the external agencies involved need to do a risk assessment, particularly of the ‘political cost’ that may arise when pushing (too much) for inclusivity. This issue becomes more pressing in a context of resurgence of authoritarian rule and closing of civic space. In increasingly repressive environments, supporting genuine IG processes is not only challenging for the donor agency involved, but potentially risky for the local actors who engage in this type of processes. Examples abound of collateral damage suffered by activists, media, citizens when they engage in governance matters. At this stage, the international donor community has not yet fully integrated this risk element in its interventions, particularly in terms of response strategy when problems arise.
65. Another core dilemma is “what to do when the overall governance situation steadily deteriorates” (diluting the relevance of the cooperation strategy adopted in better times) or “when to “pull out the plug” and (temporarily) abandon the search for more inclusive governance. The consultation process coincided with the coup in Myanmar and subsequent brutal repression. Several strategic partners of the Netherlands have IG programs running in the country, which they suspended (as it they were managed by central government) or put on hold (also because local staff and actors refused to further engage). Working on security sector reform, DCAF adopts a flexible approach, pulling out from national action when things get completely stuck and shifting its engagement to the regional level. Again, there are no standard recipes on ‘what to do’ in such situations. Each case will require a specific political analysis, a weighing of plausible alternatives and ultimately, clear foreign policy choices from the top.

3.3. Coping strategies

66. This section relies substantially on the two-year and recently concluded work process of GovNet, involving an in-depth review of the literature and stocktaking of coping strategies currently used to promote IG (inclusive processes and outcomes) in different contexts, including fragile states. The proposals made in the GovNeT paper resonate well with the experiences of the various strategic partners of the NL involved in IG. While the relationship between inclusive governance and inclusive development is largely a ‘black box’, there are a number of **enabling factors that can be harnessed** to foster equitable distribution of wealth and prosperity through IG. Each of them do not lend themselves to ‘quick fixes’ and fundamentally challenge the international donor community to make further progress in ‘thinking and acting politically’.

67. The following enabling factors reflect the current thinking on levers to use for promoting IG:

- *State capacity*. Efforts to foster IG from the bottom-up are likely to have only suboptimal effects in the absence of a functional and embedded state, with the capacity, autonomy and leadership to ensure inclusive development and a fair sharing of the rents and gains. Moving from extremely fragile or predatory states to effective states is a long up-hill struggle, but a key condition for sustainable processes of IG.
- *Ideas and narratives around identity and belonging*. Exclusion is often based on identity, as well as on religious or ethnic divides. In order to overcome this, investing in gradually constructing a shared societal project and development trajectory is crucial. That can also happen at the level of territories or regions. A case in point is Burkina Faso where “*local level dialogues*” are currently seen to be a crucial step in many parts of the country (increasingly beyond the control of the central state) to reduce conflicts, rebuild trust, facilitate reconciliation, improve security and ensure inclusive and fair governance systems.²⁴
- *Critical junctures as opportunities for change*. This is a classical ingredient of political economy analyses as well and related to tipping points that have the potential to alter power relations and underlying rules of the game. There are many examples of such events (revolutions, constitutional reform processes, elections, natural disasters) that have provided opportunities for changing trajectories. The core challenge for donor agencies is to quickly seize windows of opportunity with flexible support modalities, thus contributing to optimizing potential reform gains.
- *Political parties*. This enabling factor has been the object of donor support in the past, with mixed success. In most third countries, the potential of political parties as vehicles to mobilize collective action and foster inclusive governance remains limited -as they tend to be stuck in the promotion of short-term elite interests and lack programmatic capacity/interest. The NIMD has accumulated quite some experience in this field in a variety of settings. Its new strategy continues to support multi-party dialogues and capacity development, yet focuses much more on including citizens in the equation.
- *Strategic coalitions for reform*. The non-inclusive nature of political settlements in many third countries / fragile states tend to privilege status quo approaches to reform. To break this open, coalitions have proven to be a potentially powerful instrument for change. These can be formed around specific themes (e.g. women empowerment) and have better chances of success if they are composed by both reform-minded elites and key stakeholders from different levels and walks of life (even with antagonistic interests). Coalitions among external agencies are also a potential lever to progressively push governance reforms.
- *Social mobilization*. This enabling factor is becoming more prominent with the rise of social movements and protests across the globe, generally demanding more human dignity and social justice. Often, they have been able to “*shake up*” things more than organized civil society. However, they often face structural limitations to push for transformational change. Recurrent obstacles are the informal nature of movements, the lack of a clear and concrete reform agendas as well as leadership, capacity and funding constraints. This is an area less familiar to external agencies, though there are innovative attempts to link up with these movements.

68. The GovNet paper concludes with a few ***pointers for development practitioners to support inclusive processes for more inclusive outcomes***. During the consultation process for this study, it clearly appeared that the various strategic partners of the Netherlands involved in IG already apply, in varying ways and levels of depth, these practical suggestions, including:

- ***Investing in context analysis, particularly about levels of exclusion.*** This is the foundation of any meaningful intervention strategy. While progress has been achieved on this front, there is still a long way to go to base IG approaches on a solid understanding of the local context. A recent CSIS brief on crisis responses in the Sahel recognizes donor efforts to promote IG but argues these were too often expressed in the abstract, without sufficient ‘unpacking’ of specific actors and practices in need of reform. Western partners did not identify sufficiently the real reasons behind the lack of inclusivity (e.g. linked to a reluctance of central elites to share resources, particularly towards the territories) or assess properly the fundamental perceptions and frustrations of citizens/youth regarding the role of the state and the behaviour of the ruling classes.
- ***Focus not only on representation and participation,*** but also on the power dynamics and socio-cultural norms that shape these interactions (e.g. between a local authority and citizens in the planning process) and possible avenues to make them more inclusive.
- ***Enable, convene and broker locally led spaces*** for multi-actor dialogue while trying to strengthen coalitions for reform -in line with the principles of the localization agenda.
- Continue to engage in state building efforts, with a view to ***support the gradual emergence of more effective states, functioning with a more inclusive set of rules of the game.*** This requires consistency in norms applied when providing support and a diversified portfolio of projects targeted the various key actors. A case in point is the approach followed by DCAF as strategic partner of the MFA. When pushing for security sector reform in third countries, they systematically insist on the need for “democratic governance” of the sector (as the central norm). This, in turn, legitimizes a multi-actor approach to reform, which fully recognizes the key roles to be played by the Executive, independent oversight institutions, accountability mechanisms as well as civil society organizations. In the experience of DCAF, such an inclusive process approach may facilitate more inclusive outcomes (e.g. empowered civilian actors, enhanced accountability of security forces).

4. Options for positioning the Netherlands / DSH on IG

69. This concluding chapter seeks to respond to the TORs of the study requesting “*recommendations for positioning the Netherlands, linked to Dutch priorities, capacities, added value and existing partners*”. Building on the above overview of the IG debate and inroads by the MFA and its partners into this arena, the paper should also “*suggest focus and priorities for policy influencing*”.
70. This is ***not an evident exercise*** considering the scope and complexity of the (emerging) field of IG, the multifaceted actions, strategic partners, diplomatic initiatives currently supported by the Netherlands that are directly or indirectly related to IG. Furthermore, while DSH is the core target for possible recommendations within its field, the issue of IG transcends the unit and has growing implications for the overall BHOS objectives and the work of other departments. At the same time, ***internal efforts*** are ongoing at Ministry/Embassy level ***to better balance ambitions with available means*** (and possible cuts in budgets) as well as to reduce the fragmentation of the aid portfolio per policy theme. Some choices have, understandably, already been made (see the Operational Fiches of DSH SV/RV) from a managerial perspective. These are likely to affect the scope and ability for policy influencing. There is also uncertainty on what the foreign policy priorities and budgets will be of the new government.
71. In addition to this, the limited ***time and budget available for the study*** prevented an in-depth analysis of the current IG portfolio. Inevitably, this also affects the ability to prioritize themes and relevant fora in terms

of policy influencing or to indicate “*what buttons*” to press for optimal relevance and impact. A much more solid stocktaking and analysis of existing Dutch experiences and lessons learnt would be required to really sharpen a Dutch advocacy agenda on IG.

72. However, in spite of these various limitations, this final section spells out a ***number of potential avenues for a future, more mainstreamed at intensified Dutch engagement in the field of IG***. It integrates the outcomes of an additional brainstorming with key stakeholders which was organized on June 21, 2021 to discuss and refine a set of tentative recommendations proposed by ECDPM. The exchange also identified a set of issues that will require further debate (including with strategic partners) as well as clear political/policy choices. The outcomes of this gathering are integrated in the proposals elaborated below.

73. Based on all these inputs, ***five interrelated recommendations*** are formulated below, covering respectively:

- the political choice to upgrade the role and added value of the NL regarding IG;
- the justification / narrative for an enhanced profile on IG;
- possible guiding principles for intervention in the field of IG;
- relevant thematic foci;
- priorities for policy influencing.

4.1. Consider inclusive governance as a potential change maker and asset for effective policy influencing

74. The first recommendation is of a global and primarily political nature, addressed to the Ministry as a whole. Building on the overview presented above, it suggests that the concept of ***IG has quite some potential for addressing fundamental challenges of fragility, insecurity, inequality*** as well as the disconnect between state and society, elites and citizens.

75. This potential resides in a number of factors:

- the growing recognition that exclusion is at the heart of conflict and fragility;
- the related acknowledgement that inclusiveness can provide a key to get out of the vicious circle of poor governance, weak accountability, instability and underdevelopment -provided strategies elaborated to this end are attuned to underlying power and conflict dynamics in a given context;
- the diffuse and untapped societal demand in third countries and regions for more human dignity and social justice -which ultimately is all about better inclusion and more people-centered approaches (in terms of process and outcomes);
- the relatively limited prescriptive nature of IG (compared to the good governance agenda), with its primary focus on ‘inclusion’; this norm clearly has strong political connotations, but it tends to be less controversial -as it refers to a principle of managing public affairs in a participatory manner, recognized in many constitutions, legal frameworks and policies of third countries as well as in the charters of continental and regional organizations;
- the pragmatic interpretation given to IG so far, avoiding to turn it into a new leading paradigm, but rather using it as an additional lens to take informed decisions;
- the adoption of the IG approach by Dutch strategic partners and their wish to deepen their engagement on the topic in the coming years;
- the positive linkages that could be built between the specific IG agenda and other related policy domains (e.g. human rights, democracy, job creation, management of natural resources, private

- sector development, etc.) or concerns (e.g. COVID and BBB, increased localization of decision-making and implementation processes, resilience of states and societies);
- the international consensus on the need for inclusive societies and institutions provided by the Agenda 2030 and SDG 16 in particular -providing major windows for targeted policy influencing.
 - The possibility to promote a '***virtuous circle***' between cooperation portfolios and diplomatic efforts. At this stage, there are examples of effective connections between these two layers, yet there is scope to optimize these linkages. Box 3 below shows the different components of this chain and the way to promote a virtuous circle.

Box 3: Linking field cooperation portfolios to diplomatic engagement

In order to avoid disconnects between these two types of interventions on IG, a strategic approach is required to trigger a virtuous circle between:

- being firmly engaged on the ground through a solid and politically savvy cooperation portfolio on IG;
- monitoring and learning lessons of what works in different contexts;
- based on these experiences, ensuring an effective and coherent diplomatic presence in multilateral fora /EU with relevant agendas;
- influencing the elaboration of shared norms and processes related to IG and
- using these agreed new rules of the game to further push reforms in third countries.²⁵

76. All this suggests that the *IG agenda is there to stay and will increase in prominence, including in Western societies*. Hence, it seems in the interest of the Netherlands to build on its current track record on IG and explore ways and means to upgrade the place, weight and profile of IG in all relevant domains and sectors. The topic equally lends itself to targeted and effective policy influencing in the coming years (see below).
77. This overall recommendation acknowledges the perceived assets and added value of the Netherlands in the field of governance. These include a growing capacity to think and act politically (hence to be a credible dialogue partner, convener and policy influencer), preparedness to venture into complex areas (with uncertain outcomes), flexibility in programming, a solid network of strategic partners as well as some good practices in terms of influencing international for a on governance and security issues. IF there is a consensus that IG can be a potential changemaker in peace, security, the rule of law and other Dutch priorities, THEN the Netherlands could be an actor that can make a difference all along the chain (i.e. in country portfolios and in multilateral fora).

4.2. Refine the justification and narrative for an enhanced Dutch profile on IG

78. Existing policy documents, TOCs, results frameworks and operational fiches already provide a good basis for engaging on IG, particularly in fragile contexts. However, in order to make a case for an upgraded status for IG, it might be relevant to ***refine the current justification and narrative along four main lines***:

- (1) Sense of urgency : IG as an approach to defend fundamental values. This is the first major political argument that could justify greater attention for IG. The ***frontal attack in many places against core values*** (i.e. democracy, human rights, the rule of law, civic space) is intimately linked to the IG agenda.

It calls for bold and concerted action of the community of democracies, acting as a coalition. The initiative of President Biden to convene an international summit for democracy underlines the sense of urgency. Such a high-level process carries obvious risks (e.g. in the selection of participants to be invited, in jeopardizing the prospects for pragmatic cooperation with authoritarian states in other crucial areas or in focusing on “*summitry*” without coherent follow-up strategy²⁶). However, such an initiative, combined with others, can provide a boost to ***rebuilding a solid coalition of democracies around the globe with an updated and convincing narrative*** on the importance of the values at stake for inclusive, cohesive and resilient societies. The framing needs to be realistic and humble, as democracy is also a vulnerable thing and “*work in progress*” in pluralist (Western) societies. The added value of such a coalition would be to devise more appropriate response strategies against autocracies, kleptocracies, populist demagogues and misinformation in the digital age. ***The IG agenda is inevitably part of this ‘fight’ between competing political, societal and developmental models*** and can be strategically activated to this end.

- (2) **No stability, peace and security in fragile states without inclusive governance approaches.** A wide range of evaluations, official reports, conflict assessments, political economy studies and other research, all link conflict dynamics to different forms of exclusion (e.g. structural inequalities, unfair access to land, resources and services, discrimination of particular groups, etc.). Using different labels and wording, they stress that at the core of conflict and fragility is a deficit of inclusive governance, creating a major break of trust between governors and governed. However, many of these analyses also point to promising factors of resilience in conflict/fragile societies, which could provide the foundations on which more inclusive systems of governance and development can be built. Despite the complexity of intervening in this arena, it is in the ***self-interest of external actors***, particularly from the EU, to further explore ways and means to contribute effectively and sustainably to making societies and political systems more inclusive. Abundant evidence exists on the negative spillover effects that major crises abroad have on the internal security and prosperity of European countries.
- (3) **Fostering IG as both a “theme” and “a lens” to be applied across the board.** In order to optimally tap the full potential of IG, Dutch cooperation is well-advised to incorporate it as a both:
 - ✓ ***A self-standing “theme”*** linked to political governance, the rule of law and security (as this is now the case under DSH). The consolidation of such a thematic approach would signal that the Netherlands is keen to position itself more firmly in the IG arena. Furthermore, a ***thematic approach can also help to provide consistency and concretize Dutch engagement on IG “all along the chain”*** (from engaging in the frontline, to systematic learning, to identifying relevant targets for policy influencing, to norm-setting and back to the field).
 - ✓ ***An ‘approach’ or ‘lens’ to be integrated more forcefully in all other relevant policy domains and sectors.*** Experience suggests that mainstreaming a key policy concern can be a tricky issue. Familiar risks include the dilution or marginalization of the topic (e.g. in a specialized unit with limited influence over other departments). However, consultations with strategic partners and a review of current practices, suggests this danger could be less prominent in the case of mainstreaming IG. Contrary to gender or human rights (other traditional candidates for mainstreaming), ***inclusion has a more limited substantive remit; hence, it is more suitable to be pragmatically used as a ‘lens’.*** It could be addressed as a strategic dimension to be considered in a variety of policy areas or sectors much alike the (closely aligned) lens of ‘conflict sensitivity’. Furthermore, by explicitly adopting IG

as a ‘lens’, incentives could be created to work in a more structured and sustained way on ‘**nexus**’ between different policy areas for greater impact (with available means and capacities).

- (4) Connecting the IG agenda with the other core priorities of the MFA. Another powerful justification for upgrading the focus on IG is to better exploit the close links with other legitimate core policy concerns of the MFA. This holds particularly true for the BBB agenda, the drive towards greater ‘localization’ and the growing interest in people-centered approaches. As mentioned before, content-wise all these dimensions display common features with the IG agenda. The task at hand in next years is to build effective synergies between IG and these closely aligned policy concerns for greater impact. Box 4 below provides some pointers of a possible narrative for strengthening these connections in practice.

Box 4: Opportunities to link the IG agenda with BBB, localization and people-centered approaches

- ✓ IG and the COVID crisis. The devastating social and human cost of the pandemic has produced a ‘re-politicization effect’ particularly among citizens taking greater interest in decision-making processes around the management of crisis responses, issues of access to health as well as social safety nets. This may fuel the public debate and affect future elections. All this provides opportunities for external agencies to ‘hook’ their concerns with IG on concrete societal dynamics.
- ✓ IG and the localization debate. Several pressures (including the ‘decolonization’ debate) converge to promote ‘localization’ of policy processes with a view to foster local ownership and resilience. These objectives coincide largely with the IG agenda. There is no shortage of opportunities to foster IG by localizing essential components of policy-making processes such as: (i) the agenda setting in terms of IG; (ii) context and power analyses (including political economy analysis at the level of specific territories in conflict countries); (iii) implementation modalities (so as to allow for optimal flexibility in terms of adjusting to hugely diverse local conditions); (iv) elaboration of home-grown M&E systems and related mechanisms for monitoring, joint learning and adjustment.
- ✓ IG and the shift towards more people-centered approaches. Both policy objectives equally show natural complementarities. The move towards people-centered approaches reflects the growing effort of the international donor community to go beyond “funding policy reforms and institutions” and put more emphasis on improving socio-economic conditions living conditions of populations. This resonates with the IG agenda on inclusive outcomes. To nurture optimal complementarities, it will be crucial to manage the reluctance of central government to sharing the access to cooperation resources. This can be done by fostering collaborative arrangements between public and private actors (so as to avoid undue competition and tensions) and by maintaining a correct balance between “investing in people” and “building institutions” (so as to ensure sustainability).

4.3. Agree on more explicit guiding principles for interventions in IG

79. The field of IG is still loosely defined and all actors involved that engage in this arena recognize they are on a learning curve, trying to tackle the many intricacies, challenges, trade-offs and pitfalls associated with attempts to promote more inclusive processes and outcomes. The GovNet has done a valuable job in facilitating a structured dialogue on this emerging field and ensuring stocktaking of initial lessons learnt. On the whole, current policies and practices of Dutch involvement in IG -including through supported strategic partners- are quite consistent with the list of “do and don’t do” elaborated by GovNet.
80. Still, as experiences are gained and interest in the topic grows (also in other units) it might be useful to initiate a process with relevant actors and stakeholders, to agree upon core principles that should guide

future Dutch interventions in the field of IG. Based on documentary analysis and consultations with strategic partners, five principles seem particularly relevant. Not only from a conceptual point of view, but also because there is quite some scope to improve performance and coherence on each of them in the coming years.

81. The following core principles for IG support could be considered:

- *Systematic scoping the problem of exclusion and the underlying power relations and informal rules of the game.* This first principle is already part and parcel of the overall culture of the Ministry, Embassies and strategic partners (with varying approaches and levels of intensity). Yet there is still scope for further progress and refinement in implementation approaches, e.g. to better frame the multiple dimensions of ‘exclusion’ (from an intersectional perspective), to improve the power analysis in interventions, to detect the (often small) openings for changing the rules of the game and to identify more suitable incentives that can push vested interests into considering alternative governance options.
- *Focus on an institutional development and empowerment approach.* This is a crucial component of genuine IG and localization approaches (based on ownership of reform agendas and resilient actors). However, the prevailing culture and managerial constraints of external actors often leads them to privilege ‘*development outcomes*’ without making coherently the hard choice to invest in the uphill process of ‘*working with the grain*’ of existing institutions and informal norms (such as clientelism) and trying to make them (over time) more resilient, legitimate and accountable. These are two different logics, each of them justifiable, but not necessarily converging. Some of the abovementioned assets of Dutch cooperation (e.g. listening capacity of Embassies, long-term perspective, relatively flexible aid modalities) may well position the Netherlands to engage in empowerment approaches for effective IG.
- *Fostering co-creation.* This seems quite an abstract principle, yet it is quickly moving to the forefront in relation to implementing the IG agenda. Evidence indeed confirms the limits of the traditional distinction between ‘*supply*’ driven approaches to governance (to be provided by central and local institutions) and ‘*demand*’ driven approaches (claims by civil society for more transparency, accountability, etc.). This is also the conceptual basis of the human rights-based approach (with its distinction between ‘duty bearers’ and ‘right holders’). Particularly at local level, the limits of this approach to improving governance is increasingly seen. In order to define new rules of the game, that fit societal/local dynamics, the challenge is rather to stimulate bottom-up processes involving all relevant actors in the ‘co-creation’ of new institutional arrangements for managing public affairs and delivering services. This is particularly relevant for fragile and conflict countries, which often have to find solutions to pressing problems through hybrid governance systems (combining modern/formal norms and informal rules of the game).
- *Ensuring linkages between different levels of governance.* This principle also needs to be re-affirmed more strongly, considering the tendency of donor agencies to ‘*go local*’ as relations with national level actors prove increasingly difficult, cumbersome and ineffective. During the above mentioned concluding brainstorming session, there was a consensus that IG needs strong local roots (as foundation for trust, constructive state-society relations and co-production). However, these dynamics imperatively need to be supported by conducive national framework conditions, backed up by regional/continental incentives as well as further encouraged by international governance standards and processes. The challenge for Dutch cooperation will be to see how this multi-level

linkages can effectively be fostered “*all along the chain*”. This micro-macro articulation is critical to foster policy coherence and ensure sustainable impact.

- *Putting in place M&E systems that seek to track progress towards transformational changes.* This is the lynchpin of a more sophisticated approach to IG. Current systems for M&E, at both donor and international level, tend to produce valuable data on what has been done, on outputs achieved and, to a lesser extent on outcomes. However, the existing M&E systems have so far (including of Dutch cooperation) have not been sufficiently able to track (messy, non-linear) progress towards more transformational changes in terms of inclusive processes and outcomes. Yet this is a precondition to better map dilemmas and trade-offs, adjust intervention strategies and ultimately decide whether or not to continue investing in IG.

4.4. Concentrate on limited set of themes and promote nexuses

82. The choice of thematic priorities is a process influenced by many political, institutional, bureaucratic and financial considerations. However, building on the above recommendations on how to engage in the future on IG (i.e. overall position, justification, narratives, possible guiding principles) some suggestions can be made on how to determine priority themes.
83. First, it seems useful to ***define and agree upon criteria to carry out this selection process.*** Considering Dutch priorities, available capacities and resources, and in order to enhance opportunity for impact, five criteria are proposed to select themes. These include:
 - (i) increased specialization by adopting comprehensive approaches on a limited set of niches;
 - (ii) ability to mobilize a critical mass of capacities and resources to go much deeper into processes into the politics and change dynamics on the IG theme involved over a longer period of time;
 - (iii) ability to link local and central dynamics;
 - (iv) the scope for synergies and nexuses with other Dutch priority areas, particularly in the field of economic development, job creation social justice and redistribution (social protection);
 - (v) opportunities to adopt a multilevel approach, linking experiences gained on the ground with policy influencing in relevant international fora.
84. Applying these criteria and considering the added value of Dutch cooperation, would imply considering the following thematic adjustments:
 - Further concentrating and upscaling IG on ***building legitimate, inclusive and viable local governance systems*** that can act as catalyst of integrated (multisectoral) local/territorial development for better development outcomes benefitting the citizens. The current approaches could be refined by deepening the empowerment approaches of local level institutions (as a precondition for effective accountability) and ensuring that national framework conditions are in place to unleash this local potential (e.g. fiscal decentralization), an objective to be pursued through alliances with other actors (first and foremost the EU).
 - Downscaling activities aimed at strengthening other critical institutions for IG as the critical mass is not there (in terms of resources and capacities) to make a difference. However, task division and intensified cooperation with EU and other Member States can fill that gap.
 - Upscaling support to promoting the rule of law (also at local level) and further investing in access to justice.

- Facilitating nexuses between IG efforts related to rule of law, accountability and transparency and other core Dutch thematic priorities (security, defense, fight against terrorism, employment, migration, value chains)
- Building on the premise that “*la démocratie ne se mange pas*”: ensure a much stronger link between governance investments and redistribution policies, including social protection schemes in post-Covid times (BBB). This reorientation was supported by participants in the concluding workshop with a call to focus more on the economic and social dimensions of inclusive governance.

4.5. Priorities for policy influencing

85. Sorting out ‘what to privilege, where and how’ in terms of policy influencing will largely depend on upstream political choices made by the Ministry regarding the future place and weight of IG in overall foreign and cooperation policy. It is logically beyond the scope of this paper to make detailed recommendations in this regard. However, some elements can be drawn from the overall review of the IG debate and related challenges for the MFA and its partners (as developed in the above sections).
86. A first clear message is to ***ensure that the policy influencing agenda is rooted in and reinforcing the engagement strategies adopted in partner countries***. In other words, that the MFA seeks to apply as much as possible an “***all along the chain approach***”, which starts with clear choices in terms of thematic niches in the wide IG agenda and the elaboration of a politically savvy and coherent portfolio of interventions for each partner country. Other critical links in the chain are the establishment of strategic alliances with other field actors (to allow for comprehensive approaches and enhance leverage) as well as adequate M&E systems to assess performance and impact (particularly on transformational changes). ***On that basis*** it is possible to determine which are the core priorities that need to be pursued in multilateral fora and what buttons to press for exercising real influence. This ***sequenced (all along the chain approach) should facilitate a virtuous cycle between field work and policy influencing***, as described above (see Box 3 above). There are already examples of such an approach, e.g. the strategic partnership between MFA and DCAF on security sector reforms. This is based on a concrete portfolio of strategic activities in the field (policy research, advice, capacity development) which is then used as a policy tool for influencing and further refining the international policy agenda.
87. This is likely to be a complex exercise as many parts of the jigsaw need to be put together to make informed choices regarding policy influencing priorities. Again, it is beyond the scope of this paper to engage in such a process. Yet it is possible to ***apply in a rudimentary manner the above proposed approach*** based on the information and insights gathered in this study. Five promising avenues for policy influencing can thus be identified:
- ***Pushing for inclusive governance at EU level***. This is a first obvious candidate for policy influencing. Stakeholders consulted in the present research acknowledged that the Netherlands “could do more” in terms of engaging pro-actively and strategically with the EU to amplify its leverage and the impact of its own portfolio and diplomatic efforts. Plenty of opportunities exist for advocating a greater focus on IG in European development cooperation practices on the ground (which still remain heavily focused on the state and government ownership of reforms) as well as in the thematic niches of the MFA (e.g. rule of law, security, access to justice). Other shared challenges concern the genuine inclusion of civil society, social movements, local authorities, vulnerable and discriminated groups, youth, etc. in decision-making and implementation processes. Collective action will also be needed to protect civic space and freedom of expression in many states or to ensure a more fruitful dialogue

on governance matters with continental and regional organizations. Furthermore, there is equally room to further refine overall EU policy frameworks through targeted efforts in the Brussels-based institutions.

- *Monitoring the implementation of SGD 16 and other relevant SDGs.* This is a formal process under the UN umbrella, which provides a relevant forum to track progress in moving towards IG as spelled out in the universal Agenda 2030. A pro-active investment in this process would help to further socialize the concept of IG, foster its concrete application, assess positive trends as well as key bottlenecks in putting SGD 16 (and other such as gender equality) in practice. The institutional set-up also makes it possible to have a structured dialogue with the various stakeholders involved and to explore the scope for influencing norms and practices.
- *Engaging more intensively with the OECD-DAC / GovNet).* As an incipient policy area IG needs further operational elaboration so as to make it attractive and concrete for both politicians and practitioners. An obvious avenue for a focused MFA contribution is the OECD DAC and the GovNet in particular. Other workstreams of OECD are closely linked to the IG agenda (e.g. on how to engage in authoritarian state or newly planned work on reviving democracy support).
- *Supporting global initiatives aimed at improving the rule of law, transparency and accountability.* There seems to be equally an important scope to deepening political engagement of the MFA with leading global organizations that deal with strategic elements of the IG agenda such as Transparency International, the Open Budget Partnership, the Extractive Industries Transparency Initiative, the World Justice Project (to advance the rule of law) as well as several processes dealing with corporate social responsibility.
- *Agreeing on policy influencing targets with strategic partners.* This avenue is already part and parcel of the MFA practice with several strategic partners. However, there is scope to go deeper in the dialogue process to define more explicitly shared objectives regarding influencing the IG policy agenda as well as a sort out an appropriate role division (based on the respective comparative advantages and capacities of the various parties).

Annex 1: Terms of Reference



Ministry of Foreign Affairs



Desk Research: Positioning The Netherlands Within The Inclusive Governance Debate

- Goal:** More strategic Dutch approach to international policy influencing within the field of inclusive governance.
- Deliverable:** Overview of international debate on inclusive governance with recommendations for positioning The Netherlands, linked to Dutch priorities, capacities, added value and existing partners.
- Process:** Desk research by consultant and subsequent MFA brainstorm.

Background: DSH's positioning within 'inclusive governance'

A more strategic approach to policy influencing is an overarching learning goal DSH has set for itself. A particular subtheme within DSH/RV that could benefit greatly from that goal, is inclusive governance. A clearer overview of the current debate on inclusive governance is needed, including where The Netherlands can 'push buttons' - especially given the limited FTE capacity within DSH to influence such international debate.

A topical issue that demands such choices in a focus within the wide field of inclusive governance, is the current (revitalized) emphasis on *localization*. The overall purpose is to improve ownership and resilience of beneficiaries of development aid. Especially during a crisis - a pandemic - decisions tend to be made within a short time window, without taking the time for inclusive decision-making. In terms of inclusive governance, localization should enable recipient governments to make inclusive decisions on COVID-response. Amongst others, this entails including Southern partners (formal and informal representatives) in donors' policy and implementation processes - where their input should be considerably decisive - and arranging multilateral channels (UN, WB) in such a way that they stimulate local processes. How would The Netherlands position itself in such a debate, where does it take place and how to influence its direction effectively?

Of course, a more coherent diplomatic approach to inclusive governance - communicated in the right fora or to the right partners - has already been of relevance for DSH before BBB. Practical examples of where this can be put to use are (1) providing input to a UN draft resolution on increased accountability and transparency of government actors regarding an increase of GBV during the pandemic and (2) cooperating with DMM on an EU action plan on Human Rights and Democracy.

Purpose

Bringing this together, the purpose of this desk research is to provide an overview of where and how The Netherlands can effectively participate in and influence international debates on stimulating inclusive governance in fragile countries. This question should also be considered in relation to where Dutch added value lies and in relation to the emphasis on *localization* (local resilience), given the role inclusive governance would play in shaping and achieving this ambition.

To sharpen this purpose, the following points need to be taken into account:

- Guiding for which 'buttons' would be desirable, are (1) the ambitions in the BHOS-note¹ and the SRoL Theory of Change, (2) the qualities of strategic partners VNG, NIMD and International IDEA and (3) DSH's current emphasis on localization (local resilience) within Building Back Better.

¹ Including notable aspects such as a focus on fragile states and a focus on trust in (local) governments and civil participation in decision making processes. Inclusive governance is not just a goal in itself, but also a means to achieve broader Security & Rule of Law policy goals.

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- The limited FTE capacity at the Ministry, implying a focus on where The Netherlands has a true comparative advantage and taking note of the risk of 'doing nothing'.
- Internal MFA ambitions, such as defragmenting its portfolio.
- The paper should not only enable DSH to position itself within the inclusive governance debate, but also explain how inclusive governance relates to the BBB and localization agenda's, and suggest focus and priorities for policy influencing

Research questions

To achieve that purpose, the paper should at least answer the following questions:

1. What is the current state-of-play in the parts of the Inclusive Governance debate that are most relevant for Dutch priorities?
 - o Includes: Landmark goals, commitments and conventions (e.g. SDGs); most prominent lenses and definitions within the debate (e.g. democratization, accountability, transparency, inclusivity), divergent interpretations/approaches (political vs. technical, international community vs. local perceptions of inclusive governance).
2. Which fora and actors are most influential and do they align with Dutch priorities?
 - o Includes: Actors like OECD, WB, EU, UN, regional players and specialized organizations (e.g. OGP, EITI, DeLog); possibly some important trajectories and processes (e.g. BBB); special attention to partners NL already works with.

Procedure

To write this desk research, a consultant can be hired from the MFA's budget from the Knowledge Management Fund. The writing should be iterative, giving room for back-and-forth between the researcher and policy maker, as delving into the broad 'inclusive governance landscape' will raise issues where the MFA might have to further prioritize along the line.

Given the expectation of a packed end of the year, the planning would be as follows:

- | | |
|---------------------------|---------------------------|
| 1. Terms of Reference | December 18 rd |
| 2. Contracting researcher | January 15 th |
| 3. Discussing first draft | February 19 th |
| 4. Final version | March 19 th |
| 5. Brainstorm MFA | March 30 th |

ENDNOTES

- ¹ MFA. 2018. Theory of Change – Security and Rule of Law, p. 5
- ² Examples include providing inputs to an UN draft resolution on increased accountability and transparency of government actors regarding gender-based violence or cooperation with DMM on an EU action plan on Human Rights and Democracy.
- ³ OECD. 2020. *What does “inclusive governance” mean? Clarifying core concepts and testing key linkages*. A Practice Note. OECD Development Papers, February 2020. No 27, p. 11.
- ⁴ Ibid, p. 15.
- ⁵ Loïc Bisson. 2020. *Decentralisation and inclusive governance in fragile settings. Lessons for the Sahel*. Clingendael, May 2020.
- ⁶ World Bank. 2020. Strategy for Fragility, Conflict and Violence.
- ⁷ Kaplan,S. 2015. *Establishing inclusive societies in fragile states*. Expert Analysis. Norwegian Peacebuilding Resource Centre (NOREF). April 2015, p. 1.
- ⁸ Ibid, p. 3
- ⁹ International Crisis Group. 2021. A course correction for the Sahel Stabilisation Strategy. Report 299/Africa. 1 February 2021.
- ¹⁰ See CSIS. Rethinking Crisis Responses in the Sahel. December 2020, or NDI-IAI. 2019. Governance and Security in the Sahel.
- ¹¹ Rocha Monocal, 2017. *Political settlements and the politics of transformation: where do ‘inclusive institutions’ come from?* *Journal of International Development*. J. Int. Dev. 29, 559–575 (2017)
- ¹² World Bank. 2011. World Development Report on pathways out of violent conflict and its relapse.
- ¹³ McCullough, A. and Papouliidis, J. 2020. *Why we need to rethink our understanding of state legitimacy to address fragility*. World Bank Blogs.
- ¹⁴ Initiatives like '[SheTrades](#)' of the ITC, or the '[Women In Trade](#)' programme of TradeMark East Africa are arguably about increasing 'inclusion' by supporting women traders, providing information and training.
- ¹⁵ A study in [2014 by Cramer et al.](#) looking at employment in areas with Fairtrade in Uganda and Ethiopia was "unable to find any evidence that Fairtrade has made a positive difference to the wages and working conditions of those employed in the production of the commodities produced for Fairtrade certified export", indeed in places it was worse, due to subcontracting of Fairtrade farmers to others, but under worse conditions.
- ¹⁶ Cantens, T. R. Ireland and G. Rabelland. 2015. *Borders, Informality , International Trade and Customs*. Journal of Borderland Studies.
- ¹⁷ Ibid.
- ¹⁸ Kleinfeld, R. 2019. *A Savage Order*. Vintage Press.
- ¹⁹ Presentation by Lindberg, S. at GovNet meeting 15.04.2021 on democracy trends.
- ²⁰ Dobson, W.J. 2013. *The Dictator’s Learning Curve: Inside the Global Battle for Democracy*. Anchor Books.
- ²¹ OECD. 2020. *What does “inclusive governance” mean? Clarifying core concepts and testing key linkages*. A Practice Note. OECD Development Papers, February 2020. No 27P. 22
- ²² Ibid, p. 23
- ²³ Kelsall, T. 2016. *Thinking and Working Politically with Political Settlements*. ODI. See also: Monocal, R. 2017. *Political settlements and the politics of transformation: where do ‘inclusive institutions come from?* *Journal of International development*, 29, 559-575 (2017).
- ²⁴ Interpeace. 2021. *Pour un renouveau du Pacte Social au Burkina Faso. Rapport de recherche participative*. Mars 2021.
- ²⁵ This is explicitly recognized in the operational fiches, with the call to "strengthen links between global, regional, national and local inclusive efforts [and] ensuring that policy and practice are connected and mutually beneficial". DSHSC/RV Operational Fiches, p. 1).
- ²⁶ Quirk, P.W. 2021. *The Democracy Summit must be paired with a democracy strategy*. Brookings. February 19, 2012.