WHY DOES INCLUSION MATTER? ASSESSING THE LINKS BETWEEN INCLUSIVE PROCESSES AND INCLUSIVE OUTCOMES

Alina Rocha Menocal

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Abstract

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

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Abbreviations and acronyms

ANC	African National Congress
EIU	Economist Intelligence Unit
GovNet	Network on Governance (OECD DAC)
MDG	Millennium Development Goal
MENA	Middle East and North Africa
NP	National Party
RPF	Rwandan Patriotic Front
SDG	Sustainable Development Goal
TWP CoP	Thinking and Working Politically Community of Practice
UN	United Nations
V-Dem	Varieties of Democracy
WDR	World Development Report

Executive summary

Inclusion in terms of both process (how decisions are made, who is included in that process, how and why) and outcomes (how wealth and prosperity are distributed and shared across a population and why) is a leading priority in international development. The Sustainable Development Goals (SDGs) are perhaps the most ambitious articulation of this consensus, with the SDG 16 call to build more "effective, accountable and inclusive institutions at all levels" and the 2030 Agenda commitment to Leave No One Behind.

As the evidence overwhelmingly shows, over the long term, more open and inclusive states and societies tend to be more prosperous, effective and resilient. And yet, it is far less clear how countries that today can be considered more inclusive in terms of both process and outcome got to where they are. The relationship between inclusive governance and inclusive development is complex and non-linear. In particular, a growing body on the politics of development highlights that:

- Inclusive governance has important intrinsic value; as Amartya Sen has explained, the ability of people to exercise voice and influence in the processes that concern them is a fundamental freedom that is integral to one's well-being.
- Inclusive governance, however, does not automatically lead to inclusive outcomes,
- nor is inclusive governance a prerequisite for inclusive development.
- On the other hand, exclusionary development deeply undermines the quality and effectiveness of inclusive governance.
- While citizens clearly value inclusive governance in principle, they are also deeply concerned about development outcomes and may lose patience with processes and systems that are not perceived as delivering on their needs and priorities, even if these processes are intended to be inclusive.

In short, there are profound complexities and paradoxes around inclusion, and these help to encapsulate how it is at once so essential and yet so challenging to promote greater inclusion as envisaged by SDG 16 and the commitment to Leave No One Behind.

At its core, this challenge is about altering power structures and redefining state-society relations, a process that is bound to be messy and contested. All good things may not necessarily go together, and difficult tensions, dilemmas and trade-offs among equally compelling priorities are likely to be involved. For instance, political settlements that may be considered narrow in terms of the elites that constitute them can in fact produce distributional outcomes that are more broadly inclusive, e.g. Korea and Chinese Taipei before their transitions to democracy, contemporary People's Republic of China (hereafter China) and Viet Nam, and even Rwanda and Ethiopia. This contrasts sharply with the experience of many other countries across the developing world that have put in place a variety of reforms intended to promote process-based inclusion, but where very often such efforts have not proven sufficient on their own to alter existing power relations and foster more inclusive underlying political orders.

This does not mean that progressive change and the promotion of broadly shared development is not possible through inclusive governance. Countries across the developing world such as Botswana, Brazil, Colombia, Costa Rica, Ecuador, Ghana, India and Mauritius have all at different times been able to foster some degree of inclusion in terms of process and shared prosperity, albeit not without flaws and difficulties. It does mean, however, that tackling exclusion

is not simply about getting the politics right but about identifying policies that are politically viable given the context and about seeking to align interests and incentives in more progressive directions.

There are no blueprints for how inclusive institutions can foster development and prosperity that are more broadly shared. However, several crucial factors emerge as making a difference across the board – even if these factors can also be found in governance systems that are less inclusive.

The state remains an, if not the most, indispensable actor in both anchoring more inclusive governance and promoting and securing development outcomes that are more inclusive and broadly shared. In effect, all successful post-Second World War examples of long-term, inclusive development have been in countries with high levels of state capacity.

Beyond the state, its capacity and orientation, other (f)actors that have mattered include:

- political leadership with a long-term, developmental vision and strong commitment to promote reform
- critical junctures such as peace agreements, constitution-making processes and formative elections as well as threats and exogenous shocks
- coalition building
- political parties that can mobilise around such a project and foster collective action
- social mobilisation and pressures from below
- ideas and narratives around identity and belonging
- international factors including international development assistance, but also well beyond aid

So how can international development actors foster inclusion as both process and outcome more effectively?

The insight that the relationship between inclusive governance and inclusive development is complex and non-linear is by no means new, but rather reinforces much of the thinking and research on development policy and practice over the past two decades. Nevertheless, the fundamental importance of this point cannot be emphasised enough. Despite good intentions, discussions on governance and development tend to become prescriptive very quickly, without addressing critical questions around why states and societies function the way they do and what that means in terms of how they can transform themselves in ways that are more inclusive, open and representative.

What is needed is a more strategic and pragmatic perspective on reform that is grounded in thinking and working in more politically aware ways. This entails doing the following:

- Recognise more fully that the goals of promoting inclusive governance and more inclusive outcomes are not one and the same and that more inclusive processes will not automatically lead to more inclusive outcomes
- Closely related to the above, recognise that there are multiple paths to development and to high institutional performance, which implies moving away from preconceived models of what works based on best practice to more incremental, strategic and targeted approaches based on a good fit or “good enough governance”.
- Build on these by focusing on realistic possibilities for reform based on what is politically and institutionally feasible.

- Work differently in ways that grapple seriously with the politics of development and, among other things, tailor interventions in ways that are:
  - problem-driven rather than solution-based
  - grounded in contextual realities
  - locally led
  - adaptive, flexible, iterative and often entrepreneurial
  - more open to risk and failure
  - staffed with people who are skilled and experienced in navigating politics
- Envisage a role of international development actors as enablers, brokers and convenors of locally led reform processes rather than as simply funders, directors or implementers.

Despite substantial progress in recognising development as political over the past 15 years, "thinking and working politically" or "doing development differently" remains extremely challenging for many international development actors. Examples of how international donors have sought to go about this kind of engagement have begun to emerge, but further experimentation and learning are needed.

As we have learned from history, fostering more inclusive states and societies is messy, contingent and complex. Processes of transformation rarely move in only one direction, and progress in one area is possible even as there may be setbacks in others. The links between inclusive governance and inclusive development are not automatic, so it is essential to problematise assumptions that international development efforts, by supporting more open and inclusive governance processes (including democracy), are automatically working towards promoting shared well-being and prosperity and Leaving No One Behind. On the other hand, even if there is no linear relationship between process-based and outcomes-based inclusion, the question of *how more inclusive governance can foster inclusive development* has become more pressing than ever. This is the new frontier of international development. Supporting inclusive processes while tempering expectations of what such processes can achieve, especially in the short term, is one of the leading challenges of the 21st century.

1 Introduction

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

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

The question of how to foster political processes that both i) are more inclusive and representative and ii) lead to development that is more broadly shared has emerged as one of the leading priorities in international development. The Sustainable Development Goals (SDGs) and the 2030 Agenda adopted in 2015 are perhaps the most ambitious articulation of this consensus. The aim of SDG 16, in particular, is 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" (UN, 2015[1]). Other goals make specific commitments not only to "end poverty in all its forms everywhere", and "reduce inequality", but also to tackle marginalisation and respond to the needs of all groups, including in terms of income (SDG 1), health (SDG 3), education (SDG 4), gender equality (SDG 5), employment (SDG 8) and inequality (SDG 10) (Glassco and Holguin, 2016[2]). As such, the SDGs represent a powerful framework for transformation that is grounded in a shared understanding of inclusive institutions both as intrinsically valuable and as indispensable for achieving peace and development and building more resilient states and societies (Nur and Andersson, 2016[3]; Joshi, Hughes and Sisk, 2015[4]).

Cross-sectional data consistently show a strong and sustained association between levels of wealth, democracy, inclusion, peace and governance across countries. States and societies with more open and inclusive political and economic institutions also tend to be wealthier, more peaceful and better governed (Rocha Menocal, 2015[5]). However, this correlation does not establish causation in any particular direction, and it says little about how it is that countries which today can be considered more inclusive, in terms of both political processes and developmental outcomes, got to where they are.

So what is the nature of the relationship between inclusive processes and inclusive outcomes? This is the central focus of this Evidence Paper. The paper examines the current state of knowledge and key debates around inclusion and highlights some of the opportunities as well as

dilemmas, tensions and trade-offs that are involved in efforts to promote inclusion. Perhaps the most significant insights that emerge from an analysis of the literature are that there is no automatic causal link between inclusion as process and inclusion as outcome in either direction, and that institutions, and the underlying politics and power dynamics that give them shape and substance – in short, political settlements – lie at the core of the challenge of how inclusive governance and inclusive development work.

As a caveat at the outset, the analysis that follows does not pretend to provide a comprehensive treatment of processes of change that seek to foster greater inclusion. More modestly, this paper aims to identify and better understand some of the variables, relationships and processes that are likely to have mattered, drawing on research, both academic and policy-oriented, on governance, inclusion and the politics of development. Given how extraordinarily rich and complex this topic is, the analysis aims for breadth rather than depth, and looks at processes of change and transformation from a macro-level perspective. As a result, the paper needs to be selective about the material and research that it can cover; it is not possible to address the plethora of issues that are of interest and/or to delve into different areas in great detail within the scope and mandate of this assignment. There will likely be many questions and debates that remain unaddressed and deserve further attention, and hopefully those can be explored as part of the Network on Governance's current focus on inclusive governance.

The paper starts by unpacking the concept of inclusion, in terms of both who is included and who is excluded (making a distinction between horizontal and vertical inclusion) and around what (distinguishing between process- and output-based inclusion or inclusive governance and inclusive development). Section 2 analyses how inclusion matters in supporting resilient states and societies. It finds that at least in the short to medium term, horizontal inclusion (i.e. at the elite level), in terms of both process and outcome, is crucial to avoid the recurrence of violent conflict and to lay the foundations for more peaceful and resilient states and societies. The literature also suggests that over the long term, states and societies underpinned by more open and more broadly inclusive institutions and governance processes are also characterised by more broadly shared development. However, there is a big gap between these two findings, and it is not clear how states and societies that may be based on narrow forms of elite inclusion can become more broadly inclusive.

Section 3 examines the links between inclusive processes and inclusive outcomes. The discussion centres around five key findings and insights that emerge from existing research:

- There is no linear relationship between inclusive governance and inclusive development.
- Inclusive processes do not automatically translate into inclusive outcomes,
- nor is inclusive governance a prerequisite for inclusive development.
- However, exclusionary development deeply undermines the quality and effectiveness of inclusive governance.
- And while citizens clearly value inclusive governance in principle, they are also deeply concerned about delivery.

All these findings help to highlight the profound complexities and paradoxes around inclusion. Available evidence also captures why it is at once so essential and yet so challenging to promote greater inclusion as envisaged by the 2030 Agenda and the commitment to leave no one behind. In these, inclusion is intended to be broad-based and to entail not simply increased participation but also actual influence among groups that have traditionally been marginalised or left behind in decision-making processes and how resources and prosperity are distributed.

Section 4 focuses on how it may be possible for inclusive governance to foster more inclusive development despite the challenges identified. It highlights several different factors and actors that have made a difference, starting with the centrality of the state and including critical junctures, coalition building, political parties, social mobilisation, ideas and narratives around identity and belonging, and international drivers. Importantly, none of these factors is exclusive to systems or political orders that are characterised by inclusive governance, and they can also be found in systems where governance is far less inclusive.

The paper concludes with key takeaways for practitioners that may help them to better understand a diversity of factors that tend to be overlooked in how the international development community promotes institutional reform and inclusive development. The central message that emerges from this analysis is that there is no blueprint or recipe to move from narrower to broader forms of inclusion and that there may in fact be multiple paths of institutional transformation.

2 Unpacking inclusion

The concept of inclusion features prominently in current international development discourse and lies at the core of the Sustainable Development Goals (SDGs). The global goals do not specify what the term means (Goetz and Jenkins, 2016[6]), but it is important and useful to unpack what inclusion means to better understand what it entails and tease out implications for how to promote inclusion more effectively.

Who is included and excluded and around what?

Two core dimensions of inclusion are worth distilling. The first is around who is included and refers to a distinction made in the literature between horizontal inclusion, or inclusion of relevant elites across major groups (be they linguistic, religious, ethnic, regional, etc.), and vertical inclusion, or the inclusion not just of elites but also of broader populations (and their interests) within and across groups (Castillejo, 2014[7]). The second key element refers to the question of inclusion around what, which can be defined in terms of process or outcomes. Process-based inclusion is about who is included in decision-making processes and how, why and to what effect. For processes or governance to be inclusive, formal inclusion in decision making is not enough. Beyond formal provisions for representation or participation, inclusion is also about enabling different groups that are included to exert real influence in the decisions that are made in ways that reflect and address their needs and interests (Putzel and Di John, 2012[8]; Fuentes and Cookson, 2018[9]). Inclusion in terms of outcomes has to do with how development outcomes – including prosperity, well-being, and public goods and services – are distributed and shared. Following Hickey, Sen and Bukenya (2014[10]), development outcomes can be considered inclusive in the measure that "social and material benefits are equitably distributed across divides within societies, across income groups, genders, ethnicities, regions, religious groups, and others. These benefits necessarily comprise not only economic gains but enhanced well-being and capabilities".

Inclusion and identity

Another crucial issue that lies at the core of the nature of inclusion and its corollary, exclusion, is identity. As a collective phenomenon, exclusion happens when belonging to a certain group has a considerable impact on an individual's access to economic opportunities, development, and other resources, as well as on their ability to participate in the political process and exercise their rights (Stewart, 2010[11]; Klasen et al., 2018[12]). Identity-based exclusion happens when certain groups are systematically excluded, discriminated against and disempowered on the basis of one or more shared characteristics in ways that profoundly affect their life chances. These group identities, which are constructed and politicised rather than given, can include among other things (Stewart, 2010[11]):

- gender

- ethnicity
- religion
- class
- geography

Patterns of inclusion and exclusion are shaped through complex processes of interaction and contestation among different groups and interests within and between state and society. Their meaning and substance are defined, sustained, reinforced, reproduced, contested and challenged over time through a framework of existing and underlying political and social institutions (both formal and informal), economic structures and relations, legal frameworks, and behaviours that are embedded in or reflect prevailing political structures, power dynamics, and social and cultural attitudes, values, and ideas (Stewart, 2010[11]; Castillejo, 2014[7]). Those who are most likely to be left behind by prosperity and development are groups of people who face multiple and overlapping patterns of exclusion, or "intersecting inequalities" (Paz Arauco et al., 2014[13]). These tend to reinforce and exacerbate one another other and to endure over time (Stewart, 2010[11]; Paz Arauco et al., 2014[13]; O'Neil and Domingo, 2016[14]). Women represent an important cross-section of marginalised groups. For example, Dalit women are among the most disadvantaged, discriminated against and vulnerable groups in India due to the interaction of class, caste and gender, while indigenous women in Latin America and the Caribbean face discrimination and exclusion on the basis of gender, class and ethnicity. Young people all over the world are also confronted with intersecting forms of systemic discrimination and are thus particularly vulnerable (OECD, 2014[15]; Glassco and Holguin, 2016[2]). For instance, youth are consistently over-represented among the unemployed and experience uneven and unequal access to services such as, for example, health and education.

At its core, exclusion, whether in terms of process or outcomes, profoundly undermines social cohesion. According to the 2011 World Development Report (World Bank, 2011[16]), states and societies work better collectively and are more resilient when ties of trust and reciprocity exist and when a rich associational life binds citizens together and links citizens to the state. Importantly, such ties should also be multiple and overlapping or cross-cutting, rather than based on narrow identities (see, for example, Varshney (2001[17]) and critiques of the work of Robert Putnam and others on social capital). The quality and effectiveness of state-society relations are greatly impacted by the degree of cohesion that holds a society together and by the extent to which states and societies have or can develop a collective vision of a shared national project or common destiny that binds them together.

In this respect, exclusion can be seen as the antithesis of social cohesion, especially when it is identity-based. Social exclusion actively militates against the creation of a collective identity (Ghani and Lockhart, 2007[18]). Exclusion generates dynamics – including discrimination, inequality and the denial of fundamental rights – that undermine trust, breed resentment and grievances, hinder collective action in ways that transcend narrow identities of what brings people together, and may provoke insecurity and even violence (Stewart, 2010[11]; World Bank, 2011[16]). Social groups that feel unequal, suffer from multiple disadvantages and are left behind on the basis of whom they are identified as, may mobilise against a system they deem unfair and illegitimate in an effort to challenge existing political understandings and arrangements.

In effect, research over several decades has shown that identity-based exclusion and the political, economic and social forms of inequality it helps to generate are crucial factors associated with violent conflict (Stewart and Brown, 2009[19]; Elgin-Cossart, Jones and Esberg, 2012[20]; Jones, Elgin-Cossart and Esberg, 2012[21]). And this phenomenon is not confined to the developing world. Witness, for example, the long-term struggle to secure and protect rights for the African-American population in the United States, which has often been punctured by violence.

3 How does inclusion matter in supporting resilient states and societies?

Available evidence clearly establishes that inclusion matters in different ways in supporting peaceful, prosperous, and resilient states and societies (Rocha Menocal, 2015[5]). Yet, the relationship is by no means linear or straightforward. Two findings that emerge from existing literature, discussed in turn below, are particularly striking in both highlighting the centrality of inclusion and capturing the complexities and challenges involved.

Short-term elite inclusion

One initial finding from available research is that in the short to medium term, greater horizontal inclusion among elites from competing groups, in terms of both who is included in decision-making processes and who benefits from the distribution of resources and wealth (more on this below), is absolutely essential to avoid the recurrence of violent conflict and to maintain peace and stability (Rocha Menocal, 2015[5]).

Historically, elites have played a critical role in shaping the way in which group identity evolves and identity-based fault lines become salient and politicised to define the parameters of who is included and who is excluded. When competing elites have used group-based identities as a rallying mechanism for selective incorporation and mobilisation, this has led to biased processes of state formation and nation building founded on exclusionary understandings, arrangements and rules of the game that provide fertile ground for the outbreak of conflict (Marx, 1998[22]; Stewart and Brown, 2009[19]). As different analysts have argued, “exclusionary elite bargains” are more likely to lead to violent conflict and civil war because failure to include elites from other groups, in terms of both who decides and who benefits, incentivises them to foment rebellion (Elgin-Cossart, Jones and Esberg, 2012[20]; Jones, Elgin-Cossart and Esberg, 2012[21]; Laws, 2012[23]; Castillejo, 2014[7]). Examples of this abound: the struggle against apartheid rule in South Africa; the rise of the indigenous population against the Americo-Liberian elite in Liberia; the north-south conflict in Sudan; exclusion along race lines across Latin America; the conflict between ethnic groups in countries ranging from Burundi and Rwanda to Kosovo and Sri Lanka; the separatist movement in Aceh, Indonesia; and the sectarian violence in Northern Ireland.

By contrast, the literature suggests that arrangements that foster (horizontal) inclusion across elites from different groups provide the foundation for more peaceful and stable states and societies. Lindemann (2008[24]), for instance, argues that the post-colonial trajectories of civil war versus political stability in different states across sub-Saharan Africa are largely determined by the varying ability of ruling political parties to overcome legacies of high social fragmentation by

forging and maintaining "inclusive elite bargains". According to Lindemann (2010[25]), despite high levels of social fragmentation, up to the 1990s, Zambia was able to avoid internal violent conflict because it had in place an inclusive elite bargain that was anchored in the distribution of access to positions of state power across different elites, while the ruling party was the key mechanism crafting and managing the bargain (Lindemann, 2010[25]). Botswana provides another example: after independence, the new elected leadership developed a "political strategy of balancing regional, ethnic and racial interests" that enabled the Botswana elites to work together and to establish a series of overlapping and reinforcing agreements and consensus on the emerging rules of the game across a variety of divides (e.g. traditional and modern sectors, political parties, ethnic-racial divisions, public and private sectors) (Sebudubudu and Molutsi, 2009, p. 6[26]). In Rwanda, for its part, after the genocidal violence and the decisive military victory of the Tutsi Rwandan Patriotic Front (RPF), the RPF leadership made a conscious and explicit effort to include potential rivals into the government rather than exclude them, and this "limited inclusion of Hutu elites has provided unprecedented stability and the chance for economic growth" (Castillejo, 2014[7]).

The World Bank's 2011 World Development Report (WDR) and Charles T. Call's 2012 book, *Why Peace Fails*, reach similar conclusions (World Bank, 2011[16]; Call, 2012[27]). Analysing all post-Cold War cases of civil war and relapse, the WDR found that the only cases that avoided relapse (with one exception) were cases that had adopted an "inclusive enough" approach to elite inclusion in both decision-making processes and the distribution of resources – either through a negotiated end to war or, in cases of military victory, through the incorporation of relevant elites that were defeated. In cases where no mechanisms were put in place to include former opponents in political governance arrangements and the allocation of spoils, violent conflict was more likely to recur (Elgin-Cossart, Jones and Esberg, 2012[20]). Examining the factors behind 15 cases of civil war recurrence in Africa, Asia, the Caucasus and Latin America, Call (2012[27]) found that it is political exclusion among former opponents, more than economic or social factors, that plays a particularly decisive role in the recurrence of violent conflict. Conversely, political inclusion of former combatants or potential spoilers, through power-sharing agreements and other mechanisms, is highly correlated with the consolidation of peace. Noting that exclusionary politics and behaviour were the most important causal factor in 11 of the 15 cases of renewed armed conflict, Call (2012[27]) concluded that while other factors do help to explain this, political exclusion in governance arrangements is "the most consistently important one".

Although political inclusion is an important stabilising factor, there is nothing automatic about how these kinds of narrowly inclusive arrangements among competing elites can become more broadly inclusive, either in terms of process, outcomes or both. In the case of Botswana, for instance, an inclusive elite bargain galvanised new forms of exclusion, marginalising important social and political groups. The same can be said of Rwanda (Castillejo, 2014[7]). Lebanon is another powerful illustration of a political system that has been inclusive of elites across a variety of divides, but where the needs and demands of constituencies beyond those elites are rarely prioritised, especially if they threaten the precarious balance of power already achieved.

Long-term, broad-based inclusion

A second core finding that emerges both from sweeping quantitative and qualitative historical research and from conceptual analyses is that over the long term, states that are more inclusive tend to be more peaceful and resilient. Such states also tend to be rooted in society on the basis

of legitimacy rather than coercion, and they are (formal) democracies for the most part. Inclusion here moves beyond the incorporation of relevant elites among competing factions that can otherwise resort to violence, to encompass the population more broadly. This has usually taken shape through political institutions "that allow broad participation of the citizens of the country, uphold the rule of law, and place constraints and checks on politicians along with the rule of law" (Pritchett, Sen and Werker, 2018[28]).

In their analysis of *Why nations fail*, Acemoglu and Robinson (2012[29]) found that institutions and the quality of governance are the critical hinge separating prosperous states such as Korea from stagnating ones such as its neighbour to the north. The authors argue that countries with more inclusive political and economic institutions are less likely to suffer from infighting and civil war and have proven far more successful in promoting long-term, broadly shared development than those with closed or exclusionary institutions. Acemoglu and Robinson (2012[29]) also found that over the long term, countries that are more democratic also tend to be richer and better performing, as well as more peaceful and (eventually) more equal. This is very much in line with Lipset's finding in 1959 that there is a strong positive correlation between (high levels of) wealth and (established) democracy (Lipset, 1959[30]), which to this day remains one of the strongest and most enduring relationships in the social sciences. Acemoglu and Robinson's findings (2012[29]) are also in line with the more general observation that, on the whole and over time, democracies in the developed world tend to have higher scores on the World Bank Group's World Governance Indicators while they are also more peaceful and more equal. Again, however, correlation does not establish causation, so even if indicators of wealth, democracy and good governance coincide, that in itself does not clarify how all these "good things" came to be in the first place and how they are linked to one another.

For their part, North, Wallis and Weingast (2009[31]) argue that limited access orders – where institutions and organisations are controlled by a narrow elite and defined by deeply personalised relationships – are more prone to violent conflict than states that are grounded in the rule of law and impersonal (formal) institutions. These latter states show a virtuous circle that discourages violence in open access orders, predicated on citizens' beliefs in equality and inclusion, the channeling of dissent through political avenues, and the costs imposed on any organisation that attempts to limit access. Evidence from both their framework and a set of nine country case studies testing the framework (North et al., 2012[32]) also suggests that establishing the rule of law involves agreement on rules and their application first among elites – which is a necessary condition for violence to be overcome – before it is expanded to the population at large. As the authors put it, the expansion of the rule of law is a critical doorstep condition to enable transformations from closed to more open political orders.

Summarising the analysis above, these findings on short-term inclusion among elites (or horizontal inclusion) and broad-based (or vertical) inclusion over the longer term, in relation to both process and outcomes, show how different dimensions of inclusion matter within different time frames. On the one hand, narrower elite arrangements are essential to provide stability and secure pathways out of violent conflict. As Castillejo (2014[7]) has noted, "the legitimacy of elite groups often depends on the extent to which they are able to redistribute resources and opportunities to their own broader constituencies, and where exclusion from the political settlement prevents some elites from doing so they are more likely to mount a violent challenge". On the other hand, on the whole and across time, countries that are more developed, wealthier, better governed and more equal are also those that have more open and inclusive political and economic institutions in place. They also tend to be established democracies.

However, there is a big gap between these two findings. While there are important linkages between horizontal and vertical inclusion, it is not clear from the evidence how states and societies that may be based on narrow forms of elite inclusion can become more broadly inclusive. There is no automatic or linear process of transformation linking the two. Thus, a fundamental question remains: How can the boundaries of a political order or political system that may have a narrower focus on elite inclusion, at least in the short term, be expanded to address wider state-society relations and create a more broadly inclusive political order – in terms of both process and outcomes? And what kinds of institutions matter in promoting inclusion?

4 Inclusive processes and inclusive outcomes: Untangling linkages

As will be discussed in further detail below, one crucial finding from existing evidence is that inclusive processes, whether they are limited to elites or are extended to populations more broadly, do not in themselves lead to inclusion in other realms (Castillejo, 2014[7]; Rocha Menocal, 2017[33]). This is in large part because more inclusive processes such as participation do not automatically translate into increased influence in decision making in actual practice, especially among groups that have been traditionally marginalised and left behind. Another important finding is that inclusive outcomes can be achieved without the need for inclusive processes; in other words, more inclusive development does not depend on or require more inclusive governance.

Inclusive governance does not automatically translate into inclusive development…

In theory, there are compelling reasons to assume that, by their very nature, more inclusive processes – both horizontal (i.e. among elites) and vertical (to encompass populations more broadly) – should foster more inclusive development. In particular, inclusive governance is intended to foster a (democratic) political system where all citizens are equal and their voices count equally and where government authorities can be held to account through the ballot box and other mechanisms as a check on their power (Povitkina and Bolkvadze, 2018[34]). In principle, inclusive governance should create favourable conditions and incentives for a more even distribution of wealth and effective public service delivery (Meltzer and Richard, 1981[35]; Povitkina and Bolkvadze, 2018[34]). Indeed, it is this redistributive tendency of inclusive governance that constitutes its main threat to elites (Acemoglu and Robinson, 2014[36]).

Yet, the expansion of inclusive governance, as captured by the shift towards democracy, decentralisation and the explosion of political voice across the developing world over the past three decades ((Economist Intelligence Unit, 2017[37]; Rocha Menocal, 2014[38]), has coincided with patterns of development and prosperity that are highly skewed and with inequalities and social exclusion that are more pronounced. These have resulted in an ever increasing number of people and groups who are marginalised and left behind (Fukuyama, 2011[39]; Plattner, 2011[40]; Paz Arauco et al., 2014[13]; Hardoon, 2017[41]; Fuentes and Cookson, 2018[9]). This has been the case even in contexts of steady (and sometimes spectacular) rates of growth among a variety of emerging and middle-income economies, at least until recently (Bermeo, 2009[42]; Klasen et al., 2018[12]).

Why has governance that is more inclusive by its very nature not led to more inclusive development? The answer to this question is rooted in the fact that policy- and decision-making

processes are not only technical but also profoundly political in nature (Unsworth, 2010[43]; Booth, 2012[44]; World Bank, 2017[45]).

Some countries that have inclusive governance mechanisms in place, at least formally, have been able to implement policies and measures intended to redress intersecting inequalities. Policies intended to improve the coverage and quality of education, expand the coverage of public health care, and enhance market connectivity emerge as recurring factors in a variety of analyses that explore how inequality can be addressed, though specific policies take different shapes and forms in different settings (Stuart et al., 2016[46]; Paz Arauco et al., 2014[13]). Social protection programmes, in particular those aimed towards vulnerable or marginalised groups, have helped to tackle intersecting inequalities over time (Paz Arauco et al., 2014[13]). (Conditional) cash transfer programmes like *Bolsa Família* in Brazil and *Oportunidades* in Mexico have been credited with helping to reduce marked inequalities across Latin America and the Caribbean (Klasen et al., 2018[12]). Their relative success has led to considerable experimentation in countries in other regions, including Indonesia and South Africa.

Affirmative action measures to redress intersecting inequalities, such as quotas for women and other marginalised groups, have also become more common in the political arena. A variety of countries, including in conflict-affected settings, have experimented with different initiatives to increase the participation of certain under-represented groups in political processes – see (Krook, 2016[47]) among others — often with considerable support from international development actors. In Nepal, for example, the interim constitution of 2007 provided a legal basis for minority rights, granted equal status to women and men while acquiring citizenship, and criminalised discrimination on the basis of caste and class. As a result of new quotas for members of lower castes and women in the civil service, the police and the army, women held one-third of the seats in the Constituent Assembly formed in 2008, and these included traditionally marginalised Tarai Dalit women (Paz Arauco et al., 2014[13]). As of November 2015, 29% of Constituent Assembly members (176 out of 598) were women (Stuart et al., 2016[46]).

Despite these improvements, sound redistributive policies on paper are often not sufficient to address entrenched patterns of exclusion or to promote shared development. More than policies themselves, it is the *politics* of policies that are fundamental in shaping their implementation and effectiveness (Booth, 2012[44]; Putzel and Di John, 2012[8]; Levy, 2014[48]; Rocha Menocal, 2017[49]; World Bank, 2017[45]; Hickey, Sen and Bukenya, 2014[10]). So even if, in principle, inclusive governance is intended to change the distribution and exercise of power in society, institutions reflect power dynamics and prevailing ideologies; additionally, policy outcomes and development depend on the quality of institutions (both formal and informal and especially how these interact) and the power relations and ideas and values underpinning a political system (World Bank, 2017[45]; Rocha Menocal, 2017[49]; Abdulai and Hickey, 2016[50]) (Hickey, Sen and Bukenya, 2014[10]; Putzel and Di John, 2012[8]; de Mello and Dutz, 2012[51]). Who is included in the formulation, negotiation and execution of decisions; how different interests – including those of politicians, policy makers, bureaucrats, civil society groups, the private sector and individual citizens – are organised; how different ideas and narratives get traction; and where power and influence lie across different stakeholders in that process fundamentally shape whose voices are heard, what policies are adopted and how they are implemented (Klasen et al., 2018[12]; World Bank, 2017[45]; Gerring et al., 2015[52]).

Moreover, while more inclusive governance offers opportunities, it also poses distinct constraints to the promotion of inclusive development (Povitkina and Bolkvadze, 2018[34]; Rocha Menocal, 2017[53]). The fact that decision-making processes may include a greater number of stakeholders and be more participatory does not make them automatically more effective at tackling inequality

and exclusion or at promoting more inclusive development. The experiences of countries like Bolivia, Botswana, Brazil, Colombia, Ghana, India and South Africa help to illustrate the complex push and pull of progress and tensions, dilemmas and setbacks in working towards inclusive governance and inclusive development simultaneously. Among other things, more inclusive processes have a tendency to diffuse power, which creates more "veto players" with the potential to derail policies and reforms for progressive change and their implementation (Weyland, 1996[54]; vom Hau, 2012[55]; Keefer, 2011[56]). Greater access to the state by a larger number of stakeholders also means that the bureaucracy can more easily become politicised and captured by a plethora of particularistic interests and demands, which may hamper development and investment over the long term (Bardhan, 2005[57]). Patronage encourages fragmentation within state and society and obstructs the emergence of a united front of potential beneficiaries of progressive reform. For example, a multi-country study involving Ecuador, Ghana, Guatemala, Honduras, Nigeria, Pakistan and Thailand found that through the 2000s, competition for people's votes was often dominated by clientelistic parties with close ties to economic elites or the military establishment (Kaufman and Haggard, 2009[58]). Since few parties, interest groups or social movements represented the interests of the poor in these countries, elites did not feel compelled to intervene in favour of progressive change.

Thus, the advent of governance mechanisms intended to promote greater voice and participation in decision making (including, for example, peace processes that include a variety of actors and stakeholders beyond warring factions, elections, constitutional assemblies, and/or quotas for women and other marginalised groups) have often proven insufficient on their own to enable groups that have been traditionally marginalised to exert real influence and/or to promote development along more inclusive lines (Povitkina and Bolkvadze, 2018[34]). For instance, although electoral quotas and other participatory mechanisms have played an instrumental role in increasing the presence of groups that have traditionally been excluded from decision-making processes and forums, there are ongoing debates about whether more representation increases the influence of these groups in the political arena or reduces identity-based inequalities (Krook, 2016[47]; O'Neil and Domingo, 2016[14]). Evidence emerging from the Varieties of Democracy (V-Dem) project also suggests that diverse inclusive governance mechanisms intended to promote citizen empowerment such as participation, deliberation, female empowerment, civil society and equality before the law do not significantly impact prospects for human development (Gerring et al., 2015[52]; Knutsen et al., 2015[59]). If anything, V-Dem evidence to date suggests that electoral rather than empowerment dimensions of inclusive governance are much more significant, but even then "the empirical verdict is mixed" (Knutsen, Gerring and Skaaning, 2016[60]).

… And inclusive governance is not a prerequisite for inclusive outcomes

Research on the long-term struggle for greater equality illustrates the constraints embedded in inclusive governance to promote progressive change. Historically, some of the greatest strides against inequality and social exclusion have been achieved not through inclusive institutions, but through much more complicated, contentious and disruptive (if not perverse) means. As Scheidel (2017[61]) has argued, factors such as mass violence (e.g. the disintegration of the Roman Empire or total revolution as in early 20th-century Russia and China) and catastrophes such as the Black Death, rather than open, inclusive and representative (democratic) decision-making processes, have acted as "the great equalizers". Very often, as Japan, Korea and Chinese Taipei illustrate, successful episodes of land reform have required authoritarian coercion to dismantle prevailing hierarchical social structures (Fukuyama, 2011[39]). Elsewhere in Asia, for

instance in Malaysia and Singapore, the spectre of socialism and communism or genocidal ethnic conflict helped to form coalitions that could mitigate those threats while addressing the critical needs of the population through redistribution policies (Slater, 2010[62]). And as Fukuyama (2011[39]) has noted, "[i]n the history of the growth of European welfare states, elites were persuaded to give up privileges or to accept higher rates of taxation only by the threat of revolution, or else they were weakened or even physically eliminated by violent conflicts".

Indeed, it is the natural tendency of inclusive governance (exemplified in particular by democratic systems) to fragment, diffuse and divide power among many different stakeholders at various levels (Dahl, 1971[63]), thereby making decision-making processes more time-consuming, that has raised the appeal of authoritarian models of development in some quarters (Halperin, Siegle and Weinstein, 2005[64]; Leftwich, 2008[65]; Reilly, 2013[66]). As the evidence shows, a variety of countries in which inclusive governance has remained considerably limited have also been extraordinarily successful at lifting people out of poverty and promoting development that is more broadly shared.

Many of the so-called "developmental" states – that is, states committed to development; see Evans (1995[67]) – that have been successful in fostering developmental transformation and shared prosperity within relatively short periods of time, have also been characterised by very limited and carefully controlled, top-down processes of inclusion that are based on the selective incorporation of some groups (e.g. business elites or certain ethnic groups) and not others (e.g. labour or excluded ethnic groups). These states, including Korea and Chinese Taipei prior to their respective transitions to democracy as well as contemporary China and Viet Nam, have been leading examples of performance-based, as opposed to process-based, legitimacy (Evans, 1995[67]; Rocha Menocal, 2017[49]; Ang, 2018[68]). In the African context, contemporary Rwanda and Ethiopia also come to mind. Both countries are characterised by high levels of political repression and also by political systems and institutional arrangements that considerably circumscribe rights and limit the ability of a variety of groups to participate in decision-making processes and exercise political voice. Nonetheless, these regimes have made important progress both in generating economic growth and in performing core functions, including the provision of basic services, with a degree of redistribution, at least for now (Booth, 2012[44]; Castillejo, 2014[7]; Pritchett, Sen and Werker, 2018[28]).

Importantly, however, authoritarian states that have also been developmental have remained rare; they are much more the exception than the rule (vom Hau, 2012[55]; Halperin, Siegle and Weinstein, 2005[64]). Historical examples of "anti"-developmental authoritarian states have been far more common (Bates, 1981[69]; Evans, 1995[67]; Bardhan, 2005[57]), not least because the emergence and sustainability of effective developmental states depend on a variety of factors and conditions that cannot be easily found or recreated across a majority of developing country settings (Cheeseman, 2018[70]). Even then, as countries like Uganda and Zimbabwe illustrate, it cannot be assumed that the developmental orientation of authoritarian rulers or regimes will be sustained over the long term, and there are risks that they will turn predatory. Moreover, in many authoritarian states, insulated, centralised and highly autonomous decision-making processes have played a major role in triggering and/or deepening serious crises, as was the case of the Mexico peso crisis of 1994, which had severe reverberations not only within Mexico but also throughout Latin America (Rocha Menocal, 1998[71]). Thus, betting on the greater developmental effectiveness of authoritarian systems can be a dangerous wager – and it cannot be ascertained *a priori* that the ends will justify the means (Rocha Menocal, 2012[72]).

But exclusionary development deeply undermines the quality and effectiveness of inclusive governance

As established above, inclusive governance does not automatically lead to more inclusive development, and more broadly inclusive processes are not needed to foster prosperity and well-being that are evenly distributed. Yet, available evidence also suggests very strongly that exclusionary development outcomes can have deeply pernicious effects on the quality and effectiveness of inclusive governance. As can be seen from the rise or resurgence of populism and nationalist and anti-immigrant movements across countries and continents (Europe, Asia, the Americas, etc.), development and prosperity that are skewed in favour of a privileged few and leave many others behind sow resentment that the economic and political establishment is stacked in favour of elites who have lost touch with the people (The Economist, 2014[73]; Vance, 2016[74]). The fears of social decline and exclusion that these patterns of uneven development generate feed fragmentation and social polarisation, and they erode social cohesion and the connecting tissue that hold states and societies together (Fukuyama, 2016[75]). This fragmentation and polarisation can exacerbate marginalisation and disenfranchisement; feed frustration, disillusionment and alienation; lead to a loss of trust in and commitment to political processes and institutions; and profoundly hinder prospects for collective action that can transcend narrow divides (Berkman et al., 2008[76]).

Among other things, the widening chasm between those who have and those who are left behind makes it difficult to achieve political consensus for policies intended to promote inclusion and redistribution (Paz Arauco et al., 2014[13]). The experiences of countries as diverse as Guatemala, the Philippines, South Africa and the United States show that those with means, resources, power, access and/or the right status can wield outsized influence and political voice over policy and decision making, stacking both processes and outcomes in their favour (Gavigan, 2009[77]; Gilens and Page, 2014[78]). Inequality and exclusion thus claim the notion that everyone is equal before the law as a primary casualty (Hardoon, 2017[41]).

Inequality and exclusion can also skew the provision of essential services away from those who are most in need and are furthest left behind. Often, the effect is a dual system of social provision where elites opt out of public services. Prospects for substantive interactions and shared experiences across social groups thus become ever more elusive – even if people often live in close proximity. The fire that engulfed the Grenfell Tower public housing block in one of London's wealthiest boroughs is a particularly unsettling example of this.

In short, the imbalances that inequality and exclusion create in governance processes related to voice, representation, opportunity, access and the applicability of the rule of law disenfranchise segments of the population, generate social tensions and undermine trust in democratic institutions. Emerging research in this area suggests – as in the case of the growing appeal of Sharia law in Niger (McCullough, Schomerus and Harouna, 2017[79]) – that this kind of alienation can also increase support for more radical political viewpoints and the potential for violent conflict.

And while citizens clearly value inclusive governance in principle, they are also deeply concerned about delivery

While uneven and exclusionary development poses a significant challenge to the quality and effectiveness of inclusive governance, this challenge is compounded by the fact that, in general, citizens tend to care about governance not only in terms of process and the intrinsic merits that more inclusive processes may have, but also in terms of how such processes perform in relation to development and well-being (Bergh, Rocha Menocal and Rodriguez Takeuchi, 2014[80]). On the positive side, different surveys across regions clearly show that, in principle, people value inclusive governance and consistently express a preference for "democratic rule" over other forms of government (Mattes, 2019[81]; Marsh, 2017[82]; Bergh, Rocha Menocal and Rodriguez Takeuchi, 2014[80]). An emerging body of research on how citizens form perceptions of the state and its legitimacy also suggests that when it comes to service delivery, process – or how services are delivered – can be even more significant than outcomes or what services are actually provided in mediating the quality of the relationship between citizens and states (Nixon, Mallett and McCullough, 2016[83]).

On the other hand, existing evidence also shows that people have quite an instrumental view of governance as well. For example, while surveys covering countries in Africa, East and South Asia and the Pacific, Latin America and the Caribbean, and the Middle East and North Africa consistently show that the majority of those sampled support the principle of democracy, people tend to be considerably more critical when it comes to how democracy actually performs in practice. These same surveys suggest very strongly that people care not only about process (e.g. whether democratic rights and processes such as elections and participatory decision making are in place and democracy's inherent value), but also about whether a given governance system delivers economic growth, job creation, health, education and security. Often, too, performance rather than simply process may be the overriding concern (Fukuyama, 2011[39]; Chu, Chang and Welsh, 2013[84]; Bergh, Rocha Menocal and Rodriguez Takeuchi, 2014[80]; Bratton and Gyimah-Boadi, 2015[85]; Marsh, 2017[82]). A crucial implication is that, all else being equal, putting in place participatory and representative (democratic) institutions of inclusive governance will not automatically result in increased popular support for a political system if that system does not deliver expected goods and services.

This is particularly challenging in incipient democracies across the developing world that have nascent institutions of inclusive governance, given that pressures to deliver are often extremely high and expectations unrealistic. The concern in democracies that have not become deeply rooted is that they have not, as of yet, become more inclusive either in terms of process beyond perfunctory forms or in terms of outcomes. This has led to a profound disillusionment with the workings of democracy and its values (Gallo and Biava, 2013[86]; The Economist, 2014[73]; Economist Intelligence Unit, 2017[37]) and helps to explain why many of the democratic systems that have emerged over the past three decades remain so vulnerable. But this not a challenge exclusive to the developing world: the stability and resilience of democracy has also come into question in more established democracies, especially in the aftermath of the 2008 global financial crisis and the dislocating impact the crisis has had on large pockets of the population (The Economist, 2014[73]; Vance, 2016[74]; Rocha Menocal and Domingo, 2018[87]).

It is telling that across countries and continents, irrespective of income levels, the bodies of authority that people trust the least are political parties, which are crucial for inclusive governance, representation and accountability (while the army and the police are the most trusted). The rise of populist politics in countries ranging from Brazil and Hungary to the Philippines and Turkey (and the election of strongmen like Bolsonaro, Orban, Duterte and

Erdogan), as well as the struggles of incipient democracies like Guatemala and South Africa to become more deeply institutionalised and to deliver, all attest to this accumulated frustration with the perceived failures of democratic politics and inclusive governance. As the sole country to have embarked on a process towards democracy and inclusive governance in the Middle East and North Africa region after the 2011 uprisings (Cammack et al., 2017[88]), Tunisia will be an extremely important case to watch over time. While its (still fragile and incipient) institutions of participation and representation enjoy high levels of popular support, disillusionment has begun to set in as core needs and demands of the population (e.g. in terms of job opportunities for young people, basic service provision, security and economic growth) remain unaddressed and are becoming more pressing (Carothers, 2018[89]).

5 How can inclusive governance foster inclusive development? Some enabling factors

Multiple processes of transformation

Several key findings and messages emerge from the analysis above. To summarise, it is clear that inclusion, both in terms of who is included (horizontal inclusion among relevant elites across major groups and/or vertical inclusion that encompasses broader populations as well as elites) and around what (be it in terms of processes or outcomes or both) matter in different ways over the short and the long term to help to promote stability and more peaceful and resilient states and societies. However, the linkages between different kinds of inclusion are far from linear or straightforward. In particular, inclusive processes do not automatically lead to outcomes that are more inclusive, and broadly inclusive governance is not a prerequisite for inclusive development. But even if inclusive governance does not by its very nature produce more inclusive outcomes, patterns of development that are exclusionary do have a fundamentally pernicious impact on the quality and effectiveness of inclusive governance. Moreover, inclusive processes can be put under further strain if citizens believe these processes are not delivering on their expectations for prosperity and well-being.

All this helps to highlight the profound complexities and paradoxes around inclusion and captures how it is at once so essential and yet so challenging to promote greater inclusion as envisaged by the 2030 Agenda and the commitment to leave no one behind. In these, inclusion is intended to be broad-based and entail not simply increased participation, but actual influence among groups that have traditionally been marginalised or left behind in decision-making processes and in how resources and prosperity are distributed. While it is clear that institutions are crucial to secure transformation, there is relatively little systematic knowledge about how processes of institutional transformation happen, especially in ways that enable more inclusive governance, and how these are linked to development outcomes that are more or less inclusive.

We have many more questions than we have answers:

- What persuades those with power, access and resources to pursue more or less inclusive governance arrangements?
- To what degree can some forms of inclusion (around who is included and how, around what and to what effect) compensate for ongoing limitations in other kinds of inclusion within the state and in the linkages between state and society?

- What might be the right balance between different forms of inclusion, especially if these different forms do not always go hand in hand in mutually reinforcing ways? How can ensuing tensions, dilemmas and/or trade-offs be addressed?
- How can bottom-up pressures for change affect or shape the formal and informal rules of the game?
- Which institutions are crucial to promote inclusion, when and where?

At their core, sustainable pathways towards more effective and inclusive political systems involve re-articulating the rules of the game on the use and distribution of power and on the nature of state and society linkages. In other words, they involve changes in the political settlement and underlying rules of the game (Putzel and Di John, 2012[8]; Pritchett and Werker, 2013[90]; vom Hau, 2012[55]; Rocha Menocal, 2017[33]). Politics and history, institutions (formal and informal), agency, ideas, and socio-economic and political structures all matter. They determine the balance of power within different groups inside and outside the state in a given country, thereby framing the parameters of the kinds of transformations that are possible; see among others (de Mello and Dutz, 2012[51]; Hickey, Sen and Bukenya, 2014[10]).

Governance transitions and changes in the political settlement involve processes of social and political contestation that are likely to be iterative, contingent and subject to reversals. States that are trying to become more stable, resilient and inclusive over time (again in terms of who is included in both processes and outcomes) are trying to transform themselves in fundamental ways across multiple dimensions, including among others (Rocha Menocal, 2017[49]):

- from war and/or violent conflict towards peace
- from weak and ineffective states to states that are more functional and able to address the needs and demands of their population
- from closed and exclusionary political orders to more open and inclusive ones
- from personalised systems of interaction to impersonal systems grounded in the rule of law
- from stagnating or narrow-based economies towards greater investment and (shared) growth.

Some of these dimensions of change may reinforce one another. For example, efforts to focus on the public good through, among other things, increased state capacity to provide basic services, may help to build more inclusive political orders, which in time can help to foster state legitimacy. But often they do not do so. A crucial lesson from history is that all good things do not always go together naturally. Even if different dimensions of change happen simultaneously – or in fact because they do – they tend to generate tensions, dilemmas and trade-offs. As such, as is stressed above, the linkages between inclusive governance and inclusive development are far from linear, automatic or harmonious, and greater inclusion in one area does not in and of itself lead to or even require the promotion of inclusion in other realms. Again, this helps to highlight why the ambition to promote inclusion as part of the 2030 Agenda and the commitment to leave no one behind are so challenging.

Yet, as the analysis in this paper highlights, given the overwhelming trend towards inclusive governance – at least in form – across most of the developing world over the past several decades, and the fact that progress that has been made in instituting inclusive processes remains far from assured (Economist Intelligence Unit, 2017[37]; Varieties of Democracy Institute, 2018[91]), the relevant question may no longer be whether inclusive processes can promote inclusive outcomes, but *how* they can do so. The challenge of how inclusive governance can function more effectively and deliver on key priorities, needs and demands of the population in ways that are more inclusive, equitable and fair has never been more urgent.

The question is, how?

Despite all the challenges that are identified here, a variety of countries in the developing world that have different kinds of inclusive governance in place, even if these remain limited and/or are far from perfect, have managed to promote more inclusive forms of development and reduce inequality.

Even as countries navigate the difficult developmental changes and power dynamics at play, these experiences demonstrate that bringing about progressive change within a context of inclusive governance is possible – despite the setbacks, tensions and dilemmas that are likely to arise. While answers to this "how" question must be country-specific, accumulated research on the politics of development has teased out several crucial factors that have made a difference (Booth, 2012[44]; Putzel and Di John, 2012[8]; Hickey, Sen and Bukenya, 2014[10]; Rocha Menocal, 2017[53]; Rocha Menocal, 2017[49]; Rocha Menocal, 2017[33]). The contrasting trajectories of Costa Rica and Guatemala, outlined in Box 5.1., provide a vivid illustration of many of these factors at work. As these two contrasting cases show, and the discussion in the remainder of this section elaborates, the critical insight is that politics and power – and not policies themselves, important as they might be – lie at the heart of change processes. Importantly, too, the factors identified are present not only in political systems that are characterised by broad-based inclusive processes, but also in systems that are far less inclusive, a point that will be further reflected on below.

Box 5.1. Costa Rica and Guatemala: A tale of two countries

Up to the middle of the 20th century, Costa Rica and Guatemala shared many important characteristics and similar periods of political change and development. These included seven decades of authoritarian rule beginning in the 1870s, just under a decade of democratic reforms in the 1940s, and brief but consequential counter-reform movements that overthrew the democratic regimes in the mid-20th century. Despite these similarities, however, the two countries followed drastically different trajectories from then onwards. In the end, democracy took root in Costa Rica, while Guatemala experienced decades of authoritarian (and often brutal) rule.

According to Yashar (1997[92]), the key difference is that in Costa Rica, elite divisions combined with organised popular demands led to a progressive reform coalition committed to democracy and broad-based development. In Guatemala, a much more reactionary regime prevailed, based on the strategic alliance of the army with landed upper classes.
Thus, the emergence of a political party that transformed the nature of the political settlement underpinning the state accounts for the pro-development and inclusionary trajectory of Costa Rica in comparison to Guatemala.

The *Social Democratic Party* (PSD) came to power in Costa Rica in 1951 by gaining political control of the countryside. In addition to weakening the power of landholding elites, the PSD undermined the oligarchic elite by nationalising the banking system and dismantling the army. By challenging traditional elites in this way, the PSD created the political space in which to press for political and economic reform, including redistributive policies, land reform, and the

creation of an inclusive welfare state (financed by drastic increases in tax takes and income tax).

The different experience of Guatemala in this period starts with the tamping down of popular demands for democracy and social reform throughout the 1940s and 1950s, with considerable support for the military regime from business and political interests in the United States. The military government introduced a long-term ban on political parties and trade unions. Domestic economic elites, which were closely tied to big international agricultural conglomerates, were less diversified than in Costa Rica, with power centralised more in large landowners and less in financial and merchant groups. Their interests were also much more closely aligned to those of the military. The ensuing political settlement was not designed for social welfare provision but for maintaining the status quo.

Source: (Yashar, 1997[92]), Demanding Democracy: Reform and Reaction in Costa Rica and Guatemala, 1870s-1950s

Bringing state capacity back in

It has become fashionable in certain circles to underestimate the significance of the state in a context of growing globalisation and decentralisation, see, for instance, the report by the International Panel for Social Progress (2018[93]). Yet the state remains an, if not the most, indispensable actor in both anchoring more inclusive governance and promoting and securing development outcomes that are more inclusive and broadly shared (Fukuyama, 2016[75]; Gerring et al., 2015[52]; Bizzarro et al., 2015[94]). In effect, all successful post-Second World War examples of long-term inclusive development have been in countries with high levels of state capacity, understood as comprising a capable and impartial administration that is protected from state capture for private, personal or patronage gains (vom Hau, 2012[55]; Hickey, Sen and Bukenya, 2014[10]).

So what kind of state is more likely to promote inclusive development?

Some of the key features that have enabled states to carry out reforms to promote inclusive development include the following (Evans, 1995[67]):

- political leadership with a long-term developmental vision and strong commitment to reform
- a political-bureaucratic interface that involves a group of political and bureaucratic leaders who work closely together and share development-centred values and aims
- a capable, autonomous bureaucracy that is also embedded in society – that is, it is relatively independent of special interests while remaining well linked with non-state actors who contribute to policy formation
- a close, and often narrow, mutually beneficial relationship between state and select economic and business elites that is based on a shared interest to pursue reforms, even if individual reasons for favouring given outcomes are not the same

As discussed earlier, while many of the countries that have promoted greater equality and inclusion across the developing world based on the above features have been authoritarian,

states do not necessarily need to be authoritarian to work effectively. It was acknowledged as well that processes to strengthen and deepen inclusive governance can pose distinct challenges to state capacity.

Both inclusive governance and inclusive development need effective and capable states to underpin them. Much current thinking on inclusive governance and democratisation, especially within the international development community, assumes too easily that processes to promote inclusion in decision making are being built and/or put in place on the foundations of coherent, functioning and fully capable states (Carothers, 2002[95]; Carothers, 2007[96]; Levy, 2014[48]; Fukuyama, 2005[97]). Thus, there is an embedded presupposition that a reasonably effective state already exists that can give substance and meaning to inclusive governance.

However, as this paper notes, many countries across the developing world that are trying to promote more inclusive governance are also attempting to build effective, capable states, alongside other reforms. As Fukuyama (2011[39]) has noted, "there is a political deficit around the world, not of states but of *modern* states that are capable, impersonal, well organised, and autonomous". He further argues that the three pillars of a modern political order are a strong and capable state, the state's subordination to the rule of law, and government accountability to all citizens (Fukuyama, 2016[75]). It is worth noting that SDG 16 calls for building institutions that are not only inclusive but also accountable and effective. And yet, these are not one and the same thing. As Fukuyama has put it, the "miracle of modern politics" is achieving a balance between these different components, which is extraordinarily difficult (Fukuyama, 2011[39]).

Why is promoting inclusive governance so challenging? One explanation is that the imperative to foster process- and outcome-based inclusion among elites in the short term may undermine the creation of a capable and effective state in the longer term. This can manifest itself in a number of different ways. For instance, the need to appease spoilers in the interest of securing peace can strengthen the hand of repressive rulers and/or crystalize politics along the lines over which a conflict has been fought. Both of these undermine the sustainability of the state in the long run. There may be a need to include unsavoury actors responsible for considerable human rights atrocities at the negotiating table, as happened in Liberia during the time of the National Transitional Government from 2003 to 2006, with consequences that are still being felt today in terms of an unfinished process of national reconciliation and a political settlement that is not firm and remains subject to manipulation by a variety of actors in ways that could be destabilising. In some contexts, bringing individuals to account too early may compromise a political settlement. Conversely, failing to bring perpetrators to justice may undermine people's trust in the political process. This is the tension that has been on display in Colombia, as demonstrated by the result of the referendum on the peace agreement in 2018, which was rejected by a narrow margin (Rocha Menocal, 2011[98]).

In addition, building inclusive and accountable governance often entails establishing checks and balances mechanisms and diffusing power more evenly across a greater number of actors both within and outside government, while strengthening state capacity may call for greater autonomy and centralisation of power. A drive towards inclusiveness and broad representation can also lead to so great a dispersion of power and authority that the political system can become paralysed and unable to carry out critical, needed functions and reforms. In Afghanistan, for example, the central state remains weak and ineffective in large part because efforts to promote greater inclusion in processes have undermined coherence (Call, 2012[27]). Contemporary Rwanda is another powerful illustration of tensions, dilemmas and trade-offs between building an effective central state that can deliver on development aims and opening up the political space (Bouka, 2014[99]).

This discussion suggests that to understand the dynamics and tensions, dilemmas and trade-offs, it is essential to look at how different states work, and specifically at what kinds of institutional arrangements are in place in a particular setting and how these determine the way policies intended to promote development work in actual practice. As this paper underscores, political settlements are instrumental in this respect. Seeing the state as a political settlement embodying a set of power relations and shaping the rules of the game and access to political and economic resources is essential to understand the possibilities of progressive institutional change and policy reform (Putzel and Di John, 2012[8]).

Other enabling (f)actors

Beyond state capacity, several other factors and actors emerge from the literature that have enabled inclusive governance to promote more inclusive development. The remainder of this section highlights the most prominent of these.

Critical junctures

Critical junctures are key watershed events or moments of significant change that alter existing power relations and underlying rules of the game and have the potential to (re)shape political orders along more inclusive lines. These can include, for example, peace processes to end periods of violent conflict (e.g. Guatemala in the 1990s; Kenya after the electoral violence of 2007); a particularly formative election (e.g. the first post-apartheid election in South Africa; the electoral triumph of the Workers Party in Brazil that brought Luiz Inácio da Silva to power in 2003); a particularly devastating natural disaster (e.g. the Indian Ocean tsunami of 2004 and the transition from conflict and fragility in Indonesia; the earthquakes in Mexico in 1985 and the emergence of a social movement demanding greater accountability from state actors); or other crises (e.g. the experience with hyperinflation in many countries in Latin America during the 1980s that enabled political leaders to undertake needed reforms).

The end of apartheid and the transition to multi-racial democracy in South Africa stand as perhaps one of the most iconic examples of how a political settlement was fundamentally rearticulated so as to become more inclusive. By the 1980s, the ongoing struggle between the apartheid regime, led by the ruling National Party (NP), and the anti-apartheid movement, led by the African National Congress (ANC), had reached a stalemate. The ruling coalition in the government had control over the state and the police and defence force, while the ANC enjoyed widespread popular support among the general populace, the trade unions, civic groups and international advocates. Escalating civil unrest, violence and mounting international pressure on the NP made governance unmanageable, and negotiations became unavoidable. The ensuing peace process in the early 1990s was highly participatory and inclusive, bringing together a diversity of actors and organisations (including political parties, police, trade unions, business, churches and traditional leaders). South Africa has emerged as a much more open, inclusive and representative political system, even if the country continues to face enormous challenges and outcome-based inclusion – especially in terms of the conditions of its poor (and still mostly black) population – have yet to improve substantially.

Coalition building

Stakeholders' ability to influence developmental patterns depends not only on what they seek to achieve but also with whom and how, which will be conditioned by their relative power and the

institutional context in which decisions are made. Thus, a key challenge in all countries, irrespective of the governance arrangements in place (including whether these are more or less inclusive), is how to harness collective action among power holders, as well as between elites and broader social groups, to promote inclusive development. Since redistribution efforts are likely to face strong opposition from those who benefit from the existing state of affairs, coalitions among stakeholders who support a given change or reform (even if their interests may not align in other ways) are often needed to get sufficient traction for success (Kaufman and Nelson, 2004[100]; Grindle, 2010[101]; Berdegué, Escobal and Bebbington, 2015[102]). At different times and under certain conditions, coalition building has proven positive, if not decisive, to enable processes of bargaining around issues of broader public interest among a wide range of state and non-state stakeholders at different levels, from the subnational to the global. The struggle against apartheid rule in South Africa is a quintessential example of such coalition politics at work (Marx, 1998[22]).

The remarkable transformation of Medellín, Colombia's second-largest city and home to the drug cartel that Pablo Escobar led in the 1980s and 1990s, is another example of how coalitions can bring about progressive change. Until the early 1990s, the city had been marred by violence and characterised by deep-rooted inequality and marginalisation, and it was considered one of the most violent cities in the world. By the 2010s, Medellín had reduced its homicide rate by 90% and it is now widely considered a pioneer of inclusive urban development (Maclean, 2014[103]). Within a broader context of important national and global transformations that were underway at the time (such as the constitution-making process within Colombia), a coalition incorporating a wide constellation of actors – including traditional political elites, business leaders, new political leaders and parties, community organisations, and social movements – came together in response to the city's acute security and development crisis, uniting behind a shared agenda for progressive reform that each perceived to be in its own interest, even if for different reasons (Maclean, 2014[103]).

It is important to remember that the effectiveness of coalitions and their impact also depend on the particular political settlement and on the (changing) incentives and interests of the groups concerned. These will shape how inclusive the coalitions are in terms of both process (the kinds of actors and interests they bring together) and outcomes (the kinds of objectives they seek to achieve and in whose benefit) (Berdegué, Escobal and Bebbington, 2015[102]). Elites are often not homogeneous, and conflicts and fractures across types of elites (e.g. political versus economic, old versus new), within elites (e.g. across ethnicity, region or ideology), and at different levels (local, national, international) are likely to emerge (Pritchett and Werker, 2013[90]). The same can be said of the private sector, both national and international (Pritchett and Werker, 2013[90]). Such differences in interests, incentives, social and political alignments, ideas, and affinities can weaken groups that want to see change (de Mello and Dutz, 2012[51]) and make it more difficult to bring together coalitions to pressure state actors and other leaders to pursue more inclusive developmental ambitions (Rueschemeyer, Stephens and Huber Stephens, 1992[104]; Rocha Menocal, 2015[5]; Berdegué, Escobal and Bebbington, 2015[102]).

On the other hand, opportunities can arise as groups that have traditionally been excluded from (or are marginal to) policy-making processes (e.g. poor people in rural and urban areas) are able to gain salience by partnering with better-off groups that have more leverage. More privileged groups can be persuaded to support policies and programmes to make growth more inclusive if they perceive such changes as being essential to achieving or protecting their interests, avoiding widespread social unrest, or ensuring their survival. For example, Rio de Janeiro and Nairobi have made progress in eradicating slums and strengthening local-level governance processes in efforts to address urban neglect and unrest (Jones, Cummings and Nixon, 2014[105]).

Political parties

Political parties serve as important links between the state and society and are instrumental vehicles for collective action and organisation (Bizzarro et al., 2015[94]). They have also played a key role in driving political settlements and shaping government incentives to adopt policies to foster inclusion (Putzel and Di John, 2012[8]; Bizzarro et al., 2015[94]). It is therefore essential to understand the kinds of incentives and interests that drive political parties as well as the contexts within which they operate. Their structure, organisation and strategy will help to determine their effectiveness in promoting stability and harnessing collective action to increase inclusion, implement development goals and promote resilient (democratic) institutions.

In the United Republic of Tanzania and Zambia, for example, over prolonged periods of time, well-established political parties have been able to mediate the bargaining process and incorporate factions and individuals into the security forces in a regulated manner, which has been one of the most important factors behind establishing a more resilient state (Lindemann, 2008[24]). In almost all less developed, resilient countries, national political parties have organised forms of centralised patronage and managed rents (Putzel and Di John, 2012[8]). However, as Putzel and Di John (2012[8]) have argued, where the basic parameters of the state remain contested – for example, regarding who is a citizen or who has the basic authority to allocate property rights – the establishment of multiple political parties may allow rival elites and their social constituents to challenge the existence of the state itself, which can exacerbate conflict.

States seem to be more likely to pursue and implement policies that promote more inclusive and equitable development over the long term where institutionalised political parties are in place (Bizzarro et al., 2015[94]). Institutionalised parties can convey a programmatic policy stance, discipline party leaders and members, and facilitate collective citizen action (Keefer, 2011[56]). For instance, the Communist Party in Kerala, India, built its strategy on a concerted attack on rural poverty. Likewise, with its roots in social movements that had long protested against social and economic inequalities, the Workers Party in Brazil was until very recently a coherent, well-organised and institutionalised vehicle for collective action, as is the PAIS Alliance Political Movement in Ecuador. Both parties have played an instrumental role in shaping government incentives to adopt policies that foster more inclusive and participatory development. Curiously, often non-democratic systems, such as China and Viet Nam, are likely to exhibit more institutionalised ruling parties than democratic ones (Keefer, 2011[56]; Bizzarro et al., 2015[94]).

However, the evidence surrounding the assumption that programmatic parties (i.e. parties that generate policy, mobilise support, and govern predominantly on the basis of a consistent and coherent ideological position) deliver better and more inclusive outcomes remains inconclusive. While clientelism can undermine economic growth, research suggests that there is no marked association between programmatic politics and higher growth (Lupu et al., 2013[106]). Similarly, clientelism does not seem to be associated with a reduction in human development indicators, and it may help improve some, such as life expectancy and literacy (Lupu et al., 2013[106]). On the other hand, where programmatic parties become dominant, this can lead to the curtailment of political competition and equating inclusion with integrating members and groups into the party. So programmatic versus clientelistic party categories may not be as mutually exclusionary as such labelling might suggest. Parties are likely to combine targeted clientelistic appeals with universal provision pledges and vice versa (Lupu et al., 2013[106]; Cheeseman et al., 2016[107]). The Congress Party in India, for example, relies on patron-client relations to mobilise support but also pursues a coherent, policy-based agenda. In addition, a recent study on Brazil, India, Ukraine and Zambia suggests that the existence of one or two programmatic political parties is usually insufficient to drive the programmatisation of a party system (especially if such parties do

not win power) and programmatic and non-programmatic parties tend to co-exist (Cheeseman et al., 2016[107]).

Moreover, strong programmatic parties can be damaging for a polity if they produce ideological polarisation that reduces the potential for compromise among political actors (Galston, 2010[108]). This can lead to deadlock over legislation or rapid alterations in government policies, both of which can destabilise the economy and society. The nature of the current political environment in countries like the United States helps to illustrate this danger. Thus, appeals that can transcend rigid party lines and the kinds of us-versus-them dynamics they generate to defuse social tensions and/or to provide continuity of policies in certain circumstances. That has been the appeal of catch-all parties which try to attract a variety of voters across the political spectrum on the basis of more pragmatic and flexible political agendas that also become less exclusionary (the ANC in South Africa and New Labour in the United Kingdom would be examples of this).

However, across much of the developing world, political parties are preoccupied with winning elections for their political survival. Their concern for the public good is at best secondary (vom Hau, 2012[55]). Factors like the maturity of the political system and the nature of political competition and electoral systems are likely to affect the developmental or more personalistic approach of political parties and the role they can play in shaping political settlements that are more or less inclusive (Lupu et al., 2013[106]; Cheeseman et al., 2016[107]; Carothers, 2006[109]; Bizzarro et al., 2015[94]).

Social mobilisation

Social movement mobilisation and sustained bottom-up pressures can serve as both a threat factor and an incentive (via electoral consequences) for governments and can thus help to achieve substantive transformations towards greater inclusion and shared prosperity. In Bolivia, Brazil, Ecuador and Nepal, for example, social mobilisation has played a crucial role in shaping both political trajectories and policy making. These countries have all had movement-based governments at some point. While they were grounded in different discourses or narratives (e.g. class-based in Brazil and Ecuador and ethnically-based in Bolivia and Nepal), they all shared a strong national political project based in part on values of social justice and a commitment to greater equality, with a special focus on those who were marginalised, excluded or otherwise left behind (Paz Arauco et al., 2014[13]).

The inclusive and redistributive policies adopted by Brazil and Ecuador have been either the result of long-standing demands of social movements or left-wing governments' interpretation of what movements demanded (Hevia-Pacheco and Vergara-Camus, 2013[110]). The willingness or need of these governments to co-operate with social movements in policy design, implementation and monitoring – and the tensions that these processes have generated – are crucial to understanding the content of their policies. These two examples suggest that social movement mobilisation can help to exert influence and pressure on governments to implement progressive social policies and strengthen their commitment to civil society participation, a key element of resilient democracies. Crucially, the kinds of linkages and alliances that social movements can build with political parties are essential to determining their effectiveness and vice versa.

Some of the policies and programmes adopted by the recent governments in Brazil and past and current governments in Ecuador also respond to long-term demands for increased participation from social movements. Under the leadership of the Workers Party in Brazil from the early 2000s to 2016, the government enacted such policies because the party itself emerged from a social movement and those ties were pivotal in shaping policy. In Ecuador, governments coming out of

social movements implemented more inclusive measures because these movements were at the forefront of protests that brought down three previous governments, were uniquely able to mobilise nationwide support for specific political leaders (including former President Rafael Correa and current President Lenín Moreno) and their reform efforts.

Over the past two decades, Bolivia also made considerable progress in tackling intersecting inequalities (despite the still-high rates of poverty), largely as a result of a long process of mobilization by the indigenous population. Gains have been particularly visible for rural residents. A critical milestone was the election of coca advocate and native peasant leader Evo Morales as president in 2005, followed by the adoption of a new Constitution a few years later. As in Ecuador, the rewriting of Bolivia's Constitution represented the culmination of years of mobilisation of indigenous groups for the recognition of their rights—mobilisation that became increasingly politicised with the affirmation of formal democracy in those countries. Subsequent legislation led to the implementation of different affirmative action measures and to electoral reforms establishing special indigenous constituencies in the Pluri-national Assembly and indigenous local governments (Paz Arauco et al., 2014[13]). However, more recent developments in Bolivia, including growing dissatisfaction with the Morales regime that have fed intense polarisation and a stark division between pro- and anti-Morales camps, mass protests that led to his resignation in 2019, and a hardening of more reactionary forces, all help to illustrate once again how fraught and contested processes of change can be.

Transnational social mobilisation can also be very powerful in pushing for progressive change. For example, transnational networks promoting human rights, women's empowerment, and transparency and accountability have harnessed collective action at the international and global levels, which in turn influences domestic politics and debates (Keck and Sikkink, 1999[111]). Other global governance and transnational networks in the areas of health and education have also had an important role in setting expectations and generating incentives for governments to deliver, especially in aid-dependent countries. More recent global mobilisation and outrage at the massive increases in inequality – epitomised by movements like Occupy and international campaigns on the need to cap executive pay, make tax avoidance more difficult and put greater pressure on tax havens – have helped to place inequalities and exclusion at the centre of both domestic and international policy-making agendas.

One of the most striking manifestations of the power of mass mobilisation against oppressive, exclusionary and unaccountable regimes came with the Arab uprisings that erupted in 2011. The self-immolation of a Tunisian fruit seller, Mohamed Bouazizi, desperately frustrated by long-term harassment at the hands of indifferent Tunisian officials, captured the imagination of millions of people across the country and the Middle East and North Africa (as well as the world more generally) and catalysed the protest movements. The uprisings profoundly altered the political landscape of the region (though, for the most part, not achieving the kinds of governance transformations that were originally sought). On the whole, these protests, rallied and harnessed through information and communication technologies, happened extremely quickly and were also unpredictable – their scale came as a surprise to activists, authorities and observers alike. They were mobilised mostly by young, and often male, urban, technologically savvy and networked students and intellectuals outside established political parties or mechanisms. As such, they did not have a centralised leadership or a clear political programme, but they gained increasing support from other groups in society as events and demonstrations continued to evolve. They created chain reactions that mobilised huge crowds of people across a whole geographical region and brought down rulers who had been in power for years (if not decades) in Egypt, Lybia and Tunisia in a matter of days, weeks or months. They also prompted important reform processes in Morocco and Jordan, as monarchs sought to avoid fates similar to those of former presidents

Ben Ali, Mubarak and Gaddafi, and unleashed a full-on civil war in Syria that is ongoing (Butenschøn, 2015[112]; Rocha Menocal, 2018[113]).

But the fate of the uprisings also helps to illustrate how ephemeral those moments of empowerment can be, and how very challenging it is to capitalise on those moments and make them more sustainable over time if social mobilisation does not also translate into organisational capacity. The failed revolution in Egypt is particularly illustrative. What made the movement that ousted Mubarak from power strong and compelling to begin with – its diffuse and transient nature and flat structure – eventually became its greatest weakness. Protestors, brought together mostly through online networks, lacked clear leadership and representation, which made meaningful negotiation with the powers particularly challenging. This is ultimately why, in Malcolm Gladwell's memorable phrase, as cited by Rocha Menocal (2018[113]), "the revolution will not be tweeted". The spontaneous, unorganised and virtual character of the mass mobilisation made it more difficult to build consensus across broad swathes of the population and across ethnic, religious and class groups. This also made it impossible to keep up the pressures to fulfil the promises of the revolution. Those who started the revolution on the streets by harnessing the power of digital technologies were sidelined by groups like the Muslim Brotherhood and, eventually, the military, which had much clearer and more effective organisational capacity. The struggle for democracy in the region as a whole remains as traditional as ever, with entrenched powers and conflicting sectarian interests still very much in existence (Rocha Menocal, 2018[113]).

Ideas and narratives around identity and belonging

Ideas are a key ingredient of politics and are important in shaping thinking, behaviour and outcomes around inclusion and exclusion and about the kinds of inequalities that are acceptable or tolerable. Ideas and norms also influence the nature and quality of interactions among different elites and their followers and across different groups in state and society (Hudson and Leftwich, 2014[114]). The fight for progressive social change calls for changes in attitudes and values towards excluded groups. Values and beliefs are central to the discussion of prospects for inclusion and exclusion in at least two ways.

First, the power of ideas is central to issues of identity and narratives around who is included in (and excluded from) state- and nation-building processes. Without shared myths to bind societies together, the risks of fragmentation, polarisation, culture wars and violence increase dramatically (Evans, 2017[115]). As this paper discusses, historically, elites have played a critical role in harnessing these processes and they have often manipulated issues of identity to divide and exclude. On the other hand, the extent to which elites have been able to develop or sustain a collective vision of a shared sense of nation with society at large has been an important element in shaping developmental trajectories, especially where relations between different groups in state and society have been fractured by conflict and/or violence. As some research on this suggests, political systems that are grounded on an *inclusive* nation-building project – or, as Anderson (1983[116]) would put it, an "imagined community" that can transcend more narrowly defined identities – tend to be more stable and resilient over time, even if they can in fact be quite narrow in terms of the actors and/or elites included at the top.

An inclusive sense of collective identity has been central in the experience of Korea, Malaysia and Chinese Taipei, where the very issue of national survival was at stake (Rocha Menocal, 2017[33]). Ghana, a multi-ethnic country that has proven remarkably peaceful and stable over time, especially when compared with other countries in West Africa (and beyond), is another good example of the power of ideas in shaping inclusive narratives of a sense of collective belonging that can transcend narrower identities (Lenhardt, Rocha Menocal and Engel, 2015[117]).

The way the idea of national unity in Ghana entwines with the current mode of party-driven, pork barrel politics reinforces a commitment to democracy and the broad distribution of public goods (as opposed to predatory forms of clientelism). More controversially, contemporary Rwanda has also been able to develop a strong and widely shared vision for the future that is grounded on a reinvented sense of nation that considerably downplays (or even denies) the importance of group-based identities.

International factors

Although institutional transformation is clearly driven from within, international factors also matter. Regional and global drivers and dynamics can play important roles in influencing the incentives and dynamics of domestic actors towards efforts to promote inclusive governance and/or inclusive outcomes. On the more problematic end, international factors have helped to undermine the commitment to democratic governance and a more inclusive agenda within different countries at different times. For instance, foreign intervention during the Cold War proved important in supporting the kinds of authoritarian regimes that emerged across Asia, Latin America and the MENA region (Rocha Menocal, 2017[33]). China, for its part, exerts considerable (soft) power across the developing world, on account of its size and the extraordinary developmental transformation it has brought about (Reilly, 2013[66]). A variety of mechanisms and practices also enable domestic actors, especially elites, to engage in tax avoidance or to skew the benefits of economic growth to benefit well-placed stakeholders at home and abroad. And of course, organised crime has done much to heighten inequalities, warp the quality of inclusive governance and test democratic resilience.

On the other hand, global goals like the Millennium Development Goals and the more ambitious and broader agenda for transformation embedded in the SDGs, which make specific commitments to promote inclusion and tackle inequalities, can be important levers for progressive reform at the domestic level. International donor efforts to use conditionalities to encourage reform intended to promote both inclusive processes (including for example electoral reform, transparency and accountability initiatives, participatory decision-making processes, etc.) and/or inclusive outcomes (e.g. a greater focus on education and health outcomes through Sector-wide Approaches) can also have an impact, although such approaches may not always work (Rocha Menocal, 2017[33]; Rocha Menocal, 2017[49]).

International development actors, for their part, can significantly influence the political and power dynamics of the countries in which they engage, even if they are reluctant to recognise this important political role. And once again, this influence may be positive (harnessing domestic pressures for change) or negative (reinforcing political inequalities or undermining the conditions for reform). If this influence is not well understood, well-meaning programmes of support may generate unintended consequences that undermine longer-term objectives and/or do harm. Thus, the question is not whether donors influence internal political and power dynamics, but rather how they should design their engagement and interventions, based on a sound assessment of the multiple dilemmas and trade-offs and potential impacts involved (Rocha Menocal, 2017[49]).

6 Key takeaways for practitioners

This paper seeks to highlight that the linkages between inclusive governance and inclusive development are complex and non-linear. The path to greater inclusion in both process and outcome is likely to be complex, deeply fraught and contested. Processes of real change are about fundamentally altering underlying political settlements and rules of the game, and all good things may not necessarily align as part of such transformation (Hickey, Sen and Bukenya, 2014[10]; Rocha Menocal, 2017[49]; Rocha Menocal, 2015[118]).

This is by no means a new insight, but rather reinforces much of the thinking and research on development policy and practice over the past two decades. Nevertheless, the fundamental importance of this point cannot be emphasised enough, especially since much of the way in which the international development community continues to think about and work on fostering more inclusive states and societies is often not grounded in such an understanding of how change happens, but rather on assumptions around inclusive governance and inclusive outcomes that cannot be taken for granted.

Over the past three decades, aid actors have been deeply invested in a variety of efforts to promote inclusion – both in terms of process and in terms of outcome. Such efforts have included, among many other things, support to i) processes like post-conflict peace negotiations, democratisation, women's increased participation and influence in the political system, the empowerment of groups who have been traditionally excluded from decision making, and transparency and accountability; as well as to ii) outcomes like the provision of basic services and social protection and the promotion of greater economic opportunities, especially among those who are excluded and marginalised (Mcloughlin, 2014[119]; Nixon, Mallett and McCullough, 2016[83]). Yet, while there is a growing recognition that the challenge of development is not only technical but profoundly political in nature, donor approaches to inclusion remain limited in important ways.

Among other things, they tend to be overly technocratic, insufficiently differentiated, and based on idealised and often highly normative models of how change should happen that have little anchoring in contextual realities (Unsworth, 2010[43]; Booth, 2012[44]; Castillejo, 2014[7]; Rocha Menocal and O'Neil, 2012[120]; Rocha Menocal, 2014[38]; Carothers and de Gramont, 2013[121]; van Veen and Dudouet, 2017[122]; Levy, 2014[48]). In particular, international development thinking and practice tend to assume rather easily that more inclusive processes will automatically lead to more inclusive outcomes (Castillejo, 2014[7]; van Veen and Dudouet, 2017[122]). In addition, efforts to promote inclusive governance tend to be overly focused on procedural form and/or easily quantifiable indicators (such as representation quotas, consultation and/or meeting frequency or participation rates, or numbers of people trained), without paying sufficient attention to informal institutions and power dynamics and how these shape the way in which governance works in practice, including whether quotas help to alter power dynamics and the content of policies, whether consultations have an actual bearing on decision-making processes, or whether those who undergo training go on to engage differently in political processes (Andrews, Pritchett

and Woolcock, 2012[123]; Unsworth, 2010[43]; Natsios, 2010[124]; Rocha Menocal, 2015[5]; Domingo, O'Neil and Foresti, 2014[125]).

The scope and ambition of the new framework for transformation embodied in the Sustainable Development Goals are laudable and inspiring. Without a doubt, these are worthy, normative aspirations over the long term, not only for the developing world but also for countries that today can be considered prosperous and broadly inclusive. However, despite good intentions, discussions on governance and "legitimate" and "inclusive" institutions tend to become prescriptive very quickly, without addressing the critical question of why states and societies function the way they do and how they can transform themselves in ways that are more inclusive, open and representative.

So what can practitioners do?

At the heart of this challenge, what is needed is a more strategic and pragmatic perspective on reform that is grounded in thinking and working in more politically aware ways**.** This entails doing the following:

- Recognise more fully that the goals of promoting inclusive governance and more inclusive outcomes are not one and the same and that more inclusive processes will not automatically lead to more inclusive outcomes. Much as the international development community would like to assume that "all good things go together", there will always be difficult dilemmas and trade-offs among different and equally compelling imperatives. It is unlikely that all tensions will be resolved, but if they are better understood they can at least be managed more adequately.
- Given that, as discussed in this paper, different processes of transformation are taking place simultaneously rather than sequentially in a majority of countries seeking to become more inclusive, the issue of which comes first – an effective state, inclusive processes or inclusive development – is not as relevant (Rocha Menocal, 2017[53]; Fukuyama, 2016[75]). The central question is much more about developing a deeper and more nuanced understanding of how different reforms intended to promote state building, more inclusive governance and more inclusive developmental outcomes can reinforce each other more gradually in a co-evolutionary manner (Carothers, 2007[96]). An important implication of this is that efforts to promote inclusive governance, for instance, should focus not only on establishing and strengthening inclusive governance but also on raising awareness of their corollary effects on state capacity and (inclusive) development.
- Closely related to the above, recognise that there are multiple paths to development and to high institutional performance, which implies moving away from preconceived models of what works based on "best practice" to more incremental, strategic and targeted approaches based on a good fit or "good enough governance" (Grindle, 2010[101]). As the 2017 World Development Report (World Bank, 2017[45]) put it, "successful reforms … are not just about 'best practice'". Different trajectories will be contingent, context-specific, and, as discussed, deeply complex and non-linear. It has become clear that promoting institutional transformation is not simply about providing needed resources and strengthening virtuous institutions based on ideal models of governance. Instead, it is essential to understand the institutional arrangements in place in a particular country beyond black and white, binary distinctions (e.g. inclusive and/or exclusionary governance and the presence and/or absence of clientelism or corruption). China, for instance, has made quantum leaps in promoting economic growth and reducing poverty, but has done

so in an environment where corruption has thrived, individual rights and freedoms have been curtailed, formal property rights have not been in place, and inequality has become more pronounced. In India and Brazil, political and economic transformations have been more mutually reinforcing, but corruption has been rife and state effectiveness has suffered. That should be encouraging, since it suggests that there is room for flexibility in the short to medium term as countries seek to promote greater inclusion, even if they are confronted with important institutional weaknesses.

- Focus on realistic possibilities for reform based on what is politically and institutionally feasible. This entails designing reforms based on clear political economy and other forms of analysis and diagnostics of how governance works and why and of the opportunities for and barriers to change. It also entails the development and implementation of different reforms which can then lay the foundations for further reforms and transformations. However, it is essential to be clear about the fact that, because they are deeply political and contested, processes to promote inclusive development are characterised by ongoing uncertainty and potential setbacks. This means that there is a need to undertake contextual analysis on an ongoing basis, test hypotheses and theories of change, and monitor whether what is being tried works, so as to adapt and learn as an iterative process.
- Work differently in ways that grapple seriously with the politics of development. Among other things, interventions should be tailored in ways that are:
  - problem-driven rather than solution-based
  - grounded in contextual realities
  - locally led
  - adaptive, flexible, iterative and often entrepreneurial
  - more open to risk and failure
  - staffed with skilled and experienced people who are comfortable with the political nature of development and have deeply rooted, contextual knowledge and networks they can tap into
- Envisage a role of international development actors as enablers, brokers and convenors of locally led reform processes rather than simply as funders, directors or implementers. Directly or indirectly and given their positioning, international development organisations can make a useful, and perhaps even indispensable, contribution in helping domestic actors in both the state and society overcome institutional obstacles to transformation along different dimensions.

As discussed, some of the main challenges to promote greater inclusion are not technical or even financial but rather political in nature. Some of the biggest constraints take the form of unresolved processes of contestation and collaboration. Often co-operation among stakeholders proves impossible because there is a lack of trust or because incentives are not aligned. For instance, the short-termism that electoral politics generates among leaders – especially in countries that are ethnically fragmented and have weak and ineffective institutions – tends to contribute to a focus on narrow interests (e.g. winning elections) rather than on greater accountability or a concern for the broader public good over the long term. In such settings, international development actors may have a fundamental role to play in building trust, nudging incentives and interests, and seeking to facilitate and broker spaces for collective action (TWP Community of Practice, 2018[126]; Booth and Unsworth, 2014[127]).

Despite substantial progress in recognising development as political over the past 15 years, “thinking and working politically” or “doing development differently” remain extremely challenging

for many international development actors (TWP Community of Practice, 2018[126]). Examples of how international donors have sought to go about this kind of engagement have begun to emerge (Laws and Marquette, 2018[128]), but further learning is needed about the kinds of challenges, opportunities and dilemmas they have confronted in doing so.

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