

## Highlights of the Strategic Actors synthesis report<sup>1</sup>

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### Why a focus on strategic actors for inclusive development?

- Inclusive development is not only about macro- and microeconomic policies and outcomes, it is also about the social and political processes underlying structural transformation and, hence, about ensuring that such policies are not hindered by institutional barriers or political and economic elites.
- Making sure that *all* Africans have hope for a better future requires recognition that:
  - the structural transformation of the economy, notably in promising sectors like agriculture and manufacturing, is required to create productive employment for Africa's growing population
  - macroeconomic policies for enhancing productive employment should be accompanied by social protection schemes to enhance workers' employability and provide safety nets for those unable to work
  - strategic actors need to be identified, convinced and enabled to implement policies in favour of marginalized groups; this implies shifting the incentives and constraints that (might) withhold actors in power from taking action for inclusive development and aligning those actors who do not (yet) possess the political influence to do so.

### Definitions and scope of key concepts

#### *Inclusive development*

- Inclusive development implies more than poverty eradication. It also encompasses reducing economic, social and political inequality; while inclusive growth refers to economic growth that is accompanied by low income inequality, inclusive development addresses both the income-related and social and political inequalities that determine people's opportunities and wellbeing.
- Policies aimed at inclusive development often face challenges in implementation, because of the power relations of political and economic elites. Hence, researchers and policy stakeholders both need to ask questions not only about how authorities can make government budgets and policies more inclusive, but also why they often fail to do so, and identify the stakes of political elites in maintaining the status quo.

#### *Strategic action*

- INCLUDE initially defined strategic action as an intervention undertaken with the long-term goal of contributing to political, institutional and social change, such as creating jobs or expanding services.
- Yet, there are different views on when actions are strategic. One line of thought considers actions to be strategic when they consciously, or *intentionally*, strive for more inclusiveness. Another line of thought is that one should look at the *results* of an actor's intervention, rather than the intention, to determine whether or not the intervention advances inclusive development.

#### *Strategic actors*

- INCLUDE considers strategic actors from two perspectives:
  - The *institutional* perspective focuses on a state's strength – and its ability to promote inclusive development – as a function of the capacity of its formal institutions. It looks at which institutions need to be strengthened to achieve inclusive development.
  - The *agency* perspective tries to grasp the dynamic power connections between different actors. It focuses on which actors are strategic at a certain time in a certain change process, and what incentives can be used to influence their behaviour.

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<sup>1</sup> The full synthesis report will be published in January 2018.

- Strategic actors are actors who: (i) have formal decision-making power and are, therefore, in a position to exercise leadership (institutional perspective), and/or (ii) have the legitimacy and power to influence decision-making' (agency perspective).

Based on a literature review, the results of NWO/WOTRO and INCLUDE's research projects and insights from INCLUDE's African Policy Dialogues (APDs), nine messages for policy and practice have been formulated. These messages on strategic actors for inclusive development will form the background for the INCLUDE roundtable discussion being held in Arusha on 1 December. Discussions during the roundtable will specifically focus on *strategic actors for employment creation*.

## **Message 1: Power analyses should be central to inclusive development research and interventions**

- There is a consensus that 'politics matter' for development, but there is no consensus on what this means in practice and how political institutions can become more inclusive.
- Especially in the young democracies of Sub-Saharan Africa, electoral politics strongly affect the extent to which local needs are safeguarded. This depends on whether power is concentrated (i.e. majoritarian politics) or shared (i.e. consensus politics).
  - The research project '[Informal Workers Political Leverage](#)' reveals a close connection between party politics and the strategies of informal workers. For market queens – acting as representatives of informal traders and market sellers – party politics implies a constant balancing act. Being too strongly allied with one particular party means limiting one's opportunities to obtain services and funds after the next election, when the other party might be in charge (particularly in majoritarian systems like Ghana). Yet, retaining a certain independence is difficult when seeking to receive services and funds from the state. In Ghana, where the first-past-the-post ('winner-takes-all') electoral system entails overall changes in political rule, market queens are involved in balancing acts between aligning themselves with the ruling party to obtain the services and funds needed, but not too openly, as support for the ruling party could limit their options after the next elections if the opposing party gains power. In Benin, where the electoral system is based on proportional representation, market queens are less constrained by such balancing-acts, because political power is shared between different parties.
- Not all actors involved in inclusive development are strategic, from both an institutional and agency perspective. However, it is open to debate whether or not they *can become* strategic actors with the right supporting policies and interventions.
- International research over the past few years has strongly focused on the role of elites as strategic actors. INCLUDE's primary focus has been to identify 'unconventional' actors. The Research for Inclusive Development in Sub-Saharan Africa (RIDSSA) research groups, therefore, examine the roles that the private sector, marginalized groups and the organizations that represent them play in effecting change.
- It is one thing to diagnose power asymmetries, and yet another to include and address these power dimensions in interventions. For example, the UK's Department for International Development (DFID) has been able to include power analysis in the process of preparing interventions, but it has been far more difficult to adopt more experimental and iterative implementation approaches and to allow 'learning by doing'.

## **Message 2: Persisting inequalities hamper economic growth and development in Sub-Saharan Africa**

- There has been a clear move away from the traditional development paradigm that sufficient economic growth will eventually erode inequality. Rather, following a report of the IMF in 2014 and influential work by Thomas Piketty, Branko Milanovich and Angus Deaton, it is increasingly recognized that inequality has a negative impact on (future) economic growth and that equality-enhancing interventions have a positive impact on growth.
- The skewed geographical distribution of income and poverty in many African countries, even in countries with high growth, underscores the need for such interventions.
- A substantial number of people in Sub-Saharan Africa, especially those in conflict or post-conflict situations, live outside the protection of the law and have very limited ability to influence institutions, legal reforms and socio-economic policies. This situation especially affects women, the ultra-poor and minorities, and perpetuates national and local political institutions that are not transparent or accountable to their citizens.
- National economic (trade) interests tend to prevail over local interests. Governments are more inclined to invest in sectors that create immediate and high revenues, such as the extractive sector, but these sectors do not necessarily create productive jobs.
  - The APDs in [Kenya](#) and [Mozambique](#) emphasize a lack of commitment to supporting the agriculture sector. Low private sector credit targets for agriculture and low government budgetary allocation (i.e. lower than the ‘at least 10%’ agreed by African leaders under the Maputo Declaration) are preventing structural job creation, which is hampering inclusive development.
  - The APD in Mozambique found that revenues from export-based value chains in the extractive sector are not adequately invested in local communities. Public resources earmarked for development are inappropriately spent or misappropriated, partly due to weak institutional frameworks.
  - The research project ‘[Agricultural Partnerships](#)’ found that the Ghanaian government is more proactive in mobilizing public-private partnerships (PPPs) in the export-based cocoa value chain than in local food value chains. It remains difficult to engage the government (and, therefore, private sector actors) in partnerships such as innovation platforms (IPs), where the commercial stake is small or long-term and the participation of smallholder farmers in local food value chains is prioritized. Funding actors claim that IPs are costly, less coordinated and uncertain and prefer PPPs with clear contractual commitments and scale effects. However, in such PPPs farmers’ participation options in terms of contracting are largely lacking, raising issues concerning inclusiveness. This also implies that innovation and productivity in local food value chains is lagging, hampering the potential to create multiplier employment effects in the farm and off-farm segments of the food system.
- Commercial (business) interests do not always coincide with local needs. Companies do not always perceive inclusive development to be in their immediate interest. Although increasing in number, examples of successful inclusive business models are scarce and highly dependent on contextual drivers.
  - The ‘[Inclusive Business Strategies](#)’ research team describes *M-Pesa* – a mobile banking service launched in 2007 by Kenya’s largest telecom provider Safaricom (part of Vodafone) in cooperation with DFID – as one of the few business initiatives that has simultaneously created consumer value and producer value, while also having an overall positive impact on local economies. Its success is to a large extent due to an exceptional mix of factors coming together: commitment, strategy, a network of actors, good partners, and a growing demand for mobile banking. This context-specificity means that its success is difficult to replicate. For example, in a centralist country like Ethiopia, the largest Telecom provider, Ethio Telecom, is state owned and, hence, less incentivised

to innovate and incorporate strategies for social value creation. Whether such realized consumer value, producer value and impact on local economies contributes to inclusive development remains an open question.

- The research group on '[Agricultural Partnerships](#)' shows that the gains for private companies from becoming inclusive are often invisible and the risks perceived as too high. While governments look at the private sector for financial resources, companies look at governments for coordination and risk-sharing.

### **Message 3: Global interests may lead to local stigmatization**

- International organizations sometimes have a (albeit mostly unintentional) negative impact on local power hierarchies. This often leads to stigmatization, which hinders already marginalized groups.
  - The project on [Batwa Inclusion in Rwanda](#) shows that international NGOs and their sister organizations in developing countries use global narratives on indigeneity to refer to the Batwa communities, against the wishes of the Rwandan state and other actors. The Rwandese Community of Potters (COPORWA), the formal representative organization of the Batwa community, refers to the Batwa as the first to occupy the Rwandan territory, and is funded by international NGOs that push for indigenous rights. This push for recognition as a distinct ethnic group complicates the effectiveness of the socio-economic programmes initiated by COPORWA, because this recognition is not in line with Rwandan state policy.
  - The research project '[Economic Empowerment and Sex Work](#)' reports that, for sex workers in Kenya and Ethiopia, stigmatization has a great impact on their economic opportunities. Special attention to them as 'vulnerable' or 'marginalized' groups, also by NGOs and donor organizations, can lead to their increased visibility in society, triggering reactionary responses (e.g. homophobic or anti-sex work responses). This stigmatization means that sex workers may avoid health care services, due to fear of being punished, for example, for the possession of condoms.

### **Message 4: Actors' freedom to manoeuvre' is constrained by the institutional context**

- Political system characteristics are of critical importance for inclusive development, because they determine the development trajectory. ESID identifies three trajectories: (i) the dominant developmental trajectory is characterized by elite cohesion, a longer-term vision and a capable state; (ii) the competitive developmental trajectory has elite fragmentation, a politicized bureaucracy and is strongly influenced by ideas/paradigms; (iii) the predatory trajectory has a cohesive elite, weak state, and no, or arbitrary, rule of law. The way inclusion can be supported depends a lot on the prevailing trajectory.
- 'Exclusive' elites can produce inclusive development outcomes in the short to medium term, but there is broad consensus that inclusive development in a system of 'competitive development' (elite fragmentation, a politicized bureaucracy and strongly influenced by ideas or paradigms) is more stable and resilient in the long term.
- A study by DLP outlines preferred short- and long-term scenarios:
  - (i) in the short to medium term, more inclusive political settlements at the elite level (the competitive development trajectory) are crucial to avoid the recurrence of violent conflict and to lay the foundations for more peaceful political processes;
  - (ii) in the long term, states and societies with more open and inclusive institutions, where inclusion goes beyond elites to encompass the population more broadly, are more resilient and tend to be better governed. They also tend to be more democratic, legitimate, wealthier

and less unequal. The question of how a political system that has narrow elite inclusion can become more broadly inclusive over time remains open to debate.

- The APD in Kenya reveals that weak governance, institutional fragmentation and poor coordination prevent a comprehensive approach in formal social protection programmes. This has resulted in the duplication of interventions between national and county governments and civil society organization (CSOs), double dipping by recipients and inefficiencies in implementation.
- State institutions, such as the legal system or local and national governing bodies, can also (intentionally) restrict actors' agency.
  - As revealed by the '[Sex Work and Economic Empowerment](#)' project, the actions of state officials and justice system agents (including corruption) restrict the agency of sex workers in Kenya and Ethiopia. Yet, as sex work in [Kenya and Ethiopia](#) is criminalized, state officials and justice system agents do not have the power to change the situation of sex workers. This power resides in the politicians and lawmakers, who are capable of changing the law. This leads to inconsistencies in policy intentions and day-to-day practices.
  - In case of the Batwa in Rwanda, the research project encountered a lot of misperceptions and miscommunications between the Batwa and their local authorities. In interviews, the Batwa told the research team that they feel like they are not taken seriously by local authorities and that 'being Twa' constitutes a barrier to their economic and social inclusion, as for many it has a negative connotation. Nearly all of the Batwa interviewed wanted some control over their lives and associated self-empowerment and a dignified life with being able to exercise control in their lives, for example, by having land so that they are able to grow food for their family and not work in others' fields for payment (which is often a small portion of beans) or being able to start a small business rather than working as a day-labourer. However, they are unable to achieve these small steps on their own and need assistance to break the poverty cycle.

## **Message 5: Building alliances is crucial for strategic action**

There is growing consensus that increased participation by more (marginalized) actors does not automatically lead to more inclusive development. Building coalitions and collective action seem to have more impact.

- RIDSSA projects show that change can sometimes be driven by actors with no formal decision-making power, as long as they work together and form the right alliances.
  - The Batwa can be helped to self-empowerment if their needs and desires can be communicated effectively with national and, above all, local authorities.
  - Sex workers in Kenya and Ethiopia can improve their situation if involved in horizontal partnerships: such partnerships imply that sex workers, and sex worker-led organizations, are included in dialogue as equal partners in the process.
  - Informal trade unions and informal workers' organizations can be strategic actors for improving the position of informal workers, if they function as hubs stimulating collective action and the provision of services. Such services can range from practical issues (like having a leaking roof repaired) to structural services (like access to credit).
- Alliances can help to overcome financial constraints. The APDs in Kenya and Mozambique show that inadequate investment in capacity building by both government and multinational corporations (MNCs) affects local cut flower firms in Kenya and gas/oil exploration and extraction in Mozambique. Partnerships can help overcome such constraints when they include cost- and risk-sharing agreements.

- This is reconfirmed by the Agricultural Partnerships project, which finds that, in Ghana, companies are willing to participate in agricultural partnerships when there are clear cost-sharing, risk-sharing and contract-based arrangements. It is, therefore, crucial that the benefits of joining such partnerships are made visible to the actors involved. For governments, investing in local food value chains, rather than a sole focus on export-based value chains, has macro-economic benefits.
- Alliances can help overcome a lack of knowledge and skills to steer transformation processes. This applies to actors that potentially have the power to change, like state authorities or NGO-representatives, and that, for example, lack knowledge of the needs of informal workers or other marginalized groups. It also applies to companies and company employees, who often lack the management skills to effectively implement inclusive business models.
  - To address management skills, alliances between companies, governments and educational institutes are needed to match educational qualifications and business needs.
  - As revealed by the APD on the extractive sector in Mozambique, the educational qualifications of graduates do not match the labour demand. In particular, there are few technical schools and internship opportunities through which to acquire the experience that extractive firms require. A framework for enhanced training, especially vocational training, at the national and local level is required to enhance collaboration (PPPs) between universities, CSOs, extractive firms and government ministries that offer training and education in the extractive (and other) sectors.
  - Similar conclusions are drawn by the APD on the agricultural sector in Kenya, where capacity to develop local innovations and appropriate technologies is lacking. Collaboration between foreign firms, local firms and other actors is essential to establish an innovation ecosystem and for investment in the development of appropriate and affordable local technologies, including the digitization of agricultural production and marketing information.
  - The Agricultural Partnerships research team concludes that participation in partnerships serves as an opportunity to improve knowledge and relationships with value chain partners. Government and other value chain actors learn from the international market expertise of the companies, including how to live up to international standards. Private companies learn about the local situation to make better informed corporate decisions.

## **Message 6: Focus on trust building in inclusive development research and strategic action**

- The research projects concluded that the effectiveness of alliances is often hindered by insufficient trust between different partners, such as between private sector actors and government officials, Batwa and their local authorities, farmers and export-traders, market traders and local political officials, or between sex workers and community workers. The issue of trust is often forgotten in the formulation of inclusive development strategies.
- Building trust is intangible and a long-term process. Trust is built when partners deliver what they promise, or when partners feel that they can achieve something together. At the same time, the process of building trust is difficult to steer.
  - The project on informal workers finds that trust can be built through collective action. Therefore, unity in action, rather than unity in organization, appears to be the way forward. The project team stresses that to build trust between informal workers and government authorities, the latter need to be responsive to informal workers' needs.
  - The project on Batwa inclusion emphasizes the role played by the Church in building trust. Many Batwa feel included when involved in church activities, and this provides them with dignity. Equally



important is the belief that everyone is equal in the eyes of God and that other parishioners treat them equally in the Church context (i.e. that they feel included).

## **Message 7: There is no one-size-fits-all when it comes to strategic action**

- Being strategic not only depends on outcome and intention, but also on enabling contextual factors.
- A major conclusion from ESIDs first phase of research (2012–2016) is that positive outcomes (democracy, good governance, development) seldom come together in developing countries and that trade-offs need to be made, also in terms of sequencing.
- Building alliances for inclusive development requires a contextual focus. Examples from the research projects are the context-specificity of the success of M-Pesa in Kenya (see Message 2), the impact of the electoral system and party politics on informal workers' representatives in Ghana and Benin (see Message 1), and the impact of morality politics and governance structure on differences in the challenges and strategies of sex workers in Kenya and Ethiopia.
- Although trajectories will always be messy and non-linear, DLP identifies contextual factors that should be in place in order to foster transitions to more inclusive development:
  - Security and stability
  - Rule of law (first among elites and then across the population)
  - Basic state capacity
  - Processes of deconcentration of power
  - Leadership and vision
  - The possibility to form alliances and coalitions
  - The right and opportunity to organize politically (parties, movements)

## **Message 8: Improve the local embeddedness of strategic action**

The fact that context matters implies that inclusive development interventions are more effective when *embedded in the local community or economy*.

- The APDs in Kenya show that this is currently not the case. The dialogues stress that key elements of the flower sub-sector value chain in Kenya, such as propagation and breeding, are dominated by foreign firms, which makes it difficult for small local firms and farmers to access the technologies affordably.
- Enhancing local embeddedness also means that interventions are not solely aimed at either urban or rural areas, but also at secondary towns, as they have a major impact on local economies and are key engines of growth and employment.
- Currently, misrepresentation and miscommunication between marginalized actors and the institutions that ought to present their case prevent interventions from being based on what marginalized actors really need, such as in the case of the Batwa in Rwanda (see Message 4).
- Knowledge of the local economy is also important from a business perspective, as concluded by the 'Inclusive Business Strategies' project. Safaricom's success can be explained by its ability to bond with communities and understand local needs, as well as its strong ties with institutional and business actors (such as banks and other companies), which give it access to the diverse resources needed for social innovation. This can be qualified as a high level of social embeddedness.

## **Message 9: Research for strategic action for inclusive development**

- There is a persistent need for context-specific knowledge to guide strategic action for inclusive development. This implies knowledge about the needs and perceptions of marginalized groups, the power

relations that constrain their capacity to improve their income and livelihood, and the existing local economic structures that guide their (economic) actions. In particular, research on what works to ensure that strategic actors effectuate change is needed.

- The institutional perspective, rather than the agency perspective, dominates development interventions. As a result, development interventions often do not pay enough attention to how the agency of strategic actors can be supported or nudged, which makes them too result-oriented, instead of process-oriented.
- Taking the above into account, the ODI report on 'Adapting Development' identified three 'rules of thumb' for making development interventions more inclusive: (i) work in problem-driven and politically-informed ways; (ii) be adaptive and entrepreneurial, and (iii) support change that reflects local realities and that is locally-led.