



Ministry of Foreign Affairs of the
Netherlands

Promoting inclusiveness in the Dutch policy agenda for trade and international cooperation

Discussion note by the Ministry of Foreign Affairs
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In a debate in Dutch Parliament in October 2014, Minister Lilianne Ploumen for International Trade and Development Cooperation committed to send a letter to Parliament in Spring 2015 on the inclusiveness of Dutch projects and programmes. The letter will address *inter alia* "the problem that the most marginalised and disadvantaged groups are reached least". The letter will set out ways in which inclusiveness can be stronger embedded in Dutch programmes within the framework of current policy for trade and international cooperation. These programmes are implemented in the areas of food security, private sector development, citizen security and justice, water, sexual and reproductive rights, and climate, taking into account gender equality. In preparing this letter, the Ministry of Foreign Affairs of The Netherlands seeks the views of Dutch and international experts from universities, think-tanks, NGOs, international organisations and the business community. The key question to be answered is: what opportunities do you see for promoting inclusiveness within the framework of our policy agenda for trade and international cooperation?

High and rising inequality, an increasing concern

The Netherlands policy for Foreign Trade and Development Cooperation ¹ has two main objectives: promoting inclusive growth and ending extreme poverty. Inclusive development requires (1) patterns of economic growth in which the poor benefit above average, (2) the elimination of socio-economic and political exclusion based on group characteristics and (3) dedicated efforts to reach the most marginalised and vulnerable groups.

In policies that aim to promote inclusive development, it is critical to address increasing and high inequality. The Dutch government shares the global concern about high and rising inequality within countries. Inequality has different dimensions: apart from disparities in wealth and income, access to health, education, security and access to justice are among the important dimensions to include, as well as access to decision making and governance structures. Inequalities in these areas require policy measures beyond those that merely address income inequality. A particular challenge is horizontal inequality: the disadvantage and exclusion people suffer because they belong to an ethnic or religious minority, or have characteristics linked to gender, age, sexual orientation, disabilities or geography.

High and rising inequality makes it more difficult to translate growth into poverty reduction. Numerous studies have shown that current growth pace and patterns are not sufficient to achieve the goal of ending extreme poverty in 2030. The World Bank has simulated several scenarios, concluding that if extreme poverty is to be eradicated by 2030, it will be important to ensure that the poorest and most marginalised in every society benefit disproportionately from future growth. The slower impact of growth on poverty reduction is not the only concern: high

¹ A world to Gain: a New Agenda for Aid, Trade and Investment, 0504 2013;
<http://www.government.nl/documents-and-publications/letters/2013/04/05/global-dividends-a-new-agenda-for-aid-trade-and-investment.html>;

inequality increases social instability and insecurity and can jeopardise future growth. Additionally, research (i.a. OECD/DAC) indicates that a growing percentage of the extreme poor live in fragile and conflict-affected countries. High horizontal inequalities are a common characteristic in such countries. Fragile contexts pose an additional set of challenges related to identifying and addressing the causes of conflict and building inclusive governance structures as preconditions for social development and economic growth.

Policies promoting growth and inclusion

There is a consensus that increased growth has been the key driver of poverty reduction in recent decades, but that economic growth in itself is not sufficient to promote inclusive development and eradicate extreme poverty. In parts of the world, like Latin America, many countries have experienced both economic growth but also an increase in crime, insecurity and even inequality. Sub-Saharan Africa has registered high growth but this has not resulted in sufficient poverty reduction. It is the region with the second highest income inequality in the world, following Latin America. Effective policies increasing the benefit to the poor and marginalised groups above all aim to promote their access to education, health, justice and capital. This will enhance the return to the assets the poor possess, such as labour and land.

Key policy measures to ensure that economic growth translates in inclusive development are:

- Productive employment for the poor and marginalized
- Investing in human and physical capital
- Fighting discrimination of disadvantaged groups whose productive potential is underused
- Redistribution through taxes and transfers
- Building inclusive governance structures

Questions:

1. What policies and interventions have proved to contribute most successfully to the translation of growth into benefits for the poor? Is there a best policy mix?
2. Are specific and additional economic, political and/or social measures required to reach the most excluded and disadvantaged groups?
3. Policies and outcomes for inclusive development are the primary responsibility of national governments. How and in which specific areas can donors contribute to inclusive development? What role can civil society play?
4. How can the private sector in developing countries take the interests of the poor and marginalized more into account? Which are best practices? How can we further promote this in our cooperation with and support for the private sector?
5. Which additional policy measures and approaches are required to address (horizontal) inequalities in fragile and conflict-affected areas, and to include marginalized groups in interventions that promote stability, security and justice?

We welcome your input for our internet consultation on inclusive development:

By e-mail to be sent to consultation@thebrokeronline.eu (short opinion piece of max. 600 words)

Or on <http://includeplatform.net/> (available first week of March 2015)

In the meantime we encourage you to help us spread the word on inclusive development via twitter using this hashtag: **#Includebate**