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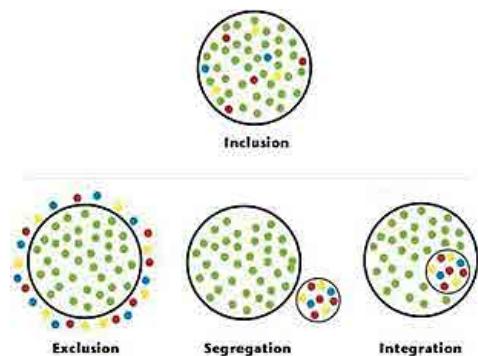
## Inclusive Territorial Economic Development

Imagine you are looking at the map of the geographical distribution of actors in a certain territory while using a different lens than usual that highlights the economically and societally marginalised areas and groups of people who have not been able to participate fully in the development process of the region. Such a map cannot usually show the characteristics of those groups and individuals, and hence the underlying reasons for their exclusion, but it could be the starting point for digging deeper and finding out. The resulting insights could encourage policy makers and supporting organisations to consider more inclusive development approaches that could



make disadvantaged groups of people in a territory more resilient, less vulnerable and at the same time increase their contribution to social and economic development. This is in essence what “inclusive territorial economic development” is all about. But what does it mean in detail and how does one ensure such a process?

**Figure 2:** Exclusion, segregation, integration and inclusion





In general, inclusiveness in development means that different groups or individuals with different backgrounds such as gender, ethnicity, origin, age, education, income and wealth, religion, physical abilities and others are economically, socially and culturally accepted, equally treated and receive the same opportunities to participate just like anyone else. An inclusive economic development process tries to make sure that an economic system is transferred from a state of partial exclusion to a state of inclusion by applying certain tools, instruments and methods. In this respect, inclusion goes beyond integration and aims at ensuring meaningful participation in networks without visible and invisible boundaries (see Figure 2 for a visualisation of these approaches). An economic development approach should encourage inclusiveness to fully utilise the available human capital of all societal groups located in the territory, hence achieving a resource-effective contribution to territorial development, which thus becomes more resilient and competitive.

But how to assure that a development process is inclusive? The degree of inclusiveness of a territorial economy (or a sector or value chain) could, for instance, be measured by the extent to which certain elements of participation are shared and distributed among the economic actors. There is a debate over what these indicators of participation should ideally be. Ownership, voice, risk and reward are used most frequently. Ownership can relate to the economic activity a person is engaged in and its key production assets such as land and production facilities. Voice (or power, for that matter) reflects the ability and its weight to influence key business decisions and business environment decisions, including access to relevant information for making those decisions. Risks include commercial risks as well as political and reputational risks. Rewards, finally, relate to the sharing of economic costs and reaping the benefits. Ultimately there is the assumption that inclusion in production and consumption will lead to more sustainable and increased income.



Other typical instruments of inclusive development are gender mainstreaming, which means addressing the typical gap of economic opportunities between women and men, or a wide array of pro-poor development instruments, particularly those that assist the poor in their struggle to move above the poverty line and remain there, either via direct interventions or via improving framework conditions.

But what exactly is the relevance of inclusiveness for territorial development, and what are its implications? There are different aspects of how inclusiveness can play out in territories.

- As in sectoral economic systems, so too in territories can deliberate choices of a more inclusive development process and outcome be made and implemented. Depending on the relevant groups previously excluded from participation and benefit sharing, the

appropriate approaches must be selected, be they the promotion of inclusive business models; ensuring gender equality in territorial development through economic empowerment initiatives for women; or linking poorer businesses in value chains, sectors or specific regions to new markets through the promotion of innovation networks, knowledge creation and market preparation.

- In these times of climate change, sustainable development has also become an imperative for territories. Here, territorial development needs to address climate change adaptation and mitigation as well as environmental pollution. As in other economic structural change processes, the economic effects of climate change on certain sectors, territories and individuals often aggravate the situation of segregation or exclusion of certain societal groups who are not resilient to external shocks.



Along these lines, poverty, gender and ethnicity are often not consistently recognised in territorial climate change adaptation plans as factors that shape the vulnerability and the adaptive capacity of marginalised groups and their economic activities.

- One of the vehicles to achieve a more inclusive economic system are “inclusive business” models, which are becoming increasingly popular. An inclusive business is a private sector-invested for-profit company which – as a second purpose apart from generating profit – provides decent employment and income opportunities, as well as products and services that enhance the living conditions of the poor, low-income groups and other marginalised groups. Inclusive business models incorporate disadvantaged groups in the company’s operations or supply chains as employees, producers and business owners (production side), and/or develop affordable goods or services needed by those previously excluded groups through thrifty innovation and distribution (consumption side). Territories can promote inclusive business ventures at the micro level by setting the regulatory framework conditions at the macro level, sensitising to the approach at the meta level and arranging consultancy and coaching structures at the meso level.

- In addition, inclusiveness in territorial development has another dimension that needs discussion and attention. Inequality and exclusion exist not only within territories (in the form of disadvantaged groups and individuals), but also between territories (in the form of disadvantaged and underdeveloped territories). Such territorial disparities are usually greater in emerging countries than in developed countries. A regional, structural development effort can be made to attempt to better balance the development of different territories within a country and to share the benefits through spill-over effects, e.g. from innovation happening in urban centres, with a positive impact on all the economic actors in those territories. In this context, for instance, the current OECD project on “inclusive innovation” is an interesting endeavour to find answers to the question: “To what extent can innovation be



mobilised to improve the life conditions of lower-income groups?" Spatial inclusiveness relates to participation in decision making at higher administrative levels, access to external public funding in economic infrastructure or R&D, outside private investment in production capacities and service facilities, facilitating connectivity between places through rural-urban linkages, etc.

In the light of the debate on systemic development efforts, it must be pointed out, though, that it is hugely critical (and for that matter, non-systemic) to choose a small group of actors in a territorial system and give them preferential treatment to make it easier for them to participate than previously. From a theoretical perspective this is understandable; however, from a humane perspective, the inclusion of marginalised groups into local economic activities, markets and growth is often a necessity and not a choice. Of course, all efforts to make a territorial economic system more inclusive need to be shaped in a way that is accepted by the system and its actors.

In our experience, there are many such opportunities and synergies that can be identified. In the short term, symptoms of exclusion can be addressed, such as lack of participation in decision making; in the medium to long term the real roots of exclusion, such as wealth, education or the population's general attitude towards minorities, need to be tackled. But again, it requires the initial effort and interest by everyone involved to look at the local territory through a different lens.

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