

# The State of Economic Inclusion Report 2024

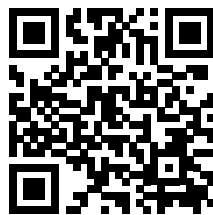
Pathways to Scale

SPECIAL FOCUS





# **The State of Economic Inclusion Report 2024**



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# The State of Economic Inclusion Report 2024

Pathways to Scale

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# SPECIAL FOCUS

## Climate-Resilient Economic Inclusion

### KEY MESSAGES

- Two-thirds of economic inclusion programs build climate resilience. The climate change and poverty agenda presents an opportunity for collaboration across diverse sectors, ministries, and implementers.
- Climate-resilient economic inclusion programs introduce adaptations and innovations in three key areas: (1) adaptive safety nets, (2) food and ecological systems, and (3) green jobs and the green transition.
- Although interest in climate-resilient economic inclusion is growing, the number of programs that comprehensively address issues at the intersection of climate and poverty is limited, and the results have not yet been fully assessed.

## Introduction

Ensuring sustainable livelihoods by building climate resilience is emerging as the next frontier for economic inclusion programming. Programs are helping participants become better able to adapt to and recover from multiple and recurrent shocks, such as pandemics and natural disasters, by building their resilience. The evidence for these initiatives is strong (refer to box SF.1), suggesting a positive impact on generic adaptive capacity, such as improvements in income security, asset accumulation, food security and nutrition, and diversification of economic activities (Andrews et al. 2021; Bhalla et al. 2024).

However, there is growing recognition that programs need to be designed to also address the medium- to long-term threat to economic inclusion posed by climate change. A new generation of climate-resilient economic inclusion (CREI) programs is needed to build specific adaptive capacity (Bhalla et al. 2024) to directly contribute to climate mitigation, to reduce the negative—sometimes unintended—impacts of climate mitigation policies, or both.

People living in extreme poverty face many environmental and natural resources management challenges, with climate change being an accelerating factor in the medium to long term. They tend to rely more heavily on climate-sensitive livelihoods, such as agriculture in rural areas and unskilled sectors such as construction in urban areas. They also commonly reside in regions more exposed to extreme events and have less-resilient or more-exposed infrastructure. These areas are also projected to be most impacted by climate change (Hallegatte et al. 2017; IPCC 2022).

In the medium to long term, environmental degradation and climate change amplify risks and exacerbate the “poverty trap,” by introducing an additional layer of stressors (refer to box SF.2). By 2030, climate change could increase the number of people living in extreme poverty by 122 million (IPCC 2022), reversing some of the progress in poverty reduction in recent decades. Climate change leads to more-frequent extreme events (for example, storms, floods, and droughts). Gradual changes or slow-onset events and inadequate natural resources management also affect lives and livelihoods (for example, sea level rise, desertification, and ecosystem degradation). Furthermore, negative spillovers can result in food insecurity among the most vulnerable populations.

Climate change also requires societies to transition to greener, less-carbon-intensive economies, sometimes called a “green transition.” This transition is necessary and desirable, but it can leave some people behind—especially those who lack the opportunities and skills to move to new, higher-skilled jobs (IPCC 2022).

Thus, governments are increasingly recognizing the need to adopt climate-resilient development strategies that holistically address the intertwined challenges of poverty and the impacts of climate change. The world’s poorest people typically lack the resources (money, physical assets, and human capital) to cope with the direct and indirect short- and long-term shocks and livelihood changes that accompany climate change. They often must cope with shocks in ways that further deteriorate their surrounding natural environment, reinforcing a vicious cycle of poverty and environmental degradation. Women in particular bear a disproportionate impact from the climate crisis, which exacerbates existing gender inequalities (refer to box SF.3). In this context, economic inclusion approaches can play an important role in addressing the challenges at the intersection of climate resilience and poverty reduction.



**BOX SF.1 Economic Inclusion and Climate Resilience: What Does the Evidence Say?**

*The State of Economic Inclusion Report 2021* conducted a thorough examination of impact evaluations across 80 programs in 37 countries. The findings highlighted the significant role played by economic inclusion initiatives in bolstering household resilience to various shocks. These programs achieved this by diversifying livelihoods and sources of income, facilitating savings and access to affordable credit, and building social networks (Andrews et al. 2021). More recent evidence also suggests positive impacts on resilience to shocks, including for women (Bedoya Arguelles et al. 2023).

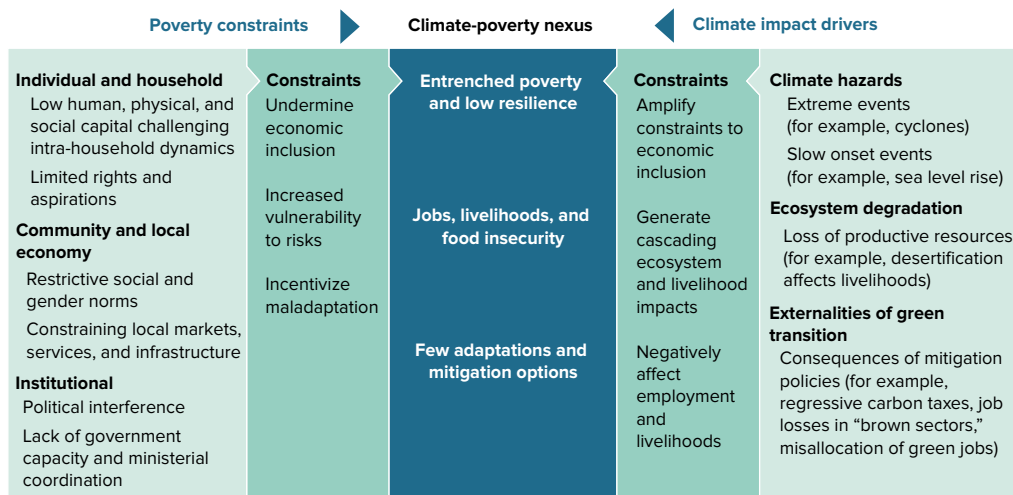
Furthermore, a recent review of a broad range of rural social protection programs (including several that include economic inclusion programs) found evidence that these programs facilitate climate adaptation, mainly through improved natural resources management and ecosystem restoration. Evidence of impact through the adoption of climate-adaptive agricultural practices and through income diversification to less-climate-sensitive livelihoods is more limited, with mixed results. Some evidence also shows that these programs contribute to climate change mitigation targets through a reduction in greenhouse gas emissions and in the easing the negative impacts of climate mitigation policies (such as fuel subsidy reform) (Bhalla et al. 2024).

**BOX SF.2 The Climate-Poverty Nexus**

The intersection of poverty constraints and climate impacts presents a complex array of challenges.

Unless addressed, the consequences for the poor population of the climate-poverty nexus are significant. As depicted in the center of figure BSF2.1, two forces—poverty constraints and climate impacts—intersect in ways that can amplify or compound each other, giving rise to a set of limiting conditions for poor people:

**FIGURE BSF2.1 The Climate-Poverty Nexus**



Source: Costella et al. 2023.

(Box continues next page)

**BOX SF.2 The Climate-Poverty Nexus (continued)**

- *Entrenched poverty and a lack of climate resilience*, in which poverty has become a fixed condition and opportunities for developing more-resilient livelihoods are scarce or nonexistent.
- *Greater job and livelihood insecurity*, characterized by a lack of consistency, predictability, and opportunities for better employment and livelihoods. This situation is exacerbated by more-widespread food insecurity arising from, among other things, more-frequent heat waves, heavy rainfall, and drought.
- *Limited opportunities for adaptation and mitigation* that do not require adopting drastic and risky changes to livelihoods, which may exacerbate poverty.

This special focus section details this emerging agenda of designing economic inclusion programs to enhance the long-term climate resilience of poor and vulnerable individuals and communities. The 2023 Landscape Survey revealed that nearly two-thirds of the surveyed programs can be loosely categorized as CREI. Despite these seemingly large numbers, however, this is still a nascent agenda, and cumulative experience with respect to positive climate-resilient outcomes is quite limited within economic inclusion programs. This section examines the landscape of CREI programs, presenting emerging experience from programs intentionally supporting climate-resilient development. As this is still an emerging area for programming, the section also draws on approaches that address other aspects of environmental or natural resources management challenges, not necessarily only those induced by climate change.

**BOX SF.3 Climate Resilience and Women’s Economic Empowerment**

Women bear a disproportionate impact from the climate crisis, which exacerbates existing gender inequalities. These existing inequalities are often tied to women’s context, agency, and access to resources (Cunningham and Gupta 2023).

Social and institutional barriers contribute to the exclusion of women from sectors such as energy, manufacturing, construction, and transport, all of which are expected to experience growth in response to climate change. Even within sectors with high female participation, women encounter barriers such as limited access to markets and value chains, disparities in credit, insurance, and savings, as well as stringent requirements for debt financing and collateral (Notta 2022).

For example, in the agriculture sector—a primary employment sector for women (UN Women 2022)—women often lack agency, depriving them of the opportunity to adopt sustainable agricultural practices that could enhance sector resilience (Erman et al. 2021). Consequently, women earn significantly lower incomes from agricultural labor compared to men. Female-headed households are especially vulnerable, with studies indicating that they experience a significantly greater income reduction than male-headed households during

**BOX SF.3 Climate Resilience and Women's Economic Empowerment (continued)**

extreme weather events (FAO 2024). Not only do women have less access to resources, they also shoulder the responsibility of finding food and water for their households. The climate crisis exacerbates this burden as securing food and water becomes increasingly challenging (UN Women 2022). Furthermore, girls are disproportionately affected by climate disasters, as household coping mechanisms often involve withdrawing girls from school or arranging early marriages (Doherty, Rao, and Radney 2023).

Economic inclusion interventions aimed at enhancing women's economic inclusion and climate resilience target barriers related to their context, agency, and resource accessibility. For instance, initiatives led by the International Fund for Agricultural Development and the Food and Agriculture Organization address harmful context-related social norms, attitudes, and behaviors through guided dialogues within families and communities as part of climate change interventions (Quisumbing et al. 2023). Similarly, Women's World Banking and the Grameen Shakti program help diversify women's livelihoods and increase their resilience to climate shocks (Liao, Barrett, and Kassam 2014). In addition, women's agency has been found to improve through self-help groups and community structures by increasing their access to information and finance (Huyer and Chanana 2021; Kumar et al. 2021; Mittal 2016). Improving women's access to financial services has also helped women invest in risk reduction, adapt to climate-resilient livelihoods, and support their recovery after climate disasters (Ubfal 2023).

## Economic Inclusion Programs as Enablers of Climate-Resilient Development

Economic inclusion programs are well placed to enable climate-resilient development by supporting climate adaptation and, in certain instances, mitigation. These programs extend beyond short-term shock responsiveness, aiming to enhance resilience over the long term, and are particularly well suited to addressing challenges posed by climate change in the following ways:

- *By targeting poor and vulnerable groups.* In both rural and urban areas, economic inclusion programs target disadvantaged and vulnerable groups, especially women, who often face greater exposure to risk and loss of livelihoods (Avalos et al. 2021). At the same time, rural poor people are often also environmental stewards, with the potential to manage natural resources effectively and sustainably (Charles, Kalikoski, and Macnaughton 2019). However, their potential for environmental stewardship is frequently undermined by systemic barriers such as lack of access to education, financial resources, and political power. Overcoming these barriers requires a multifaceted economic inclusion approach that addresses socioeconomic inequities while empowering poor communities to engage in sustainable natural resources management practices. In particular, the strong focus on community engagement makes it possible to protect and promote local, traditional, and Indigenous knowledge as a strong foundation for environmental stewardship (IPCC 2022).

- *By helping people prepare for climate shocks and reducing their vulnerability to shocks when they occur.* Programs do so by building financial and social capital through bundled, multisectoral interventions such as cash or in-kind transfers, business grants, skills training, coaching, and access to finance, including microinsurance. These interventions can help people acquire assets and savings and diversify their incomes in ways that make them better prepared to cope with and recover from shocks (Andrews et al. 2021).
- *By enhancing adaptive capacity<sup>1</sup> or natural resources–based livelihoods.* This approach includes programs that promote sustainable farming practices as well as a wide range of ecosystem management activities. Economic inclusion programs support adaptive capacity for households and communities through activities such as livestock restocking, seed transfers, training and skills development, microfinance initiatives, and grants to support the adoption of green technologies.
- *By directly building climate resilience through livelihood diversification and support for alternative income-generating activities.* As climate change reduces the productivity of natural resources–based livelihoods, those engaged in these livelihoods will need help to diversify or transition to new ones. Establishing tangible economic and social benefits is essential to increasing the uptake of climate-sensitive activities. Many of the CREI programs (a subset of economic inclusion programs) support alternative income-generating activities to encourage livelihood diversification, particularly in areas where ecosystems are under pressure from overuse (for example, nontimber forest products).
- *By helping facilitate a just transition.* An equitable and just transition focuses on a set of principles, processes, and practices that aim to ensure that no people, workers, places, sectors, countries, or regions are left behind in the transition from a high-carbon to a low-carbon economy (IPCC 2022). Economic inclusion approaches and just transitions emphasize the need to create resilient economies that address the impacts of climate change while enabling fair and inclusive transitions, protecting vulnerable communities, and fostering sustainable livelihoods for all. Cash transfers, skills development and retraining, and business capital are critical to facilitating an equitable and just transition (ILO 2023).

## A Growing Body of CREI Programs

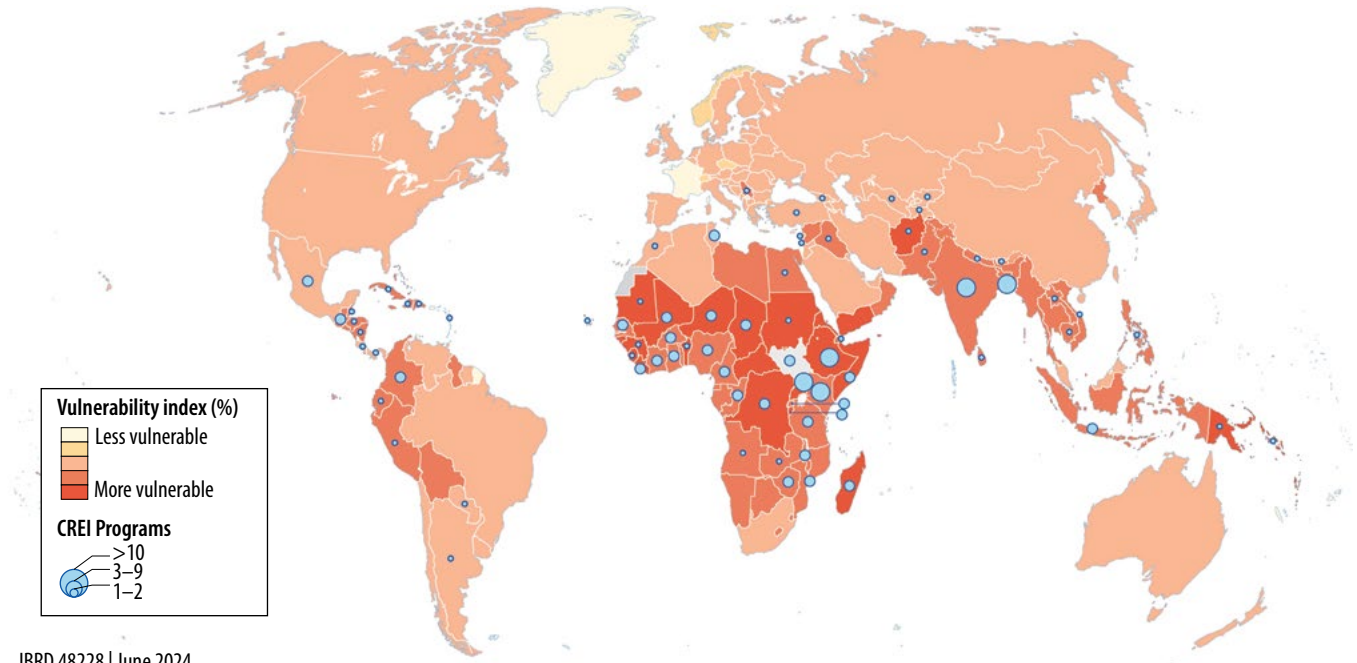
This is a growing agenda, and many economic inclusion programs are already contributing to climate-resilient development. According to the Landscape Survey 2023, 20 percent of programs cite enhancing climate resilience as a core objective, while 28 percent of programs target people affected by climate change or environmental risks. Overall, 66 percent of programs, benefiting more than 58 million individuals, incorporate some design element to help participants build climate resilience.

These elements help participants prepare for, cope with, and adapt to climate risks or contribute to ecosystem conservation and climate change mitigation efforts.

Geographically, 65 percent of CREI programs are in Sub-Saharan Africa, 14 percent in South Asia, and 10 percent in Latin America and the Caribbean (refer to map SF.1).

Despite these seemingly large numbers, cumulative experience with respect to positive climate resilience outcomes is still limited. In particular, following the CREI framework (refer to figure SF.1), there is considerable variation in (1) the degree to which programs incorporate the core principles underpinning the framework and (2) how effectively they incorporate climate-resilient activities and outcomes in program design (Costella et al. 2023).

**MAP SF.1 CREI Programs and Climate Vulnerability**

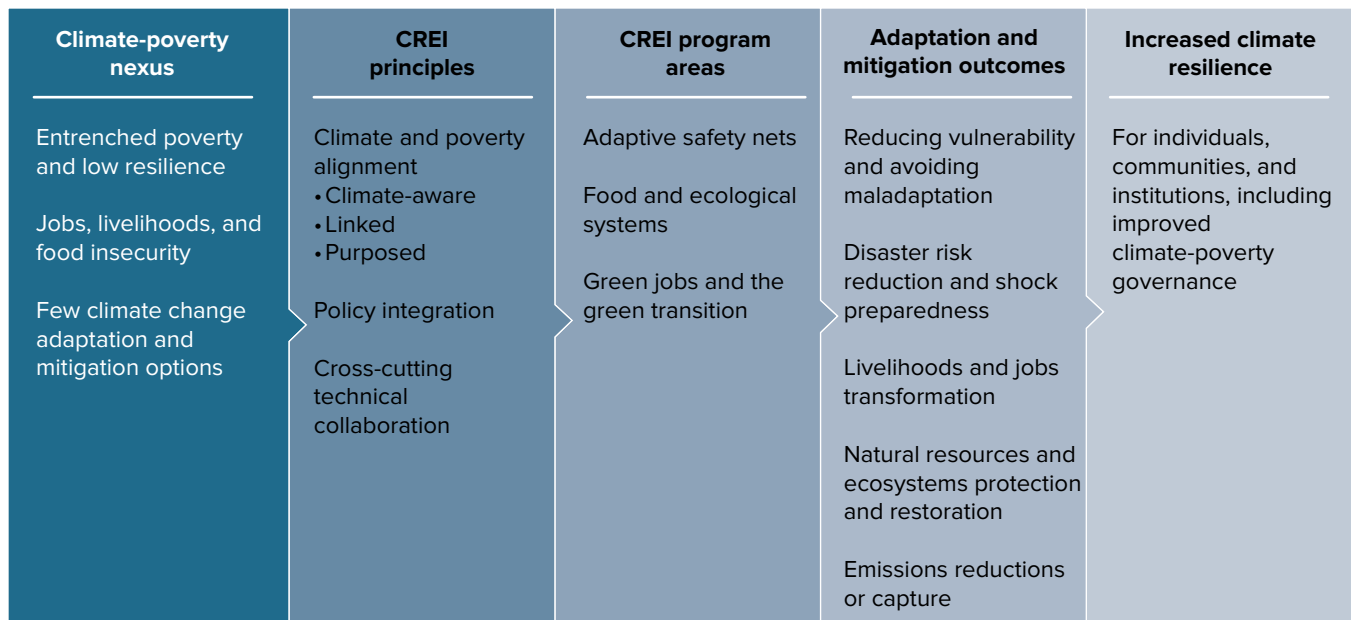


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Sources: University of Notre Dame 2023; Partnership for Economic Inclusion, World Bank.

Note: Climate data measure a country’s level of vulnerability and readiness to adapt. On the map, the darker the color, the more vulnerable a country is to climate impacts and the less prepared it is. Blue dots indicate the locations of World Bank–financed CREI projects.

**FIGURE SF.1 The CREI Framework**



Source: Costella et al. 2023.

Note: CREI = climate-resilient economic inclusion.

First, the CREI framework identifies three core *principles*: (1) climate and poverty alignment, (2) policy integration, and (3) cross-cutting technical collaboration (refer to figure SF.1). Adherence to these principles helps ensure that economic inclusion interventions reduce vulnerability by enabling targeted populations to navigate the climate and poverty risks and avoid contributing to maladaptation. At this early stage, however, only a few of the surveyed programs comprehensively incorporate all three principles.

For the first principle, CREI programs align climate and poverty objectives with varying levels of intensity. Some programs acknowledge the intersection of climate change and policy, some establish a link to climate-affected groups, and others systematically address the interaction between climate change and poverty through concrete objectives and components. CREI programs can thus be categorized as climate aware, climate linked, or climate purposed.<sup>2</sup>

- *Climate-aware programs* (53 percent) acknowledge climate risks but do not comprehensively integrate climate and poverty considerations into their objectives, components, or targeting.
- *Climate-linked programs* (25 percent) acknowledge climate risks and target those people affected by climate change. However, addressing climate and poverty considerations is not a primary objective and is not fully aligned with project outcomes.
- *Climate-purposed programs* (22 percent) have the highest level of climate-poverty alignment. They comprehensively assess and address the intersection of climate and poverty by explicitly incorporating climate objectives into their activities and targeting.

At a minimum, adhering to the alignment principle would signify that programs avoid maladaptive outcomes. *Maladaptation* refers to actions that, often unintentionally, may lead now or in the future to an increased risk of adverse climate-related outcomes, including through higher greenhouse gas emissions, a greater or shifted vulnerability to climate change, more inequitable outcomes, or diminished welfare. For example, interventions that aim to increase agricultural production by poor people must consider potential environmental impacts such as soil contamination or degradation, overexploitation of water aquifers, deforestation, and biodiversity loss. However, avoiding maladaptation is not enough to be considered climate purposed. Climate-purposed programs are capable of transformational change and reduce the risk of unintended consequences or maladaptation.

Second, the CREI framework also recognizes that programs vary in how they incorporate climate-resilient activities and outcomes. Programs can be loosely categorized into three *program areas*: (1) adaptive safety nets, (2) food and ecological systems, and (3) green jobs and the green transition (all described in box SF.4). These program areas draw on the World Bank's portfolio of economic inclusion programs and are motivated by the recent Intergovernmental Panel on Climate Change report (IPCC 2022). CREI programs may fall into more than one program area because of the multidimensional nature of economic inclusion programs and the interplay between climate and poverty risks.

**BOX SF.4 Climate-Resilient Economic Inclusion Program Areas**

Of the three Climate-Resilient Economic Inclusion (CREI) program areas, 38 percent focus on adaptive safety nets, 86 percent on food and ecological systems, and 35 percent on green jobs and the green transition.

- *Adaptive safety net programs* build resilience by helping poor and vulnerable households prepare for, adapt to, and cope with climate-related shocks. These programs bring together social protection, disaster risk management, and climate change adaptation to build household resilience to both extreme and slow-onset climate events (Bowen et al. 2020). Typical economic inclusion programs in this area include interventions that combine anticipatory cash transfers related to specific shocks, access to climate risk information (including early warning systems), access to disaster insurance, and public works programs with a focus on disaster risk reduction. These interventions can be combined with those that help build a savings and asset base (for example, skills training, livelihoods diversification, and financial services).
- *Food and ecological systems programs* reduce the vulnerability and exposure of people with climate-dependent livelihoods (for example, crop production, forestry, and fisheries), especially to gradual environmental changes such as drought and rising temperatures. These programs promote practices that preserve and restore natural resources and help shift employment toward diversified nonagricultural job opportunities. Typical interventions include technical and financial support for sustainable and enhanced value chains in climate-dependent sectors, such as climate-smart agriculture and agroforestry. Other interventions are “nature-based solutions” that promote the use of natural features and processes to tackle socioenvironmental issues, such as the planting of mangroves, which reduces the impact of storms and supports biodiversity (refer to box SF.6). CREI interventions in this program area often include training, livelihood diversification, business capital and financial services, access to climate risk information relevant to economic activity, and access to cleaner energy sources.
- *Green jobs and the green transition programs* can help households move from extractive or climate-sensitive work to greener sectors and cope with the transition. Typical interventions are training, coaching, mentoring, and other forms of skills development; access to wage employment in green (or climate neutral) jobs, including job search and placement; access to financial services and business capital; access to cleaner energy and technologies for cooking and transportation; and compensation of households affected by the shift away from carbon-intensive industries. These programs stress the need for a just transition to ensure that no people, places, sectors, countries, or regions are left behind in the transition from a high-carbon to a low-carbon economy.

## Climate-Resilient Programs Tackle Climate Change and Poverty by Design

A new frontier is emerging across the social protection, environment, and agriculture sectors. Several programs, both government- and nongovernment-led, are moving in the

direction of climate-purposed programming. Building specific adaptive capacity (Bhalla et al. 2024) requires critical adaptations. This section describes program-level insights on targeting approaches, adaptations to core economic inclusion components, and innovations with respect to new components.

These insights can play a role in how CREI programs build stronger climate-poverty alignment across all three program areas, moving from programming that simply acknowledges climate challenges to programming that actively facilitates climate change adaptation and mitigation. As this is still an emerging area for programming, this special focus section also draws on approaches that address aspects of environmental or natural resources management challenges, and not necessarily only those induced by climate change.

### Targeting Strategies Incorporate Both Poverty- and Climate-Related Measures

The flexibility inherent in economic inclusion programs is important because it enables CREI programs to serve diverse target groups in a variety of contexts, showcasing their ability to address evolving challenges posed by the climate-poverty nexus.

When targeting program participants, CREI programs typically incorporate both poverty- and climate-related criteria. Specific targeting approaches may depend on whether programs are household- or area-focused, as discussed in chapter 2. As outlined in table SF.1, adaptive safety nets and green jobs and green transition programs take a household-focused approach, whereas food and ecological systems programs adopt an area-focused approach.

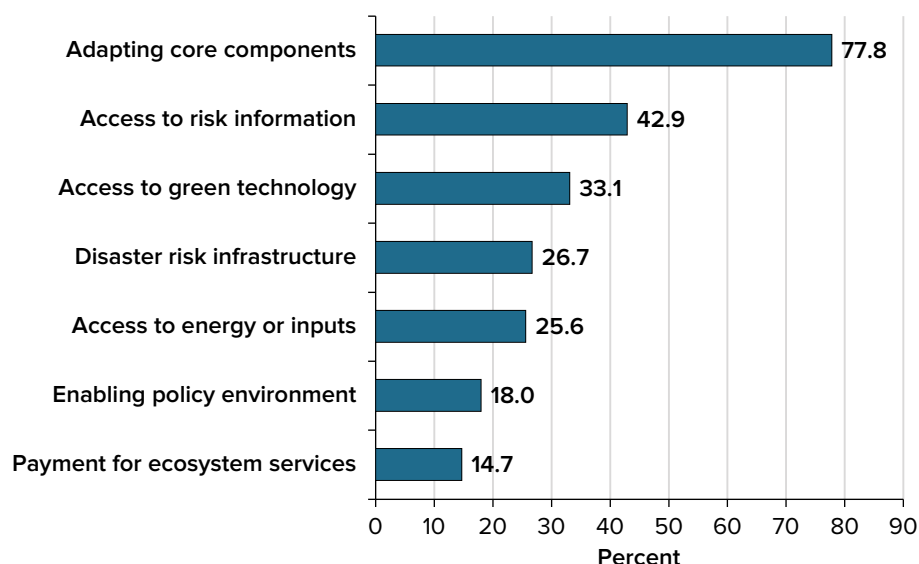
- *Household-focused CREI programs* commonly target households that are both poor, or at risk of falling into poverty, and vulnerable to climate-related shocks. For example, in Djibouti the Social Protection Emergency Crisis Response Project relies on a combination of community-based and proxy-means-targeting mechanisms to target poor and vulnerable households affected by overlapping crises, such as drought and food and fuel price increases, and those affected by conflict. Although traditionally focused on extremely poor and vulnerable people, some economic inclusion programs address the impacts of climate change by expanding to include the “near-poor”—individuals or communities teetering on the brink of extreme poverty due to climate-related effects. Workers who may be transitioning out of extractive industries may be targeted as well.
- *Area-focused CREI programs*, typically centered on food and ecological systems, often adopt targeting strategies that are geographic and natural resources based. Environmental programs, in particular, often use watershed- or landscape-based approaches in which targeting entails careful identification of populations in regions aligned with conservation objectives related to soil and land, forest resources, groundwater, and small-scale fishing. Area-focused programs tend to consider all people residing in a targeted geographic area as eligible for participation. When a program has conservation or restoration objectives, it may also extend eligibility to communities that reside just outside of the targeted geographic area. This approach is evident in programs seeking to protect and restore mangroves in the Mangroves for Coastal Resilience Project in Indonesia, forests in the Natural Resources Management Project in Senegal, reserve grasslands in the Local Development and Adaptation Project in Chad, and coastal communities in the Forest Sector Modernization Project in Viet Nam. In all of these countries, local populations often depend on protected areas for their economic needs, thereby exerting direct pressure on the ecosystem.



**TABLE SF.1 Targeting Criteria for CREI Programs**

Targeting criteria	Household-focused programs	Area-focused programs
CREI program area	Adaptive safety nets Green jobs and green transition	Food and ecological systems
Target population	Poor (or near-poor) households that are vulnerable to disasters or climate-related risks	All household residents in a geographic area, identified from a landscape, natural resources management, or ecological system perspective
Targeting mechanisms	Means-testing, proxy means-test, community based, self-targeting (many programs will also overlay geographic criteria)	Geographic (including watershed- or landscape-based approaches), community based, self-selection, categorical

Source: Original table for this publication.

**FIGURE SF.2 Design Adaptations of CREI Programs**

Source: Partnership for Economic Inclusion, World Bank.

Note: Figure shows the percentage of CREI programs ( $N = 266$ ).

In some programs, especially disaster risk reduction programs that focus on preparedness efforts in disaster-prone communities, both household- and geographic-targeting approaches are used to understand climate exposure and distinguish the temporarily poor from the chronically poor populations. Such targeting requires incorporating poverty, disaster, or other climate-related vulnerabilities in the criteria for selecting beneficiaries. For example, programs in Burkina Faso, northern Cameroon, Chad, Mali, Niger, and Senegal have used both proxy means-testing and community-based targeting once geographical targeting had been applied.

### Programs Adapt Core Components and Introduce New Innovations

Seventy-eight percent of CREI programs either modify existing components or introduce new elements to address specific climate-poverty constraints (refer to figure SF.2). They

may also integrate innovations tailored to pursue climate-resilient outcomes, with the approach depending on the program area. As the survey does not provide sufficient information to identify how comprehensively these adaptations align climate and poverty objectives or how effective these are in achieving positive climate outcomes, this section draws on a qualitative review of selected programs to highlight interesting cases.

### Adapting Core Components for Climate Resilience

Among CREI programs, 78 percent modify some of the core components of economic inclusion programs, such as transfers, training and coaching, business capital, group formation (savings groups and producer organizations), and market links (refer to chapter 2), in order to help participants better adapt to climate change and, in some cases, advance climate mitigation.

- *Transfers.* Most economic inclusion programs include a cash transfer component (52 percent of CREI programs); the adaptation in CREI programs is to introduce emergency cash transfers or top-ups associated with child nutrition and food insecurity challenges. Cash is one of the most effective ways to reduce vulnerability and increase the agency of people affected by crises. Weather-responsive anticipatory cash transfers—using forecasting models, remote sensing, and mobile banking to deliver cash to affected households—are proactive measures in anticipation of disasters such as floods. Growing evidence indicates that anticipatory cash transfers can boost food security and resilience and can be more cost-effective than humanitarian assistance after a climate event (Balana et al. 2023; IRC and IFPRI 2023; Pople et al. 2021). Furthermore, cash-for-work and other public works programs are increasingly incorporating natural resources interventions to reduce the risk of a climate disaster. For example, Ethiopia’s Productive Safety Net Program, one of the largest social protection programs in Sub-Saharan Africa, includes a public works component that employs food-insecure farmers during the slack season. This component has successfully integrated activities such as tree planting and soil and water conservation measures to mitigate the impacts of climatic and food insecurity risks (Andersson, Mekonnen, and Stage 2011).
- *Training and coaching.* Training and coaching are fundamental components of nearly all economic inclusion programs; CREI programs tweak these to build climate resilience. In adaptive safety net programs, the integration of climate messaging into training sessions for front-line coaches and program participants is a key focus. This effort can extend to psychosocial training, in which behavioral interventions empower individuals to recognize both the causes and consequences of climate change, facilitating a shift in norms. In Chad, for example, the Local Development and Adaptation Project promotes literacy courses paired with environmental education on biodiversity to increase behavioral change in the management of natural resources. In food and ecological systems programs, training and coaching help participants move toward more-sustainable farming practices as well as alternative income-generating activities (refer to box SE.5). In Côte d’Ivoire, the Forest Investment Project and in Benin, the Gazetted Forests Management Project, successfully trained participants in developing jobs in nontimber forest products, including beekeeping and shea and mushroom production, effectively reducing deforestation among forest-dependent communities. Furthermore, Concern Worldwide’s Graduation Program in Malawi provides training in climate-smart agriculture, home gardening, and food budgeting, thereby reducing food insecurity challenges.

### **BOX SF.5 Farmer Field Schools Build Climate Resilience**

CREI programs in agriculture often target farmers, youth, and unemployed individuals, offering climate-smart agriculture practices at subsistence levels or across the value chain. Training may be facilitated through farmer field schools, producer groups, and traditional vocational training centers.

In Morocco, the government's Green Generation Strategy uses farmer field schools to provide technical assistance to groups of 15–30 farmers through hands-on learning and problem-solving sessions in local contexts using demonstration plots. This training streamlines climate-smart practices by emphasizing modern irrigation techniques, proper seed selection, and the rational use of fertilizers and agrochemical treatments for maize farmers, resulting in yield increases, and by promoting conservation agriculture or no-till systems, which have substantially improved cereal yields. Training also targets female farmers to improve bean cultivation by reducing insecticide use; increasing awareness of the importance of pollinators; and enhancing goat's milk production practices and establishing cheese-processing units for women's cooperatives, thereby improving both the quantity and quality of milk produced. Those designing such training should tailor information, content, and priorities to the local gender-specific needs (Chocholata 2020).

Farmer field school-style training can also be found in environment programs, such as in Indonesia, where a program opened mangrove rehabilitation field schools in each village to build community skills, knowledge, and critical thinking around mangrove rehabilitation.

- *Business capital.* By offering business capital and support for business plan development, CREI programs promote sustainable, local, and “green” or “blue” businesses. For example, the Resilient Landscape Restoration Project in the Kyrgyz Republic supports farmers, small entrepreneurs, and vulnerable community members in regions prone to climate-induced mudflows, offering entrepreneurial training, business plan development assistance, and the establishment of market links to produce climate-smart and natural resources-based products using locally available and leftover raw materials. CREI programs may also combine business grants with skills training to enable participants to invest in sustainable or green income-generating activities or away from traditional livelihoods. For example, the Communal Climate Action and Landscape Management Project in Burkina Faso promotes entrepreneurship and sustainable technology in green economy value chains such as shea, moringa, baobab, néré, and medicinal plants. The program directly supports producer organizations, often comprised mostly of women, to strengthen their capacities to capitalize, transform, and market high-quality products. This support includes training and acquiring inputs and equipment (such as production kits, modern irrigation systems, storage capacity, and clean energy solutions). For select value chains, the program also facilitates dialogue with financial institutions and the certification of products.
- *Savings groups and producer organizations.* These components are also being adapted to bolster climate resilience. Savings groups such as Village Savings and Loan Associations can provide a buffer against the impacts of climate shocks on household finances and livelihoods (SEEP 2021). Savings groups also support adaptation and livelihood diversification. For example, some groups have helped their members invest directly in productive agricultural technologies and solar energy products to improve food and energy security. Producer organizations have a distinct advantage because they can offer a coordinated, quick, efficient, long-term response to the impacts of climate change

largely due to the close cooperation of farmers, enabling effective resource management. Producer organizations can also facilitate the adoption of sustainable production practices (Groot-Kormelinck et al. 2022). For example, in Bolivia, from 2012 to 2023, the Rural Alliances II Project, PAR II, encouraged small-scale farmers to participate in more than 1,700 rural producer organizations to enhance food security, market access, and the adoption of climate-smart agricultural practices to improve soil health, enhance irrigation efficiency, and rehabilitate degraded lands. In a similar effort, the Corredor Seco Food Security Project in Honduras supports small-scale rural producer organizations by providing extension services and introducing high-value crops, environmental management techniques, and climate-smart technologies. These efforts have resulted in the adoption of climate-smart technologies by almost 8,000 farmers.

- *Market links.* Market-based approaches, which play an important role in promoting the diversification of sustainable livelihoods, are integrated into several CREI programs. Communities are more likely to endorse climate resilience and conservation objectives when they are supported by income-generating activities linked to local value chain investments. For many CREI programs, this work entails incorporating value chain and localized market assessments into project design. For example, in Indonesia, the Mangroves for Coastal Resilience Project conducts rapid local market assessments to inform the design of training and equip participants for engaging in livelihood activities aligned with mangrove conservation and rehabilitation. In Côte d’Ivoire, to promote climate-friendly beekeeping and honey production, the Forest Investment Project conducted a market study to identify sources of demand, explore packaging and labeling options, and assess certification possibilities. Some programs go a step further by conducting specific “green” value chain assessments. Such assessments are increasingly important for identifying sustainable and unsustainable practices, prioritizing skills training needs, assessing economic viability, recognizing stakeholders, addressing gendered aspects, establishing links to service providers, and evaluating climate risks.

#### **BOX SF.6 Potential for Nature-Based Solutions within CREI Programs**

Nature-based solutions (NBSs) have gained traction in recent years due to their potential to promote sustainable development and reduce disaster risks (Van Zanten et al. 2023). NBSs leverage or mimic natural processes, often in combination with gray infrastructure, with the objective of strengthening climate resilience while providing environmental and socioeconomic benefits (Trohanis et al. 2023). NBS projects include urban forests or green roofs, the natural restoration of inland wetlands, living shorelines, agroforestry, and the restoration of mangroves and coral reefs.

Economic inclusion programs in coastal, forest, and farmland settings can adopt inclusive NBS approaches to integrate marginalized groups into sustainable resource management and livelihood activities. These groups often depend on the local livelihood benefits of NBS, such as the provision of food and raw materials, skills training, and job creation. For example, the Mangroves for Coastal Resilience Project in Indonesia aims to rehabilitate and manage mangroves through a cash-for-work program that includes training, enterprise support, and access to finance and markets to diversify livelihoods coupled with policy and institution strengthening, the promotion of sustainable mangrove management, and mangrove rehabilitation field schools. Mangroves play a vital role in coastal ecosystems by providing an essential habitat for various species, safeguarding coastlines from erosion and storm damage, sequestering carbon, and bolstering local economies through fisheries and tourism.

## Introducing New Components and Innovations

Increasingly, CREI programs are incorporating new components and innovations that support both adaptation to climate change and mitigation of climate change. Among these are access to risk information, climate risk insurance, payment for ecosystem services, green technology, and land tenure access:

- *Access to risk information.* Providing information about impending risks, including through early warning systems, is becoming a more-prominent element of CREI programs (43 percent). In the Sahel, the Pastoral Early Warning System regularly tracks drought in West Africa using satellite images and geospatial technologies. Adaptive safety net programs use information from early warning systems to trigger a scale-up in social protection as a response to or in anticipation of a climate shock, depending on its expected severity. In Malawi, the Social Support for Resilient Livelihoods Project introduced a disaster-risk-financing mechanism based on remote-sensing data to scale up its Social Cash Transfers Program in the event of extreme weather-related shocks, initially drought.
- *Climate risk insurance.* Twenty percent of CREI programs use climate risk insurance mechanisms to help households and communities recover from the effects of natural catastrophes. Parametric insurance, also known as “index-based insurance” (refer to box SF.7), is gaining in popularity. For parametric insurance, payouts are based on a set of predefined parameters such as level of rainfall, temperature, humidity, or crop yield. Because payouts are based on these parameters rather than actual loss or physical damage, payouts can be made more quickly, avoiding a distress sale of assets and deepening poverty following a disaster (Hermann, Köferl, and Mairhöfer 2016). Parametric policies are being introduced at the microinsurance level and sold directly to the consumer via mobile technologies.

### **BOX SF.7 A Rise in the Use of Parametric Insurance**

Parametric insurance is rising in popularity across economic inclusion programs. For example, in Ethiopia, Oxfam and the World Food Programme are targeting households enrolled in the Productive Safety Net Program (PSNP) to participate in the Rural Resilience Initiative (R4), a donor-funded, index-based microinsurance program (World Bank 2013). Complementing the PSNP’s public works focus, the R4 program has introduced an “insurance-for-work” scheme into its operations. This scheme gives poor farmers the option to pay for insurance through public work projects that build climate resilience and agricultural productivity.

In the event of a seasonal drought, automatic insurance payouts (currently donor funded) are triggered if rainfall drops below a predetermined threshold. These payouts enable farmers to afford the seeds and inputs needed to plant in the following season and protects them from having to sell off productive assets to survive. As parametric insurance gains popularity, several nongovernmental organizations are exploring ways to incorporate climate risk microinsurance components into their economic inclusion programs.

- Payment for ecosystem services.* Fifteen percent of CREI programs have components related to payments for ecosystem services (PES). In PES schemes, governments and donors use financial incentives to compensate landowners for managing land and natural resources sustainably, providing global public goods and positive externalities that benefit others. PES plays an important role in financing restoration, reforestation, and soil and water conservation activities in various countries, addressing challenges such as climate change, land degradation, desertification, and food insecurity (Adjognon, van Soest, and Guthoff 2021; Tirivayi 2017). For example, in the Support Forest Conservation and Sustainable Livelihoods Project in Mozambique, the PES scheme led to the adoption of more-sustainable practices such as beekeeping and agroforestry, reducing overall levels of deforestation (FAO 2023b). Commonly applied in agriculture, forestry, and fisheries, PES schemes often extend beyond environmental goals to include social protection and sectoral objectives by, for example, providing income support and compensation to help the rural poor and other vulnerable households transition to more-sustainable agricultural or conservation practices. In Burkina Faso, the Gazetted Forests Participatory Management Project for REDD+ uses a PES scheme to support forest communities and farmers with cash transfers conditioned on afforestation and reforestation initiatives. This program has brought immediate food security benefits with potential long-term benefits in income-generating opportunities.
- Green technology.* Thirty-three percent of CREI projects introduce green technologies into program interventions, especially in the food and ecological systems program areas. These initiatives contribute to environmental sustainability, especially in lowering emissions from farming and other climate-intensive sectors. For example, the Local Development and Adaptation Project incorporated solar panels to power water pumps in deep wells, providing clean drinking water for vulnerable women, youth, and pastoralists in and around Chad's Ouadi Rimé-Ouadi Achim Wildlife Reserve. For example, in Viet Nam, the Forest Sector Modernization and Coastal Resilience Enhancement Project included the adoption of advanced spatial planning tools as well as the modernization of seedling production using advanced technology such as tissue culture to produce high-quality seedlings, both common fast-growing species and native species. As the costs of low-carbon green technologies decline, there is increased potential to increase the adoption of this component into CREI programs.
- Land tenure access.* Several CREI programs are addressing the role of land tenure and resource use rights in providing incentives for sustainable land management. Often, the resource-dependent poor lack voice and agency, do not have access to information about their land and resource rights, and are not represented in resource-related decision-making processes (Cotula 2021). This issue is particularly relevant in Africa, where conflicting land rights undermine incentives for land-based investments, especially for women. For example, in Burundi, the Landscape Restoration and Resilience Project issued more than 100,000 land certificates, with more than 70 percent going to women. Legal ownership of land has allowed women to obtain more-equitable access to project activities, such as training in climate-smart agriculture techniques such as terracing, the use of improved seeds, and nature-based solutions that respond to flooding. Land titles have also helped women secure loans for income-generating activities.

## **For Successful Program Delivery, Collaboration Is Needed Across Diverse Sectors, Ministries, and Implementers**

In implementing CREI programs, effectively addressing the intertwined challenges of poverty and climate change depends on integrating strategic programs; collaborating across diverse sectors, government levels, and stakeholders; and emphasizing localized delivery strategies. While these challenges are common to all economic inclusion programs (refer to chapter 4), these are pronounced for CREI programs.

### **Program Convergence to Achieve Poverty and Climate Objectives**

Program convergence, or the integration of two or more programs, is important for strengthening the climate resilience of poor and vulnerable people.<sup>3</sup> When two or more programs overlap in objectives, targeting criteria, participants, or geographic scope, it may be appropriate to either integrate or align their program components. For example, there is opportunity to improve links between food and ecosystem activities and adaptive safety net schemes in many contexts (FAO 2017). Although adaptive safety nets are usually designed to reduce poverty and food insecurity in rural areas, they could be further developed to stimulate both productive investments in agriculture and the protection and sustainable management of natural resources. Examples of successful joint programs include social protection and forestry initiatives in India, Paraguay, and Rwanda (FAO 2023a), where existing programs merged to reduce the vulnerability of forest-dependent communities, enhance economic inclusion, and promote sustainable development.

At times, aligning separate programs may prove more beneficial than designing a joint program. Aligning programs typically involves coordinating and harmonizing different initiatives delivered in the same location. An example is in Tanzania, where the Tanzania Social Action Fund is cooperating with the Private Forestry Program to support tree growers and vulnerable groups through the fund's conditional cash transfers and public works programs (FAO 2023a).

### **Collaboration to Facilitate Integration Across Sectors**

As discussed in chapter 4, economic inclusion programs require strong collaboration across sectors, levels of government, and different stakeholders, including NGOs, civil society organizations, and the private sector. This collaboration is especially important for CREI programs, where more collaboration is needed to bring together social, environmental, agricultural, and climate-related actors to address the climate-poverty nexus. Cooperating and co-learning across sectors and organizations will help speed the integration of climate resilience and economic inclusion objectives and help ensure that outcomes are sustained. A common finding emerging from case studies (Costella et al. 2023) is that a broad network of partnerships is needed to carry out climate action that mitigates vulnerability.

To overcome the climate-poverty challenge, ministries and their respective stakeholders responsible for social protection, agriculture, environment, risk management, and energy, among other sectors, must work together. Creating space for dialogue is an important first step in cultivating interministerial and cross-sectoral collaboration. Several CREI programs encourage collaboration among ministries or agencies (refer to box SF.8). For example, in South Sudan, the Productive Safety Net for Socioeconomic Opportunities Project is implemented by the Ministry of Agriculture and Food Security and by the Ministry of Gender, Child, and Social Welfare. This collaboration reinforces the links between food security and social protection and strengthens the policy dialogue on climate adaptation and mitigation. Institutionalized inter- and cross-sectoral ministerial coordination mechanisms are needed to promote this level of collaboration.

The climate-poverty agenda also emphasizes the need to leverage broader networks of partners. For NGOs and members of the private sector engaged in CREI programming, climate resilience has become an explicit part of their strategies and, in many cases, a fundamental aspect of program design. At the same time, many NGOs engaged in these programs are relatively new to this domain and are in the early stages of building in-house capacity or collaborating with partners with expertise across sectoral areas. These partnerships can yield unintended but significant spillovers. For example, in Rwanda a program led by Concern engaged a climate-focused implementer for an agroforestry activity. Not only was the implementer better equipped for this task, but they also had strong ties with the Ministry of Environment and were able to generate additional interest in the economic inclusion approach.

#### **BOX SF.8 Building Climate Resilience through Partnership: An Example from Burundi**

The Landscape Restoration and Resilience Project in Burundi works to alleviate pressure on forests through better land use planning, higher land productivity, and erosion control measures. The project, which uses a community-led participatory approach, involves all major stakeholders in decentralized decision-making, thereby ensuring the participation of local communities, including women, youth, and Indigenous Batwa people, in resource-related decisions. Aligned with the government's long-term development strategy, the project collaborates with strategic development partners to scale up agricultural innovation and improve local delivery.

In addition, Alliance Bioversity International provides improved seeds that are resistant to climate change and with a higher nutritional value. Meanwhile, the Food and Agriculture Organization helps establish farmer field schools and provides the expertise needed to improve land productivity and integrate agriculture-nutrition initiatives.

Finally, the University of Burundi supports training initiatives for establishing terracing, bioresource engineering measures, and water-harvesting technology. This comprehensive collaboration exemplifies a government-led program that harnesses the expertise of various international cooperation agencies.



## Localized Delivery for Long-Term Sustainability

Addressing challenges to climate resilience requires leveraging Indigenous and local knowledge by engaging local leaders and communities deeply rooted in their local contexts. These actors best understand the prevailing vulnerabilities and their drivers, as well as how climate change may be influencing them. However, local leaders have not been consistently involved in existing adaptation efforts (IPCC 2022). In recent years, the Global Center on Adaptation developed a set of principles to strengthen locally led adaptation (LLA), which has been endorsed by more than 100 organizations (GCA 2021). Under LLA, authority and control over resources are devolved to local actors, and local institutions are strengthened so they are inclusive, agile, and responsive in view of the uncertainties of climate change. Ensuring the participation of marginalized and climate-vulnerable groups in the design, planning, and implementation of CREI initiatives can foster program ownership and long-term sustainability.

A proponent of LLA, BOMA and its REAP for Climate Resilience program tailor graduation interventions to address climate and poverty challenges in Africa's drylands, including Ethiopia and northern Kenya. REAP for Climate Resilience is locally developed and managed, empowering participants to establish green businesses, actively contribute to local conservation efforts, and engage in climate mitigation strategies, including the establishment of tree nurseries. Successful programming also relies on integrating Indigenous knowledge, such as in Ecuador and Guatemala, emphasizing the importance of local wisdom, such as traditional forest management practices, in strengthening the effectiveness of climate-resilient initiatives.

## What Will It Take to Scale Up Climate-Resilient Economic Inclusion?

To realize the full potential of economic inclusion programs for climate-related development, adjustments in program design and implementation are essential, supported by a robust innovation and learning agenda and with scale-up made possible through sustainable financing.

The design and delivery of CREI programs should aim to incorporate the core principles of integrating climate and poverty objectives and fostering cross-sectoral collaboration, as follows:

- *Climate and poverty alignment.* Policy makers should prioritize programs and interventions that directly target the climate-poverty nexus. Ideally, programs should be climate purposed, explicitly incorporating climate-poverty objectives into their targeting and activities (including by adapting components typically used in economic inclusion or introducing new and innovative components to build specific tools and skills to adapt to or mitigate climatic threats).
- *Cross-cutting collaboration.* Effective collaboration mechanisms among the relevant departments, partners, and ministries (such as social protection, agriculture, and environment) are necessary to design and implement effective CREI integration at the policy and program levels. The following aspects are important:

- *Program convergence.* Explore opportunities for greater convergence in CREI programming, especially where synergies exist among programs with overlapping objectives, targeting criteria, participants, or geographic scopes.
- *Local partnerships.* Engage local communities, NGOs, and private sector implementers with expertise in addressing climate and poverty challenges.
- *Inclusive planning and implementation.* Ensure the active participation of marginalized and climate-vulnerable groups in the design, planning, and implementation of CREI initiatives. This approach fosters program ownership and contributes to long-term sustainability by reinstating these groups as environmental stewards.

Scale-up will require addressing both technical and political considerations. Although not always feasible, program sustainability is more likely when activities align with national climate, environmental, and social protection policies. Some CREI programs are moving in this direction.<sup>4</sup> Managing the political economy of introducing, adapting, and scaling up these programs would require managing expectations given the long time frame of many interventions, resolving differences of views about competing policies,<sup>5</sup> and building a broad coalition of support.<sup>6</sup> A key aspect of CREI programs is the potential for, and challenge to, international policy coordination, especially for countries affected by regional climate shocks or the environmental decisions made by other nations (for example, territorial disputes over water management).<sup>7</sup>

Scale-up also requires a solid evidence base. A dual-track learning agenda is required to inform this growing agenda, with respect to both operational guidance and a deeper understanding of the impact of CREI programming. This dual track agenda includes the following:

- *Knowledge sharing.* Obtain operational insights from different strategies for integrating climate and poverty objectives in various contexts, such as urban versus rural areas, and for specific vulnerable groups, such as women and internally displaced people. Involve knowledge sharing across actors with different primary objectives. For example, actors in social protection can share lessons on targeting vulnerable groups and measuring vulnerability-reducing effects. Similarly, actors in the environment and agriculture sectors should share knowledge on the most appropriate resource management practices and how to apply and measure their effects in the relevant socioecological systems (World Bank, Independent Evaluation Group 2021).
- *Evidence of impact.* Investigate specific responses and activities that achieve climate objectives within economic inclusion programs. Develop robust criteria for evaluating program success, including indicators for poverty reduction, climate resilience, and sustainable development.

## Notes

1. *Adaptive capacity* is the ability of systems, institutions, humans, and other organisms to adjust to potential damage, take advantage of opportunities, or respond to consequences (IPCC 2022).
2. The CREI categories are based on a qualitative review of CREI programs (Costella et al. 2023). A similar level of categorization can be found in the World Health Organization's Gender Responsiveness Assessment Scale (WHO 2010).
3. SEI 2021 examined the challenge of complementary programs, especially those at the intersection of agriculture and social protection (Andrews et al. 2021).
4. For example, the Lowlands Livelihood Resilience Project in Ethiopia aligns with the country's Climate-Resilient Green Economy Strategy in improving the resilience of pastoral and agropastoral communities. Similarly, the Innovation for Resilient Food Systems Project (Rural Alliances Project, PAR III) in Bolivia aligns with the national policy framework outlined in Bolivia's Economic and Social Development Plan (PDES 2021–25) to achieve food sovereignty and greater participation of small-scale farmers in domestic food markets.
5. For example, some programs seeking to promote more-sustainable fisheries or forestry management have met with resistance stemming from deep traditional and societal roots or vested interests.
6. For instance, the Natural Resources Management Project in Senegal takes a pragmatic, flexible approach to strengthening citizen engagement to build political buy-in.
7. For instance, Central Asia's RESILAND CA+ Program, serving Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan, implemented a regional platform, with the Regional Environmental Centre for Central Asia as the executing organization, to support rural communities in affected transboundary corridors by introducing nature-based solutions for restoring landscapes, safeguarding lives and livelihoods, and enhancing resilience against desertification, landscape degradation, and climate change.

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## ECO-AUDIT

### *Environmental Benefits Statement*

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The journey of economic inclusion programs has been remarkable, marked by significant strides in creating job opportunities and building resilience for poor and vulnerable populations. *The State of Economic Inclusion Report 2024: Pathways to Scale* highlights the progress and challenges of scaling up government-led programs, as well as the vital interplay with nongovernment actors and the private sector. The report draws on the 2023 Landscape Survey of Economic Inclusion Programs and on the operational insights garnered through the Partnership for Economic Inclusion's (PEI's) collaboration with its partners, summarizing emerging evidence from government-led programs, highlighting significant knowledge gaps, and offering insights for future programmatic approaches.

This report offers a comprehensive overview of the evolving landscape, global footprint, and key design features of economic inclusion programs. Comparisons with *The State of Economic Inclusion Report 2021* provide valuable insights into shifts and trends over the past 3 years, including those for the economic empowerment of women and youth, for collaborative efforts across different stakeholders, and for resilience to climate change. The current report complements the earlier report by exploring efforts to scale up policy and programming, including progress and challenges around government-led programs and the interplay with nongovernment actors and the private sector. This report analyzes shifts in the global landscape, including the degree to which economic inclusion programs are being customized in vastly different contexts and the growing role of economic inclusion in building resilience and providing job opportunities to the poor population in the context of overlapping crises.

Scaling up programs that empower poor and vulnerable populations to access economic opportunities, enhance food security, and build both short- and long-term resilience can contribute to more-inclusive and more-sustainable growth that leaves no one behind. This report provides policy makers with key recommendations for expanding coverage, strengthening outcomes for women and youth, maintaining program quality, continuing to build an evidence base, and designing programs for sustainable impacts.

Data from the report are available on the PEI Data Portal, [www.peiglobal.org](http://www.peiglobal.org), where users can explore and submit data.



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