CHAPTER 1
Economic Inclusion: A Framework

KEY MESSAGES

Economic inclusion programs focused on extreme poor and vulnerable groups are being implemented in at least 75 countries. This report presents data and evidence from 219 programs. Economic inclusion programs are a bundle of coordinated, multidimensional interventions that support individuals, households, and communities in their efforts to increase their incomes and assets.

Governments lead program scale-up. Their efforts cover 93 percent of program beneficiaries surveyed in the report. This carries important implications for design and implementation.

Women's economic empowerment is a key feature of program design. Nearly 90 percent of the programs surveyed in this report have a gender focus. Program design adaptations to promote empowerment and mitigate unintended household and community risks have emerged.

This report proposes a new framework for governments to strengthen the resilience of and opportunities for the extreme poor and vulnerable. The framework envisions the alignment of economic inclusion programs with national institutions, strategies, and policies.

FUTURE DIRECTIONS

Adapting to changing poverty contexts and megatrends is increasingly important. Economic inclusion programs are flexible and can be customized to local settings, and major shocks such as COVID-19 will fundamentally reshape economic inclusion programs in each country.

Unleashing the productive potential of the extreme poor and vulnerable involves the removal of multiple constraints. Addressing both external constraints related to community, local economy, and institutional failures and internal constraints reflecting intrahousehold dynamics and behavior is critical, although internal constraints are less well understood.

Improving integrated responses that link the individual and household components of economic inclusion programs to wider community and local economy processes is required. As a result, the menu of programmatic responses will likely grow over time as learning and adaptation continues.

Introduction

Recent years have witnessed a growing global momentum to strengthen inclusive economic development and "leave no one behind." The first challenge posed by the Sustainable Development Goals (SDG)—to "end poverty in all its forms everywhere by 2030"—is being seized. A key action under the SDG agenda is to address this challenge through *inclusive and sustainable growth* (SDG 8). Economic inclusion initiatives that seek to do this are proliferating today, and they show strong potential to build on preexisting national efforts to develop social protection systems and jobs strategies worldwide.

Emerging evidence, including the experience of the 75 countries reviewed in this report, illustrates both the potential for and challenges to governments to implement economic inclusion initiatives at scale. This report features data and evidence from 219 economic inclusion programs across 75 countries, reaching in excess of 92 million individuals.[1] This estimate of program reach is considered a lower-bound baseline, given gaps in the available data, fast-moving project pipelines, and challenges in the reporting of coverage.

The scale-up of government-led programs is central to the operational surge around economic inclusion. Government-led programs cover 90 percent of estimated beneficiaries in this report and half of the programs surveyed. These interventions represent a diversity of approaches and are sometimes referred to as "productive inclusion," "graduation," or "community-driven" development programs. Common interventions include a combination of cash or in-kind transfers, skills training or coaching, access to finance, and links to market support (see box 1.1). Many of these programs have now reached an important inflection point of expansion and refinement to address the needs of the poorest.[2]

The potential to scale-up builds on a promising evidence base and a groundswell of learning, especially in the nonprofit sector. This report places a spotlight on the role of evidence and cost-effectiveness linked to economic inclusion programs. The report recognizes a growing body of research, including the work of the 2019 Nobel laureates in economics.[3] The rich tapestry of emerging evidence illustrates the capacities—and limitations—of governments across the globe to implement programs at scale. The methodology behind the survey of this tapestry of research is found in appendix A, and details of the review of program impacts are in appendix B. The costing analysis, covered in chapter 6, is detailed in appendix C. By way of illustration, four country case studies supporting this report provide firsthand country experiences spanning a range of contexts from Africa to South Asia to Latin America.

A Story of Great Expectations . . .

Expectations to strengthen economic inclusion recognize the persistence of poverty and "poverty traps" facing the poor. The momentum to scale up occurs in the context of stubbornly high levels of extreme poverty, whereby poverty becomes self-reinforcing and perpetual (Barrett, Carter, and Chavas 2019). By 2030, following a business-as-usual scenario, an estimated 479 million people are projected to be living in extreme poverty, and the share of global poor living in fragile and conflict-affected countries is expected to reach 50 percent by 2030 (World Bank 2018). As of September 2020, the fallout from the coronavirus pandemic raises the possibility of pushing more than 80 million people into extreme poverty (see spotlight 1). Concerted efforts will be required to mitigate the economywide or sector-specific downturns created by this pandemic and ultimately to facilitate the restoration of livelihoods and the recovery of communities.

An effort to foster changes in the aspirations of the poor can provide an important impetus for the expansion of economic inclusion programs. A discrete set of literature considers how poverty lays the foundations for "aspirations failure" among the poor, causing a "behavioral poverty trap" (Dalton, Ghosal, and Mani 2016). In this scenario, internal psychological constraints of the poor perpetuate poverty. More recent events and literature highlight opportunities and challenges related to changing aspirations among certain cohorts. For example, recent events, including the Arab Spring and protest movement of unemployed youths in countries of the Organisation for Economic Co-operation and Development, have contributed to the popular sentiment that access to employment, earnings, and jobs is an important driver of social cohesion (Wietzke and McLeod 2012). Across the Africa region, changing population dynamics and technology diffusion also bring into focus new aspirations of youth populations, particularly in urban areas (Filmer and Fox 2014).

These changing aspirations put underemployment and jobs at the top of the development agenda. Yet labor markets remain, for the most part, informal, and pathways to formal employment for the poorest are very limited. Informal labor is widespread in developing countries, representing 70 percent of the labor force and 30 percent of the gross domestic product (Loayza 2018). Economic inclusion programs provide opportunity to address these concerns, with the potential to create links in the rural economy, across household enterprises, and, increasingly, to modern wage sectors. In this context, economic inclusion programs provide promise to address the needs of the extreme poor and vulnerable who have not yet benefited from broader economic development.

The report focuses deliberately on the economic lives of the extreme poor and vulnerable and the multiple constraints they face in increasing incomes and assets. While transformative economic growth will be the ultimate driver of poverty reduction, it is not automatically inclusive and does not always penetrate the poorest households (Ravallion, Jolliffe, and Margitic 2018). Further, the needs of specific individuals within those households are brought to the forefront. For example, women's economic empowerment is a key driver of economic inclusion programs, and program design and adaptation focuses on the productive role of the woman in a household and community (see spotlight 2). Similarly, efforts to address the needs of youth cohorts are important, for youths increasingly lack pathways to formal employment and will require support as "own account" workers in the labor market (see chapter 3).

To respond to growing expectations around economic inclusion programs, governments must navigate a range of political economy challenges. While economic inclusion programs may garner strong support in principle, in practice competing preferences and incentives shape the policy arena. As programs move to scale, there will be several trade-offs inherent in policy choices, such as how scarce resources are distributed across different population groups (see chapter 2). In this context, a logical starting point for many governments is to customize existing antipoverty programs to address economic inclusion priorities. At the center of this customization is an effort to build on existing systems, policies, and capacities and ultimately to deliver cost-effective interventions at a reasonable level of scale.

In this report, we classify three primary entry points through which governments can customize existing antipoverty programs and scale up economic inclusion:

1. Social safety nets (SSNs)
2. Livelihoods and jobs (L&J)
3. Financial inclusion (FI)

While these entry points are not mutually exclusive, they do provide a foundation on which investments can be built and broader sectoral collaborations can be achieved.

The report draws attention to the strong links between social protection and jobs, building on the considerable expansion of SSNs across the world. SSN programs—especially cash transfers—now reach about one-fifth of all households in low-income countries and represent approximately 26 percent of the income of the poorest. As social protection systems mature, opportunities to strengthen broader sector links become an imperative and critical to supporting mesolevel integration of economic inclusion programs with other sectoral interventions, for example, agriculture, health and sanitation, and environmental health and management.

. . . and Some Skepticism

While country adaptations, evaluations, and analyses provide direction in strengthening economic inclusion for the poor, the absence of a common framework and consistent terminology risks efforts to scale up. This report tackles this challenge by providing a set of definitions, a typology of approaches, and a framework for action. These tools draw from a variety of sector experience and survey data collected for the report, including its four case studies. Some core definitions are explained in box 1.1; these are expanded on throughout the report. A more detailed glossary of key terms is included at the back of the report.

BOX 1.1 Defining Terms: What We Mean by Economic Inclusion and Scale

Economic inclusion: This report considers economic inclusion as the gradual integration of individuals and households into broader economic and community development processes. This integration is achieved by addressing multiple constraints or structural barriers faced by the poor at different levels: the household (for example, human and physical capacity), the community (social norms), the local economy (access to markets and services), and formal institutions (access to political and administrative structures). Throughout the report, these constraints are viewed as simultaneous and often inseparable. They are viewed as impacting extreme poor and vulnerable groups most intensively.

Economic inclusion programs are a bundle of coordinated, multidimensional interventions that support individuals, households, and communities to increase their incomes and assets. Economic inclusion programs therefore aim to facilitate the dual goal of strengthening resilience and opportunities for individuals and households who are poor. These goals are met through strengthening community and local economy links. The term *economic inclusion* is sometimes used interchangeably with the term *productive inclusion*.

Scale: Scaling up is the process by which a program shown to be effective on a small scale or under controlled conditions or both is expanded, replicated, and adapted into broader policy and programming. Scale-up may also be driven without prior piloting and testing, and often in response to a political decision or directive. It is not simply about coverage—the number of beneficiaries served by the program in relation to the total population of the country—but also about quality—of impact and sustainability of coverage as well as processes of change and adaptation. Economic inclusion at scale therefore considers the programmatic and institutional mechanics required to embed programs at the national level through large-scale antipoverty programs, led by governments with clear alignment to national strategies, partnership development, and underlying political economy considerations. In this report, entry points to scaling up are the foundational elements on which other measures are subsequently layered: social safety nets, livelihoods and jobs, and financial inclusion.

Key debates boil down to feasibility. Economic inclusion programs may be considered too complex and too costly to operate at scale. Governments in many countries, especially in low-income settings, will face capacity constraints to administer and manage multidimensional and cross-sector interventions. Across a broad strand of literature, many of these debates have concerned "graduation" programs, implemented largely by nonprofit organizations (see chapters 2 and 3). These programs have generated discussion and controversy regarding their complexity, targeting efficacy, cost-effectiveness, capacity requirements, and conceptual underpinnings (Soares and Orton 2017; Devereux and Sabates-Wheeler 2015; Sulaiman et al. 2016). More broadly, the time-bound nature of many economic inclusion programs may be considered at odds with the notions of social protection as a right and universal social protection across a continuum of needs. These challenges are explored throughout chapters 3 and 4.

There is ongoing debate surrounding the impact and cost-effectiveness of economic inclusion approaches—two topics that take center stage in chapters 5 and 6. A wide range of literature is reviewed in chapter 5, which unpacks the promising evidence base for economic inclusion programs. This evidence base—much of it drawn from nonprofit program implementation—has helped operationalize the agenda on economic inclusion, despite concerns related to the heterogeneity and size of program impacts. Over the next two years, a wave of new impact and process evaluations are anticipated from national programs that will inform this debate. Much debate focuses on the marginal impact of high-cost components and options for effectively customizing the bundle of interventions for different target groups. Chapter 6 explores these debates, highlighting options for improved costing analysis and cost optimization. It is in this context that the report sets out to identify key directions for the next generation of economic inclusion programs, as well as deciphering which expectations of the debate are misplaced or well-founded.

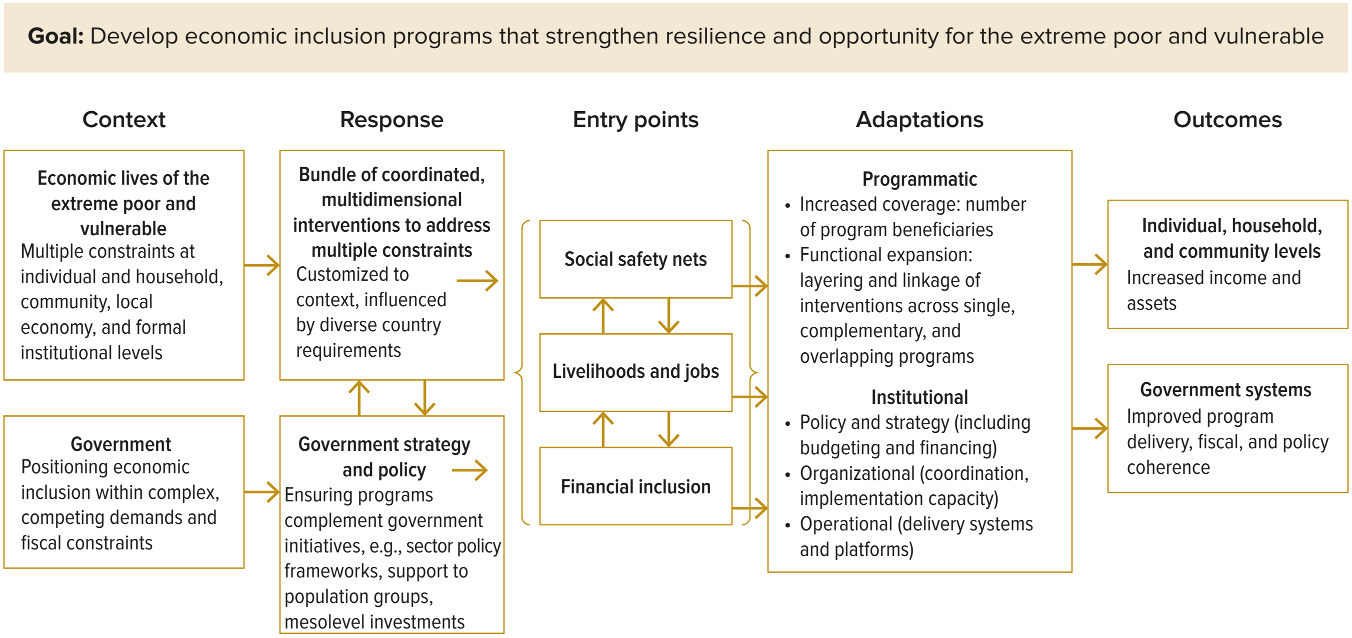
A Framework to Transform Economic Lives

A central contribution of this report is a framework to consider the pathways for scaling up economic inclusion programs that strengthen resilience and opportunities so that beneficiaries can better participate in the local economy. The framework (see figure 1.1) illustrates an overall context and response diagnostic linked to a desired set of outcomes at the household and community level as well as to government systems. The framework was developed iteratively using findings from the underlying report survey, stakeholder consultations, and available literature. This framework represents a baseline designed to inform ongoing discussion. This section introduces the framework applied throughout the report, with the subsequent sections summarizing each aspect of the framework.

The starting point of this framework is the central challenge of transforming the economic lives of the poor. While this report focuses on economic inclusion programs targeted to the extreme poor or vulnerable, it is recognized that economic inclusion programs can be of benefit to a range of population segments across different economic strata. It is also recognized that governments will face competing demands across those population segments. When implemented at scale, adjusting a program approach and weighing trade-offs between serving one group or another are often required. This discussion is carried forward in chapter 2.

The framework centers on the potential to effect change in a government landscape, requiring clear alignment to national institutions, strategies, and policies. This framework is anchored by considerations of the entry points through which

FIGURE 1.1 **Pathways to Economic Inclusion at Scale: A Framework**



Source: Partnership for Economic Inclusion, World Bank.

governments can customize existing antipoverty programs and the adaptations to scale. The entry points to scale are the foundational elements on which other measures are layered: SSNs, L&J, and FI. Adaptations to scaling up involve the programmatic and institutional means by which programs evolve and grow, all filtered through a political economy lens.

In presenting this framework, certain limitations are worth bearing in mind.

- *First, economic inclusion at scale is not a "silver bullet."* The framework advances a household and local economy perspective best situated in a wider government response to address poverty. Therefore, household- and local-level economic inclusion strategies need to be mindful of, and ideally complement, those national and mid-level investments that greatly influence welfare outcomes.
- *Second, the framework masks the considerable heterogeneity that defines economic inclusion programs across different country settings.* As noted throughout the report, the starting point and trajectory of different population groups, and in different operating contexts, will shape program design and implementation choices. For example, the program objectives and core target populations will vary between a middle-income national context and a low-income fragile one. In the end, program impacts will also vary for different types of programs, for similar programs in different contexts, and for the same program across different population groups. Factors that drive impact will depend on the ecosystem in which programs operate—on both market- and community-level factors—and on the characteristics of participating households and individuals.
- *Third, the engagement of local community and nongovernmental structures is critical in the execution of this framework.* The relative complexity of economic inclusion programs requires the involvement of multiple program partners, including community groups, nongovernmental organizations (NGOs) and private sector organizations. As elaborated in chapter 3, there is a wide range of nongovernment experience

in the execution and support of economic inclusion programs. At the same time, several nongovernment-led programs operate outside of national systems, often where capacities are weak, conflict or fragility abound, or political will is absent. In some cases, continued nongovernmental programming may reflect a path dependency or reluctance for adaptation.

Goal and Outcomes

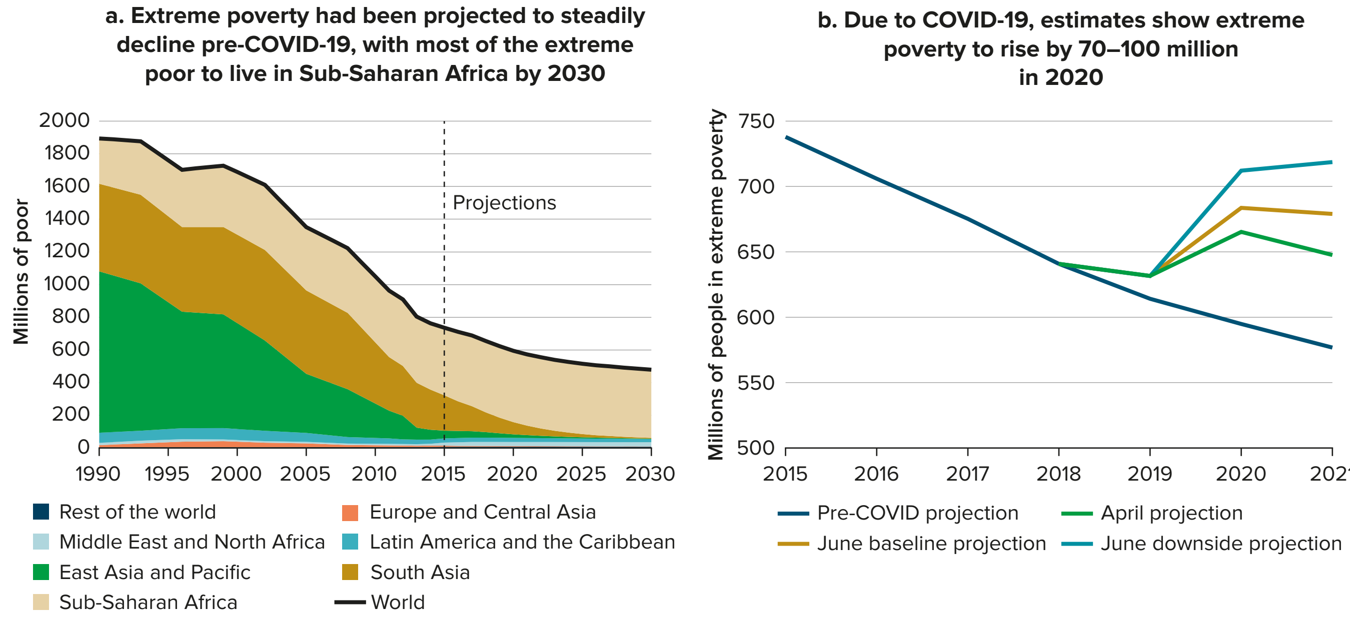
The goal and outcomes of the framework (figure 1.1) must be seen against a backdrop of dynamic poverty, tumultuous economic factors, and political economy constraints. This section considers the broad poverty and economic trends underpinning the framework and previews a broader political economy discussion in chapter 2. Megatrends potentially shaping the direction of economic inclusion programs are highlighted.

Shifting poverty dynamics bring into focus the potential value of tailored economic inclusion programs to improve resilience and opportunities for the poorest. Global poverty has steadily declined for many decades, but that decline is now narrowing, and trends are seeing a reversal for the first time since 1998 (see figure 1.2). Before COVID-19, the world already faced a daunting poverty outlook: continuing with business as usual, an estimated 479 million people were facing extreme poverty by 2030 (World Bank 2018). These estimates mask substantial variations across regions and contexts. Poverty rates remain stubbornly high in low-income countries, particularly those affected by conflict and political upheaval. By 2030, it is predicted that 87 percent of the extreme poor worldwide will be in Sub-Saharan Africa (see figure 1.2). A similar trajectory is likely for countries affected by fragility and conflict, with poverty rates stuck at over 40 percent for the past decade and where up to two-thirds of the world's extreme poor may reside by 2030 (Corral Rodas et al. 2020).

In the new COVID-19 context, the ongoing crisis will erase almost all the progress made in the past five years—thereby compounding existing challenges in rural and fragile settings and raising demand from the "new poor," urban economies, and migrant populations (World Bank 2020). The World Bank estimates that 70 to 100 million more people will fall into extreme poverty (under $1.90 per day) in 2020 compared to 2019 as a result of COVID-19, depending on assumptions on the magnitude of the economic shock. The global extreme poverty rate could rise by 0.3 to 0.7 percentage points, to around 9 percent, in 2020. Additionally, the percentage of people living on less than $3.20 a day could rise by 0.3 to 1.7 percentage points, to 23 percent or higher, an increase of some 40 to 150 million people. Finally, the percentage of people living on less than $5.50 a day could rise by 0.4 to 1.9 percentage points, to 42 percent or higher, an increase of around 70 to 180 million people. It is important to note that these poverty projections are highly volatile and could differ greatly across countries.

High and, in some cases, rising levels of inequality threaten to dilute shared prosperity and reduce opportunities in many countries for the poor to move out of poverty. Although evidence points to a slight recent decline in total global inequality (Revenga and Dooley 2019), inequality *within* the world's economies is greater today than it was 25 years ago, and it is increasing, although at disparate rates. Notwithstanding improved living standards for people in the bottom 40 percent of the income range over recent decades, relatively more income is being captured by the highest quintiles. Between 1980 and 2016, the global share of income held by the top 1 percent grew from 16 percent to more than 20 percent, while the share held by the bottom 50 percent of the world's population remained stagnant at around 9 percent (Alvaredo et al. 2018).

FIGURE 1.2 **Global Extreme Poverty by Region (1990–2030) and the Impact of the COVID-19 Crisis**



Source: World Bank 2018.

Source: Mahler et al. 2020.

Moreover, countries with high rates of poverty, most of which are in Sub-Saharan Africa, have seen the lowest income growth among the bottom 40 percent, while average incomes have stagnated or even declined in countries affected by fragility or conflict (World Bank 2018). The bottom 40 percent live disproportionally in rural areas, attain less education, and are more likely to be children.

Finally, informal employment and underemployment cast a long shadow on how economic inclusion programs are likely to evolve. Sixty percent of the world's population make their living in the informal economy, including more than 85 percent of the population in Africa (ILO 2018). The agriculture sector accounts for 68 percent of work in low-income countries (Djankov et al. 2018), where the rural landless poor are commonly employed in low-paid, insecure activities. Informality also characterizes urban poverty, a critical concern as urban populations are projected to more than double by 2050—with cities in Africa to double in size faster, over the next 20 years (Djankov et al. 2018; Kharas et al. 2020). In the context of burgeoning youth populations and the search for effective strategies to address underemployment, these forecasts may have serious implications for economic inclusion programs.

The framework focuses on enhancing resilience and opportunity for the poor.

- *Resilience* refers to the strengthened ability of a household to manage risk and respond to and cope with sudden shocks that are likely to overwhelm them. When income and assets increase through economic inclusion, households can maintain consumption and avoid the need to resort to costly and often irreversible coping strategies, such as selling their most productive assets at fire-sale prices or sending children to work rather than to school (Ralston, Andrews, and Hsiao 2017). More resilient households can also generate positive externalities for communities by contributing to local economic recovery in the aftermath of shocks.

- *Opportunity* refers to the capacity of households in economic inclusion programs to capture and capitalize on investments that improve human capital outcomes and that they would otherwise miss (Hernandez 2020; Ralston, Andrews, and

Hsiao 2017). Such investments can help to propel individuals and households out of poverty through improved productivity and access to jobs (World Bank 2012). Capturing better opportunities can also contribute to broader household gains, including for children, such as improved consumption, nutrition, and education.

In this overall context, the framework and broader report focus on two outcomes of interest.

- *First, they focus on increasing incomes and assets of individuals, households, and communities.* The programs surveyed for this report typically use household-level targeting criteria, reflecting the design intent of the initiative and a contextually appropriate means of determining eligibility. Interventions at the individual level are an important feature of economic inclusion programs but are typically devised to account for intrahousehold dynamics (for example, engagement of male household members as well as consideration for care and other work burdens). An additional feature across programs is the engagement of local communities and, increasingly, links to local market structures. Economic inclusion programs by nature leverage community structures and groups, including informal community savings and credit groups, local governance groups, formalized producer organizations, and different group cohorts (for example, youths). A policy implication emerges that suggests that successful economic inclusion at scale will be contingent on effective mesolevel links—a theme that is further assessed in spotlight 3 and later chapters.
- *Second, the framework and report focus on strengthening government systems for improved program delivery as well as fiscal and policy coherence.* The report focuses squarely on the potential to link economic inclusion programs to national policies and strategies such as, for example, social protection and L&J strategies. These different sector entry points are not simply additional features of economic inclusion programs, but rather sine qua nons, essential conditions, without which government programs will not be sustainable. These systems provide a basis on which programs can be scaled and customized. Chapter 2 explores the political economy considerations and the broad set of policy decisions and trade-offs that will help shape the interventions that are devised. This has important institutional implications, since the successful scale-up of economic inclusion programs will require careful coordination across government at different levels: the central, decentralized, and local levels, as discussed further in chapters 3 and 4.

Context and Response: Customizing to Local Settings

The framework is influenced by the *poverty trap hypothesis,* which explains conditions under which poverty becomes self-reinforcing and perpetual. While recent decades have seen hundreds of millions escape dire poverty and premature death (Deaton 2013), extreme poverty continues to persist, alongside increasing inequality both in and between countries. According to the poverty trap hypothesis, the poorest population groups have fundamentally different opportunities than other people as a result of their poverty (Parry, Burgess, and Bandiera 2020; Balboni et al. 2020). The poor face multiple constraints to improving their earning opportunities and assets, such as low levels of human capital and limited access to productive inputs. This is compounded by frequent exposure to uninsured risks, both man-made and natural (Dercon 2008), and a reduction in cognitive bandwidth that impairs decision-making (Mani et al. 2013; Haushofer and Fehr 2014; Mullainathan and Shafir 2013). In combination, these factors can trap individuals, households, communities, and economies in poverty, perpetuating a cycle that limits investments to low-productivity endeavors.

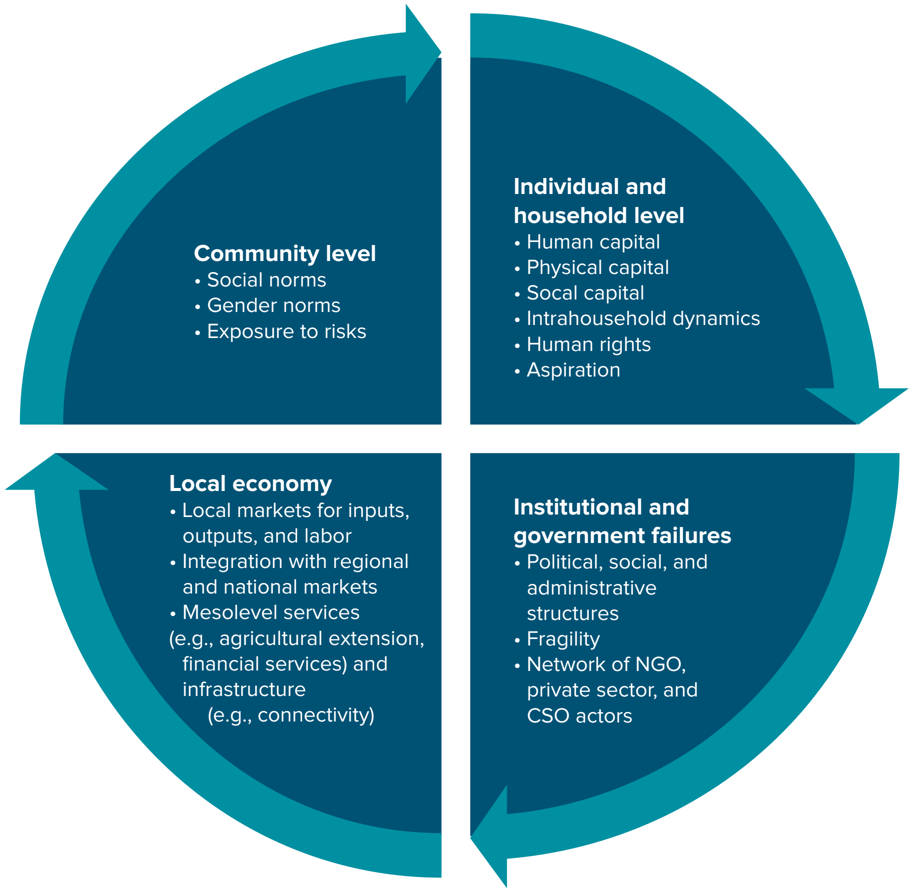
A central argument of the framework is that the poor and vulnerable encountering poverty traps face multiple constraints, around which a multidimensional response is required. The framework proposes that multiple constraints fall on these populations with the greatest force, and often simultaneously. Multiple constraints impede the ability of the poor to improve their earning opportunities not only in the short run—whether through wage employment or self-employment—but also over the longer term. This is an area of extensive research and operational focus (for example, Daidone et al. 2019; Barrientos 2012; FAO 2015). Recent empirical evidence suggests that an intervention that provides an initial amount of capital above a critical threshold ultimately determines whether households can capture higher productivity opportunities and progress out of poverty. These findings suggest that large enough transfers or "big push" approaches have the potential to permanently move individuals to a higher level of wealth (Parry, Burgess, and Bandiera 2020).

This report considers four domains that highlight the external and internal constraints that may limit the economic lives of the poor (figure 1.3).

1. *The first set of constraints that beneficiaries may face is at the individual and household levels, human and physical capacity constraints that limit their income-generating potential.* These include human capital (including cognitive, noncognitive, and technical skills); physical and financial capital (including durable assets, land, savings, and insurance); and social capital. In addition, intrahousehold dynamics that shape aspirations and determine distribution of time use, labor supply, and resources can be a significant constraint for some individuals, especially women and people with disabilities.
2. *A second set of constraints concerns aspects at the community level (such as social norms and gender expectations, as well as local infrastructure, connectivity, and exposure to disaster risk), which may affect some groups or all households in the community.* These constraints may vary significantly across communities and across groups in communities.
3. *A third set of constraints occurs in the local economy.* This includes underlying factors that constrain opportunities for economic growth, such as proximity to physical markets, regional market depth, access to connective infrastructures, and production inputs. Many of the world's extremely poor live in isolated, rural localities where access to local and regional markets is limited.
4. *The fourth constraint involves formal institutions.* It includes institutional and government failures, including lack of access to political and administrative structures as well as civil society organizations and NGO networks. Throughout the report, these constraints are viewed as simultaneous and often inseparable. They are viewed as impacting most intensively the extreme poor and vulnerable, for whom these interlocking deprivations can create poverty traps.

Under this framework, constraints facing women are of special concern and are further discussed in firsthand country experiences cited in the case studies. Experience suggests that economic inclusion efforts have strong potential to strengthen women's economic empowerment through intentionally designed programs and specific adaptations in program delivery, for instance, hiring female community facilitators. However, realizing empowerment opportunities at scale presents operational challenges. Adverse effects of targeting women for economic empowerment programs may include exacerbated time poverty, because women's usual care

FIGURE 1.3 **Overcoming Constraints to Economic Inclusion: Four Domains**



Source: Partnership for Economic Inclusion, World Bank.

Note: CSO = civil society organization; NGO = nongovernmental organization.

responsibilities are not commensurately reduced. In addition, there may be short-term increases in intimate-partner violence, due to perceived threats to traditional masculinity and gender roles (Laszlo 2019). Considerable innovation is ongoing in this domain, as reflected throughout the report, including in spotlight 2, "Promoting Women's Economic Empowerment through Economic Inclusion."

The framework proposes a bundled package of interventions that supports the poorest and most vulnerable households to tackle multiple constraints. While the measures will vary considerably across countries and contexts—often shaped by specific megatrends (see box 1.2)—the report identifies a common set of multidimensional interventions, which may include some form of cash or in-kind transfer, skills training or coaching, access to finance, and, increasingly, links to market support. These interventions may be delivered in a time-bound capacity and a deliberately sequenced manner. This design response is informed by observed experiences in graduation-focused programs, although economic inclusion extends significantly beyond a graduation framework (see chapter 2). It is also informed by ongoing experiences across broader sectors and program areas, for example, SSNs, community-driven development programs, rural livelihood, and environmental management.

The underlying assumption is that a comprehensive suite of interventions has greater and more sustained impact on income, assets, and well-being relative to standalone interventions. For instance, common constraints to setting up a microenterprise

BOX 1.2 Megatrends Driving the Future Direction of Economic Inclusion at the Country Level

This report considers megatrends as structural shifts that are long term in nature and have irreversible consequences for economies and societies at large. Two overarching megatrends are patterns in extreme poverty and informality, highlighted throughout this report. The report also acknowledges four other megatrends that will directly impact country-level program design and implementation for economic inclusion programs: human capital formation, demographic trends, shock sensitivity, and technological innovation.

Human capital formation: Shortfalls in health and education among children today have substantial implications for national economies and the productivity of the next generation of workers. A child born in a country at the 25th percentile of the global distribution of education and health will, upon reaching adulthood, be only 43 percent as productive as a child with a full education and good health (Gatti et al. 2018). Evidence shows that economic inclusion and human capital are closely intertwined, with important intergenerational consequences.

Enhanced human capital can strengthen the impact of economic inclusion programs on wages and productivity, because beneficiaries are then better placed to exercise agency, access and process information, and take risks in productive investments. Conversely, participation in economic inclusion can strengthen a beneficiary's human capital through improved skills, agency, and networks, while earnings can be invested in their own as well as their families' human capital. Accrued income can also militate against negative coping mechanisms during times of crisis, for instance, by allowing children to remain in school and for household health and nutrition needs to be met.

Population dynamics with specific impacts on urbanization: The total population in the world will reach almost 10 billion by 2050, compared to around 7.7 billion in 2019 (UNDESA 2019a). Sub-Saharan Africa is projected to double by 2050 due to its higher fertility rate, while Eastern and Southeastern Asia will experience a modest 3 percent increase (Suzuki 2019; UNDESA 2019a). This raises challenges because people living in extreme poverty are disproportionately rural, female, and children. Furthermore, the global population is getting older, with the number of people over 65 expected to double to more than 1.5 billion by 2050. The least developed countries will experience the fastest increase in this regard (UNDESA 2020).[a] Lastly, all the population growth between 2018 and 2050 is projected to take place in urban areas that will inevitably be situated in the poorest economies (UNDESA 2019b). While urbanization has generally been conducive to economic growth, pro-poor policies in the urban context will be needed to harness this trend toward shared prosperity.

Shock sensitivity, fragility, and conflict: As recent events have made clear, programming for economic inclusion cannot be divorced from the vagaries of external shocks and vulnerability. Beyond the current COVID-19 context, the direction and nature of economic inclusion programs will also be shaped by different types of shocks, including economic shocks as well as underlying fragility due to conflict or climate change. In 2015, 54 percent of those living in fragile and conflict affected situations (FCS) were in Sub-Saharan Africa (World Bank 2018). While extreme poverty in FCS economies declined sharply between 2005 and 2011, the poverty rate has since

(Box continues next page)

BOX 1.2 Megatrends Driving the Future Direction of Economic Inclusion at the Country Level *(continued)*

stagnated, and the share of the global poor living in FCS has steadily increased since 2010, amounting to 23.2 percent of the world's extreme poor. The report *Financing the End of Extreme Poverty* identifies 30 countries that are most at risk of not meeting the 2030 goal of eradicating extreme poverty (Manuel et al. 2018). Of these countries, 23 with economic inclusion interventions are featured in this report. One strong implication is the need not only for program adaptability and flexibility to withstand shocks but to adapt program design in the context of dynamic, short- and medium-term needs.

Technology adoption: Rapid adoption of technology and the increasing use of mobile phones, which allow people in developing countries to become more connected, is proving to be an enormous opportunity. Today there are more mobile phone subscriptions in the world than people, with over 50 percent of the global population having access to broadband internet (ITU 2018). Additionally, there are now over 1 billion registered mobile money accounts globally, helping increase financial inclusion (GSMA 2019). While such rapid adoption has the potential to bring about positive change, it can also exacerbate existing inequalities and introduce new vulnerabilities. It is important to note that a digital divide persists—half of the world's population is still offline. Most of these people live in developing countries, and increasingly they are women (World Bank 2016; ITU 2019).

a. The group of least developed countries consists of 47 countries. More information can be found on the website of the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States, http://unohrlls.org/about-ldcs/.

include inadequate business knowledge or skills, lack of finance, imperfect insurance, and limited social networks. While stand-alone interventions can also impact incomes, assets, and resilience, a single intervention—such as a regular cash transfer alone, business training alone, or access to finance alone—may not necessarily help those facing multiple constraints or would do so to a lesser extent. Evidence of the marginal impact of these stand-alone interventions as compared with a coordinated package is emerging and is further addressed in chapter 5.

Entry Points and Adaptations: Moving to Scale

The report considers strategic entry points to scale as well as key programmatic and institutional adaptations to ensure the success of programs. These mechanisms are now briefly introduced here and expanded throughout chapters 2, 3, and 4. They also inform the case study summaries presented in the report.

Although economic inclusion programs are multidimensional, they generally include a foundational intervention that acts as the primary entry point, with other measures subsequently layered on top. Drawing on the survey of programs undertaken for this report, three core entry points are identified. These entry points are not mutually exclusive and entail a strong overlap. Chapter 2 considers the following primary entry points in further detail:

- *Leveraging social safety net interventions*: As countries expand the coverage and financing of SSN programs, in particular, cash transfers—the terms *safety nets–plus* or *cash-plus* are gaining prominence. The *plus* indicates the potential to complement cash with additional inputs, service components, or links to external services. Economic inclusion is a key driver of the SSN-plus agenda, showing particular promise to maximize impacts on incomes and productivity. The continuous provision of SSNs and the incorporation of beneficiaries into a social protection system is a potential game changer in the design of economic inclusion programs. It implies a shift from one-off and time-bound interventions to a more regularized system of support with the potential for refresher interventions along the way. This also has the potential to reframe expectations around the sustainability and long-term impacts of such programs.

- *Integrating strategies to promote more and better livelihoods and jobs*: For the poorest and most vulnerable, access to employment tends to be informal, risky, and often limited by constraints to labor supply—human capital, including education, skills, and networks—and labor demand—business environment, including access to finance, infrastructure, technology, and markets. An increasing number of L&J programs focus on removing barriers that keep the extreme poor and vulnerable (for example, poor households in rural or urban areas that include youths, refugees, and women) from participating in the local economy and in higher productivity jobs. Economic inclusion approaches to L&J strategies for the poorest are shaped by thinking about sustainable livelihoods (risk management, community-driven development, and local economic development strategies) and, more recently, on the changing nature of work. Notwithstanding challenges, economic inclusion programs have the potential to leverage both formal and informal wage employment opportunities, including through public works and value chain development.

- *Strengthening financial inclusion and payment systems*: Many poor population segments tend to be excluded from financial services, including credit, savings, insurance, and e-payments or mobile money. Financial inclusion, through the use of savings groups, formal banking services, microcredit, government-to-person payments, and so on, has the potential to improve resilience and opportunities for the extreme poor and the vulnerable, particularly women. An increasing proportion of countries are using mechanisms to deliver social protection transfers directly to bank accounts, electronically or otherwise, creating an entry point to bring people into the formal financial sector and offering a pathway to a broader range of financial services, including savings and credit. More recently, digital services have lowered the cost of connecting excluded groups to the formal financial system, using new technologies and business models such as pay-as-you-go asset finance and fintech.

Because of the multidimensional nature of economic inclusion programs, there may be considerable overlap between the entry points to scale. Most programs have a secondary entry point that balances the emphasis of the focus of an intervention. For instance, an economic inclusion program with an SSN at its core may overlap with an FI intervention—the former being the primary intervention and the latter being the secondary. There tends to be strong overlap across SSN and L&J interventions, often reflecting common objectives around income diversification and productivity. Moving to scale will therefore involve linking and integrating different interventions and programs across the various entry points.

As programs scale up, they will be strongly shaped by each country's political realities and customized along several policy and institutional dimensions (see chapters 2 and 4). Economic inclusion at scale must consider several programmatic and institutional mechanisms required to embed programs at the national level. As noted previously, the report focuses on the scale-up of economic inclusion programs through large-scale antipoverty programs led by governments, with clear alignment to national strategies, partnership development, and underlying political economy considerations.

The concept of scaling up is the process by which a program shown to be effective on a small scale or under controlled conditions or both is expanded, replicated, and adapted into broader policy and programming. Scaling up is about quality of impact, scale, and sustainability, as well as processes of change and adaptation; the concept goes beyond a functional consideration of coverage. Chapter 4 continues this discussion by considering country-level progress on five different dimensions of scale:

- Coverage
- Functional expansion
- Policy and strategy formulation
- Organizational reform
- Operational planning

Future Directions

The flexibility of economic inclusion programs to serve different target groups and contexts is a key feature of this report. Going forward, further emphasis on the adaptive nature of economic inclusion programs reflecting changing poverty contexts and megatrends (such as demographics, urbanization, and technology) is important to enhancing the resilience of and opportunity for the poor. At the time of writing in autumn 2020, living history reminds us that major shocks (COVID-19) have the potential to fundamentally reshape economic inclusion programs at the country level. It is important to recognize the principle that no single blueprint can be wholly replicated in a given setting or during a major shock. Maintaining flexibility can ensure that overall implementation is achieved and regional coherence maintained.

Economic inclusion programs will need to more strongly address external and internal constraints that limit the productive potential of the extreme poor and vulnerable. External constraints tend to focus on issues related to community, local economy, and institutional failures. Internal constraints reflect intrahousehold dynamics as well as behavioral aspects, which are less understood than other factors in program implementation. Addressing both external and internal constraints is critical to strengthening the resilience and opportunity of the extreme poor and vulnerable. The engagement of local community and nongovernmental structures will remain critical in tackling these constraints.

There is strong recognition of the need for integrated responses, linking individual and household components of economic inclusion programs to wider community and local economy processes. In this respect, the menu of interventions may grow over time, as learning and adaptation continues. Over the next several years, a wave of new impact and process evaluations across scaled programs will provide key lessons in scaling. At the same time, the design and implementation of new programs will continue to be informed by ongoing experiences across broader sectors and program areas, among them SSN, community-driven development programs, rural livelihoods, and environmental management.

Notes

1. Note that 201 programs reported beneficiary data; 18 programs are missing beneficiary data.
2. The *poorest* refers to people in a number of economic categories that include several dimensions of poverty and vulnerability. The *poor* are those whose consumption is below the national poverty line, as defined by the government, or those who, because of their personal and/or community characteristics, face barriers in accessing opportunities to earn sustainable livelihoods and have elevated risks of being or staying in poverty and/or being socially marginalized. The *extreme poor* are those whose consumption is below $1.90 per day (2011 purchasing power parity, PPP), also defined as the bottom 50 percent of the poor population in a country or those unable to meet basic needs. The latter definition captures relative poverty, as well as dynamics in lower-middle-income and upper-middle-income countries. Since 2018 the World Bank has reported poverty rates using two new international poverty lines: the lower-middle-income line is set at $3.20 per day, and the upper-middle-income line is set at $5.50 per day. The *ultrapoor* are those whose consumption is below $0.95 per day (2011 PPP). Also defined as those experiencing the most severe forms of deprivation, for example, persistent hunger, lack of sources of income, and so forth. Finally, the *other vulnerable* are groups who do not meet any of the above criteria, for example, those just above the poverty line and marginalized groups irrespective of their poverty level.
3. The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel was awarded in 2019 to Abhijit Banerjee, Esther Duflo, and Michael Kremer "for their experimental approach to alleviating global poverty."

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SPOTLIGHT 1

Economic Inclusion and COVID-19 Recovery

The world is experiencing an unprecedented economic crisis due to the COVID-19 pandemic. Economic inclusion programs for the poorest show strong potential as part of integrated policy responses focused on containing the pandemic, ensuring food security, and supporting medium-term recovery. Beyond the immediate public health crisis, the global economy is projected to shrink by 3 percent in 2020, with only a partial recovery projected for 2021 (IMF 2020). In the most conservative scenario, assuming a 5 percent contraction in per capita incomes, more than 80 million people could be pushed into extreme poverty. Assuming per capita incomes shrink by 10 percent, that number could grow by an estimated additional 180 million people (Sumner, Hoy, and Ortiz-Juarez 2020). The adverse effects on employment, especially in the informal sector, are expected to be far reaching and unprecedented. The International Labour Organization (ILO 2020) estimates that 305 million full-time workers could be unemployed or underemployed as a result of the crisis.

The COVID-19 pandemic is not a great equalizer—the poor and vulnerable are hit much worse. These groups typically face greater health risks compounded by an inability to meet social distancing norms in densely populated informal settlements and inadequate resources to seek testing and treatment. The COVID-19 crisis is likely to exacerbate poverty and destitution, with the accompanying economic downturn depressing demand for labor, goods, and services, severely curtailing income-generation opportunities for the poor and vulnerable (Carranza et al. 2020; World Bank 2020). Furthermore, the pandemic can potentially exacerbate existing gender inequalities and further marginalize people with disabilities.

Adaptation and Early Priorities in a COVID-19 Context

Economic inclusion programs face a dual challenge of adapting delivery norms during a pandemic and ensuring readiness to respond as part of the medium- and longer-term recovery effort. In the short term, ongoing economic inclusion programs can provide an immediate gateway to support existing beneficiaries, their communities, and the local economy. However, significant adaptations are required to avoid pandemic risks. Irrespective of medium-term policy responses, short-term disruption to programs is anticipated, with some operations being put on hold and others facing delays in field-work activities, for example, in-person data collection, beneficiary selection, group meetings, and so on. To mitigate these impacts, economic inclusion programs need to modify the design and delivery of components. In program design, emerging priorities are the following:

1. *Incorporate elements that mitigate health risks.* Economic inclusion programs can serve as a platform for the delivery of reliable and current health messaging. In addition, programs can expand messaging to counter concerns of a possible rise in gender-based violence following containment measures. More generally, the COVID-19 crisis has starkly highlighted the importance of access to affordable finance. Such access can help with hospital bills, medicine, cash to replace lost

income, and capital to restart businesses once containment measures are lifted. Furthermore, economic inclusion programs can layer interventions to mitigate health risks where feasible. To mitigate health risks related to COVID-19, programs can link with existing health insurance programs, waive co-payment requirements, or subsidize the premium for poor and vulnerable groups.

2. *Cope with market disruptions and anticipate possible livelihood opportunities.* As markets continue to falter, economic inclusion programs must adapt to cope with frequent, unpredictable disruptions and anticipate possible livelihood opportunities. Programs need to work with beneficiaries to identify livelihood options that can be run safely and to develop a plan to adapt to the ever-present threat of market disruption. Even during the strictest containment measures, economic inclusion programs have an advantage because microentrepreneur beneficiaries are engaged in highly decentralized production, whether they are individual, group, or community based. Support to these institutions will help sustain productive inclusion, local economic development, and jobs during and after the COVID-19 crisis. Self-help groups, for example, are known to lead to increased business-related spending, resilience, and food security.

3. *Invest in real-time data and evidence generation.* For effective policy response to the poverty consequences of the COVID-19 crisis, the importance of real-time evidence cannot be overemphasized. As an example, the Power and Participation Research Centre (PPRC) and BRAC Institute of Governance and Development (BIGD) teamed up to launch a rapid-response telephone survey utilizing respondent telephone databases from earlier surveys on urban slums and rural poor (PPRC and BIGD 2020). Despite concerns about phone access, literacy, and timing, the team was able to commission a short survey to steer program response.

Economic inclusion programs are already using digital platforms for delivery; these need to be further leveraged and expanded in the aftermath of COVID-19. An emerging priority is to ensure social distancing in the delivery of high-touch components such as training, coaching, savings groups, producer associations, and so on. Adaptations to high-touch activities include shifting to digital platforms. The rapid diffusion of new mobile and internet technologies presents an opportunity to deliver benefits safely, avoid large gatherings, and contain the spread of the virus. Thirty percent of government-led programs already use digital technology to deliver at least one intervention, such as electronic payments, digital financial services, e-coaching, and e-training.

Challenges and Opportunities in Scaling Up Economic Inclusion for COVID-19 Recovery

As economies focus on recovery efforts, it will be important to identify opportunities for economic inclusion in emerging sectors, while being mindful of continued uncertainties. In most developing countries, there will likely be a nonlinear path from response to recovery. With continuously changing epidemiology and transmission patterns, there are frequent changes to containment measures in many developing countries. This generates considerable uncertainty about the resumption of economic activity and, hence, economic inclusion programming that is feasible and likely to have the greatest impact for a post-COVID economic recovery. The mix will depend largely on government priorities in sector support; which sectors are likely to start recovery first and generate labor demand; which sectors may expand in light of changing medium-term needs (for example, frontline sectors like health care will likely expand);

what skills employers would look for in these sectors; and what value chains would look like in these sectors. Lead actors will need to anticipate the implications of possible substantial changes to economic activity, such as continued disruptions, changes in global supply chains, the decline of certain high-touch sectors, and the accelerating pace of automation.

An added dimension to uncertainty is the policy direction on social distancing and suppression that low-income countries are likely to follow. Barnett-Howell and Mobarak (2020) suggest there are fewer benefits to social distancing and social suppression in low-income countries. This conclusion is driven by three factors. First, developing countries have smaller proportions of elderly people to save via social distancing compared to low-fertility rich nations. Second, while social distancing saves lives in rich countries by flattening the curve of infections to reduce pressure on health systems, delaying infections is not as useful in countries where health care systems are already overwhelmed given the limited number of hospital beds and ventilators and the fact that they are not accessible to most. Third, social distancing lowers disease risk while limiting people's economic opportunities. Poorer people are naturally less willing to make those economic sacrifices. They are also likely to have limited options for working from home and may place relatively greater value on their livelihood concerns compared to concerns about contracting coronavirus.

Leveraging Existing Government Programs to Facilitate Livelihood Recovery

A likely consequence of COVID-19 will be the coalescence and persistence of large-scale economic inclusion programs led by governments. Experience from previous global crises suggests that the pathway to scaling is often politically driven, especially when social cohesion is threatened. At present, there is considerable potential to accelerate the scale-up of economic inclusion programming. In doing so, it will be essential for governments to continue working in partnership with nongovernmental organizations and other humanitarian organizations to implement programs on the ground.

Social safety net programs provide a key entry point for governments to scale up economic inclusion efforts. With adaptive social protection systems forming the backbone of the first wave of response, the scale-up of economic inclusion programs is an important complement for households and communities moving forward. Furthermore, the engagement of community mechanisms is a critical driver of program delivery with most programs using community structures. The engagement of community-based organizations will be vital during the recovery period as in-country movement restrictions and the suspension of commercial transport hampers external partners from accessing their programs in some areas. This is especially important in countries affected by fragility, conflict, and violence and other vulnerability hotspots (areas affected by locusts, droughts, and so forth), where the impact from COVID-19 will be especially high.

Scaling up economic inclusion programming will be faster in countries that already have a credible base of economic inclusion programming. Fortunately, almost 80 percent of economic inclusion programs have a foothold in low- or lower-middle-income countries—the vast majority of which are found in Sub-Saharan Africa and South Asia. At present, economic inclusion programming has a strong rural focus, and adaptations to the urban context will need to be introduced for livelihood recovery, as COVID-19 is currently impacting urban areas the hardest. Emerging innovations in urban settings include small-scale municipal infrastructure and slum upgrading projects to rapidly generate short-term employment opportunities for the urban poor through labor-intensive public works. They include as well small grant or microcredit schemes targeted to households for home improvements and informal home-based businesses.

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