

## 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.

## References

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