

OVERVIEW

The State of Economic Inclusion Report 2021

THE POTENTIAL TO SCALE

Colin Andrews
Aude de Montesquiou
Inés Arévalo Sánchez
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Foreword

The *State of Economic Inclusion Report 2021: The Potential to Scale* gives voice to one of the most stubborn challenges in development—transforming the economic lives of the extreme poor and vulnerable. At the time of writing, this challenge is being magnified by the fallout of the COVID-19 pandemic. The pandemic affects the poor and vulnerable most strongly, with early evidence suggesting disproportionate gender impacts. Economic inclusion programs face the dual challenge of adapting delivery norms during a pandemic and ensuring readiness to respond as part of the medium- and long-term recovery efforts.

Against a backdrop of much uncertainty, this report provides some hope. A central hypothesis of the report is that people who are poor and vulnerable face multiple constraints when encountering “poverty traps” for which a multidimensional response is required. Economic inclusion programs now under way in over 75 countries demonstrate that this hypothesis and response show signs of success. Defined here as a bundle of coordinated multidimensional interventions that support individuals, households, and communities in increasing incomes and assets, economic inclusion programs show flexibility in a variety of settings. One area with transformative potential is women’s economic empowerment. There is now a considerable body of operational work focused on explicit gender-intentional program design to promote empowerment and mitigate unintended household and community risks.

The global landscape for economic inclusion has shifted significantly in recent years. A surge in global operations is driven by the scale-up of government-led programs that build on social protection, livelihoods and jobs, and financial inclusion investments. Continued momentum draws on a wealth of innovation and learning, spanning several technical experiences and domains, including graduation, social safety nets “plus,” and community-driven programs as well as local economic development initiatives. A major contribution of this report is to present—for the first time—a systematic review of both government and nongovernment efforts. Evidence gathered in the report provides a unique baseline to benchmark the current global landscape and will enable us to track how it evolves in coming years.

All of this brings to the fore a central question: What is the potential for these multidimensional programs to scale up? The true potential of economic inclusion programs will be unlocked through the scale that is achieved through adoption by government actors. Many countries are at a nascent stage of this journey and wrestling with questions of program feasibility and sustainability. For this reason, the report focuses squarely on the political realities surrounding program scale-up and the manifold trade-offs that governments face in moving this agenda forward. The report highlights opportunities for improved program delivery and fiscal and policy coherence with stronger leadership and collaboration. Of course, successful government-led interventions also require strong partnership at the local level, with community organizations, nongovernmental organizations (NGOs), and the private sector.

The State of Economic Inclusion Report 2021 emphasizes the possibility of leveraging social protection systems and the cross-sectoral collaboration that this involves. Recent years have seen a strong increase in financing and coverage of social protection programs across the world, with a demonstrated set of impacts reflecting how cash transfers, in particular, can boost the equity and resilience of the poorest. As countries expand the coverage and financing of this form of social protection, the terms *safety nets-plus* and

cash-plus are gaining prominence, the “plus” indicating the potential to complement cash with additional inputs and service components or link to other sectors (agriculture, environment, financial services, and so forth). Economic inclusion is a key driver of the social safety nets-plus agenda, demonstrating particular promise to strengthen program impacts, but also bringing with it the reality of increased costs and complexity.

For this reason, the report moves forward key debates on program impact and costs, which are central to the sustainability of economic inclusion programs at scale. The report identifies a promising and potentially sustained set of impacts across a wide range of outcomes. A multicountry costing analysis helps to clarify the major cost drivers and cost ranges in different programs. Notably, the discussion brings into focus the need to rebalance debates on impacts and costs to reflect a shift from stand-alone nonprofit-led projects to government-led programs. This will have important operational implications for identifying cost-effective interventions and for cost optimization. Continued learning and evidence generation will be especially important as programs adapt to changing poverty contexts and megatrends, such as fragility, shocks (including climate change), urbanization, digitization, and demography.

As a flagship publication under the Partnership for Economic Inclusion (PEI), the report places a welcome emphasis on joint learning and collaboration. PEI is a dedicated platform to support the adoption and adaptation of national economic inclusion programs working with a variety of stakeholders, including national governments and bilateral, multilateral, NGO, research, and private-sector organizations. The partnership network is critical for contributing to evidence-based good practice, crowding in expertise, and providing a platform to refine and share cutting-edge knowledge on economic inclusion, with a strong emphasis on women’s economic inclusion. As an example of this joint learning, the report is launched with an online and open-access PEI Data Portal (www.peiglobal.org), which will facilitate cross-learning and help track the development of the global landscape in years to come.

To this end, we welcome *The State of Economic Inclusion Report 2021* as an important milestone for continued learning in the common mission to support the scale-up of cost-effective and sustainable economic inclusion programs for the poorest in the years to come.

We look forward to continued and successful collaboration.



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Abbreviations

BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
BRLPS	Bihar Rural Livelihoods Promotion Society
DFID	Department for International Development (United Kingdom)
FCV	fragility, conflict, and violence
FI	financial inclusion
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
JEEViKA	local acronym for Bihar Rural Livelihoods Project (BRLP)
L&J	livelihoods and jobs
NGO	nongovernmental organization
PEI	Partnership for Economic Inclusion
PPP	purchasing power parity
RCT	randomized controlled trial
SDG	Sustainable Development Goal
SJY	Satat Jeevikoparjan Yojana
SSN	social safety net

All dollar amounts in this publication are US dollars unless otherwise indicated.

Executive Summary

In recent years there has been growing global momentum to strengthen and scale up economic inclusion for the poorest. Key actions are being taken in light of the Sustainable Development Goals (SDGs)—to “end poverty in all its forms everywhere by 2030” and to address inclusive and sustainable growth (SDG 8). *The State of Economic Inclusion Report 2021: The Potential to Scale* brings to light a shifting global landscape, as reflected through the experiences of the 75 countries featured in the review. The momentum for this shift is driven by the scale-up of government-led programs that build on social protection, livelihoods and jobs, and financial inclusion investments. This shift is also fueled by a promising evidence base and a groundswell of learning, originating especially from graduation programs within the nonprofit sector.

Efforts to scale up respond to high levels of extreme poverty and most recently the fallout of COVID-19. 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 2030.¹ In the final months of 2020, the fallout from the coronavirus pandemic raises the possibility of more than 80 million people being pushed into extreme poverty. Emerging experiences show the potential of economic inclusion programs—as part of integrated policy responses—to mitigate the economywide and sector-specific downturns created by this pandemic and ultimately to facilitate the restoration of livelihoods and the recovery of communities.

Great Expectations and Some Skepticism

As economic inclusion programs for the poorest evolve, a story of great expectations and considerable skepticism emerges. A sustainable and inclusive economy that “leaves no one behind” is more important than ever. 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. In strengthening economic inclusion for the poorest, it is important to recognize “poverty traps” and to realize that unleashing the productive potential of people living in poverty involves the removal of multiple constraints through a multidimensional response. In practice, household, community, local economy, and institutional constraints may impact specific population cohorts most strongly, such as women, youths, people with disabilities, and those who have been displaced. As a cross-cutting priority, economic inclusion programs tend to strongly emphasize women’s economic empowerment as a key driver for change.

Data from this report suggest there are three entry points through which governments are building on existing antipoverty programs to customize specific economic inclusion efforts:

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

While these entry points are not mutually exclusive—or exhaustive—they do serve as a foundation on which investments can be built and broader sectoral collaborations can be achieved. This carries important operational implications. Governments

are deliberately integrating economic inclusion programs as part of national strategies and frameworks for poverty reduction. Economic inclusion programs are seen as an important complement to existing antipoverty efforts. For example, as countries expand the coverage and financing of safety nets, the terms *social safety net-plus* (SSN-plus) or *cash-plus* are gaining prominence. Economic inclusion is a key driver of the safety nets-plus agenda, the “plus” indicating the potential to complement cash with additional inputs, service components, or links to external services. Ultimately a trend from stand-alone to more integrated approaches presents opportunities for improved program delivery and fiscal and policy coherence.

Despite much progress, the potential to scale up economic inclusion programs is considered in light of critical debates on feasibility and program sustainability. Economic inclusion programs may be considered too complex or 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. As programs scale up, political economy factors become more prominent, and the adoption and scale-up of economic inclusion programs will hinge on political acceptability and involve trade-offs, especially around program objectives and priority target groups. In this context, the report brings fresh perspective on program impacts

that will ultimately determine the question of scale.

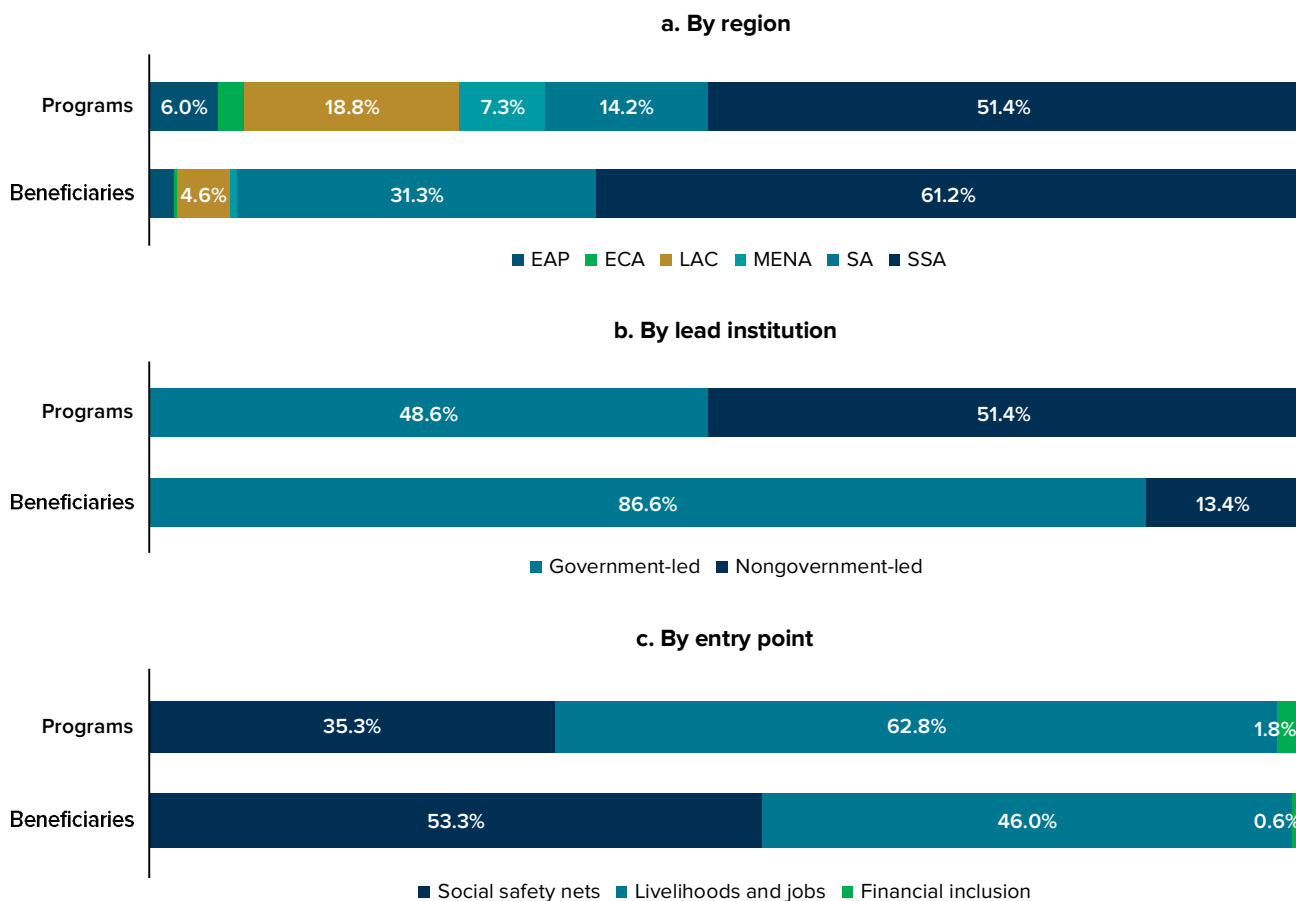
Major Contributions of *The State of Economic Inclusion Report 2021*

This report identifies 219 active economic inclusion programs in 75 countries, reaching nearly 92 million individuals, with additional programs in the planning phase. The Partnership for Economic Inclusion (PEI) Landscape Survey 2020 (see appendix A) reveals a variety of program implementers, but government programs are quickly increasing, and government-led programs cover approximately 90 percent of program beneficiaries and half of the projects surveyed (see figure O.1). Note that these figures are a lower-bound baseline, given gaps in the available data, fast-moving project pipelines, and challenges in the reporting of coverage. However, these estimates provide an important baseline to track the evolution of programs in the coming years. Many of these programs are approaching an important inflection point, with expansion, and greater refinement to address the needs of the poorest, to follow.

Technical Clarity

There is a need for definitional clarity and a common framework for economic inclusion, and that need underpins this report. The report focuses on economic inclusion programs that reach the extreme poor and the vulnerable. In this report, economic inclusion involves the gradual integration of individuals and households into broader economic and community development processes, with a focus on increasing their incomes and assets and a view to strengthening their resilience and future opportunities. Economic inclusion programs often include a combination of cash or in-kind transfers, skills training, coaching, access to finance, and links to market support. These interventions cover a diverse landscape, including, among other efforts, productive inclusion, graduation, and community-driven development programs. Scaling up is the process by which a program is established, expanded, or adapted under real-world conditions into broader national policy and programming. Scaling up often builds

FIGURE O.1 Percent Distribution of Economic Inclusion Programs and Beneficiaries by Region, Lead Institution, and Entry Point



Source: Partnership for Economic Inclusion, World Bank.

Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = Sub-Saharan Africa. Data on the number of beneficiaries are missing for 18 programs—6 nongovernment and 12 government programs—which when broken down by entry point signify 6 social safety net (SSN) and 12 livelihoods and jobs (L&J) programs. The graph also excludes data from JEEViKA in India (a government-led L&J program), which covers over 50 percent of all beneficiaries in the survey. The total number of programs, excluding JEEViKA, is 218 (112 nongovernment-led and 106 government-led programs or 77 SSN, 137 L&J, and 4 financial inclusion (FI) or 13 in East Asia and Pacific, 5 in Europe and Central Asia, 41 in Latin America and the Caribbean, 16 in the Middle East and North Africa, 31 in South Asia, and 112 in Sub-Saharan Africa. The number of total beneficiaries is 45,319,700, which includes direct and indirect beneficiaries. When JEEViKA is included, the number of programs is 219 (112 nongovernment-led and 107 government-led programs or 77 SSN, 138 L&J, and 4 FI or 13 in East Asia and Pacific, 5 in Europe and Central Asia, 41 in Latin America and the Caribbean, 16 in the Middle East and North Africa, 32 in South Asia, and 112 in Sub-Saharan Africa). The number of total individual beneficiaries equals 91,933,700.

on the success of programs shown to be effective on a small scale or under controlled conditions. It may also be driven without prior piloting and testing, and often in response to a political decision or directive.

An Evidence Base

The need to establish a more comprehensive evidence base around economic inclusion is a hallmark of this report. A central focus is the assimilation of new data and evidence around program design and implementation, impacts, and costs. This is critical to determine the feasibility of program scale-up. Through the data collected using the

PEI Landscape Survey 2020, this report brings together formerly disconnected strands of experiences in government and nongovernment programs and across a range of sectors. The impact review documents experiences across 80 quantitative and qualitative evaluations in 37 countries. The report introduces the PEI Quick Costing Tool 2020 as a starting point to inform debates on cost optimization and cost efficiency. Key data gathered throughout this report are presented and will be updated on the PEI Data Portal available at www.peiglobal.org. This open-access approach to data has been devised to encourage debate and to facilitate new evidence generation over time.

Continued Learning

The report draws attention to the need for continued learning from first-hand country experiences. Adaptation 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. As the state of economic inclusion evolves, new learning comes to light, and the report provides an in-depth set of case studies highlighting lessons and operational insights from government-led and nongovernment-led projects. The case studies include (1) the Sahel Adaptive Social Protection Program, (2) India's Bihar Rural Livelihoods Promotion Society (BRLPS), locally known as JEEViKA's Satat Jeevikoparjan Yojana, (3) BRAC's Ultra Poor Graduation program in Bangladesh, and (4) Peru's Haku Wiñay program (box O.1).

BOX O.1 Learning by Doing: Four Case Studies

This report features four case studies that shed light on emerging lessons in the design and implementation of economic inclusion programs in a variety of contexts. Findings from these case studies, and wider survey data, underpin the key concepts and analysis presented throughout this report.

The Sahel Adaptive Social Protection Program (SASPP), supported by the World Bank and development partners, features productive inclusion programs implemented in tandem with the national safety net programs of four Sahel countries: Burkina Faso, Mauritania, Niger, and Senegal. More than 50,000 households to date, across the four participating countries, have received a comprehensive package of products and services to help them move out of poverty. A multicountry randomized controlled trial (RCT) evaluation is under way to determine the impact of these productive measures on cash transfer beneficiaries and how such measures can be optimized and made more cost-effective. The case study presents insights on the importance of government leadership and institutional coordination, the value of broader investments in the safety net system, and the need for flexibility in delivery arrangements depending on the country context.

The Satat Jeevikoparjan Yojana (SJY) program of JEEViKA, in the state of Bihar, India, is a livelihoods program that utilizes the graduation approach by leveraging self-help groups and village organizations to help with key program functions,

(Box continues next page)

BOX O.1 Learning by Doing: Four Case Studies (continued)

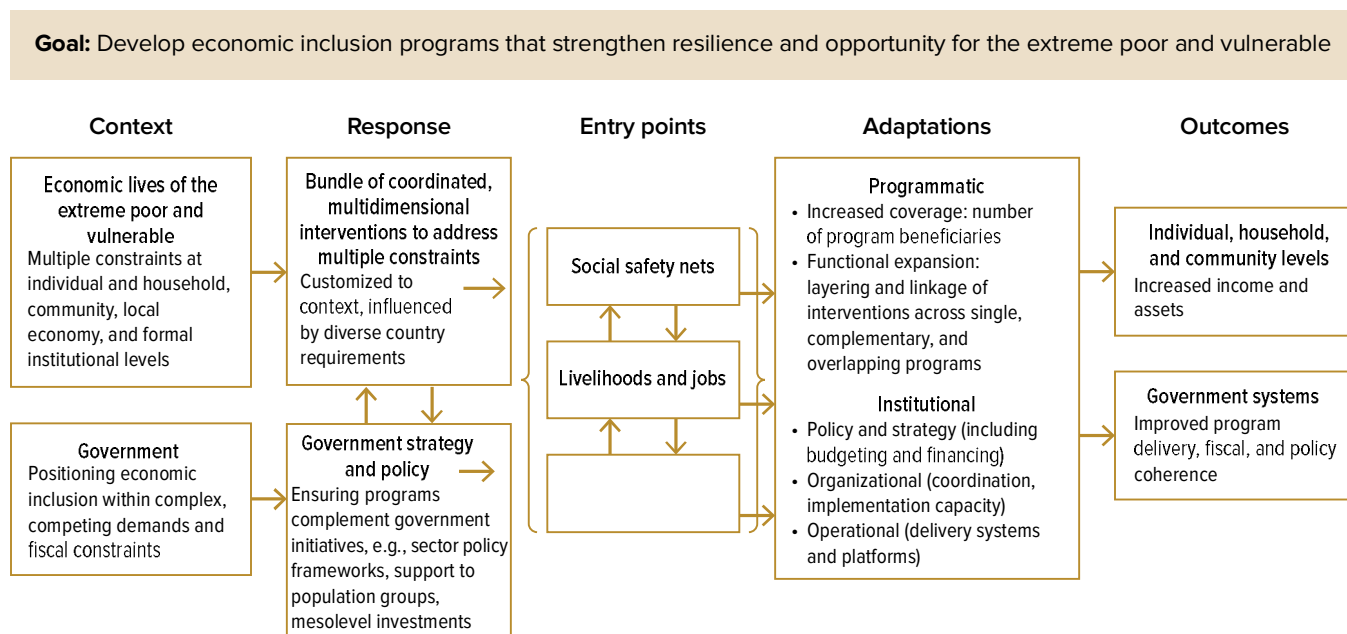
such as targeting and delivering assets to poor households. SJY identifies and trains large cadres of community members as frontline implementers of the program and demonstrates how large-scale government programs can alleviate implementation-related capacity constraints. Although at an early stage of implementation, SJY is a large-scale effort intended to reach 100,000 households within JEEViKA's larger economic inclusion effort, which currently reaches 10 million rural women.

The BRAC case study reflects the experience of a large nongovernmental organization in pioneering the graduation approach, featuring their experience over the past 20 years and lessons emerging from recent innovations. BRAC's graduation program in Bangladesh has reached over 2 million households, accepting approximately 100,000 women heads of household into the program each year. An RCT evaluation on BRAC's program demonstrated sizeable economic impacts that continue years after the intervention. Other RCTs evaluating global graduation models have produced similar positive impact results, which helped catalyze a global wave of graduation and graduation-like programs. BRAC's approach highlights the importance of long-term investment, constant adaptation, and innovation supported by research.

In Peru, the Haku Wiñay program, implemented by the Ministry of Development and Social Inclusion, through the Social Development Cooperation Fund, is an economic inclusion program introduced to create economic gains among the most disadvantaged rural households. This case study explores how an economic inclusion program can integrate socially accepted community structures with a national program strategy and ultimately replicate this approach. Successful scale-up is being achieved thanks to participatory decision-making and the engagement of community project management systems and community trainers (*yachachiqs*). Replication required significant adaptations, including giving implementers in different parts of the country the freedom to apply locally relevant microstrategies to make the approach successful in varying contexts of rural poverty.

Transforming the Lives of the Extreme Poor and Vulnerable: A Framework

The report is anchored around a simplified framework to consider the pathways for scaling up economic inclusion programs that strengthen resilience and opportunities of the extreme poor and vulnerable. The framework (see figure O.2) illustrates an overall context and response diagnostic linked to a desired set of outcomes at the household and community level and in government systems. The framework was developed iteratively using findings from the underlying report survey, stakeholder consultations, and available literature cited throughout. In presenting this framework, certain limitations are noted: economic inclusion at scale is not a “silver bullet,” considerable heterogeneity is masked by a simplified framework, and the engagement of local community and nongovernment structures remain critical to its execution. The framework presents a starting point for ongoing discussion.

FIGURE O.2 Pathways to Economic Inclusion at Scale: A Framework

Source: Partnership for Economic Inclusion, World Bank.

The starting point of the framework is the goal of transforming the economic lives of the poor. Unleashing the productive potential of extreme poor and vulnerable people 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. A multidimensional response is proposed, the components of which are likely to evolve over time as learning and adaptation continue to develop.

Importantly, the framework centers on the potential to effect change within a government landscape, requiring clear alignment to national institutions, strategies, and policies. This represents an important shift in popular discourse around economic inclusion programs and leads to a consideration of the incentives, trade-offs, and strategic entry points in scale. Ultimately, the evolution of these programs at the country level will hinge on political acceptability and will be shaped by several political economy considerations, such as historical processes, structural forces, and institutions. The report highlights how governments face strong challenges in determining target groups, often against a backdrop of excess demand and tight fiscal constraints. The success or failure of economic inclusion programs will often rest on three programmatic decisions: program objectives, financing, and institutional arrangements for delivery.

Ten Key Findings

- 1** *An unprecedented surge in economic inclusion programming is occurring worldwide.* Survey data show inclusion programs are under way in at least 75 countries, reaching approximately 20 million households and benefiting

nearly 92 million individuals, either directly or indirectly. This report presents data and evidence from 219 programs and the Partnership for Economic Inclusion Landscape Survey 2020 identified a further 40 programs in the planning stages. Nearly half of all programs worldwide are government led, and these programs cover 87 percent of beneficiaries across all programs featured in this report. Rapid expansion is driven by low-income countries; half of all programs surveyed are in Sub-Saharan Africa.

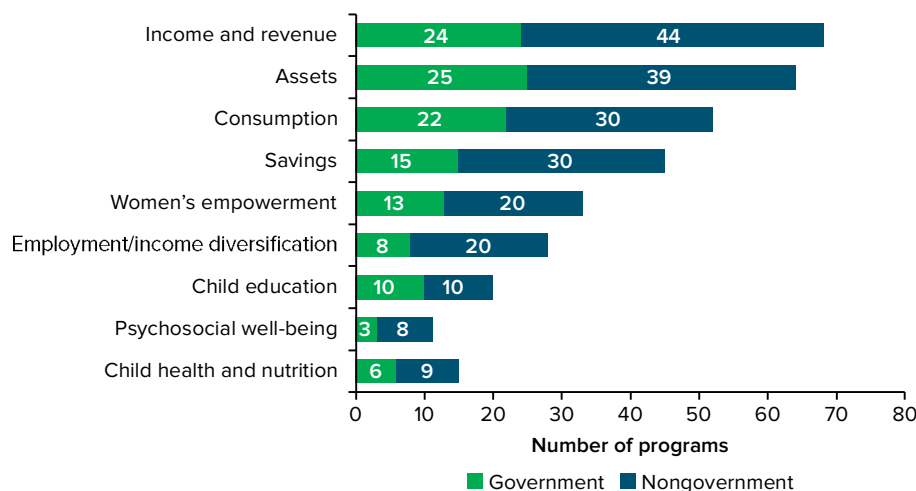
- 2** *There is strong potential for economic inclusion programs to build on preexisting government programs, and this may prove critical in the long-term recovery efforts arising from the COVID-19 economic crisis.* Economic inclusion is becoming a critical instrument in many governments' large-scale antipoverty programming. One of the primary means by which governments scale up economic inclusion is through social safety nets, which offer an opportunity to build on cash transfers. The scale-up of government programs has the potential to introduce economies of scale and allow for integrated approaches. The report points to the fact that government programs typically include five or more components, most commonly transfers, skills training, coaching, market links, and access to financial services.
- 3** *The current scale of economic inclusion interventions is modest, and a sustainable approach to scaling up involves more than expanding program beneficiary numbers.* The Partnership for Economic Inclusion Landscape Survey 2020 shows that more than 50 percent of existing government-led programs have the potential to support between 5 and 10 percent of the extreme poor. Many government-led programs are in the process of expanding coverage. Yet scaling up is not simply about the size of coverage but also about quality: the quality of impact and sustainability of coverage as well as the quality of processes of change and adaptation. Economic inclusion at scale therefore considers the associated programmatic and institutional mechanics, many of which are important prerequisites before introducing new program beneficiaries.
- 4** *Economic inclusion programs provide considerable flexibility for adaptations. Despite heterogeneity, there is common prioritization on rural development, fragility, and the needs of specific vulnerable groups.* The Partnership for Economic Inclusion Landscape Survey 2020 revealed a strong focus on protecting most vulnerable groups, including children (25 percent of programs surveyed), people with disabilities (27 percent of programs surveyed), and displaced populations (33 percent of programs surveyed). The most frequently cited objectives for economic inclusion programs include self-employment, income diversification, and resilience. This reflects an agenda with a strong rural focus (87 percent of all programs) and an emphasis on fragility (25 percent of programs surveyed) coupled with a focus on climate change mitigation (55 percent of all programs surveyed).
- 5** *Women's economic empowerment is a key driver of economic inclusion programming, with nearly 90 percent of programs surveyed having a gender focus.* Program design adaptations to promote empowerment and mitigate unintended household and community risks have emerged. There is a considerable body of operational work focused on explicit gender-intentional program design to boost effectiveness. At the same time, there is heightened interest and recognized risks in the unintended consequences of gender-specific program adaptations, such as exacerbated time poverty, reinforced traditional gender roles, and gender-based violence.

6 *Economic inclusion programs look set to increasingly adapt to the realities of informality, especially for youths in urban areas.* Programmatic approaches vary, with some self-employment interventions having broad inclusion objectives and others explicitly seeking high-potential entrepreneurs. Only one-third of programs facilitate access to wage employment opportunities, an agenda pushed by government-led programs. Nearly 70 percent of programs help participants link to existing value chains and markets (local, regional, national, or international), and some even support the creation of new value chains. Almost 40 percent of programs report operations in urban centers, with 64 percent of programs focused on youth, reflecting broader demographic and urbanization megatrends. The adaptation of economic inclusion programs to urban areas impacted by COVID-19 looks set to become an area of particular focus.

7 *Digital innovations will be critical to leapfrog capacity constraints and to strengthen program management.* Many programs are currently utilizing government social registries, beneficiary registries, and other government databases to identify program participants (33 percent of all programs and 45 percent of government-led programs). Digital technology is an important factor across 85 percent of all government-led programs and is prevalent in all regions. Thirty percent of government-led programs provide access to program components through digital platforms.

8 *Economic inclusion programs build on a promising evidence base that will soon grow significantly.* A review of 80 quantitative and qualitative evaluations in 37 countries shows that a bundle of coordinated multidimensional set of interventions demonstrates greater impact on income, assets, and savings relative to stand-alone interventions. The interactions between components likely drive overall program impact. As highlighted in figure O.3, the existing evidence base is dominated by nongovernment programs, which in many cases are stand-alone programs. This is set to change in the coming years. About 80 percent of the surveyed programs have planned research; results

FIGURE O.3 Distribution of Studies Reporting on Specific Outcomes, by Lead Agency



Source: See appendix B for the detailed bibliography of sources.

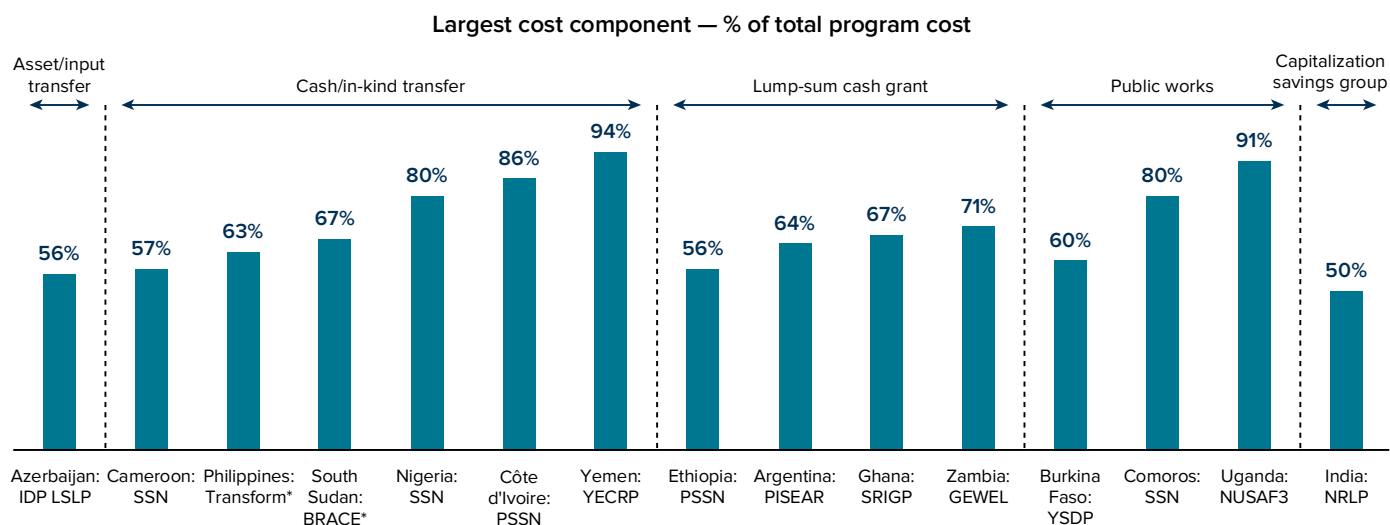
Note: This summary reflects 97 quantitative impact evaluations for 71 programs for which complete information from the studies could be obtained.

from two-thirds of these studies will be available in 2020–21. The emergence of greater evidence from government-led programs will be important for rebalancing the discussion on program impacts, especially to reframe how long-term impacts are understood within a national system of support.

9 *An improved understanding of basic cost structures is a vital starting point to assessing the cost-effectiveness of economic inclusion programs by more than just “sticker price.”* The report breaks new ground in the approach to costing analysis, a topic fraught with complications, including challenges in measurement, heterogeneity of program objectives, and complications in comparability. It provides one of the first multicountry cost disaggregations for government- and nongovernment-led economic inclusion programs globally. The PEI Quick Costing Tool 2020, which facilitated data collection, emerges in the absence of other operational costing tools critical to informing real-time program design and policy dialogue.

The cost of economic inclusion programs tends to be driven by a single intervention, such as cash grants, asset or input transfers, or safety net transfers (figure O.4). Human resource and staff costs are more prominent cost drivers in more complex projects, where costs are driven by multiple components, rather than those driven by one large component provided in conjunction with others. The size of the components varies considerably and depends on the modality of support, for example, strictly time-bound or continuous support. The overall price range of economic inclusion programs sampled varies substantially. The total cost of economic inclusion programs is between \$41 and \$2,622 (in 2011 purchasing power parity, or PPP) per beneficiary over the duration (3.6 years on average) of each program.² This variance continues to exist when the programs are further broken down by entry points: SSN programs range from \$77 to \$2,253 (2011 PPP) and livelihoods and jobs programs range from \$41 to

FIGURE O.4 Largest Cost Component as a Percentage of Total Cost, Selected Programs



Source: PEI Quick Costing Tool 2020, World Bank.

Note: See appendix C, table C.1 for full program names and details.

* NGO-led programs. All other programs are government led.

\$2,622 (2011 PPP). However, program sticker prices need to be understood based on their adequacy and impact.

10 *Strong partnership is integral to the success of economic inclusion programs.* The engagement of community mechanisms is a critical driver of program delivery, with most programs leveraging community structures, including informal savings and credit community groups (42 percent), local governance groups (59 percent), and formalized producer organizations (44 percent). Community structures can further expand livelihood opportunities and increase program sustainability, particularly if the community organizations are formally linked to other market actors, including financial service providers and private training providers. Nongovernmental organizations (NGOs) provide technical assistance to 64 percent of government programs, and 67 percent of governments partner with NGOs to deliver their programs. Partnership is also critical at the global level to advance global operational knowledge, best practices, learning, and leveraging financial support.

Future Directions

The report points to a continued and growing learning agenda around economic inclusion for the poorest. Across the world, economic inclusion programs are being customized to local settings, with programs invariably adopting a learning-by-doing approach. The flexibility of economic inclusion programs makes them well suited to adapt to changing poverty contexts and megatrends, such as informality, urbanization, demographic shifts, and technology. This flexibility also points to the potential for the increased importance of economic inclusion programs in response to major shocks, including the medium- to long-term response and recovery effort around COVID-19. As programs evolve, the learning agenda will continue to grow, with the promise of better informing the existing evidence base and bolstering political buy-in for programs and approaches that demonstrate effectiveness. The Partnership for Economic Inclusion will serve as an important platform to meet this demand for knowledge and continued innovation and learning.

Delivery

Refining program delivery systems across diverse contexts will gain in importance. Documentation of effective operational models and delivery systems in different contexts is required to facilitate effective design and coordination of economic inclusion programming. With a wide range of configurations of partners, programs, and structures under way, there are important opportunities to improve program effectiveness. It will be important to gather evidence on the interplay between different government institutions, and between government and partner organizations, such as community networks, NGOs, and private sector firms. This evidence will help to reveal commonalities and key differences across each of the program entry points—a critical gap in this report. Digital solutions can help to leapfrog some delivery constraints and increase cost-effectiveness. These solutions will grow in prominence as social distancing restrictions affect training and coaching activities in the wake of the COVID-19 crisis.

Customization

Increasing customization based on the needs of specific population cohorts—including women, youths, and people with disabilities—is a certainty. As a cross-cutting priority, more economic inclusion programs will likely include specific design features to promote women’s economic empowerment. Changes in the aspirations of youths will also provide an important impetus for program expansion. Given high levels of youth underemployment and uncertain pathways to formal jobs, economic inclusion programs will play an important role in providing opportunities for self-employment and microenterprise development. Demographic shifts and increased urbanization are likely to fuel significant demand for these programs, as emerging experiences in Bangladesh, Egypt, Ghana, Indonesia, and Kenya, among other countries, now suggest. For people with disabilities, multidimensional economic inclusion programs can offer a means of increasing their economic opportunities and reaching their full potential. The body of knowledge on how to adapt design and delivery to increase outcomes for people with disabilities to reach their full potential is growing. But nearly all programs, regardless of their target populations, find that their participants’ performance trajectories differ, with some “fast climbers” and “slow climbers” in every group. These varying trajectories have important implications for program design.

Shock Sensitivity

Programming for economic inclusion cannot be divorced from the vagaries of external shocks, vulnerability, and fragility. 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 or shocks caused by conflict or the effects of climate change. As a response, economic inclusion programs in fragile settings are increasing in size and number, and a better understanding of operational models in these contexts is paramount. Good practice in linking economic inclusion to humanitarian interventions and facilitating market links for displaced and host populations will be critical. One strong implication is the need for program adaptability and flexibility to withstand shocks and to adapt program design in the context of dynamic short- and medium-term needs.

Links to Community and Local Economy

As programs develop to address the needs of specific populations or demands of different contexts, the report makes clear the importance of linking traditional economic inclusion responses for individuals and households with the wider community and local economy processes. Economic inclusion programs foster links with existing community structures, productive organizations, and savings networks. Improved market and value chain links can increase the productivity of livelihood activities and bolster program sustainability. Increased mesolevel linkages help alleviate structural barriers and constraints to access to markets, infrastructure, and production inputs and increase the potential of the private sector. Closer integration of these programs with the local economy may also have important community spillover effects. As experience grows, the menu of programmatic responses will likely evolve.

New Wave of Evidence

Given anticipated program innovations and ongoing research, the economic inclusion knowledge base is set to grow. While there is much evidence already, the next wave of evaluations will likely focus on government programs at scale and will help isolate the mechanisms of impact across entry points and for different groups. This will have important operational implications for identifying cost-effective bundles of interventions in each context and lessons on the effectiveness of different operational delivery models. A critical learning agenda is emerging to help address several evidence gaps. First, few studies provide details on the context in which programs operate, and a major gap exists on cost analysis. Second, most evaluations are not designed to isolate channels of impact, that is, to understand key drivers of program outcomes. Third, there is very limited quantitative evidence on resilience and empowerment, with the exception of some experiences from community-driven development programs. Going forward, a new wave of evaluations will shape the state of global evidence significantly. About 80 percent of the surveyed programs in this report have planned research and, as noted, two-thirds of the results will be available by 2021. In moving the evaluation agenda forward, there is a critical need to complement impact evaluations with real-

to identify opportunities to enhance program performance.

Cost Effectiveness

The ability to determine program costs is an essential step in determining the cost-effectiveness of economic inclusion programs and their sustainability. The PEI Quick Costing Tool 2020 developed as part of this report is a practical resource to guide practitioners through the disaggregation of costs in multidimensional programs. Going forward, it is critical that economic inclusion program implementers (both government and nongovernment) and policy makers better scrutinize their cost structures in order to increase program efficiency. Researchers assessing the impact of economic inclusion programs should systematically collect and report on cost data in addition to impact sizes. The systematic understanding of costs will allow governments to make sense of program cost-benefit ratios and guide their policy choices. Having reliable costing data offers considerable scope to further understand cost optimization. Opportunities to optimize costs include variations in size and cost recovery of cash grants and variations in intensity of modality, frequency, and content of training, mentoring, and coaching.

Political Economy

Too often the discussion of economic inclusion and related programs focuses on specific technical solutions for program design and implementation. This report draws close attention to the “political economy” of economic inclusion to consider the local and national considerations that influence the decision to adopt these programs or not. The adoption and scale-up of economic inclusion programs hinges on political acceptability and involves trade-offs in program design and implementation. While economic inclusion programs tend to have support across the political spectrum, governments face strong challenges in the process of scaling up. The success or failure of economic inclusion programs can be shaped by three decisions: program objectives, financing, and institutional arrangements for delivery. Political realities may require that programs cover a broad range of population cohorts, in addition to the poorest, often to ensure

popular support. As programs scale up, transparency and accountability measures become important in limiting political bias. Two aspects stand out as critical for scaling up economic inclusion: (1) political leadership and (2) the quality of evidence needed to help shift preferences and bolster political support. These considerations—and the perspectives of historical processes, structural forces, and institutions—underpin the central question of scale-up, and occupy a cross-cutting focus throughout the report.

Notes

1. World Bank, *Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle* (Washington, DC: World Bank, 2018), <https://openknowledge.worldbank.org/handle/10986/30418>.
2. Note that here we do not divide the total cost by duration of each program. While dividing by duration would help standardize the comparison across programs, it is misleading, as duration of economic inclusion packages is an important aspect of the program's design. Those designed so their beneficiaries receive a set of interventions over a longer duration of time (perhaps because they are slow climbers or highly vulnerable) will likely cost more than those of shorter duration. In discussing adequacy of benefits, however, we standardize by duration.

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The State of Economic Inclusion Report 2021 sheds light on one of the most intractable challenges faced by development policy makers and practitioners: transforming the economic lives of the world's poorest and most vulnerable people.

Economic inclusion programs are a bundle of coordinated, multidimensional interventions that support individuals, households, and communities so they can raise their incomes and build their assets. Programs targeting the extreme poor and vulnerable groups are now under way in 75 countries.

This report presents data and evidence from 219 of these programs, which are reaching over 90 million beneficiaries. Governments now lead the scale-up of economic inclusion interventions, often building on preexisting national programs such as safety nets, livelihoods and jobs, and financial inclusion, and 93 percent of the total beneficiaries are covered by government programs.

The report offers four important contributions:

- A detailed analysis of the nature of these programs, the people living in extreme poverty and vulnerability whom they support, and the organizational challenges and opportunities inherent in designing and leading them.
- An evidence review of 80 quantitative and qualitative evaluations of economic inclusion programs in 37 countries.
- The first multicountry costing study including both government-led and other economic inclusion programs, indicating that programs show potential for cost efficiencies when integrated into national systems.
- Four detailed case studies featuring programs under way in Bangladesh, India, Peru, and the Sahel, which highlight the programmatic and institutional adaptations required to scale in quite diverse contexts.

Data from the report are available on the PEI Data Portal (<http://www.peiglobal.org>), where users can explore and submit data to build on this baseline.



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