



Economic Opportunity for All: The Catalytic Role of the Partnership for Economic Inclusion

Abstract

At its first Partners' Meeting in 2018, the newly formed Partnership for Economic Inclusion outlined its directions for action, key among which is a specific priority to support national government adoption and scale-up of deeply-targeted economic inclusion programs to serve and benefit tens of millions of the world's poorest people.

GPS attended this meeting to hear the latest news about the expansion of economic inclusion programs and to educate international partners about how compatible this approach could be with the Canadian government's Feminist International Assistance Policy.

In February 2021, the Partnership published its State of the Economic Inclusion 2021, which shows that over 90 million people are being reached by expanded economic inclusion programmes, and that economic inclusion programmes can play a major role leading to 2030 if the Partnership is funded (by countries like Canada) and empowered to play a catalytic role.

Background

Ending extreme poverty in all its forms everywhere by 2030 is the first Sustainable Development Goal adopted by all countries. Extreme poverty is a multidimensional issue. It manifests itself usually under three interrelated aspects:

- Poor health
- Poor educational outcomes
- Little or no assets and insufficient income

The solutions to poverty begin with access to health care and prevention, as well as improved access to and quality of, educational services. These solutions have a direct impact on the economic dimension of poverty: "a 10% improvement in life expectancy at birth is associated with a rise in economic growth of some 0.3-0.4 percentage points a year¹." Similarly, "each additional year of schooling raises average annual gross domestic product (GDP) growth by 0.37%" and "one extra year of schooling increases an individual's earnings by up to 10%.²"

¹http://oecdobserver.org/news/archivestory.php/aid/1241/Health_and_the_economy:_A_vital_relationship_.html

² [GEM Report, Education Counts, Toward the Millennium Development Goals, pp.6-7 \(2011\)](#)

Yet, health and education, in and of themselves, are not enough to provide each poor person with a guarantee of a decent income: what is also needed is economic opportunity.

A proactive effort is required to provide economic opportunity for all

Would a positive long term growth trend in the world economy be sufficient to afford the economic opportunities required to end extreme poverty? The 2017 Global State of Ultra-Poverty offers an important perspective.

“Looking at the decline in poverty over the last 40 years, one might be tempted to assume that we are on track to achieve this goal. (...) If the trend lines are to be believed, we only need to continue the rate of progress that has been made since 1970 to reach the 2030 target. (...) However, as our analysis and data reveal, this is an unwarranted and dangerous assumption; we see a distinct and essential demographic group – comprising over half of those living in extreme poverty or 394 million people³ – has been left out of the progress seen to date. These are the households that continue to live in the most dire and persistent forms of poverty on the planet, or what we term ultra-poverty. If we do not begin to address their needs now, the rate of poverty reduction will begin to level off.”⁴

Evidence shows that the conditions of the poorest segments of society are improving less fast than the less poor segments in the developing world: while the median income increased by 95% between 1990 and 2011, the income of the 80th percentile increased by 101% and the income of the 20th percentile increased by only 70%. As a result, in 1990, in the developing world, the median income was 77% higher than the income for the 20% percentile and in 2011, the median income was more than double the 20th percentile⁵.

As reported in The Economist magazine: “The share of people living in absolute poverty will almost certainly not decline as quickly in the future...Even as the global proportion of poor people continues to drift slowly downwards, large pockets of poverty will persist, and some of them are likely to swell. The war on want is about to settle into a period of grinding battles in the trenches”⁶.

The need for a targeted approach

Classic market economics would have us expect that poor people will benefit from the general growth of the economies of the developing world. In fact, many people in extreme poverty were able to leave the ranks of the extreme poor thanks to growth. However, a large proportion of vulnerable people continue to be unable to rise above extreme poverty.

Indeed, a few years back, when asked which Millennium Development Goals (MDGs) were most at risk of not being met, one of the experts on a poverty panel said it is not a particular MDG that was in

³ This number has since been updated to 350 million

⁴ Global State of Ultra-Poverty, p. 10, www.ultra-poverty.org

⁵ http://devinit.org/wp-content/uploads/2015/09/Investments-to-End-Poverty-Report-2015_online.pdf,

⁶ “The World Has Made Great Progress in Eliminating Extreme Poverty: But the Going Will be Much Harder from Now On.” (The Economist, May 30, 2017. <https://www.economist.com/news/international/21719790-going-will-be-much-harder-now-world-has-made-greatprogress>)

jeopardy, but rather a particular group of people. Those living in ultra-poverty (i.e. in the most acute forms of extreme poverty) are the most likely not to make it across the poverty line. They may have accumulated too many deprivations, or whatever income they may be able to generate is insufficient for their families, or both, and they are too far from crossing the line to be reasonably expected to make sufficient progress by 2030.

The Chronic Poverty Advisory Network looked specifically at the characteristics of those people in extreme poverty who have not been able to progress out of poverty amidst the achievements of the Millennium Development Goals.⁷ They found that, among other things, those left behind are more likely to not own assets (livestock and land) and not even be able to afford to rent someone else's land. The poorest women have gained less from increases in educational attainment than the average woman, and their educational gap compared to the median, has increased. The gap between average ages of the poorest girls marrying compared to the median wealth quintile is increasing significantly. In the 1990's the poorest girls married 0.46 years earlier than the average while in the 2000's they were marrying 0.72 years earlier. They also had less control over household spending. In sum, they often lack access to opportunities and should a few opportunities ever present themselves, they lack the social capital that would be required to take advantage of them.

The need to focus on the most acutely poor is also corroborated by the observations of poverty-fighting practitioners in dozens of countries on three continents who have observed the exclusion of the acutely poor from the gains of income-generating projects. They discovered that extra coaching, training, health, asset transfer and income support was necessary to establish them on a sustainable pathway out of poverty.

Projections by the Brookings Institute show that even under the most favourable growth scenarios and the most pro-poor redistribution/equity scenarios, there will still be a minimum of 100 million people below the extreme poverty line in 2030⁸, and likely many more, as the most favourable assumptions are unlikely to materialize in each of the years leading to 2030⁹. These more than 100 million people require targeted attention.

The Partnership for Economic Inclusion was formed to bring together leaders that work in household-level targeted economic inclusion programs. It is recognized that targeting attention and assistance on the most vulnerable is critical for two reasons:

- To avoid leakage of scarce resources to better off households with positive economic prospects
- To ensure that those who are least likely to overcome obstacles on their own receive a proper level of support

The importance of scaling up the Graduation Approach

The “graduation into sustainable livelihoods approach” is a key tool for targeting the needs of the very poor and the vulnerable: it “consists of a sequenced set of interventions aimed at tackling the

⁷ Lenhart and Shepard: What Happened to the Poorest 50%? 2013 CPAN

⁸ <https://www.brookings.edu/interactives/the-final-countdown-prospects-for-ending-extreme-poverty-by-2030-interactive/>

⁹ The Brookings Institute says that as many as 1 billion people could end up below the extreme poverty line, under pessimistic scenarios.

multifaceted constraints faced by the poorest and most vulnerable households.”¹⁰ It was pioneered by BRAC in Bangladesh in the early 2000s and further tested through a series of pilots conducted on three continents. The graduation approach has demonstrated, with randomized control trials, that it can assist very poor families to become self-reliant financially through time-bound interventions.

This approach typically consists of asset transfers (for instance a cow or some goats) and consumption stipends, supplemented by savings, technical training and coaching. In two thirds of cases, programs also give access to microcredit. For a more complete description of graduation see how this approach has been [rigorously tested and proven over three continents](#).

The long-term benefits of the graduation programs studied far outweigh total costs and demonstrated positive effects extend to savings, income, resilience to shocks and ownership of assets¹¹. Because of the tremendous potential of the graduation approach (in fact, it is the only proven approach to demonstrably benefit the very poor), ***PEI has made it its specific priority to support government adoption, and scale-up of deeply-targeted economic inclusion programs, starting with graduation programs, to serve and benefit tens of millions of poor and vulnerable people.*** Economic inclusion programs are a larger family bundled interventions, which do not necessarily include an asset transfer. The [State of Economic Inclusion 2021](#) shows that there are currently more than 200 economic inclusion programs worldwide, reaching 90 million people. The programs surveyed have the following characteristics:

- 88% operate in rural areas, half of which exclusively in rural areas
- One quarter are in fragile or violence affected countries
- 57% have a climate change mitigation objective
- 65% of programs target the extreme poor, of whom 40% the ultra-poor, the rest vulnerable poor
- Only 4% are open-ended; 96% are time-limited
- 80% include business capital, 71% include financial services (42% microfinance), 68% consumption smoothing, 97% training, 90% coaching

The Partnership for Economic Inclusion – How it supports the expansion of economic inclusion programs

The Partnership for Economic Inclusion (PEI) is a spin-off of the Consultative Group to Assist the Poor, an economic think tank dedicated to financial inclusion. Strategically housed in the Social Protection and Jobs Global Practice of the World Bank, PEI brings together the leaders of organizations interested in accelerating access to economic opportunities for the very poor. GPS is represented on the partnership along with academic experts, NGOs, and aid agency representatives. PEI members are in large part the same as those who participated in the Toronto Ending Ultra-Poverty Conference and Retreat in June 2018¹².

PEI held its first partners meeting in December 2018 where it unveiled its ambitious plan of action for the coming two years. GPS attended to hear the latest about the expansion of graduation programs and

¹⁰https://www.findevgateway.org/sites/default/files/publication_files/peis_2018_state_of_the_sector_report_final.pdf PEI State of the Sector 2018

¹¹ https://www.fonkoze.org/assets/technical-report_final-graduation-business-case-5-30-17.pdf

¹² see <http://www.globalpovertysolutions.ca/docs/Ending%20Ultra%20Poverty%20Retreat.pdf>

to educate international partners about how compatible this approach is with the Canadian Feminist International Assistance Policy (discussed below).

PEI's key strategy for expanding access to economic inclusion programs, including graduation programs is to have them included in the safety nets, or more generally the social protection programming, of developing nations. This type of programming has been expanding tremendously and the State of Social Safety Nets 2018¹³ estimates that social transfers were able to lift 36% of the extreme poor out of extreme poverty, in countries where there are social safety sets. The objective is to make the escape out of extreme poverty permanent by including a graduation component.

For a more complete explanation of PEI's strategy see <https://oecd-development-matters.org/2018/11/21/increasing-income-and-resilience-of-the-poorest-the-role-of-economic-inclusion-programmes-in-social-protection-systems/>

The potential for growth of the economic inclusion programs

Currently, there are over 200 economic inclusion programs reaching over 90 million people.

It is useful to compare the more than 90 million beneficiaries with the figure of 350 million living in ultra-poverty. This would already represent a ratio of 1 in 4, if the programs were properly targeted to the ultra-poor (which is not the case currently). Notable is the absence of several key African countries with high burdens of extreme poverty: Niger, South Sudan, Somalia, Democratic Republic of Congo, Chad and Guinea. It is important to note that graduation programs are not for all the 350 million people living in ultra-poverty: some will get jobs, or benefit from other interventions, or some others are too old or too severely disabled to benefit from the graduation approach.

This outreach could be significantly higher if we factor in new implementers, particularly true if the number of government-led programs increases.

Currently, some twenty countries have government-led programs, mostly not implemented at full-scale. If these programs were implemented at scale, and if the number of countries increased, the impact on extreme poverty could be significant.

At this time seventy-five percent of graduation programs are in fragile or conflict-affected countries, where extreme poverty is concentrated. It is important to maintain the focus on the countries where extreme poverty is concentrated.

PEI envisages four Pillars of Action

- Advocacy and Assistance to encourage more countries to adopt economic inclusion programs and to scale them up. PEI has set up a Multi-Donor Trust Fund, the purpose of which is to act as a catalyst through leveraged incentives to target large numbers of very poor participants, and to test ways to expand coverage. Through the Fund, PEI hopes to encourage several low and middle-income country governments to include economic inclusion components for the very poor in their social programs.
- Innovation and Learning: be a central repository for the findings of research (77% of graduation programs have a research component on their impact or on their program design)

¹³ <https://openknowledge.worldbank.org/bitstream/handle/10986/29115/211254.pdf?sequence=4&isAllowed=y>

- Dissemination of information on the graduation approach
- Fund mobilization

Canada's Feminist International Development Policy and the Partnership for Economic Inclusion

Canada is a member of CGAP, the mother organization that helped highlight the potential of graduation programs and from which PEI has been spun off. It would be expected that Canada would extend this association with PEI.

In June 2017, Canada adopted a Feminist International Assistance Policy which makes it even more imperative for Canada to join PEI and to fund its Multi-Donor Trust Fund.

The new policy calls for empowering women as a key feature of economic development programming.

There are clear indications that economic inclusion programs support women empowerment. First, it is important to say that 88% of programs target women, and in 2/3 of programs, women form the majority of clients. Measuring women empowerment, beyond program success, is difficult but key. There is evidence that training and coaching are crucial to build confidence. There is some evidence, albeit limited, that economic inclusion programs lead to a reduction in intra-household conflict, but partner cooperation remains a criterion for program success. There are limits to what the cultural environment will let women entrepreneurs do, so programs need to acknowledge and challenge these limits. Child care is one of the key challenges to address to ensure a full economic inclusion of women.

Finally, graduation programs are the only ones that have demonstrated increases the assets and income which are crucial extremely poor women. This becomes a key avenue for the empowerment of excluded women.

Therefore, a contribution to PEI is a logical way for the Canadian government to walk the talk.

Key Self-Directed Learning Questions

Why is important to target economic development efforts on the very poor

What is the graduation approach and why is it important to scale it?

What role can the Partnership for Economic Inclusion play?
