

## Prospects for Reaching the Extreme Poor through Economic Inclusion Programs

In February 2021, in its State of Economic Inclusion 2021, the Partnership for Economic Inclusion published the results of a landscape survey of over 200 economic inclusion programs, covering over 20 million households (i.e. reaching over 90 million people).

Economic Inclusion (EI) programs are defined as a bundle of interventions targeted at either vulnerable people (refugees, people with disabilities, youth, and more) or people living in extreme poverty. Among the bundled interventions of each program, there are several of the following: transfers of assets (for instance goats), transfer of business capital, cash transfers to support consumption, work-for-food schemes, technical training, business and social skill training, health care, and microfinance (savings groups and/or access to credit).

Results Canada and Global Poverty Solutions (GPS) were interested in assessing the capacity of economic inclusion programs to contribute meaningfully to the global objective of eliminating extreme poverty by 2030. Research began with two questions:

- 1- Are economic inclusion programs being implemented in countries with the deepest pockets of poverty or in countries where most poverty issues are mostly already addressed?
- 2- Are economic inclusion programs targeting families in extreme poverty or families that are slightly better off?

The answer to the first question is fairly straightforward. The top 9 countries with the largest number of people served by economic inclusion programs have within their borders, 512 million people living in extreme poverty (see Column B of the Table 1 below). This represents nearly 70% of the global population in extreme poverty. So economic inclusion programs are indeed reaching countries with big pockets of extreme poverty.

**TABLE 1 - OUTREACH OF ECONOMIC INCLUSION PROGRAMS**

	<b>A-Number of People Reached by Economic Inclusion Programs (million)</b>	<b>B-Number of People living in Extreme Poverty (million)</b>	<b>C-Population reached by economic inclusion programs as % of those living in extreme poverty (A/B)</b>	<b>D- Number of Extreme Poor Reached by Economic Inclusion Programs * (million)</b>	<b>E- -Population in extreme poverty reached by economic inclusion programs as % of those living in extreme poverty (D/B)</b>
<b>Bangladesh</b>	<b>6.6</b>	<b>24.1</b>	<b>27.4%</b>	<b>3.7</b>	<b>15.3%</b>
<b>Burkina Faso</b>	<b>0.8</b>	<b>8.9</b>	<b>9.0%</b>	<b>0.4</b>	<b>4.5%</b>
<b>Cameroon</b>	<b>0.9</b>	<b>6.7</b>	<b>13.6%</b>	<b>0.4</b>	<b>6.0%</b>
<b>Ethiopia</b>	<b>7.3</b>	<b>19.8</b>	<b>36.5%</b>	<b>4.5</b>	<b>22.7%</b>
<b>India</b>	<b>52.0</b>	<b>307.47</b>	<b>16.9%</b>	<b>25.5</b>	<b>8.3%</b>
<b>Nigeria</b>	<b>2.8</b>	<b>78.6</b>	<b>3.6%</b>	<b>1.4</b>	<b>1.8%</b>
<b>Sudan</b>	<b>2.8</b>	<b>5.2</b>	<b>53.7%</b>	<b>2.1</b>	<b>40.4%</b>
<b>Tanzania</b>	<b>5.1</b>	<b>28.6</b>	<b>17.6%</b>	<b>2.5</b>	<b>8.7%</b>
<b>Uganda</b>	<b>2.3</b>	<b>18.4</b>	<b>12.2%</b>	<b>1.1</b>	<b>6.0%</b>
<b>TOTAL Top 9 countries reached by EI programs</b>	<b>80.5 million</b>	<b>497.8 million</b>	<b>16.1%</b>	<b>41.6</b>	<b>8.4%</b>
<b>TOTAL 34 countries with complete data</b>	<b>87.7 million</b>	<b>640.6 million</b>	<b>13.7%</b>	<b>45.5</b>	<b>7.1%</b>

\*Based on self-reporting through the State of Economic Inclusion 2021 Survey and assessment by NGO Collaborative on Economic Inclusion with the following algorithm: For those programs whose target is exclusively the “Extreme Poor or the Ultra-Poor”, 75% of the clientele is counted as extreme poor; for those programs whose target includes the “Poor” and the “Extreme or Ultra-Poor”, 50% of the clientele is counted as extreme poor; in countries where more than 40% of the population lives in extreme poverty, if a program targeted, exclusively the “Poor”, we assumed 37.5% of the participants would end up being extreme poor, because of the high prevalence of extreme poverty; for those whose target population is exclusively the “Poor” in countries where extreme poverty afflicts less than 40% of the population, only 24% of the clientele is counted as extreme poor

Source World Bank Data and Partnership for Economic Inclusion Data Portal 2021

However, this does not necessarily mean that current economic inclusion programs operating in these 9 countries are reaching those living in extreme poverty. If all existing EI programs catered exclusively to households living in extreme poverty, 16.1% of those in extreme poverty in these countries would be reached by economic

inclusion programs (Column C). To verify whether this is the case or not, we used the [self-reporting](#) contained in the 2020 Landscape Survey, which forms the basis for the [State of Economic Inclusion 2021](#), as the basis of our analysis.

Respondents of the Landscape Survey were asked to pick all poverty groups targeted by their programs: Poor, Extreme Poor, Ultra Poor and/or Other Vulnerable. To determine how many people living in extreme poverty were being reached by each program, the following methodological rules were developed in consultation with members of the NGO Collaborative on Economic Inclusion:

- For those programs whose target is exclusively the “Extreme Poor or the Ultra-Poor”, 75% of the clientele is counted as extreme poor
- For those programs whose target includes the “Poor” and the “Extreme or Ultra-Poor”, 50% of the clientele is counted as extreme poor
- In countries where more than 40% of the population lives in extreme poverty, if a program targeted, exclusively the “Poor”, we assumed 37.5% of the participants would end up being extreme poor, because of the high prevalence of extreme poverty.
- For those whose target population is exclusively the “Poor” in countries where extreme poverty afflicts less than 40% of the population, only 24% of the clientele is counted as extreme poor

The result of this algorithm appears in Column D of Table 1 above, which shows that 45.5 million people, more than half of the clients of economic inclusion programs and their families in the 34 countries for which the data required for the population is complete, are estimated to live in extreme poverty. For the top 9 countries, that number would reach 41.6 million. This means that of the 88 million people reached by EI programs about half live in extreme poverty. The same proportion would apply in the top 9 countries.

The last column of the table below reveals that over 8% of the extreme poor in the top nine countries taken globally are currently reached by economic inclusion programs. When the analysis is extended to the 34 countries with complete data, the percentage is 7.1%, representing 35.5 million people. These 34 countries represented, pre-pandemic, approximately 90% of the world population in extreme poverty. Even with the assumption that the last 10% is composed of violence-affected countries where no economic inclusion program could operate, the 45.5 million reached represent approximately 6.5% of the entire population living in extreme poverty.

Given that the 2020 Landscape Survey confirms that the overwhelming majority of programs have a time limit of less than 3 years, in the years leading to 2030, there could be at least two more cohorts of clients served (2023-2026, and 2027-2029); 13% of the extreme poor could thus be reached through these two successive cohorts of economic inclusion programs for a total of 19.5% of the population living in extreme poverty reached <sup>1</sup>. If current programs had been exclusively targeted at the extreme poor, column C shows that nearly 14% of the extreme poor would have been reached. If targeting was tightened for future cohorts, 27.4%, instead of 13.7% of the extreme poor could be reached by 2030, for a total of reaching over one third of the extreme poor, at current levels of funding. This is a high percentage, considering that other elements, like overall economic growth, are likely to also reduce extreme poverty.

Analysing the funding for economic inclusion programs offers perhaps an even more interesting perspective. When responding to the survey, managers of economic inclusion programs identified various sources of external funding, which are grouped in four categories in Table 2 below: bilateral funding only, multilateral funding only, multilateral and bilateral funding, or unspecified. Bilateral funders, by themselves, have only assisted in reaching about 2% of the families currently reached, whereas multilateral institutions (international financial institutions and UN agencies, mainly) did most of the heavy lifting, funding by themselves, 75% of the outreach.

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<sup>1</sup> This would not happen in a few countries like Sudan, where, as seen in Column E, a large proportion of the extreme poor is already being reached, and where the potential for large coverage increases is limited

Obviously, bilateral donors have considerable room to grow, which means that the current ceiling of reaching 20% of the world's extreme poor could easily be surpassed.

**TABLE 2 - EXTERNAL FUNDING OF ECONOMIC INCLUSION PROGRAMS**

<b>External Funding Type</b>	<b>Household Members Reached</b>	<b>% of Total Household Members Reached</b>	<b>Household Members In Extreme Poverty Reached</b>	<b>% Total Extremely Poor Household members reached</b>
<b>Bilateral Only</b>	1.6 million	1.8	1.0 million	2.2%
<b>Multilateral Only</b>	68.1 million	77.7	33.8 million	74.3%
<b>Bilateral and Multilateral</b>	15.8 million	18.0	9.4 million	20.7%
<b>Unspecified</b>	2.2	2.5	1.3 million	2.9%
<b>Total</b>	87.7 million	100%	45.5 million	100%

### **Conclusion and Next Steps**

The data and our analysis demonstrate that economic inclusion programs are poised to be a pillar of the campaign to eliminate extreme poverty by 2030. With increased funding (and/or better targeting), the economic inclusion sector could take a leadership role in the campaign. Increased funding could begin where programs have shown to be particularly successful (for instance, the top 9 countries) but it would be important to not leave behind countries with high burdens of ultra-poverty where economic development programs, economic inclusion programs in particular, have struggled to take hold, like in Chad, the Democratic Republic of Congo, Guinea, Niger, Somalia and South Sudan. In all cases, it will be important to look at opportunities for significant scale ups, such as working in synergy with expanding safety net programs or rural development programs.