

# SPACE Social Protection Approaches to COVID-19: Expert advice helpline



## THE POTENTIAL ROLE OF ECONOMIC INCLUSION PROGRAMMES TO RESPOND TO THOSE AFFECTED BY COVID-19

*A joint analytical note by SPACE and the Partnership for Economic Inclusion*

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The potential role of economic inclusion programmes was developed alongside others – most importantly a [Strategy Decision Matrix](#) and a [Delivery System Decision Matrix](#) – as a technical tool used to structure an independent and unbiased analysis of COVID-19 response options. It does not necessarily represent FCDO or GIZ own views or policies.

## 1. INTRODUCTION

Economic inclusion involves the integration of individuals and households into broader economic development processes – where that is meaningful and possible.<sup>1</sup> Interventions aim to help poor and vulnerable people increase assets and income through access to wage or self-employment, and target groups may vary based on policy objectives and political economy factors (new poor, extreme poor, women, youth etc).

A central principle of economic inclusion<sup>2</sup> is that poor and vulnerable households encounter ‘poverty traps’ and face multiple constraints. These constraints include low levels of human capital, limited access to productive inputs, frequent exposure to uninsured risks, and reduced cognitive bandwidth that impairs decision-making. Other constraints are also relevant – such as the aspirational or psycho-social limitations facing many individuals, particularly women, in undertaking new initiatives and income-generating activities.

Economic inclusion programmes seek to address these multiple constraints at various levels, including individual and household (e.g. human, physical or psycho-social capacity), community (e.g. social norms), local economy (e.g. access to markets and services) and across formal institutions (e.g. access to political and administrative structures).

While economic inclusion programmes are often multidimensional, they tend to have a foundational intervention that acts as the primary entry point, with other measures subsequently layered above. The most common entry points are social assistance (the focus of this paper), livelihood and jobs initiatives, and financial inclusion investments – although these interventions are not mutually exclusive.<sup>3</sup> Programmes commonly include a combination of cash or in-kind transfer, skills training or coaching, and access to finance – and these are often delivered in a time-bound and deliberately sequenced manner. Figure 1 illustrates the main components of economic inclusion programmes. Community-wide measures are also increasingly integrated to help address social norms. The design of economic inclusion programmes is informed by experiences in

<sup>1</sup> For instance, where relevant individuals are able to work and participate economically.

<sup>2</sup> A term sometimes used interchangeably with productive inclusion.

<sup>3</sup> For further background information on economic inclusion, including the entry points, see [PEI 2020a](#) and [PEI 2020b](#).

### IMPLEMENTING PARTNERS



graduation-focused programmes, although economic inclusion extends significantly beyond a graduation framework.

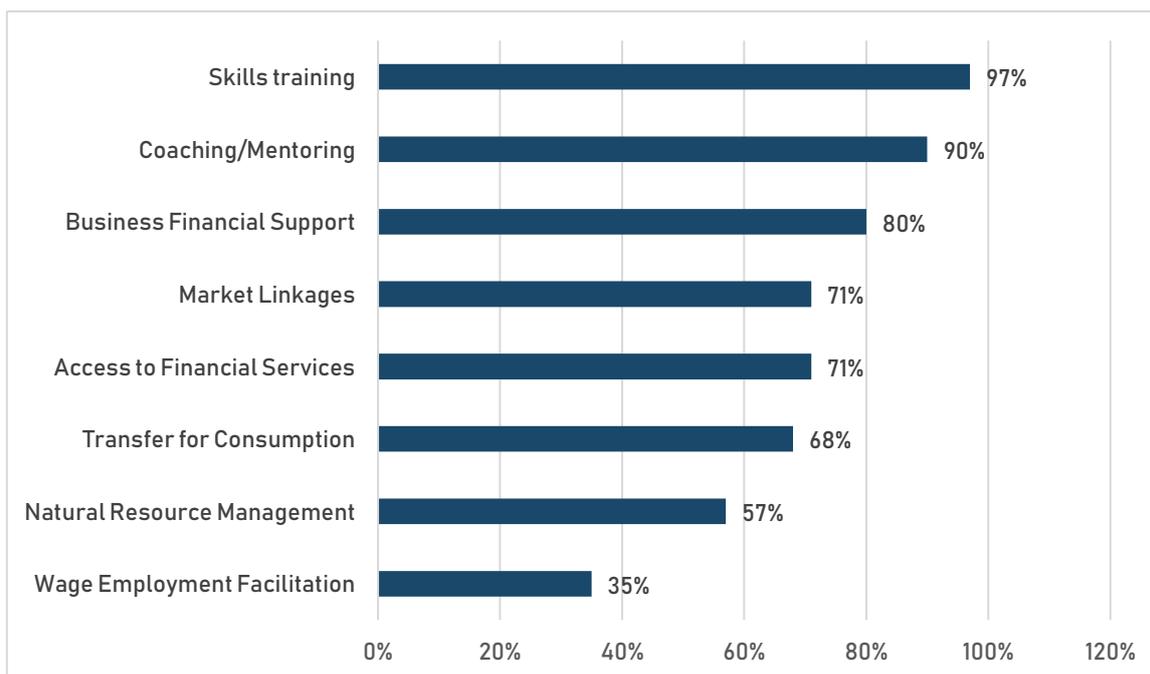


Figure 1. Main components of economic inclusion programmes, as surveyed by Partnership for Economic Inclusion. Source: PEI, 2020.

COVID-19 is accentuating the risks facing an increasing number of poor and vulnerable individuals and households in a myriad of ways. In many countries, the pandemic and associated lockdowns have had devastating impacts across several dimensions, including health (e.g. increased mortality and morbidity), economic (e.g. job/livelihood loss or reduced earnings<sup>4</sup>, and some supply shortages), and social (e.g. negative coping mechanisms, disruptions to services such as education, immunisation and other healthcare). These impacts have motivated many governments across the world to use social protection, including social assistance, as a short-term measure to help poor and vulnerable households meet basic needs.

As the effects of the crisis evolve, many actors are considering whether and how to complement social assistance measures with additional inputs, components and linkages – including economic inclusion approaches – to help mitigate the impacts of the pandemic and move towards early economic recovery. This paper therefore explores the opportunities and challenges of economic inclusion approaches alongside social assistance responses in the COVID-19 context. It shows how evidence can inform the design of measures to help people recover from the impacts of the pandemic over the medium- and longer-term through the lens of government-led economic inclusion programmes which leverage national social protection systems.

<sup>4</sup> In sub-Saharan Africa, more than two-thirds of the immediate spike in extreme poverty is directly associated with national lockdown measures (Teachout and Zipfel, 2020).

## 2. THE GROWING EVIDENCE BASE ON ECONOMIC INCLUSION PROGRAMMES

An increasingly diverse evidence base is emerging on economic inclusion. This paper incorporates the findings of an upcoming landmark study by the Partnership for Economic Inclusion (PEI), *The State of Economic Inclusion Report 2020 - The Potential to Scale: Economic Inclusion for the Poorest* (SEI Report).<sup>5</sup> The report outlines how a growing number of national governments are overseeing the design and implementation of bundled interventions to support households and communities to increase their incomes and assets. While NGOs pioneered much work around graduation, there has been a more recent surge in government-led economic inclusion programmes which are leveraging social assistance, livelihood and jobs initiatives, and financial inclusion and working through local partners to deliver multi-dimensional programming at scale. This shifting landscape, and the various channels through which governments have adapted and tailored economic inclusion models, are outlined in the SEI Report.

The SEI Report shows promising trends from economic inclusion programmes against various indicators, including economic impacts, social inclusion and women's empowerment. For instance, a bundled set of interventions is associated with a larger impact on income, assets, and savings relative to stand-alone interventions. Further, when carefully designed with a gender-sensitive lens, economic inclusion programmes can improve women's access to income, help them better manage their assets, and enable them to improve their status within the household. Over a quarter of programmes surveyed for the SEI Report have social inclusion as a main objective; moreover, emerging evidence suggests economic inclusion is effective when it strengthens both social and economic capacities – building agency and empowerment and addressing social norms and other social concerns (Bossuroy and Premand, 2020).

Despite these encouraging findings, there are some important caveats to note. For instance, the evidence on the impacts of bundled interventions comes from a review of 80 programmes which were predominantly addressing livelihoods and jobs; only 13 of them had social assistance as an entry point. The evidence on the impact of economic inclusion through government-led social protection systems therefore remains somewhat limited. This is expected to change in the near future with a new wave of evaluations.

Further, there remains a lot of complexity in relation to cost and the implications for programme design and entry point. From the design perspective, for instance, while interactions between components is likely driving overall programme impact, bundling of interventions comes with higher cost and complexity. The cost of government-led programmes is therefore not yet clear, and greater understanding of their cost-effectiveness will help overcome the current limitations of assessing programmes by a pure “sticker price”.

The national and household contexts are also important factors which shape design, implementation and potential impacts. Economic inclusion programmes are not a one-size-fits-all approach, and there is variation in the trajectories of beneficiaries and household members depending on their own characteristics, the local context and a programme's design and implementation. Participants with some prior (e.g. business) experience tend to make more informed and rewarding decisions about livelihood options. For women, social norms, labour availability and relationship dynamics within the household are important determinants of participant trajectories and overall programme impact. The design and implementation of programmes is not homogenous across countries. For instance, in fragile and conflict affected situations (FCAS), the lack of government systems and structures, and the presence of insecurity and corruption, makes it challenging to link economic inclusion efforts with government or other programmes for ongoing support. The SEI Report shows that economic inclusion programmes in FCAS are less likely to be government-led (41 percent vs 52 percent) or funded by government (16 percent vs 36 percent) and are also more often standalone programmes.

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<sup>5</sup> A preview of the report is available here: <https://www.peiglobal.org/resources/preview-state-economic-inclusion-report-2020>

They are also less likely to be integrated with government programs (43 percent vs 67 percent) and delivered by linking existing programs (seven percent vs 25 percent).

### 3. THE IMPACTS OF COVID-19 THROUGH THE LENS OF ECONOMIC INCLUSION

The pandemic is exacerbating pre-existing vulnerabilities ('COVID-intensified') and creating new vulnerabilities ('COVID-specific') at the individual and household level (Devereux et al, 2020). An array of [bleak projections across social and economic dimensions](#) threaten national and international development goals (Archibald et al, 2020). Some of the most vulnerable population groups are likely to be disproportionately affected, including [informal workers](#), [women and girls](#), migrants, and people with disabilities (PEI, 2020a). There is an increased risk of frequency and severity of violence against women and violence against children, as families cope with stressors of economic insecurity, quarantines and isolation.<sup>6</sup> Workplace closures are estimated to have caused the equivalent of up to 495 million full-time jobs being lost,<sup>7</sup> and up to 100 million people are projected to fall into monetary poverty<sup>8</sup> (although this is likely to be an underestimate<sup>9</sup>). Moreover, the heterogeneity of impact means that country level effects will vary; livelihood groups will be impacted differently, as will men and women.

Constraints related to local economies have also been exacerbated by COVID-19, resulting from reduced access to markets and services and some supply shortages, although there is limited detailed evidence on the nature and extent of these changes. While COVID-19 will also have a degree of impact on community and institutional level constraints (the two other constraints identified as part of the poverty trap hypothesis), this paper does not have scope to address such issues in further detail.

Governments and partners have sought to mitigate the economic and social impacts of COVID-19 through a raft of (mostly short-term) social protection measures. As of July 2020, a total of 200 countries/territories have planned or put in place over 1000 social protection measures in response to COVID-19.<sup>10</sup> The estimated additional global social protection coverage from COVID-19 responses is almost 1.1 billion people, around 14 percent of the global population (Gentilini et al, 2020). Social protection responses by governments have primarily consisted of social assistance (non-contributory measures such as cash transfers) but have also included social insurance (such as unemployment benefits or paid sick leave) and labour market programmes (including wage subsidies).

The sweeping impacts of COVID-19 on poor and vulnerable households and the nature of social protection responses to date highlight the implications for longer term support, including economic inclusion initiatives. Global indicators such as the number of new social protection initiatives and beneficiaries may seem impressive, but many are not designed to tackle poverty traps and most have an extremely brief duration. The responses have also served to highlight the systemic gaps that have existed in many social protection systems, such as coverage gaps across urban (and rural) areas, informal workers, migrant populations and in fragile and conflict-affected states.

COVID-19 has had a detrimental effect on both economic and social capacities; both require strengthening for longer term economic recovery. The direct and indirect social and economic impacts of COVID-19 are likely to heighten over time – with more people falling into poverty, compounded by global and local economic contraction, increased risk of fragility, deteriorating and overwhelmed health systems, and limited access to

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<sup>6</sup> Peterman et al, 2020.

<sup>7</sup> Estimates are for second quarter of 2020, relative to four quarter of 2019. See ILO. 2020. *ILO Monitor: COVID-19 and the world of work. Sixth edition. Updated estimates and analysis.*

<sup>8</sup> World Bank, 2020.

<sup>9</sup> Wylde 2020; World Bank 2020b.

<sup>10</sup> Gentilini et al. 2020. *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures*. "Living paper" version 12 (July 10, 2020). World Bank, Washington DC, USA.

education – underpinning the need for sustainable and long-term approaches. Specific population cohorts are particularly affected, including women, youth, disabled and displaced populations. In the face of COVID-19, people will struggle to invest in productive activities if their families cannot meet basic needs, they are suffering from violence or physical/mental health concerns, or their children are not in school.

Economic inclusion programmes can be considered as part of the policy toolkit to help mitigate the impacts of COVID-19 over the medium term – complementing routine social assistance programming. Addressing the extensive impacts of COVID-19 presents policy and political challenges for governments, and there is a clear role for social protection in addressing some of these implications, including over the medium term. But a broader set of policy options will be important as countries traverse a likely non-linear path from response to recovery, against a backdrop of increasingly constrained national – and potentially international – finances. Government-led social assistance programmes may provide an important possible entry point for efforts to support local livelihood recovery and build resilience to help the poorest withstand major shocks. Importantly, economic inclusion programming is relevant to both the newly poor and vulnerable (COVID-specific) and those with pre-existing vulnerabilities (COVID-intensified), but programme design and delivery might look different for both these groups; as yet there is limited experience on what these variations could be.

However, it is important to appraise the extent to which economic inclusion programmes and other policies can mitigate numerous risks and constraints, particularly in the context of COVID-19. Given the higher costs of economic inclusion programming, the capacity to expand coverage could be severely limited. Further, many economic inclusion programmes were designed prior to the onset of COVID-19, and the emerging evidence is indicative of a need to adapt programmes to meet the needs of the current and future context. Careful assessment is required as to the specific impacts of COVID-19 on people’s lives and livelihoods and which can most appropriately be addressed by economic inclusion programmes. The pandemic has brought new constraints, and the design of new economic inclusion programmes, or adaptation of existing ones, needs to be based on context and operational feasibility. There are many potential hazards related to gender and vulnerable groups, including children, which should be mitigated during design and implementation. The cost of economic inclusion measures also should be understood in the context of the adequacy and impact of programme designs, and with regard to local implementation capacity.

Crucially, the appropriate lens is how economic inclusion programmes can *build on* – rather than replace – social assistance programmes. Economic inclusion is not a substitute for social assistance and does not remove the importance of a social protection floor throughout the lifecycle. This is particularly pertinent in resource-constrained environments; the high expectations of economic inclusion programmes held by some governments and agencies should be appropriately tempered, as such measures are not a silver bullet to sustainably reduce poverty for all participants. Economic inclusion is unlikely to be an appropriate option for many highly vulnerable populations; it should only be considered for those who are able to engage/re-engage in economic activities at that point in time. Nor is it an alternative for the paid employment/decent work agenda. Economic inclusion programming can therefore be viewed as *adding* to the menu of options available for recovery from COVID-19.

## 4. THE IMPLICATIONS OF COVID-19 FOR ECONOMIC INCLUSION PROGRAMMING

This table focuses on nine core dimensions arising from the impacts of COVID-19. It includes: (i) analysis of the current status of each dimension, and related implications for social assistance; and (ii) identification of the potential opportunities to introduce and/or adapt economic inclusion initiatives as part of a medium-term response to COVID-19, particularly with reference to government programming and leveraging of national social protection systems and (iii) the potential challenges involved. Data on economic inclusion programmes presented in the table is based on the survey conducted for the PEI Report, which presents a lower bound estimate – with the view to build this baseline going forward in PEI’s new data portal: <https://www.peiglobal.org/pei-data-portal>.

Dimension	Status	Opportunities for economic inclusion	Challenges for economic inclusion that will need mitigation
Informal workforce	<p>COVID-19 is having a devastating impact on unprotected workers in the informal economy, as outlined in SPACE’s <a href="#">briefing note on informal workers</a>. Prior to the pandemic, sixty percent of the world’s population made their living in the informal economy, including more than 85 percent of the population in Africa (ILO, 2018). In low income countries, informal employment is dominated by self-employment (72 percent).</p> <p>Social protection responses to COVID-19 have left out many informal workers who have become newly poor. This has highlighted the fragility of livelihoods of informal workers, most of whom are not within the target population for fiscally or administratively constrained social protection systems.</p>	<p>Economic inclusion approaches are increasingly shaped by thinking about sustainable livelihoods and there are several potential opportunities for informal workers:</p> <ul style="list-style-type: none"> <li>• Economic inclusion programmes can support informal operators to become more productive and profitable through business training and market access interventions, alongside social assistance measures.</li> <li>• Nearly 70 percent of surveyed programmes help participants link to existing value chains and markets (local, regional, national, or international) and some even support the creation of new value chains.</li> <li>• Economic inclusion programmes are increasingly working with key market players to improve interaction and</li> </ul>	<p>Potential challenges for economic inclusion measures to support informal workers in response to COVID-19:</p> <ul style="list-style-type: none"> <li>• Many informal workers are not yet reached by social protection, which limits entry points for economic inclusion programmes.</li> <li>• Given the higher costs of economic inclusion programming, the capacity to expand coverage can be severely constrained.</li> <li>• There is variation in the extent to which informal workers are targeted by economic inclusion measures: some self-employment interventions explicitly seek out high potential entrepreneurs, while others have broad inclusion objectives (such as enrolling both “reluctant” and “transformational” entrepreneurs).</li> <li>• “Slow movers” (who may only gradually start to experience change during the programme) may require additional support,</li> </ul>

Dimension	Status	Opportunities for economic inclusion	Challenges for economic inclusion that will need mitigation
		negotiation with informal workers, producers and entrepreneurs.	<p>personalised coaching and/or a bespoke package of measures.</p> <ul style="list-style-type: none"> <li>Economic inclusion measures have had limited impacts on formalisation of the informal workforce. To date, only one-third of surveyed programmes facilitate access to wage employment opportunities.</li> </ul>
Urban areas	<p>The impact of COVID-19 has created additional needs in both urban and rural areas, but it is in urban areas that the increases are greatest. Many of these newly poor and vulnerable have a significantly different profile to those who were previously poor.</p> <p>Social protection responses to COVID-19 have not been able to reach a large proportion of affected populations in urban areas. A common COVID-19 response has been horizontal expansion of social assistance based on pre-existing targeting criteria; but this is unlikely to have been effective in covering urban residents who have become poor or vulnerable as a result of COVID-19. This is because social assistance programmes, particularly in low income settings, usually target rural areas as this is generally where poverty levels are higher. This means there are many unmet needs in urban areas as a result of COVID-19.</p>	<p>While economic inclusion programmes have focused predominantly on rural areas, there is an opportunity to continue their expansion into urban environments:</p> <ul style="list-style-type: none"> <li>36 percent of surveyed programmes are in urban areas and 40 percent are in peri-urban areas<sup>11</sup>.</li> <li>Urban areas may have more opportunities for economic activity than rural areas.</li> <li>Urban areas are likely to have a greater proportion of participants with prior business experience.</li> <li>Urban programmes can help to meet the employment needs of the growing numbers of young people migrating to cities and large towns.</li> <li>There is flexibility to adapt to different population groups and deliver bespoke bundles of context-specific components.</li> <li>Levels of education are likely to be higher than in rural areas, which facilitates participants' comprehension of the training and related information.</li> </ul>	<p>Urban and peri-urban environments present various implementation challenges for economic inclusion programmes:</p> <ul style="list-style-type: none"> <li>Government-led social assistance programmes may not be operational, or may be immature, therefore limiting the entry point for economic inclusion programmes.</li> <li>Selecting operational areas for economic inclusion programmes that are not yet at scale can be complex and sensitive where there are few socio-economic differences between neighbourhoods.</li> <li>Beneficiaries frequently change residence, presenting complications for programme implementers.</li> <li>Other economic opportunities in urban areas may reduce the prospects of full attendance at training.</li> <li>Will require attention to legal and regulatory frameworks, which do not usually support informal workers and can be punitive and discourage economic activity (e.g. lack of recognition of waste pickers).</li> </ul>

<sup>11</sup> Percentage of all programs (N=219). Respondents could select more than one context.

Dimension	Status	Opportunities for economic inclusion	Challenges for economic inclusion that will need mitigation
<p><b>Gender and social inclusion</b></p>	<p>COVID-19 presents many risks related to gender and other vulnerable groups, including children and youth. As outlined in SPACE’s briefing note on <a href="#">gender and social inclusion</a> (GESI), the pandemic is likely to widen existing inequalities, including by gender, socio-economic status and race, among others. In addition, as women and vulnerable groups are typically marginalised in terms of decision-making power and agency at the household, community and institutional levels, this reduces the likelihood that their needs will be visible and met in the pandemic response effort. Young people represent roughly a quarter of the global working population but are also more likely to be economically excluded than adults.</p> <p>The implications for social protection are the need for greater attention to GESI across many dimensions. These include: analysis to identify the most vulnerable groups in each context and the potential impacts of the crisis on them; consideration of whether household or individual targeting is required to meet their needs; and ensuring women and</p>	<p>Economic inclusion programmes have strong potential for focusing on women, youth and other marginalised groups:</p> <ul style="list-style-type: none"> <li>• There is high coverage of these groups among surveyed programmes: 88 percent target women as a priority; women constitute the majority of all programme participants in 64 percent of programmes which reported the number of beneficiaries; 57 percent prioritise young people – particularly programmes built around jobs or livelihood development.</li> <li>• The training and coaching components of economic inclusion programmes are effective for increasing the life skills, confidence, and agency of women. Programmes primarily serving women have a strong emphasis on this.</li> <li>• Gender-sensitive economic inclusion programmes can help reduce the gap in access to financial services in developing countries.</li> <li>• Other vulnerable groups are also supported by economic inclusion programmes, although to a lesser extent, including children (25 percent of programmes surveyed) and people with</li> </ul>	<p>Economic inclusion programmes create specific risks for women and vulnerable groups, including children:</p> <ul style="list-style-type: none"> <li>• Targeting women as the primary recipient of economic inclusion programmes does not automatically ensure female control over assets.</li> <li>• Women’s often-constrained bargaining power may necessitate a bespoke approach to coaching.</li> <li>• There is a need to address the care burden, which disproportionately falls on women and which may limit economic inclusion in both the shorter and longer term.<sup>12</sup></li> <li>• Home-based activities such as raising poultry are low-intensity and both allow for time for other activities such as household chores and looking after children but may also reinforce gender norms, with women taking on low-productivity activities that can be done at home.</li> <li>• Children are known to face specific risks when household members participate in economic inclusion programmes.</li> <li>• Focusing on women alone can be counterproductive. Engaging men is also essential to ensure their buy-in and facilitate behaviour change.</li> </ul>

<sup>12</sup> O’Neill, Mary; Vargas, Alejandra; Chopra, Deepta. 2017. “Unpaid care and women’s empowerment: lessons from research and practice - policy brief.” Growth and Economic Opportunities for Women (GROW). <https://idl-bnc-idrc.dspacedirect.org/handle/10625/56369>. For further analysis on the contribution of gendered social structures to economic marginalization, see: Bibler, S. and Zuckerman, E. 2013. “The care connection: The World Bank and women’s unpaid care work in select sub-Saharan African countries.” WIDER Working Paper No. 2013/131. Helsinki: UNU-WIDER.

Dimension	Status	Opportunities for economic inclusion	Challenges for economic inclusion that will need mitigation
	vulnerable groups are able to access existing or new programmes – which may require specific measures to eliminate the barriers they face.	disabilities (27 percent of programmes surveyed).	
Delivery systems	<p>COVID-19 has demonstrated the importance of robust delivery systems. Those countries which have prepared their social protection systems to respond to shocks have been better placed to deliver more timely and predictable support over recent months. Some countries have successfully leveraged the capacity, data, resources and systems that exist beyond individual social protection programmes. But there have also been numerous obstacles, and the medium term presents an opportunity to iron out flaws and develop sustainable systems.</p> <p>This has implications looking forwards, especially in response to multiple and overlapping shocks. Particular attention should be paid to investing in delivery systems, including information systems and mechanisms for targeting (e.g. registration and enrolment), and payments. Capacity strengthening will also be crucial.</p>	<p>There are several opportunities for economic inclusion programmes with regard to delivery systems.</p> <ul style="list-style-type: none"> <li>• Where economic inclusion programmes can leverage existing social assistance delivery systems such as registries, information systems and community platforms, this can help reduce costs and deliver better value for money.</li> <li>• There are also 'opposite' opportunities for social protection systems to capitalise on the strong financial inclusion and payment systems that characterise many economic inclusion programmes.</li> <li>• Broader systems beyond social protection can also support economic inclusion objectives, including ID and Civil Registration and Vital Statistics (CRVS) systems.</li> </ul>	<p>There are, however, a number of challenges for economic inclusion programmes in leveraging delivery systems:</p> <ul style="list-style-type: none"> <li>• Overloading existing systems with new functions risks compromising routine delivery.</li> <li>• Government-led social protection systems may exclude many potential participants by design, for instance by excluding those unable to access digital platforms, which would impede their utility for economic inclusion programmes.</li> <li>• Other potential challenges with delivery systems that can impede economic inclusion programmes include interoperability across registries/databases, data protection concerns, and the politicisation of registration/targeting.</li> </ul>
Localisation	Local actors have a key role to play in the response to and recovery from COVID-19. They include civil society organisations, government, private sector actors, and communities themselves. Community-	<p>There are clear opportunities for economic inclusion with regard to localisation:</p> <ul style="list-style-type: none"> <li>• The relative complexity and delivery requirements of economic inclusion programmes require the involvement of</li> </ul>	The engagement of local actors in economic inclusion is often challenging requiring due diligence and increased attention to potential negative effects:

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	<p>based organisations are usually more attuned to the multidimensional needs of communities and can respond flexibly to changing requirements on the ground. They can help identify excluded groups and minimise risks such as the exacerbation of gender and social inequalities.</p> <p>Civil society also has an important role in the design and delivery of policies and programmes, including supporting communications and processes such as targeting and beneficiary identification, and in accountability efforts.</p> <p>However, the evidence of government-led social assistance programmes taking up such opportunities to date, and the effectiveness of them is mixed. These and other issues are outlined in the programming guidance prepared by SPACE on <a href="#">embedding localisation in responses to COVID-19</a>.</p>	<p>multiple programme partners, including community groups, NGOs and private sector organisations. This presents many opportunities to identify and leverage the comparative strengths of potential local actors.</p> <ul style="list-style-type: none"> <li>Local structures and existing capacities already feature strongly in many economic inclusion initiatives – the lessons from these can be leveraged in new or expanded programmes.</li> <li>Community organisations are often formally linked to other market actors, including financial service providers and private training providers.</li> <li>Local organisations can help to build capacity within government programmes, document and test innovations, and pioneer new funding mechanisms.</li> <li>Extending engagement of local actors beyond community leaders to a wider cross section of community members can help to overcome perceptions of bias and susceptibility to corruption.</li> </ul>	<ul style="list-style-type: none"> <li>The complexity of economic inclusion programming may require local actors – such as local government officials and civil society – to have high capacities across a range of dimensions (including organisational and technical abilities). Limited local capacities in any actor can potentially impede the success of an economic inclusion programme.</li> <li>It is not yet clear whether community coaches (who provide direct mentoring to beneficiaries in many economic inclusion programmes) can successfully implement multiple layers of interventions. The efficiency of coaching for large numbers of beneficiaries is also not yet established, suggesting potential capacity constraints to expanding coverage through a horizontal scale-up.</li> <li>Incentive structures, power imbalances and social norms can sometimes pose constraints to effective programming. For example, working with community leaders on targeting in politicised communities may lead to inequities in beneficiary selection.</li> <li>In many countries, community leaders tend to be predominantly male, meaning that women’s empowerment can be overlooked.</li> </ul>
Local economies	<p>Many local economies have been hard hit by COVID-19, resulting from reduced access to markets and services and some supply shortages, although there is limited detailed evidence on the nature and extent of these changes.</p>	<p>Economic inclusion programmes can support local economies in several ways:</p> <ul style="list-style-type: none"> <li>Economic inclusion programmes have a strong foundation to foster linkages with local economies, as evidenced by existing community structures,</li> </ul>	<p>There are important challenges, however:</p> <ul style="list-style-type: none"> <li>Many extremely poor and vulnerable people live within isolated, rural localities where access to local and regional markets is limited. It may not be feasible or realistic for economic inclusion measures to</li> </ul>

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	<p>Broadly speaking, social protection responses to COVID-19 have not sought to directly address the constraints facing local economies, but social assistance is known to have beneficial economic impacts. Substantial international evidence demonstrates that social assistance has positive impacts on productivity and incomes in “normal” times: cash transfers generate multiplier effects significantly greater than one (FAO, 2016).</p>	<p>productive organisations and savings networks</p> <ul style="list-style-type: none"> <li>• Economic inclusion programmes can enhance market access and directly strengthen linkages between producers, buyers, and other value chain actors, thus helping poor and vulnerable households to address the barriers they face to market access, such as remoteness from the nearest market and prices that leave them with small profit margins.</li> <li>• The asset transfer common to most economic inclusion measures will act as a small-scale fiscal stimulus on the local economy during the current economic contraction.</li> </ul>	<p>comprehensively address all barriers such as proximity to physical markets, regional market depth, and access to connective infrastructures.</p> <ul style="list-style-type: none"> <li>• Local economy constraints may impact specific population cohorts most strongly, such as women, youth, disabled and displaced populations, which may require bespoke approaches.</li> </ul>
Sustainability	<p>COVID-induced economic contraction will place significant financial and capacity constraints on all governments, particularly in low- and middle-income countries. Many governments are already facing depreciated exchange rates, and substantial declines in tax revenues will pose serious fiscal restrictions. Countries will see financial sector tightening, and bilateral aid will likely reduce as the economies and budgets of donor countries are affected negatively by the crisis. At the same time, countries are seeing a significant increase in poverty and vulnerability, and associated social protection needs,</p>	<p>There are opportunities for economic inclusion programmes to have sustained impacts:</p> <ul style="list-style-type: none"> <li>• Economic inclusion measures can be designed responsibly, ensuring that beneficiaries do not exit into a vacuum of policy and support. Carefully calibrated programmes can be integrated within a coherent social protection system and linked to employment policy.</li> <li>• While a comprehensive suite of interventions is likely to have higher and more sustained impacts several cost optimisation strategies can inform programme customisation according to</li> </ul>	<p>A number of potential sustainability challenges arise, however:</p> <ul style="list-style-type: none"> <li>• Economic inclusion programmes are usually time-bound (typically running for a period of one to three years) and do not guarantee a sustainable exit from poverty. Participants differ with respect to their trajectories during the programme and after programme exit, with greater impact on incomes and assets for the least poor.</li> <li>• Economic inclusion programmes will also face challenges in delivering sustainable impacts in the absence of more comprehensive and sustainable social protection systems, that they can build on.</li> <li>• Fiscal constraints may limit the extent to which governments can introduce or scale</li> </ul>

Dimension	Status	Opportunities for economic inclusion	Challenges for economic inclusion that will need mitigation
	<p>compounding social protection gaps that already existed pre-COVID-19.</p> <p>The extent to which new social assistance beneficiaries are retained over the medium term, and expanded further to reach populations not yet covered, has significant implications for mitigating the impacts of COVID-19 and the sustainability of social protection systems. The short duration of many COVID-19 social assistance measures is concerning. World Bank data on 71 cash transfer programmes showing an average duration of just 3.1 months<sup>13</sup>,</p>	<p>fiscal space.<sup>14</sup> The growing evidence on the cost and impact of economic inclusion measures can be used to assess the pros and cons of various programme designs, including the Quick Costing Tool which has been developed by the PEI.</p>	<p>up economic inclusion programming and have a sustained impact at an affordable cost.</p>
Multi-dimensional needs	<p>COVID-19 has brought to the fore a range of important risks, including public health capacity, mental health<sup>15</sup>, gender-based violence<sup>16</sup>, education, childcare, and agriculture supply chains<sup>17</sup>, among others.</p> <p>Social protection systems can support citizens with the needs arising from these risks – through better linkages with relevant sectors and other support services. But to date, social protection</p>	<p>Economic inclusion measures have the potential to carefully sequence and layer set of complementary measures that respond to COVID-19 impacts.</p> <ul style="list-style-type: none"> <li>• Relative to stand-alone interventions, the bundling of a diverse set of context-specific components gives economic inclusion programmes considerable flexibility in adapting to different population groups and contexts.<sup>18</sup></li> <li>• More than a third of surveyed government-led economic inclusion</li> </ul>	<p>However, there are challenges to incorporating multidimensional needs into economic inclusion programmes:</p> <ul style="list-style-type: none"> <li>• A substantial proportion of the population in many countries continue to lack coverage of any form of social protection. This presents a trade-off as to whether governments should prioritise covering fewer people with a more comprehensive response or increase coverage to help address basic needs.</li> <li>• Establishing effective linkages across different complementary programmes</li> </ul>

<sup>13</sup> Gentilini et al, 2020.

<sup>14</sup> Including: (a) variations in size and cost recovery of the cash grant; (b) variations in intensity of modality, frequency, and content of training, mentoring, and coaching; (c) shifting from individual to group-based interventions; and (d) leveraging digital platforms for programme delivery, including for payments.

<sup>15</sup> Bartuska, A. and Marques, L. 2020.

<sup>16</sup> UNDP, 2020; Peterman et al, 2020.

<sup>17</sup> Seyfert and Farhat, 2020.

<sup>18</sup> PEI, 2020a.

Dimension	Status	Opportunities for economic inclusion	Challenges for economic inclusion that will need mitigation
	<p>responses to COVID-19 have paid limited attention to the concept of comprehensiveness – meaning the extent to which all risks are addressed. A few responses have sought to support different multidimensional needs by layering or linking additional measures, including initiatives to meet needs in health, behavioral change, psychosocial support, and protection. But there has been a general lack of emphasis on differentiating responses according to individual or household characteristics, and medium-term priorities such as supporting livelihoods and laying the foundations for recovery.</p>	<p>programmes have undergone ‘functional expansion’ through an increase in the scope of activities, usually commencing with a base intervention and then layering in or linking to additional services or structures through a gradual or phased approach.</p> <ul style="list-style-type: none"> <li>• Potential examples of complementary measures include linking to healthcare, childcare or health insurance and incorporating behavioural change communication on matters such as health and gender-based violence.</li> </ul>	<p>requires strong coordination across ministries. In many contexts, particularly low-income countries and fragile and conflict affected states, institutional coordination can be weak.</p> <ul style="list-style-type: none"> <li>• Capacity constraints at both national and sub-national level can also limit the effectiveness of linkages across programmes; this needs to be factored into the design of initiatives.</li> </ul>
<p>Mitigating and coping with future shocks</p>	<p>COVID-19 has highlighted the need to support households to build resilience to future shocks. Households continue to face the risk of multiple overlapping shocks, each of which can take several years to recover from at the household level. Shocks are often cyclical and compounding – meaning that the effects of COVID-19 could compound the macroeconomic shock from the global economic contraction, pushing people further into poverty.</p> <p>The implications for social protection are that there will be an ongoing need to support poor and vulnerable households to mitigate and cope with future shocks. While humanitarian systems will</p>	<p>Economic inclusion programmes can play an important role in advancing strengthening resilience to shocks.</p> <ul style="list-style-type: none"> <li>• Many economic inclusion measures focus on building resilience to shocks, with more than half of all surveyed programmes including interventions designed to mitigate climate change risk, for example through sustainable natural resource management or climate change adaptation. Such activities are also in line with the concept of “building back greener” in response to COVID-19.</li> <li>• Where economic inclusion measures target individuals who are not otherwise receiving social assistance, there is scope to leverage information on these</li> </ul>	<p>However, the complexities of this issue create challenges:</p> <ul style="list-style-type: none"> <li>• Improving governance and institutional coordination is a common and significant constraint across many countries, particularly where there is limited capacity. A lack of well-established coordination mechanisms, and adequate administrative capacity may hinder the extent to which economic inclusion can build resilience of populations to future crises.</li> <li>• The nature of a shock will create different challenges for governments. For instance, an economic shock such as COVID-19 can cause disruption to markets, value chains and local economic activities. It will be important to gather evidence as to how</li> </ul>

Dimension	Status	Opportunities for economic inclusion	Challenges for economic inclusion that will need mitigation
	<p>continue to play a central role in many countries for the foreseeable future, there is scope for social protection to play a greater role in building resilience to shocks.</p>	<p>individuals to expand social protection systems in the event of a future crisis and then contract thereafter.</p> <ul style="list-style-type: none"> <li>• Economic inclusion can also target displaced and host populations, with 33 percent of surveyed programmes reporting inclusion of these groups among their beneficiaries.</li> </ul>	<p>economic inclusion programs have coped with the impacts of the pandemic.</p> <ul style="list-style-type: none"> <li>• Conflict will also present challenges. For example, while economic inclusion programs can support displacement-affected populations, a lack of government systems and structures, and the presence of corruption and insecurity, makes it challenging to link such efforts to government or other programs for ongoing support.</li> </ul>

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## Annex: Information and further resources on SPACE and PEI

The Social Protection Approaches to COVID-19: Expert advice helpline (SPACE) is a multi-disciplinary "ask-the-experts" service which provides a sounding board to plan, challenge, and innovate COVID-19 responses. Advice is independent and unbiased, practical and actionable - drawing upon up-to-date global evidence, relevant experience, tailor-made tools, and a suite of thematic briefing papers to support effective and inclusive decision-making. SPACE provides leading expertise related to social protection and humanitarian assistance, in the fields of: shock-responsive social protection, including social insurance; humanitarian cash; social protection linkages to labour markets and informal workers; economics, financial services, and risk financing; mobile & digital technologies for delivery of cash; gender and Inclusion; and humanitarian and social protection nexus. SPACE's publications are available [here](#).

The Partnership for Economic Inclusion (PEI) is a global partnership helping governments develop, implement, and scale economic inclusion programmes to sustainably increase the income, assets, and economic resilience of extreme poor and vulnerable people. PEI has collected an immense wealth of data in the past 12 months. This full database is/will be accessible to all via <https://www.peiglobal.org/pei-data-portal>. It includes the results from a survey of 231 economic inclusion programmes, and implementation costs for 35 economic inclusion projects across various income groups, regions, and contexts (rural/urban, FCAS and non-FCAS). PEI's forthcoming State of Economic Inclusion Report will be released in October 2020. PEI has also published a [blog](#) and [draft policy note](#) in relation to economic inclusion and COVID-19.

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