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# Inclusive market systems can reduce extreme poverty: five examples

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All blogs

**March's EDM journal looks at the potential for inclusive financial and market systems to reduce extreme poverty and improve food security**

I was appalled to learn that 56 million people have fallen into extreme poverty in the last two years because of COVID-19, conflict and climate change[1]- the first increase since the early 1990s. In my career in economic development, I have seen the devastating impact of extreme poverty on families with children.

With this urgent need to take action, as a member of the editorial board of the Enterprise Development & Microfinance Journal (EDM), I looked out for examples of development programming that can make a difference in the lives of people living in extreme poverty.

The free and online March 2022 edition, for which I am editor, is on the potential for inclusive financial and market systems to reduce extreme poverty and improve food security. Let's look at the five examples it covers.

In O'Planick and Meyer's Crossfire: Can effective programming approaches to lift people over the poverty line focus on market systems alone? they debate the extent to which programming needs to provide interventions to improve poor households' ability to participate in commercial markets and help them build linkages with market actors.

For me, I want to keep pushing practitioners to try and facilitate market systems to be more inclusive of those living in extreme poverty.

Comparative resilience of Somali grain and livestock market systems (Springer et al.) describes the relative market system resilience of grain and livestock markets in a conflict and shock-prone part of Somalia. The assessment informs programme design to facilitate climate, security and price-related information to low literacy market actors. Women's feedback in producer cooperatives can improve their access to storage capacity and credit.

My takeaway - the assessment highlights where to focus to enhance existing market systems resilience, and where changes need to occur to improve resilience.

Building resilience to crisis through digital financial services with a gender lens (Naughton & Brady) shows how FSDMoç in Mozambique built vulnerable peoples' resilience through digital financial services, with a focus on mitigating existing inequalities for women. DAI worked with life insurance to pilot digital microinsurance products to ensure protection against shocks and further financial hardship.

DAI and the government used regulatory sandboxes to do product experimentation with financial products that serve the lowest income households. The programme provided resources for technical assistance, grants and research to private sector enterprises. This included a digital platform to securely register savings groups and an online agricultural marketplace for fruit and vegetable buyers and sellers.

This idea of using the digital platforms in savings, insurance, credit, and a marketplace excites me. It provides real scale and sustainability if the private sector engages and can provide profitably for financial services .

Agricultural finance that reaches people facing poverty, gender, and age barriers (McVay et al.) describes their high-tech, high-touch, high-impact (H3) approach that uses community-based farm advisors. The advisors train farmers in agricultural practices, financial management and resilience.

Lessons include that: 1) digital finance connects clients with financial institutions; 2) capturing farmer data can support client segmentation and credit scoring; 3) capturing data on tablets facilitates efficient and accurate client registration, account opening, and credit applications in the field; 4) both technology and human engagement innovations advance scale and financial viability; and 5) start where the client population is.

I have worked on this agent approach myself in Integrating Extremely Poor Producers into Markets Field Guide. It can be scaled up and better integrated into the supply chains for suppliers and buyers.

FHI 360's labour market assessment as a tool for adapting interventions to reduce extreme poverty (Galloway et al.) discusses how the threats of conflict, food insecurity and health crises faced by youth and adolescent girls and young women (AGYW) can be reduced by linking them to market-aligned livelihoods. FHI 360's labour market assessments contribute to youth and AGYW programme design being more market driven.

Lessons include: 1) programming should be around skills, especially employer-identified technical skills; 2) vocational schools can offer skills training to enable AGYW to access entry level jobs or start a microenterprise; 3) guiding participants to gather information, hold conversations with market actors, map opportunities in their community, and understand market opportunities for self-employment and employment; and 4) programming can be effective to change perceptions for AGYW to also enter male-dominated jobs, but with protection safeguards.

In Role of inclusive market systems development in promoting resilience: Evidence from World Vision projects, Tumusiime et al. draw on projects in Tanzania and Rwanda to argue that an integrated model of inclusive financial services with savings groups, financial literacy training and microfinance institution loans; mindset change; and inclusive value chain development, increases participant households' market participation, food security, and perception of recovering from shocks.

Evaluations indicated that households integrated into market systems, even with market challenges, have higher revenue than comparison households. Project participants took loans from savings groups and microfinance institutions at a rate 69 per cent higher in Rwanda and 130 per cent higher in Tanzania than in comparison samples.

The authors suggest that practitioners need to: 1) intentionally target vulnerable populations; 2) focus on value chains for market actors to increase income for resilience; and 3) promote financial inclusion to increase resilience.

I would encourage us to learn from one another about how we can improve the design and implementation of market systems development programming to better include those living in extreme poverty. This includes programmes that facilitate financial systems to be more inclusive of those living in extreme poverty with a special emphasis on digital finance and gender.

Integrated models and basing programming on labour market assessments, especially for women and vulnerable groups such as adolescent girls and young women, need to be considered. The agent model also provides last-mile financial and market inclusion for those living in extreme poverty.

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[1] www.worldbank.org/en/topic/poverty#a