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Editorial

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The theme of this special issue is the potential for inclusive financial and market systems to reduce extreme poverty and improve food security.

The World Bank (n.d.) estimates that about 56 million people fell into extreme poverty in 2021–2022 because of COVID-19, conflict, and climate change, increasing the number to 711 million people at the end of 2021. This 8.5% increase of people falling below the US$1.90 a day extreme poverty threshold over two years is the first increase since the early 1990s. It means millions more parents and care takers are forced to send their children to bed hungry at night.

In my career in economic development, I have seen the negative effects experienced by families and individuals living in extreme poverty. One mother in Zimbabwe said to our team that, because she had no food or money, she gives water to her baby and hopes that her baby goes to sleep. In Ethiopia an 18-year-old divorced mother of a 3-year-old, having never attended school, tries to make a livelihood in rural areas affected by climate change. A young woman in Bangladesh is trapped by debt to a brickmaker and must return to work each year for a debt that is never paid off. I have met women in Haiti who eke out a living growing and selling vegetables.

With the growing movement of inclusive market systems development approaches that I have seen in projects from different organizations, I felt compelled to search for more effective economic development programming approaches for reaching the extreme poor. Unless we become more effective at reducing extreme poverty, we will not reach Sustainable Development Goal (SDG) 1 that includes ending extreme poverty in only eight years by 2030!

How can inclusive financial and market systems development programming approaches lift these families out of extreme poverty? This special issue titled 'Potential for inclusive financial and market systems to reduce extreme poverty and improve food security' picks up this question by focusing on two approaches and two impacts:

1. *Inclusive inancial systems*: informal savings groups such as Village Savings and Loan Associations (VSLAs), links to formal financial institutions, and financial institutions offering digital services to large numbers of extremely poor people.
2. *Inclusive market systems*:
    - formal market systems development programming that works to change the entire market system through private sector innovators to include low-income households as producers and consumers; and
    - inclusive market systems development programming that works in value chains to include the extremely poor in on-farm, off-farm, and non-farm enterprises and wage employment.

3. *Reducing extreme poverty*: focusing on those below the $1.90 a day threshold, how do projects show progress out of extreme poverty? This is related to SDG1: 'End poverty in all its forms everywhere'.
4. *Improving food security*: how does programming improve food security? This is related to SDG2: 'End hunger, achieve food security and improved nutrition and support sustainable agriculture'.

The overarching learning question for the special edition is 'What inclusive financial and market system development programme approaches contribute to increasing income, assets, and nutrition among those food insecure households who live below $1.90 a day or are in the lowest income quintile?'

Development organizations that work to make financial and market systems more inclusive were asked to share their approaches to addressing this crisis of the increase of those living in extreme poverty. The five articles in this special EDM edition attempt to answer that question.

Naughton and Brady from DAI, in 'Building resilience to crisis through digital financial services with a gender lens' highlight ways in which greater resilience has been built among fragile populations in Mozambique through innovative uses of digital financial services (DFS), and how resilience has been built with an explicit gender lens to mitigate existing inequalities. Digitization of microinsurance has allowed DAI to work with firms piloting life insurance products that provide coverage to ensure protection against shocks and financial hardship for those at risk of extreme poverty, especially for women.

The government and DAI used national regulatory sandboxes for live product experimentation with regulatory supervision to better address the financial needs of the lowest income households. The project provided resources for grants, technical assistance, and research to private sector partners including a digital platform that securely registered 356 savings groups and an online agricultural marketplace for buyers and sellers of fruit and vegetables.

The project provided financial training for those with low levels of financial literacy, and targeted mobile money usage by informal traders and low-income households. Fintechs provided biometrics, payments, and data to deliver social payments to beneficiaries including internally displaced persons (IDPs). DAI worked with insurance companies to provide life insurance digital microinsurance products to mitigate shocks and financial hardship including an index format for smallholder farmers vulnerable to climate change and registering 35,574 smallholder farmers on a GIS platform.

Springer et al. from RTI in 'Comparative resilience of Somali grain and livestock market systems' address the relative market system resilence of livestock and grain markets in the conflict and shock-prone Somalia's South West State. The grain market system was found to be more resilient than the livestock market systems in business strategy, diversity, and connectivity. Grain businesses recover quicker and take action to achieve recovery compared with livestock businesses.

Programming will need to facilitate security, climate, and price-related information availability for market actors with low literacy. To promote animal health, projects will need to facilitate nascent agrovet services. Future programming might increase trader association capacity to access credit through warehouse receipts and negotiate better prices. Accountability systems for women's feedback to producer cooperatives can improve their access to credit and storage capacity. Programming will need to strengthen business committees and other industry groups to include petty traders and to solve problems and support members during shocks.

McVay et al. from Opportunity International in 'Agricultural finance that reaches people facing poverty, gender, and age barriers' outline the high-tech, high-touch, high-impact (H3) approach using community-based farm advisors who train farmers in financial management, agricultural practices, and resilience. Some 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 in 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.

Galloway et al. in 'FHI 360's labour market assessment as a tool for adapting interventions to reduce extreme poverty' argue that since youth and adolescent girls and young women (AGYW) face multiple food insecurity, conflict, and health crises, practitioners can mitigate the negative impacts of these threats by linking them to market aligned livelihoods. FHI 360's labour market assessments contribute to youth and AGYW programming being market-driven. The labour market assessment (LMA) used in projects in the Democratic Republic of the Congo (DRC), Liberia, and South Africa identified nuanced market opportunities for AGYW and youth programme participants. Lessons include: 1) programming should be around skills, especially employer identified technical skills; 2) vocational schools offer skills training to enable AGYW to start a microenterprise or access entry-level jobs; 3) guiding participants to gather information, hold conversations with market actors, map opportunities in their community, and understand market opportunities for employment and self-employment; and 4) is 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 World Vision's projects in Tanzania and Rwanda to argue that an integrated model of 1) mindset change; 2) inclusive financial services with savings groups, financial literacy training, and microfinance institution loans; and 3) inclusive value chain development increases participant households' food security, market participation, 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 130 per cent higher in Tanzania and 69 per cent higher in Rwanda than in comparison samples. The authors provided three insights: 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 resilence.

It has been a pleasure to be the guest editor of this special issue on inclusive financial and market systems. I look forward to receiving feedback from our community of readers for improving economic development programming to reduce the number of those living in extreme poverty due to COVID-19, conflict, and climate change.

Reference

World Bank (no date) 'Extreme poverty 2015–2021' [online] <https://www.worldbank.org/en/topic/poverty#a> [accessed 14 March 2022].