

Christian Aid and Inclusive Market Development

Introduction

Markets are everywhere: poor women and men engage with them every day as producers, traders, service providers, employees and consumers. Many have the energy and enterprise to succeed, but the dice are loaded against them.

Christian Aid believes that 'to escape poverty, people need fair and inclusive markets to provide the income, goods and services they require'.¹ Only if the balance of power is shifted in favour of marginalised producers and consumers can they realise a greater share of the value of their assets.

Our Inclusive Market Development (IMD) programmes, delivered through local partners in more than 10 countries across Africa, Latin America, Asia and the Middle East, have shown us that more inclusive markets can create new opportunities for marginalised producers.

We've seen the positive impacts beyond increased income from this work: more secure livelihoods mean smallholder farmers are better able to cope with shocks and disasters; producers empowered with knowledge are more competitive entrepreneurs; enterprises with access to advice and appropriate finance thrive; and the most marginalised, including women, are empowered to use their voices to influence policy makers.

This paper sets out the rationale for Christian Aid's approach to IMD and the principles behind this work.

Defining Inclusive Market Development

Christian Aid believes that the private sector has a critical part to play in ending the scandal of poverty. Economic development is the ladder out of poverty for most poor people, and people living in poverty need access to markets to thrive.

'Economic development is the ladder out of poverty for most poor people... People living in poverty need access to markets to thrive'

We have a vision for a private sector that is organised in a way that enables poor women and men to seize

opportunities to develop their assets and capabilities, and strengthen their voice and ownership.

However, our current economic system often exacerbates inequality, making it difficult for inexperienced producers to compete and impossible for the marginalised, including women, to secure a fair position in the market. Our IMD programmes respond to the way markets – and the powerful organisations within them – can trap people in poverty as easily as they can help them to escape.

Through IMD, Christian Aid is making markets more inclusive and responsible. We have developed a number of approaches (see **Figure 1** below) to achieving this that we are able to tailor to address the challenges in each unique, local market context.



1. Building up poor women's and men's assets through entrepreneurial activities and **access to markets**, so they can secure a greater share of the value of their assets.
2. Enabling poor women and men to access high-quality, appropriate **goods and services** that meet their needs and make their livelihoods more resilient.

Within these two approaches we are also:

3. Ensuring that enterprises and marginalised producers can unlock the potential of their markets through inclusive business models and access to specialist **business development services** and investment **finance**.

4. Enabling poor women and men to secure long-term change by using **market advocacy** to tackle the power imbalances in the markets they operate in, or are excluded from.

For Christian Aid, how we deliver these four approaches is as important as what we do – we believe only by including and empowering marginalised market producers and consumers can you shift the balance of power in their favour. **Our final two approaches address this.**

5. We **empower poor men and women who use markets**, building their assets, market awareness and understanding, and giving them the confidence to be better entrepreneurs and to work with others in the market sector.

6. Together with our local partners, we act as **market facilitators** bringing together people from across the market system to work together to develop their market sustainably and inclusively, exploring potential opportunities and trading relationships.

Power is at the heart of Christian Aid’s understanding of poverty.² How we understand inequality, including gender inequality, is key to the success of our markets work, for example, we know that women and girls

are consistently discriminated against and exploited in economic activity. **We want whole market systems to function better, but our priority is to ensure that the most marginalised thrive as a result of this.**

Christian Aid’s IMD approaches also integrate our long-standing experience and commitment to building sustainable and **resilient livelihoods**, especially in the face of climate change. By ‘resilience’ we mean the power of individuals and communities to live with dignity, recover from disasters and successfully manage the opportunities and risks that they face.

Our six approaches to IMD have been developed since 2011. However our IMD work also rests on Christian Aid’s long history of championing inclusive markets **as a solution to poverty** – from our campaigns on trade justice, our early investment in Divine Chocolate, and our role as a founder member of the Fairtrade Foundation.

The foundation of IMD activities

Christian Aid understands markets as dynamic complex systems, constantly shifting in response to the challenges and opportunities that the relationships between market stakeholders create.

As part of our market-led selection process that enables us to identify which markets hold the most potential for marginalised producers and consumers, Christian Aid and our partners analyse each market we engage with.

This analysis – of the relationships between the people and organisations involved in, and the rules and regulations that govern, the market – can be captured in a market map (see **Figure 2**).

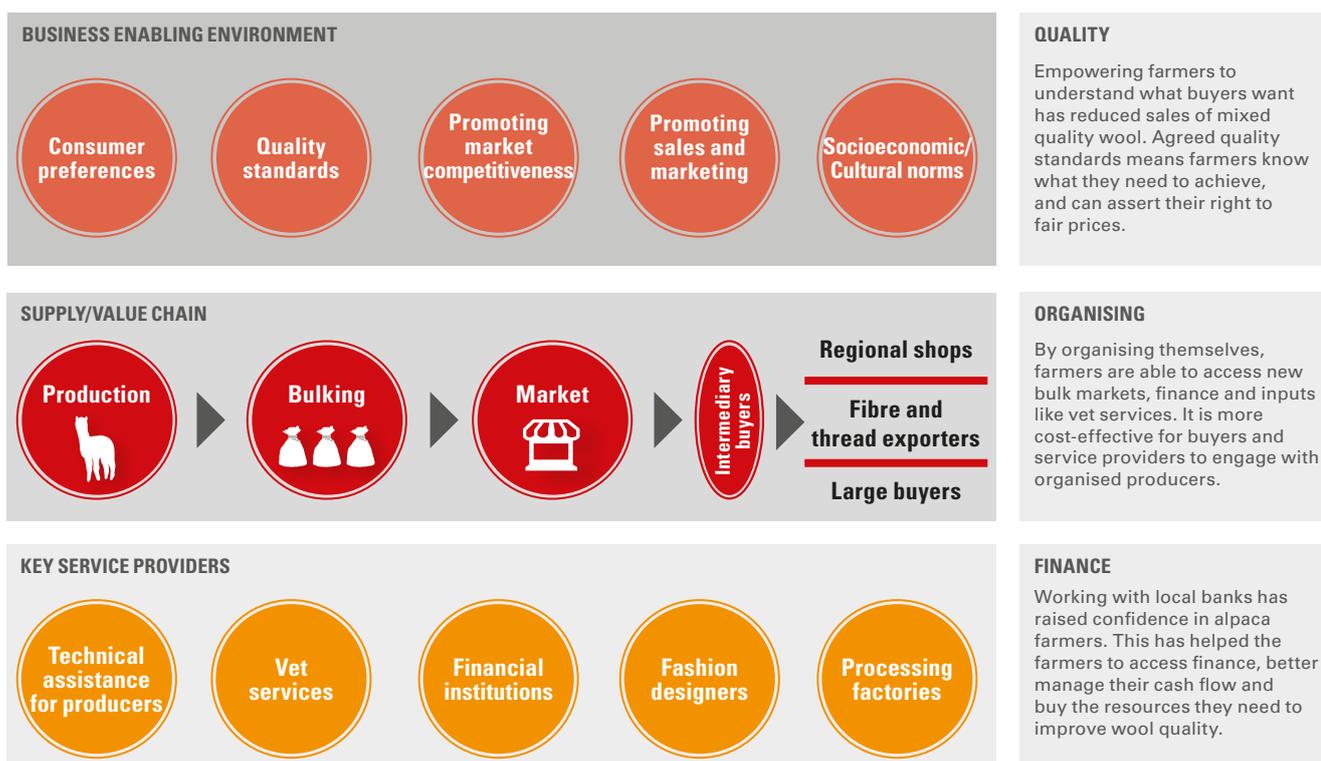


Figure 2. Interventions at different levels of the market for alpaca wool fibre, Phinaya, Peru.

A market map helps us to develop a holistic, shared understanding of the market by capturing the linkages and issues affecting the market stakeholders at all three levels of the market:

- service providers³ – all those in the value chain⁴
- market services – all those who deliver the services that the market chain depends on to function effectively
- the business enabling environment – wider economic, social and market influencers that affect how people participate in the market.

By designing our programmes on the basis of this holistic understanding, we can be sure we are focusing, and prioritising, our interventions to address the critical issues that are hindering poor women and men from developing their markets.

A holistic understanding also means we can take into account other market factors that could diminish the

effectiveness of our work. We can also better coordinate with others working in the market, government agencies and peer NGOs. Without this comprehensive understanding of the market, IMD activities may not have the desired impact, or may even have unanticipated negative consequences.

This method of mapping the market fits within the Participatory Market Systems Development (PMSD) approach.⁵ A PMSD process brings together all those involved in a market – from the government to big business and smallholders – to analyse the market situation and agree on steps to improve its functioning.

Christian Aid has used this approach in more than 15 programmes.⁶ We have adopted this approach because it places marginalised people at its centre and empowers them to have a greater voice in the market. It is a holistic process led by local stakeholders; it integrates policy and advocacy; and it can be applied to a number of contexts, including emergency settings.⁷

IMD success criteria

IMD approaches are clearly complex and multi-faceted. Reflecting on our own experience, we are confident that the following criteria is enabling us to develop IMD activities that will deliver long-term, sustainable change for the poor communities we seek to serve.

We are developing successful IMD activities that:

- are based on a holistic understanding of the market and are integrated with the interventions of our peers, governments and the private sector
- are strategic, in that they focus our resources, maximise our impact and intervene in the market in an opportune, time-bound way using creative partnerships that do not encourage dependency
- are ambitious, enabling us to extend the impact to benefit more people living in poverty
- provide multiple benefits to poor people that go beyond increases in income – greater resilience, equality and dignity are all key indicators of success
- prioritise the need to make local, national and regional markets function effectively for poor producers and consumers, both in terms of production and the availability of goods and services
- engage with sustainable export supply chains that complement local, national and/or regional market development, and provide fair value to producers and employees
- only engage with market-led activities that have the potential to be sustainable and are run on a competitive basis
- where appropriate, integrate policy and advocacy actions within IMD programmes for lasting change.

Examples of IMD interventions

Interventions that improve market access

Interventions that improve market access are those that enable poor women and men to gain **access to new markets or obtain greater value** for their products and services in existing ones. The approaches we use to improve market access are specific to each market and can require us, and our partners, to play new roles.

‘Our approach places marginalised people at its centre and empowers them to have a greater voice in the market’

For example, a market access intervention can require Christian Aid to be a convener, or **market facilitator**, bringing together those working in a market to find shared solutions to the challenges they face. Christian Aid partner ETC Andes identified that alpaca producers in Peru were unable to secure a fair value for the wool fibre they produced because their wool quality was considered to be poor and ungraded. ETC Andes brought together producers, buyers and regulators as part of a PMSD process to discuss and develop shared win-win solutions for addressing these problems across the whole alpaca market (see **Figure 2**).

As a result of this PMSD process, the municipal

government of Peru engaged with the issues. This helped the formation of a district-wide round table forum on handicrafts involving producer groups, local government, several NGOs and buyers. This group continues to meet to address issues in the sector. A further result from the PMSD process has been the creation of a partnership between the community and a private sector alpaca wool buyer (COOPECAN). This partnership was developed in conjunction with credit supplier Agrobanco and led to small business management training being made available for alpaca producers in the remote community of Phinaya, which is entirely dependent on alpacas. The progress made in this market led to local implementing partners ETC Andes and Practical Action Peru getting significant funding from the EU to continue this work.

Market access interventions can involve working with producer groups to **enable them to access and participate in new markets competitively**. For example, Christian Aid and our partner SOPPEXCCA (the Society for Small Producers, Exporters, Marketers and Buyers of Coffee) in Nicaragua have secured 'blended finance' – loan and grant funding from the Inter-American Development Bank – to enable farmers, whose coffee yields are declining due to climate change, to shift to cocoa production.⁸ SOPPEXCCA supports a successful union of 18 coffee cooperatives with long-term fairtrade and non-fairtrade export contracts. Diversifying to cocoa will open up an entirely new market to its members.

Finally, market access interventions can involve providing practical support to **help poor farmers organise themselves**. For example in India, our partner Samarthak Samiti has organised 3,500 marginalised forest producers into eight cooperatives who are now successfully accessing the local honey market.⁹ Between 2009 and 2013, the amount of honey produced and sold on the local market has increased tenfold to 10 tonnes, resulting in producers' incomes increasing by 25%.

Through training, in western Zimbabwe, producers in the marginalised Ba Tonga community have begun to grow hardy hibiscus.¹⁰ Our partner KAITE Trust has supported 500 producers, the majority of whom are women, to become the first self-certified fairtrade exporters of hibiscus in Zimbabwe. Because of the **empowering, participatory approach** used by the project, the producers understand their market, and they are now more confident in negotiating and managing production contracts, including prices, and are applying their knowledge on buyers' criteria to increase the value of their other products.

This is not an exhaustive list of market access interventions, but it demonstrates a variety of activities already taking place within our programmes.

Interventions that enable poor women and men to access goods and services

In the countries where we work, the majority of people earn less than \$1,500 per year, and as a result they lack access to the products and services they need. They often pay a 'poverty penalty' – paying high prices for low-quality goods and services.¹¹ The market does not cater for them for a variety of reasons, including the perception that they have low purchasing power.

We are enabling poor consumers to access goods and services that strengthen their livelihoods and reduce their vulnerability. To have a long-term impact we believe these must be delivered through sustainable business models. These products and services also need to have clear social benefits – many companies are interested in selling marginalised people products that may add value to their lives, but we will focus on those **that add value to their livelihoods**.

'Access to goods and services can make a significant difference to the lives of poor people'

In Ghana, we are partnering with Esoko, a company that provides **market information services** via the internet and mobile phones.¹² In this collaboration, we have temporarily subsidised the expansion of Esoko services to increase uptake into other areas. Nearly all (99.5%) smallholder farmers accessing this information for the first time attributed their higher earnings not just to receiving the information, but the fact that they are empowered to understand pricing trends, strategize and make better business decisions.

In Mali, we have trialled the use of **new business models** to enable rural communities to access renewable energy.¹³ This includes community-owned solar mini-grids to power homes, businesses, street lighting and community facilities, including health centres. In addition, through a partnership with a local **micro-finance** organisation, our partner Mali Folkecenter has enabled entrepreneurs to set up one-stop energy shops selling products from solar lights and phone charging stations to home solar systems. These shops have opened up the local market for solar lights with new entrepreneurs now selling these products to local customers.

These examples demonstrate that access to goods and services can make a significant difference to the lives of poor people. The challenge lies in developing sustainable business models that ensure poor people can access these products and services in the long term.

Inclusive business support interventions

When analysing the blockages and opportunities in the market systems where we work, we have often found it is enterprises, including producer associations and cooperatives, that hold the potential to enable producers to realise the full value of their assets.

Investing in these catalytic enterprises delivers real social impact. We aim to influence the investment space by setting standards for delivering and measuring this impact – we assess all enterprises that receive business support against minimum standards (see box right).

Once an enterprise that has the potential to unlock the market for the marginalised has been identified, we empower it through business support mechanisms, such as access to technical assistance and appropriate finance, including investment. The structured process of assessment, including commercial analysis and diagnostics, enables us to assess the viability of a business and agree to a technical assistance plan.

'We've often found it is enterprises that hold the potential to enable producers to realise the full value of their assets'

For example, in Nicaragua erratic rainfall and droughts have led to low yields of traditional crops.¹⁴ In response to this climate change challenge, we've been supporting farmers to grow hardy hibiscus. Technical assistance, together with loan finance provided to The Hibiscus Cooperative, have increased employment and incomes, as well as increasing sales by 76% between 2011 and 2013. The product line has been refined and new markets have been secured, including a deal with Walmart to supply supermarkets across Central America.

When appropriate, we also support enterprises to access finance locally or, if this is not available, through two internal channels – an incubator fund that provides small loans or equity, or greater finance via the investment platform Access to Capital for Rural Enterprises (ACRE).

ACRE is a not-for-profit consortium of international NGOs led by Christian Aid that aims to overcome the time and cost barriers faced by rural enterprises in developing markets when accessing investment. Through in-field presence and programme work, Christian Aid, as part of the consortium, identified enterprises from within our IMD programmes and facilitates investment to these enterprises through ACRE's innovative syndicated model.

We have developed this inclusive business support approach in response to the fact that our traditional grant-making approach can sometimes undermine the potential success of enterprises by encouraging inefficiency and

dependency. This inclusive business support approach not only enables us to be more efficient in recycling our funds, but also enables investment-ready enterprises to access long-term capital. Most importantly this approach enables us to realise the potential of local enterprise for the benefit of marginalised producers and consumers.

The minimum criteria for an enterprise to get Inclusive Business Support

1. It has to be viable and have a commercial, competitive business model or potential to be so.
2. It has an impact for rural livelihoods/consumers.
3. It has the potential to solve constraints in the market chain that have emerged through our programmes.
4. It has limited access to affordable finance.
5. It demonstrates clear social impact.
6. It is not on the country's Foreign Direct Investment (FDI) negative list.
7. It shows continuous improvement in environmental sustainability.
8. It has a leadership/management team with the skills and incentive to expand the business.

Market advocacy interventions

In many countries, the 'rules' that govern markets are biased in favour of large companies rather than micro-, small- and medium-enterprises (MSMEs) – yet this sector matters immensely for employment creation, job quality and income levels.

Only governments can establish and enforce policies, regulations and legal frameworks that promote a private sector whose potential is harnessed to create the right kind of growth, jobs and opportunities, and develop safeguards to protect the interests of the poor.¹⁵

In addition to these formal rules, laws and regulations, our market advocacy work also considers the informal behaviours, customs and norms that determine business practice and shape how markets work – in this area governments can only have an indirect impact. Examples of this include consumer preferences, gender attitudes and corruption.

Finally, we analyse public investment in infrastructure and the provision of public services, such as transport, health and education provision, and water management.

Market advocacy enables women and men to tackle power imbalances in markets and challenge the systems

and structures that keep them poor – this approach is at the heart of all our work. For example, at a global level, tackling power imbalances can be demonstrated in practice by our trade, economic justice and tax work.

At a country level, our partners have proven it is possible to secure lasting change by using advocacy to challenge governments to shift the business-enabling environment in favour of marginalised producers. Our partner MST in Brazil has succeeded in ensuring that the national government programme that procures food for schools purchases at least 30% of its food from local smallholder farmers.¹⁶ This policy has created a market for smallholders to participate in, and has also improved the nutritional quality of food purchased for school children.

In Malawi, a policy analysis process brought together **‘Market advocacy enables women and men to tackle power imbalances in markets and challenge the systems and structures that keep them poor’**

the perspectives of people involved in the rice market, including farmers from 12 cooperatives, government officials, private processors and business service providers.¹⁷ After identifying the key challenges and opportunities for the rice sector, the stakeholders decided to form a National Rice Development Platform to address these issues, and this platform has now been recognised by the Malawian Government. The members aim to create a vibrant rice value chain and improve household income, national food security and export earnings. The platform represents more than 20,000 smallholders including Witness, who has doubled her rice yield through Christian Aid’s support and has been

elected to vice-president of the platform. Witness wants the development of the rice industry to benefit women.

Within our IMD programmes, policy and advocacy activities that enable people living in poverty to shift market power in their favour are important in establishing long-term change and impact at scale.

Concluding remarks

When poor women and men are asked what they see as their best escape route from poverty, jobs and economic opportunities are central to their response. For this to be achieved, we believe markets need to be more inclusive.

At the heart of this must be a private sector that acts responsibly and includes poor people, regardless of their gender, caste, race or ethnicity. We are achieving this through tailoring our unique combination of six approaches within our IMD programmes.

We want to see more inclusive markets that enable poor women and men to move far beyond subsistence. Impact must go beyond income; we want to see producers thrive, have dignity and be resilient communities that can recover from and adapt to risks and shocks.

The potential of IMD is inspiring, but the challenge is great. Christian Aid is open to partnering with others to realise this potential.

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Endnotes

1. *Partnership for Change: The power to end poverty*, Christian Aid, 2012, p22, christianaid.org.uk/resources/corporate_reports/corporate_reports.aspx

2. As outlined in the following Christian Aid reports: *No Small Change, 2007*; *Poverty Over, 2009*; and *Doing Justice to Poverty, 2010*: christianaid.org.uk/resources/corporate_reports/corporate_reports.aspx

3. Market or supply chains refer to the stages involved from production to the point of sale. For example, they may include purchase of inputs, production, processing, wholesaling and

retailing stages.

4. The value chain approach can improve the position of marginalised groups by lowering transaction costs and obstacles to market access. It includes the concept of how much value is added/retained at each stage.

5. See practicalaction.org/pmsd-roadmap

6. *Enriching the Lives of Marginalised Producers: Inclusive Market Development*, Christian Aid, 2015, christianaid.org.uk/Images/IMD-case-study-report-0315.pdf

7. The Emergency Market

Mapping and Analysis (EMMA) toolkit helps humanitarian workers use market systems more effectively to rebuild livelihoods in the short- and long-term after an emergency.

8. See note 6.

9. Ibid.

10. Ibid.

11. The concept of the ‘poverty penalty’ became widely known through CK Prahalad’s 2005 book, *The Fortune at the Bottom of the Pyramid*.

12. See note 6.

13. Ibid.

14. Ibid.

15. *Levelling the Playing Field: The role of government in enabling inclusive businesses to thrive*, Christian Aid briefing paper, 2014, christianaid.org.uk/resources/policy/Private-sector-and-development.aspx

16. See note 6.

17. Ibid.