



# Inclusive Market Systems

HEKS/EPER Global Cooperation's strategy, promising practices, achievements and perspectives on inclusive market system development, inclusive business promoting income and employment (overcoming economic discrimination).

## Why Inclusive Markets Matters

### Global Challenges – Context

Economic development has contributed enormously to lifting hundreds of millions of people worldwide out of poverty. However, many people remain poor – especially in Sub-Saharan Africa – unable to effectively participate in or benefit from economic opportunities despite being economically active as workers, producers or consumers. Structural inequalities and underdeveloped markets hinder access to inputs, financial and business development services, decent work and employment opportunities and technical know-how. Another problem is the lack of access to education, skills development opportunities, and information that people need to be competitive and adapt to economic challenges and opportunities. Minorities are often excluded or disadvantaged because of social stigma or stereotypes, which can threaten peaceful co-existence. Including poor and marginalised people better in market systems is an important means to poverty reduction and supporting peace and political stability.

The poly crises (war, post-pandemic, climate, inflation etc.) hit vulnerable people the hardest. Today (April 2023), 828 million are chronically undernourished and 193 million across 53 countries experience acute hunger<sup>1</sup>. The WFP projects 349 million people to be acutely food insecure throughout this year<sup>2</sup>, 70 million more than in 2022, partly due to the long-term effects of the COVID-19 pandemic and the Ukraine war.

Unless inequalities such as economic disparities or fair access to resources are not reduced, the world will not, in 2023, nor in the years that follow, contain the pandemic with its devastating consequences certainly for MIC and LIC countries.



**Inclusive markets** enable small producers to participate actively and are a basis for food security, income, economic and social perspectives.

### How HEKS/EPER responds – Strategy

HEKS/EPER contributes to the Sustainable Development Goal's (SDG) agenda of **'leaving no one behind'**, i.e., achieving inclusion and increasing income of the poor and marginalised people in agriculture and non-agriculture markets as producers, processors, employees or self-employed. To do so systemically and sustainably, HEKS/EPER applies a combination of Market Systems Development and Inclusive Business approaches, impact investment and, where needed, additional direct interventions.

HEKS/EPER promotes a **Market Systems Development approach** that strengthens families and local communities' voices, upgrades the value chain structure and benefits producers, workers and consumers. A meticulous context analysis carefully assesses the market structure, actors and dynamics. By this, the underlying reasons for the exclusion and malfunctioning of markets and the existing opportunities are detected. Participation of relevant market actors is key throughout the process, from assessment to intervention planning and necessary adaptation based on a sound monitoring and learning system. Especially when working with vulnerable and excluded groups, the inclusion into mainstream markets is not straightforward. It requires building the preconditions for them to take an active role in the market and overcome soft barriers to participation, such as stigmatisation, lack of trust, or prejudice. To achieve this goal, HEKS/EPER applies a **participatory approach** to Market Systems Development and potentially some **additional, more direct interventions** (if needed).

While the Market Systems Development approach aims at changes in the broader system with several actors changing their way of working through the **Inclusive Business approach**, HEKS/EPER supports the creation,

<sup>1</sup> [static.hungermapdata.org/insight-reports/latest/global-summary.pdf](https://static.hungermapdata.org/insight-reports/latest/global-summary.pdf) and [hungermap.wfp.org](https://hungermap.wfp.org)

<sup>2</sup> <https://www.unocha.org/sites/unocha/files/WFP%20Statement%20to%20GHO%20launch%20November%202023docx.pdf>

development and scaling up of business models of single companies or entrepreneurs. These models can include vulnerable people at various points in a value chain, be it consumers on the demand side or producers, employees or entrepreneurs on the supply side. Scaling up of such models can be supported by providing investments through the global **impact investment** facility of HEKS/EPER.

In an internal **community of practice**, we foster training and exchange around inclusive market systems development (MSD). In five meetings in 2022, practitioners from the country offices and the project teams, together with representatives from the HQ, were discussing and learning mutually about so different issues, such as how to use market mechanisms in climate change adaptation, the integration of design thinking tools (e.g. 'human-centred design') into MSD projects or the application of a human rights-based approach (HRBA) in MSD projects. There are possible tensions like different mindsets governing the approaches, varying time frames and the consideration of non-marketable functions. On the other hand, some mutual reinforcement has been detected, among others, the systemic perspective and the facilitative versus the direct implementation. This learning exchange will be continued in 2023.

## Promising Practices Worldwide

### Georgia – organic hazelnut production

Many families in rural Georgia are engaged in subsistence and live below the minimum subsistence level – HEKS/EPER promotes an organic hazelnut project to increase the income of local farmers through better production, certification, and inclusive market. The private processing company PAKKA Georgia and the private Swiss premium brand Pakka sell organic nut specialties made from organic ingredients to retail and wholesale in Switzerland and the EU.



Certified organic hazelnut for export to European markets.

Already the 2020 mid-term review of the Organic Hazelnut Production project revealed evidence that the project activities successfully contributed to a substantial **increase in the income** of the engaged farmers through hazelnut sales. In 2022, 518 tons (55% increase compared to 2021) of hazelnuts were delivered to Pakka Georgia through the association Caucasnut, out of which 355 tons were organically certified (113% increase compared to 2021). The project has also contributed to more decent employment for families in rural areas.

In addition to vocational training and tested techniques like drip irrigation, windbreaks, different organic fertilisers, and organic pesticides on demo plots, the project promotes the production of biochar, compost and vermicompost to apply in hazelnut orchards. As a result of the training and extension activities, farmers' mindsets and practices drastically changed over the last few years. Furthermore, there were some favourable contextual changes related to the enabling environment – the governmental organic support program was introduced in 2022, and the project, in coordination with the programme's representatives, agreed on how the scheme would support organic hazelnut producers.

## Cambodia – improved organisation of pepper farmers, access to know-how and markets and an enabling environment for the Cambodian pepper sector



Pepper farm in Cambodia.

The project aims to improve small pepper farmers' livelihood through pepper sector enhancement, market system development, and resilience building. The partner organisation of HEKS/EPER supports establishing demonstration farms and facilitates training by private sector actors on improved production techniques and the 'Good Agricultural Practice' (GAP) and organic standard. During its second phase, from 2019 to 2022, the project addressed **1'782 farmers**, of which 510 are women. The project linked the pepper cooperatives to **15 pepper export companies**. The project supports the 'Cambodian Pepper and Spices Federation' (CPSF) to become a well-functioning organisation that can drive the sector's development, including advocating for pepper policy enabling environment and connecting national pepper actors with global networks to promote Cambodian pepper.

Formerly Cambodian pepper was practically only sold to Vietnamese buyers, with virtually no direct export from Cambodia to third countries. The project changed this already in the previous years by establishing contact with several exporters: e.g. FUCHS (a German branch company exporting mainly pepper), OLAM (another global food supplier), and SELA Pepper (a Cambodian pepper exporting enterprise). In 2022 the project assisted pepper farmers in producing around 160 MT of organic pepper and sold these organic products to the exporters (Olam) with an incentive price of 45% higher than the conventional pepper price. The CPSF connected to 60 buyers, especially from the Middle East and North Africa, through participating in several online marketing events, opening new and promising markets for Cambodian pepper.

To strengthen the resilience of the farmers and to mitigate the negative effects of the high pepper price volatility, the project started to **integrate livestock** (chicken and goats) into the pepper farming system, **developed new products** (green pepper sauce, pickled green pepper, and pepper oil), and started to grow the pepper plants on 'living' poles.

## Bangladesh – social inclusion of minorities through market systems development

HEKS/EPER Bangladesh promotes inclusive market systems where **Dalits and Adibashi receive opportunities to increase their income and improve their economic status**. Dalits are the lowest cast of the minority community, Hindus. Adibashi is an ethnic minority with distinct religious and ethnic characteristics. Both groups are socio-economically and politically discriminated, with significantly lower access to education, health services, social security, infrastructure, justice, and the labour market.

**Dalits** typically earn a living as shoe, leather or bamboo basket makers, scavengers, garbage and carcass removers, street sweepers and latrine cleaners for municipalities and private households. They cannot engage in other occupations due to a lack of skills or the unwillingness of the majority to use the services of 'untouchables'. **Adibashi** typically works as a daily labourer on the farmland of others. Like Dalits, they lack recognised land ownership for the little land they may have.

From 2017 onwards, more than 1'900 Dalit and Adibashi households were active in bull fattening, chicken rearing and doormat production, and directly 7'500 people benefitted from this HEKS/EPER project. Even though the COVID-19 pandemic reduced some progress in the last years, over the past five years, the achievements have been remarkable:



**Bangladesh:** Economic inclusion of Dalit and Adibashi women through doormat production.

## Ethiopia – hydroponic fodder to improve livelihoods for pastoralists

The idea that one kilo of grain becomes seven kilos of nutritious animal feed in just a couple of days would seem the work of an illusionist: hydroponic fodder is a proven technology only powered by water.

The young Tiko Teche is one of the early adopters in Miyo Woreda of Borana Zone, Oromia. “This will become about seven kilos soon”, says Tiko, pointing at the one-kilo wheat she saw in her small production house.

The pastoralist people of Borana have been highly affected by recurrent drought for the past years. Food for their animals is one of their highest priorities. HEKS/EPER and other organisations are promoting hydroponic fodder production in Moyale and Miyo.

This innovation for resilience aims to equip communities with the means to provide sustainable feed to their animals. The major required inputs are quality seeds and adequate water. The project provided four rounds of training for 512 households and established four demonstration sites constructed with simple and local materials, demonstrating the easy replicability at a household level. The project distributed 3'000 kg of seeds, and the



**Ethiopia:** Hydroponic fodder production is a viable way to provide sustainable feed also during droughts.

groups running and following up the demonstration sites harvested 18'370 kg of green fodder so far. The next steps will focus on the market inclusion of the producers to generate income from this viable product.

Community members from different kebeles (lowest administrative units), regional and zonal government officials, community elders and local leaders, and various development organisations' representatives visited the demonstration sites. In addition, the technology was given news coverage on the Oromia Broadcasting Network (OBN), which led to a good promotion opportunity for scaling up.

## DR Congo – financial inclusion of smallholder cooperatives

Smallholder agriculture has several challenges in the East of the Democratic Republic of Congo (DRC), the Kivu region. Land tenure, the supply of quality inputs and especially **access to financial institutions** are some of the major obstacles that smallholder faces daily. HEKS and its partner organisation CEDERU are working with a broad approach to address these challenges. Since 2016 HEKS and its partner organisation CEDERU are supporting the creation of 5 agricultural cooperatives in the region that helped the smallholder to increase their production and the commercialisation. But one next step was missing: the possibility for the cooperatives to **open bank accounts**. Congolese laws didn't allow cooperatives to open bank accounts, preventing them from managing their own financial resources and accessing credits, if necessary.



Opening of bank accounts by the managers of agricultural cooperatives.

By applying the **Market System Approach** (MSD), HEKS and CEDERU started to address this problem by advocating and lobbying with the competent authorities on a national level. Finally, in December 2021, the five cooperatives could open a bank account each ts. For now, this is only possible by a specific decree favouring these 5 cooperatives. That's why HEKS and CEDERU will continue their effort to make this a general policy for all cooperatives in the country.

2022 was a difficult year, especially for North Kivu, where the project is located. In addition to the effects of the poly crises (pandemic, Ukraine war etc.), the insurgence activities, mainly from the rebel group M23, hampered the project activities. In December, 17% of the cooperative members were displaced to other areas and only 2 out of 7 local agents remained in the project area. Still, some remarkable results have been achieved: the average income of the targeted households increased by 17%, mainly due to increased production, product quality, and better prices.

## Worldwide – territorial markets to support local and sustainable production systems

HEKS/EPER, in its continuous effort to strengthen local communities, the **territorial market approach** is gaining more and more ground. Territorial markets are based on the territorial approach. The difference from other approaches and methods is that it considers a given context's spatial, cultural, historical, and even spiritual dimensions. Local communities have a long-lasting relationship to their social, economic, and ecological environment. This is characterised by using specific resources or taking advantage of context-specific opportunities. Especially indigenous and so-called traditional communities are also spiritually linked to their environment. By focusing on these territorial linkages, it is possible to strengthen either existing relations or revitalise local economies by bringing economic stakeholders along key value chains together in the territory. All these elements are cornerstones to make these systems extremely robust, resilient and sustainable. Not only during the COVID-19 crisis, the dependency on national or, even worse, on international trading has shown the vulnerability of these global structures.



**Haiti:** Agroecological production and linkage to school nutrition programs protect local seed varieties, create social, economic, and ecologic resilience.

The **2022 'Landforum'** was dedicated to exploring the relations between 'Agroecology and Territorial Markets'. In the discussions and exchange between experts and practitioners on country, continental, and global level, it became clear that both are mutually reinforcing: agroecological production with its focus on short supply chains and place-based, context-specific ways of selling products within the territorial approach.

For more info: see Factsheet 2023 on 'Sustainable Agriculture and Food Systems'.

## Achievements & Perspectives

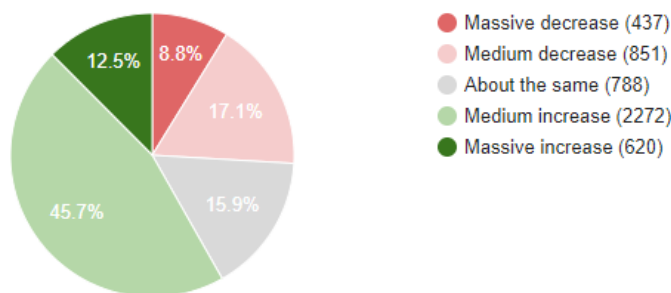
### Achievements 2022

Goal	HEKS/EPER Key Indicator	Achieved 2021	Target 2022	Achieved 2022	Target 2023
<b>Outcome 2: Social, Political, and Economic Discrimination Overcome</b> <b>Output 2.2: People &amp; Communities Participate in and Influence Market Systems</b> 	% of individuals stating a positive change in their <b>income</b>	56 %	50%	<b>58%</b>	46%
	# of individuals reached through <b>knowledge-sharing/capacity-building</b> initiatives	20 trainings on HRBA, conflict, and civil society for 2024 people. 21 trainings on markets for 2974 people.	5'200 individuals reached.	Out of 90 learning events with 10'000 participants globally, 7000 got training on their rights to act –13 events, with 500 participants focused on improving market skills.	12'000 people
	# of individuals profiting from <b>inclusive market projects</b>	110'000 people in market projects	100'000	61'224 people in market inclusion projects	100'000

Global crises like pandemics, climate change, armed conflicts (such as Russia's war on Ukraine), and worldwide inflation increased existing economic and social inequalities in the past three years and made the HEKS/EPER engagement towards enhancing the economic inclusion and fulfilment of rights of discriminated and excluded groups more important than ever. HEKS/EPER campaigns for equal rights for all people and strengthens discriminated population groups in demanding their rights and fighting discrimination. In many countries worldwide, indigenous peoples or certain ethnic groups are persecuted. However, it is often also people with a certain migration status, religion, sexual orientation or disability, women and girls, people affected by conflict and people who live in remote areas or do not speak the local language whose rights are not respected.

In 2022, more than **61'000 people** (2021: 110'000) participated in various HEKS/EPER in 13 countries in 24 projects to enable people to link with the local, national or even international market, with the aim to generate increased income through agricultural and non-agricultural production or job mediation, etc.

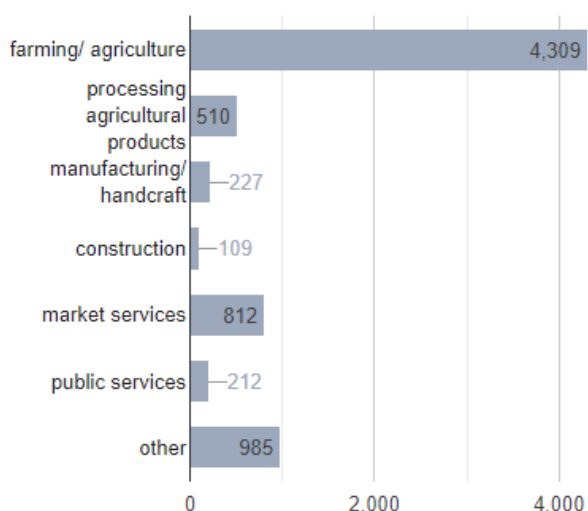
Interviews with project participants in the countries show (Graph A) that **58%** (2021: 56%) of the people achieved either a medium or massive increase in their income. Of the persons reporting a positive change in their income, **33% explain this increase by increased outputs** and **30% by increased market prices**, both remarkably facing numerous global and regional crises and conflicts. **87% of respondents** stating income increase are involved in **farming/ agriculture activities**, **16% provide market services** (trade, transportation, accommodation, business services) and **10% process agricultural products**.



**Graph A:** In-depth interviews with 5000 project participants in 13 countries revealed for 2022 many qualitative and quantitative information. 58% indicated increased income.

**25.9%** (2021: 27.4%) **stated a decrease in their incomes**, mainly due to **decreased production** caused by unfavourable climate conditions or lack of ability to invest in production due to higher production costs.

**Income was used** by 45% of the respondents for daily consumption purposes, 28% for education, 24% reinvested in their businesses or farms, and 22% saved money. Amongst those 20% stating they used income for 'other' purposes, most spent it for medical care, health insurance, house renovation and bank loan repayments.



**Graph B:** Fields of work to generate income. In 2022, farming and selling products still is the key source of income. Processing agricultural products and offering market services are mentioned 2<sup>nd</sup> and 3<sup>rd</sup>. The ratio between these 3 fields tended towards more farming activities in 2022 compared to 2021.

HEKS/EPER facilitated in 2022 overall 90 training workshops and learning/sensitisation events in 7 countries, where 10'000 people participated. In 83 learning events for 7000 people, the projects addressed the human-rights-based approach, conflict sensitivity, and conflict transformation topics, and 20 initiatives addressed the gender equality theme. Although not related directly to the market, these workshops helped to strengthen the communities being informed about their right and more able to express their needs and to act towards their rights - also the right to participate in markets. With 13 market training initiatives, 494 people improved their market skills. Additional conferences, live training, demo plots, open days at cooperatives and workshops addressed the development strategy of market systems, financing of agricultural value chains, economic empowerment, and women entrepreneurship development.

## Perspectives

Inclusive markets will also in 2023, play a crucial role in ensuring income, improved livelihood, and overcoming economic discrimination. HEKS/EPER applies a unique approach, where Market Systems Development (MSD), Inclusive Business elements, and impact investment are combined with additional direct interventions. All this is geared towards the most vulnerable parts of the population to ensure to 'leave no one behind', as outlined in the HEKS International Program (HIP) and promised in the Sustainable Development Goals (SDGs). MSD helps to build sustainable solutions that benefit small-scale producers and local communities.

To achieve this, a thorough analysis of the existing shortcomings of the market structure, actors and dynamics is being conducted before intervention. This allows HEKS/EPER to identify the reasons for the exclusion and malfunctioning of markets and the existing opportunities. Interventions are elaborated in a participatory way with relevant market actors and later upscaled based on sound monitoring and learning. Including vulnerable groups

in mainstream markets requires more specific measures to build the preconditions needed to take an active role in the market and overcome soft barriers to participation, like stigmatisation, lack of trust, or prejudice. Projects work with private and public actors to improve market systems and will consider the Human Rights-based Approach (HRBA). Based on these approaches and understanding of MSD, and also considering the challenges and learnings emerging from the poly crises that have shown significant impacts on food markets and consumer behaviour, HEKS/EPER will focus its inclusive markets interventions in 2023 on:

- **Strengthen the territorial market approach** that focuses on agricultural land, forests, savannas or marine ecosystems managed by local communities that help maintain resilient and sustainable structures, often developed over a long period. These markets are also resilient against outer shocks like the COVID-19 pandemic and the food price surge due to the Ukraine conflict.
- Development of **short food supply chains** and more direct producer-consumer relations, e.g. urban-rural linkages.
- The newly established **Community of Practice** will help to exchange our experiences regarding Market System Development globally and foster knowledge sharing between the different continents, especially considering territorial markets and 'leave no one behind'.
- Development of business promotion programmes and **private sector engagement**.
- Further elaboration of **impact investment strategies** according to the HEKS/EPER Livelihood Investment Window.
- Inclusion of **ICT solutions** in selected projects.



Hazelnut processing in Georgia, the ecological products are marketed in Switzerland by PAKKA.

### Other HEKS/EPER publications related to 'inclusive markets'

- Due Diligence Scan for Companies (2019). Scanning tool for small and medium enterprises HEKS/EPER partners with to assess the companies' compliance with responsible business guidelines. <https://drive.google.com/file/d/1INUe1uUzVkJQafC4034eNMADwmlM-FA1E/view>
- HEKS/EPER (2015). Market Systems Development. Guideline to plan and facilitate market system changes. October 2015. [https://drive.google.com/file/d/16h5fmh2a7SAM2l2e5tobSGc1b\\_cqTbol/view](https://drive.google.com/file/d/16h5fmh2a7SAM2l2e5tobSGc1b_cqTbol/view)
- Microfinance concept (2012): <https://drive.google.com/file/d/1Zul9nIXj5VI-vWnr2uTvid2mz54LJblw/view>



## This is HEKS/EPER



HEKS/EPER is the aid organisation of the Swiss protestant churches. It operates towards a more equitable and peaceful world (and Switzerland) with resilient communities, focusing on four topics: **Climate Justice, Inclusion, Right to Land & Food, and Refuge & Migration.**

In 2022, HEKS/EPER supported through more than 60 projects in Switzerland the inclusion of 98'000 people, and with 232 projects in 30 countries, 2.5 million people directly in economic, social or humanitarian need. The operating income of the whole organisation has risen to 114 M CHF and expenditure to 108.13 M CHF – of which 54.54 M CHF were net costs spent for the international programme.

In the Global Cooperation division, HEKS/EPER ameliorated with 17.8 M CHF (net costs) spent on 96 **development projects** for the life of 946'267 people focusing on access to land and resources, securing basic services, fostering sustainable production and inclusive market systems. It also promoted the social inclusion of marginalised, inclusive governance structures and conflict transformation. About 23.4 M benefitted indirectly – e.g., through successful advocacy for new rights or policies (e.g., right to land, water, education, health, market access.).

HEKS/EPER's **humanitarian aid** spent more than 29 M CHF (net costs) in 72 projects in 18 countries reaching directly 1.522 M people affected by conflicts and disasters; another 2.4 M were indirectly reached with health prevention campaigns or rebuilt public sanitation, road or health infrastructures.

In the frame of **Church Cooperation**, HEKS/EPER enabled with 2.26 M CHF social work of Reformed Churches in Eastern Europe and the Middle East, reaching out to more than 30'000 people through 29 projects.

To **sensitise in Switzerland** the public, media, politics and other stakeholders about the needs and rights of people and communities worldwide, addressing causes of global inequality, and to advocate towards a transition to a more equitable, peaceful world, preserving the limited natural resources, HEKS/EPER spent 4.5 M CHF on policy work.

HEKS/EPER Global Cooperation strives towards systemic change with its human rights-based approach, promoting ownership, innovation, and the nexus between humanitarian aid and development activities. Together with competent partners and well-interconnected alliances, HEKS/EPER fosters constant dialogue between civil society, the private sector, and Government actors enabling people and communities to advocate for their needs and rights. The international divisions' conflict- and gender-sensitive programming is risk-informed and evidence-based. A proficient institutional governance framework allows effectiveness and transparency.

In Switzerland, HEKS/EPER supported with 34.2 M CHF net costs of more than 60 projects in 15 cantons disadvantaged people in becoming socially and economically integrated by promoting equal opportunity and assisting jobless people, refugees, and other individuals by providing day structures, legal advice, vocational training, language courses, dialogue platforms, etc.

**The nine core values of HEKS/EPER:** Justice / Self-Determination / Participation / Respect / Solidarity / Support without Borders / Close to People / Effectiveness, / Accountability.


Strategies, policies, guidelines, and reports published on ID's Governance Website: [https://en.heks.ch/Institutional\\_Governance](https://en.heks.ch/Institutional_Governance)

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