

# Changing Aid Industry Norms

Applying the Market Systems Development Approach to the DRC's Aid Industry

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## Glossary of Acronyms and Abbreviations

BCC	Banque Centrale du Congo (Central Bank)
BDS	Business Development Services
BTL	Below the Line
CWG-n	National Cash Working Group
DRC	Democratic Republic of the Congo
FDI	Foreign Direct Investment
FSP	Financial Service Provider
MM	Mobile Money
MNO	Mobile Network Operator
MSD	Market Systems Development
NGO	Non-Governmental Organisation
OCHA	Office for the Coordination of Humanitarian Affairs of the United Nations
ODA	Overseas Development Assistance
SOP	Standard Operating Procedure
TASAI	The African Seed Access Index
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees

## Introduction

With crises plaguing the DRC for the last 25 years, the aid industry has become a key player in the Congolese economy and an attractive market segment for businesses.

This is particularly the case in regions of protracted crises, such as the Kivus in the east of the DRC, where relief and recovery efforts have become some of the principal drivers of the economy, shifting and shaping the market systems along the way. The affected markets have adapted to the demands of the aid industry, which is characterized by a need for rapid response at minimum cost and which has defined and finite project timelines. Whilst progress has been made by the humanitarian community to consider market dynamics in their activities and to limit market distortion, more effort is needed to escape the state of protracted crisis and rebuild independent and functioning markets.

To that end, the Market Systems Development (MSD) approach can provide valuable lessons on how to sustainably rebuild the market and contribute the region's stability.

## MSD, Resilience and Stability

Sustainability is a core tenet of the MSD approach, which considers the incentives and the capacities of market actors in order to build an exit strategy into interventions from the very start of the activity. MSD and other long-term development programmes, however, often overlook the important role that aid actors play in an economy. Recognizing the limited lifespan of any one project, MSD programmes chiefly target partnership and engagement with private- and public-sector actors to influence their behaviours and sustainably drive positive change beyond the period of the programme. The aim is to catalyse changes that will benefit low income groups and build stability.

In countries with significant humanitarian and developmental activities, however, to overlook the aid industry in the programme design is to risk missing an opportunity:

- Ignoring the humanitarian aid community in a Market System Development intervention could undermine the programme's progress and/or impact;
- Aid organisations are key economic players: with the right partnerships in place, private actors can enter thin and untapped markets, increasing their customer base and product/brand visibility;
- Private actors are leaders in innovation and could provide new solutions to improve efficiency and sustainability of aid delivery.

### DRC Aid Market Size

#### Donor assistance market size:

In 2016, the DRC received over US\$ 2.1 billion (all donors) in Official Development Assistance (ODA), and US\$ 3.5 billion in 2010.

#### Humanitarian assistance market size:

OCHA reported US\$ 940.5 million funding for humanitarian purposes in the period January-November 2018, and US\$ 579.6 million in 2010.

#### Foreign direct investment:

By comparison, Foreign Direct Investment (FDI) in DRC amounted to US\$935.8 million in 2010 according to the Central Bank (BCC).

### DRC in Numbers (2018, OCHA)

- Population: c.85 million (CIA Factbook)
- 15% of the world's poor by 2030
- 13.1 million people in need in 2018 (rising from 7.3 million in 2017)
- 9.9 million people severely food insecure
- 4.5 million internally displaced population
- 4.3 million people need immediate assistance as they face "crisis" or "emergency" levels of food insecurity (greater Kasai region, Tanganyika and South Kivu provinces)
- 2.2 million children threatened by severe acute malnutrition
- Approximately 1 in 10 of the world's most severely malnourished children are in the DRC

## Opportunity for change in the DRC

The Chief Executive Officer of the World Bank, Kristalina Georgieva, recognised at Davos 2019 that “to tackle the underlying causes of conflict and fragility, the public and private sectors must work together so there is a better chance to create jobs and opportunities.” In the DRC, areas of protracted crises are, however, characterised by thin markets with limited private sector presence and important emergency humanitarian assistance.

Tasked with saving lives, those humanitarian actors have few incentives to change the way aid is delivered as failure can result in loss of lives. In contrast, for private actors, the risk associated with change is more often commercial. Accordingly, opportunities for innovation may be found in helping the private sector to develop solutions which respond to humanitarian needs. Private actors, however, may not always have the incentives or capacity to invest in areas of humanitarian activity. Development programmes, which are tasked with tackling the underlying causes of conflict and fragility, may be able to bridge the gap between these two groups by demonstrating the potential of new business models adapted to those areas, and building the capacity and resilience of local actors. The different incentives and timescales of humanitarian and development actors, however, makes coordination between these groups difficult to achieve in practice.

Such thinking has led to the introduction of the New Way of Working, following the 2016 World Humanitarian Summit to:

*“frame the work of development and humanitarian actors, along with national and local counterparts, in support of collective outcomes that reduce risk and vulnerability and serve as instalments toward the achievement of the SDGs.”<sup>1</sup>*

Whilst debates on the integration of humanitarian and development assistance to improve aid efficiency have been going on for over two decades, there is little field experience to test any of the theories. Dual mandate organisations such as CARE, MercyCorps and World Vision, amongst others, have started bridging the gap between emergency and development assistance by including MSD approaches in their humanitarian and early recovery responses. There is, however, little evidence of MSD programmes viewing the aid industry through a market systems lens. Figure 1 compares responses to crises by different aid actors and the role an MSD programme could play in improving the efficiency of response.

The introduction of the UN Humanitarian-Development-Peace Nexus to the DRC in 2018 opened the door for more integration between humanitarian, development and peace actors, as new coordination mechanisms are being explored. This approach however does not directly consider the role of private sector and markets in the recovery process. Figure 2 illustrates how MSD programmes like ELAN RDC can support further inclusion of the private sector in the Nexus to strengthen the recovery and stabilization of the market.

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<sup>1</sup> New Way of Working, OCHA (2017), p.4.

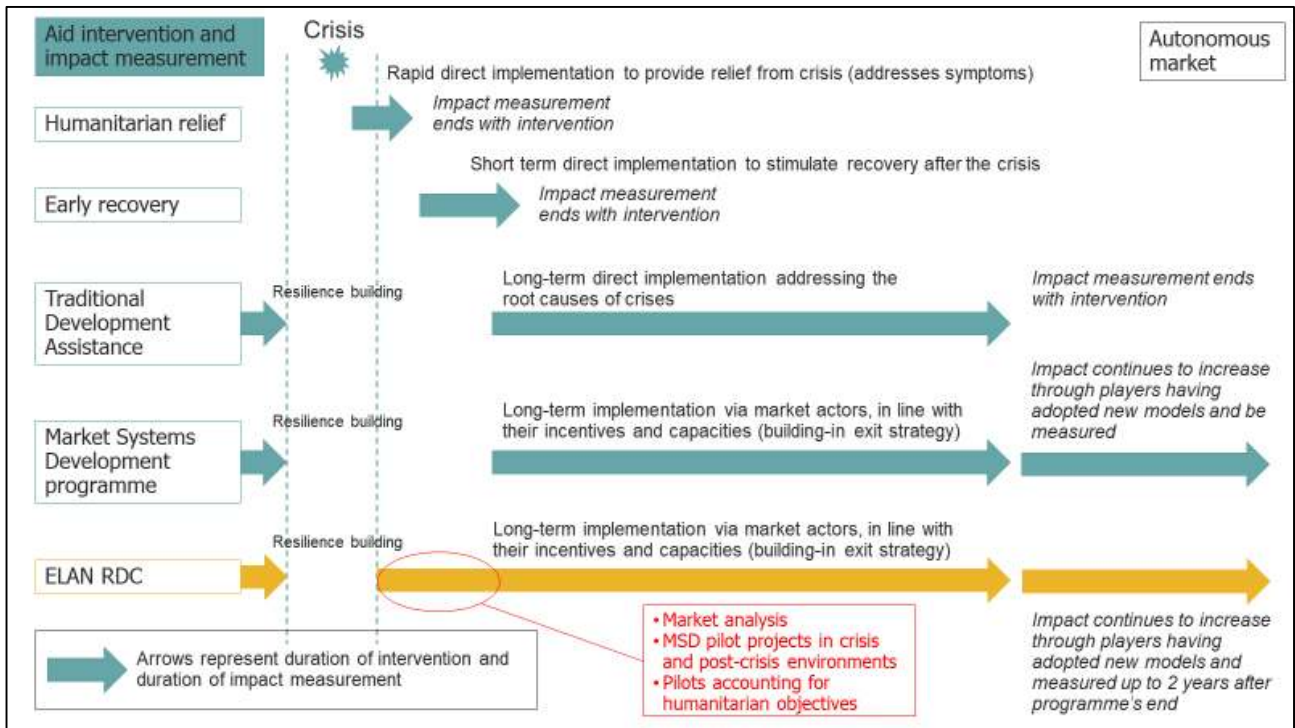


Figure 1. Comparison of approaches to humanitarian crises

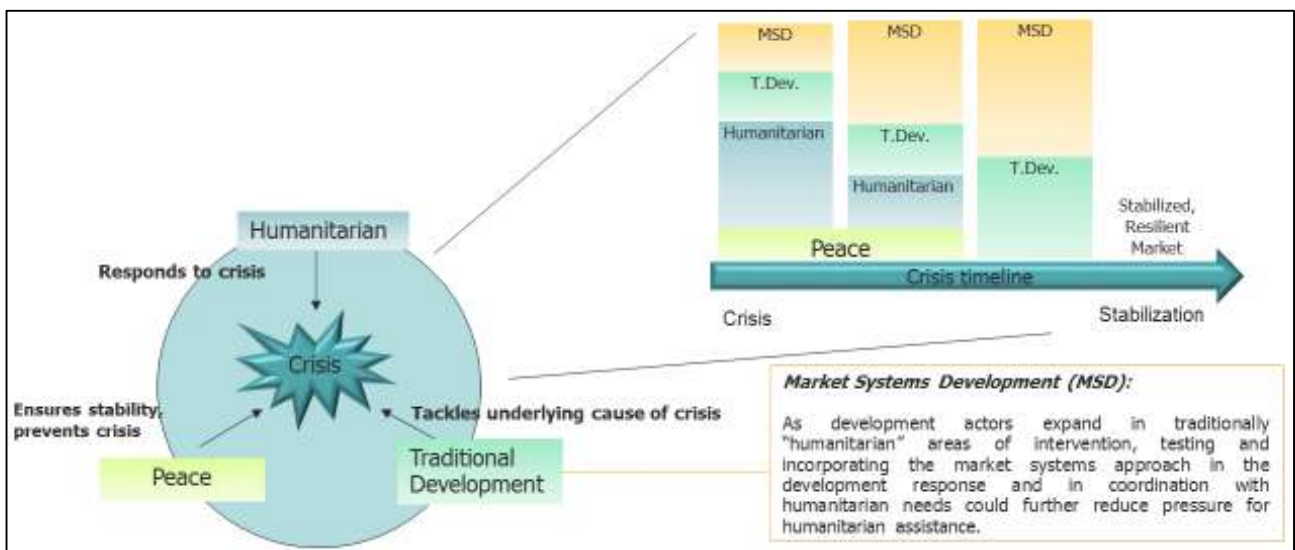


Figure 2. The Nexus: opening the space for private sector engagement in crises

MSD programmes can test new ways of working for both humanitarian and development actors, by demonstrating the feasibility of market-oriented models of aid delivery; facilitating private sector innovation responding to humanitarian needs; and setting up processes to bridge the gap between aid and private sector actors. By introducing solutions that respond to the priorities of both aid and private sector actors, MSD increases the sustainability of aid impact, whilst improving capacity of actors to innovate beyond programme duration.

### Tactics for Collaborating with Aid Agencies to Drive Market Development

This section outlines the approach and tactics employed by the ÉLAN RDC programme to change aid industry norms in the DRC. The experience provides lessons and guidance for other programmes, practitioners and donors.

## A. Building a Case for Change

At the outset of activities designed to change the approach of either private-sector or humanitarian actors, it is critical to establish a sound case for change. MSD programmes typically work through private-sector and industry partners. Engagement with these groups usually focuses on new business strategies or practices that yield commercial returns. Appealing to the bottom line helps to generate interest and buy-in. Establishing a proof of concept through a partner may require a mix of strong business advisory and technical guidance coupled with clearly defined and time-limited financial support to de-risk the investment in a new venture.

In contrast, humanitarian responses address the emergency needs of a population. Dire circumstances require immediate action using trusted solutions. As a result, the tendency is for humanitarian response to stick to proven models rather than to look for innovative, possibly better solutions. This approach can deliver good immediate results – but can also fail to set up the conditions for a transition to early recovery and development. It can also lead to an aid dependency cycle such as has been seen in the DRC (and elsewhere) over the last several decades.

Building a compelling case for change is achieved by understanding and appealing to different incentives that underpin humanitarian and development organisations on the one hand and private-sector industries on the other. Each operates in distinct spheres with its own language, procedures and metrics. Some of the differences between the two groups are summarised in Table 1.

**Table 1. Building & Supporting Innovation – Adapting to the Audience**

Private Sector	Humanitarian or Development Agency
<ul style="list-style-type: none"> <li>Identify market opportunities. Build a business case, outlining value in monetary terms.</li> <li>Demonstrate the value of an innovation. Innovations could include expanding to a new area, offering a new product or service, coupling advisory with a core product, or others.</li> <li>Offer technical assistance and/or “risk capital” to trial an innovation. Particularly in thin markets, provide support to strengthen business performance and capacity to take on new innovations and growth.</li> <li>Monitoring focused on commercial indicators.</li> <li>Scale-up focused on accelerating shifts in competitive norms more widely, such as collaborating with market competitors to replicate or to respond to an innovation.</li> </ul>	<ul style="list-style-type: none"> <li>Identify and highlight equivalent or stronger sustainable social impact. Build an argument, outlining value in social impact terms.</li> <li>Demonstrate cost, time and protection efficiency associated with applying the new approach.</li> <li>Offer technical assistance to identify and mitigate risks. Provide in-depth advice and support to strengthen project implementation and capacity to adopt the new approach(es).</li> <li>Monitoring focused on indicators of social return and delivery efficiency.</li> <li>Scale-up focused on shared understanding with donors as well as sector-wide learning.</li> </ul>

## B. Establishing Proofs of Concept

ÉLAN RDC sought to establish proofs of concept that would appeal to the humanitarian community whilst also demonstrating an alternative approach to aid delivery that could increase efficiency, impact and sustainability. We detail below three strategies adopted by ÉLAN RDC for establishing proofs of concept.

### 1. Private sector partners demonstrate the social benefit derived from market-oriented solutions


ÉLAN RDC worked with the private sector to demonstrate to humanitarian agencies the social impact that can be derived from working through the private sector. In partnership with private-sector businesses, ÉLAN RDC was able to demonstrate that (contrary to received wisdom) market solutions to support vulnerable communities existed in areas with high levels of humanitarian activity. ÉLAN

RDC and its private-sector partners developed and tested new business models which benefited the poorest segments of the population. The resulting commercial gains provided the private-sector partner with both the funds and the incentive to continue the activity beyond the period of the pilot scheme and possibly develop it further.

**Example from the seed sector:**

The seed sector in the DRC is greatly influenced by and to a large extent reliant on the aid industry. The African Seed Access Index (TASAI) reports that in 2016 “seed sales to the relief market accounted for 22% of total maize sales, 40% of total rice sales, 72% of total bean sales and 41% of total soya bean sales.”<sup>2</sup> The study conducted by TASAI in the Kivus revealed that seed resellers have adapted their models to respond to the demands of the aid industry. In doing so, they have built businesses that are highly successful at meeting aid industry requirements but which fail to meet the demands of farmers in the region adequately (who are the ultimate intended beneficiaries).

Through ÉLAN RDC’s proof of concept activities, seed company partners sold over 1,000 tonnes of seeds in 2017, including 450 tonnes and 189 tonnes in South Kivu and North Kivu respectively – see box. This demonstrated the feasibility of (and demand for) commercial sales, in areas and to populations to which aid actors otherwise distribute seeds for free. This also helped farmers to overcome the distortionary impact of seed distribution by aid actors, whose procurement requirements typically incentivize low cost product above quality product, increasing the likelihood that they procure and distribute low-quality or fake seeds.<sup>3</sup> Future pilots should increase humanitarian and development actor engagement early on and throughout the proof of concept. This should ensure that concerns are addressed and buy-in is generated so that the approach can be replicated.



**Sales and Distribution of improved Rice Seed in Ruzizi Plain, Uvira, South Kivu**

**Uvira:** Health Zone in South Kivu, 16 humanitarian projects reported by OCHA in December 2018, of which six food security projects in this area of stressed acute food insecurity (IPC 2 - <http://www.ipcinfo.org/>).

**Identified constraint:**

- Difficult (physical and financial) access to quality rice seeds for smallholder farmers
- Limited number of producers and traders in agricultural inputs
- Competition created by distribution of free seeds by aid agencies

**Intervention:**

From February to August 2017, ÉLAN RDC supported Ets Munga in the multiplication and commercialisation of quality rice seeds in the Ruzizi valley, Uvira territory, South Kivu.

**Methodology:**

- Demand was created through communication and marketing campaigns
- Distribution networks were expanded through two large points of sale; and recruitment and training of a team of 20 promoters and sales agents

**Results:**

- **118 tonnes of rice seeds** (Tox 3154) **were sold** to over **5,000 smallholder farmers**
- With support of ELAN RDC, the introduction of the Tox 3154 variety, increased Ets Munga’s yield by 75% compared to previous seasons;
- The intervention directly reached **5,135 beneficiaries**, of whom **1,671 were women**
- On average **beneficiaries experienced a net positive income change of US\$120/year** (GBP94); US\$123/year (GBP97) for women
- 100% of the beneficiaries were estimated to be below the poverty line (US\$ 1.90), with an average daily revenue estimated between US\$ 0.68 and US\$ 1.48 per person

<sup>2</sup> TASAI – Market Matters Inc. Democratic Republic of Congo Country Report 2017

<sup>3</sup> TASAI – Market Matters Inc. Democratic Republic of Congo Country Report 2017

## **2. Private sector partners expand operations to crisis and post-crisis environment by servicing the aid sector as a primary client**

ÉLAN RDC capitalised on the heavy aid presence to bridge the gap between the private sector and its beneficiaries in some otherwise thin markets. In this approach ÉLAN RDC helped its private-sector partners to adapt their products or services to satisfy the needs of humanitarian organisations, leveraging the activity of the latter to support private sector expansion in crisis and post-crisis environments.

Aid agencies can be attractive customers, offering large contracts with good margins and low risk of non-payment. Accordingly, the pull of humanitarian and development agencies attracts the private sector to areas where they might otherwise not operate. This was the case for Innov, a Kinshasa-based trader which expanded activities to Kananga (Kasaï) following the 2016-2017 crisis, to respond to humanitarian demand for flour. As of July 2018, Innov was purchasing maize in the Kasais, which it transformed in Kananga and sold to humanitarian organisations.

Capitalising on such examples and the innovative capacity of the private sector, ÉLAN RDC organised events such as Hackathons, Design Sprints and trade missions to generate aid-oriented innovation and stimulate the expansion of services and products to aid-intensive areas. For example, ÉLAN RDC partnered with CINOLU, a business incubator, to host a 48-hour hackathon with 18 groups of coders and graphic designers. The winners developed a digital community water well management and payment application, addressing maintenance, longevity and payment challenges posed by wells – that are often built with support from aid partners. As of May 2019, the prototype was under development. The final product is planned to be presented to the aid community and other market actors later in the year.

Managed well, private sector initiatives to service aid agencies can also benefit the wider communities beyond the aid agencies' immediate beneficiaries. For example, the UNHCR-Vodacash mobile money pilot described in the case study below led Vodacom to increase network coverage over both the Mulongwe refugee settlement and its surrounding area, thus providing improved access to the mobile phone network and associated services for the population around the site.

Whilst aid actors remain attractive clients for the private sector, they are (temporally and geographically) fragmented, and one individual contract does not necessarily justify investment in remote and/or insecure areas. Humanitarian actors in the DRC have, however, been active in the same areas for several decades; looking at the humanitarian and development activities collectively and over time could create further incentives for investment. In the absence of an MSD programme mitigating the risk of testing new business models, better collective communication channels and processes (e.g. formal exchange platforms or standardisation of recurring contractual terms) could help reduce cost and risk of such investment.

## **3. Humanitarian and development actors pilot market-oriented approaches in partnership with the private sector**

In some cases, ÉLAN RDC collaborated with aid actors, including the UN and NGOs, to test new, market-based and sustainable aid delivery models, incorporating viable exit strategies from their onset. The collaboration between UNHCR and Vodacash described in the case study is an example.

These pilots required humanitarian partners to shift from a traditional, tested and familiar method of aid delivery to a new approach. Aid partners required technical assistance from the ÉLAN RDC team to support the implementation of a project approach which was new and unfamiliar to them. This also helped to mitigate the risk of change by applying the experience of professionals who had led similar projects elsewhere.



## C. Fostering Replication

ÉLAN RDC used its pilot projects to demonstrate the effectiveness of its approach and encourage the replication of similar approaches by aid and private-sector actors. To do this, ÉLAN RDC:

- Developed detailed tools and business cases;
- Co-hosted events where proof of concept partners could showcase their projects;
- Facilitated linkages between humanitarian agencies and private-sector actors.

### 1. Tools and case studies

Building on its pilot projects, ÉLAN RDC developed tools and case studies to promote replication. These documents are aimed at both humanitarian and private-sector actors to increase mutual understanding and cooperation. They tackle the (perceived) disconnect between these actors by addressing possible language gaps and misunderstandings related to each other's constraints, needs, procedures and objectives. The tools also serve as guides for humanitarian actors and non-market specialists to navigate the complex markets of the DRC. Documents have been developed in coordination with both private and humanitarian actors, disseminated during cross-industry events, and provided to sector associations to serve as references beyond the period of ÉLAN RDC's operations. In the case of tools, such as the "19 tips for a successful Mobile Money project in DRC" described below, they are provided as live documents to trained sector associations which can adapt them as the environment in the DRC evolves and more experience is gained in their application.

#### Tool Example: 19 tips for a successful Mobile Money project in DRC<sup>4</sup>

**Background:** ÉLAN RDC developed a tool to facilitate the use of mobile money in humanitarian cash transfers in the DRC, based on stakeholder interviews and lessons learnt from the implementation of the UNHCR-Vodacash mobile money (MM) cash transfer pilot presented at the end of this paper.

#### Problem:

- Expansion of cash transfer projects in the DRC but little use of MM;
- Limited mutual understanding of respective needs and capacities between humanitarian actors and mobile network operators (MNOs);
- Limited sharing of MM experiences by humanitarian actors and MNOs in the DRC.

**The tool:** This interactive tool acts as a repository of knowledge of existing humanitarian MM cash transfer tools and provides guidance for humanitarian actors to understand MNO capacity and services in the DRC, as well as to anticipate and mitigate risks which may arise during implementation.

**Developed with:** The National Cash Working Group (CWG-n) and in consultation with representatives of mobile network operators and humanitarian organisations using MM.

**Developed for:** Humanitarian actors considering Mobile Money for their cash transfers in the DRC, but also MNOs wishing to gain a better understanding of humanitarian requirements related to MM.

**Use beyond ÉLAN RDC:** As of May 2019, the tool is due to be handed over to the National Cash Working Group to encourage adoption by the humanitarian community in the DRC. The CWG-n will also update and maintain the tool as additional experience is gained.

Checklist : 19 conditions pour le Mobile Money humanitaire en RDC	
<b>Utilisation</b>	<i>Cliquez sur les questions pour les moyens de vérification et mesures de mitigation</i>
Dernière mise à jour	11-Apr-19
<b>Conditions</b>	Etat (Fait, En cours, A Faire.)
<b>Prérequis</b>	
Téléphone et capacité des bénéficiaires	
Expériences et capacités des opérateurs (enregistrement, built payment, distribution / activation, service client)	
Présence d'un cadre contractuel (NB: contractualisation pour prendre plusieurs semaines)	
<b>Pour les opérateurs:</b> Disponibilité de documents identitaires acceptés par régulateurs: TalCo et Banque Centrale: KYC, Know Your Customer	
<b>Couverture réseau et infrastructure</b>	
<b>Pour les techniciens de l'opérateur:</b> Couverture GSM suffisante sur la zone d'intervention (NB : deux bandes de réseau 2G pour USSD, 3G pour enregistrement et troubleshooting)	
<b>Pour les techniciens de l'opérateur:</b> Stabilité du réseau GSM (ex : climat, sécurité)	
<b>Pour les techniciens de l'opérateur:</b> Solutions et débits de l'opérateur en cas de panne technique	
Accès à l'énergie pour chargement de téléphone	
<b>Proximité des agents</b>	
Présence et capacité suffisante des agents de proximité (retail, dépôt, unités [airtime])	
Présence et capacité suffisante des <b>superagents</b> et <b>merchants</b> (liquidité et paiements virtuels) *Disponibilité de large commerçant, banque, etc. permettant d'assurer une liquidité accrue	
<b>Services de téléphonie mobile et informations</b>	
<b>Pour l'opérateur:</b> Disponibilité du matériel de formation et de sensibilisation dans des formats et des langues accessibles par tous	
<b>Pour l'opérateur:</b> Un service client et un système de gestion des plaintes disponible dans les langues parlées par les populations cibles	
<b>Pour les techniciens de l'opérateur:</b> Les opérations "SIM swap" (enregistrement d'un compte existant sur une nouvelle carte SIM) et "PIN reset" (changement des types de compte permettant de recevoir le montant de transfert prévu (limite de 100 USD pour comptes "low KYC")	
<b>Protection</b>	
Une matrice des risques et de mesures de mitigation pour le projet existe ?	
Des garanties sur la protection et le cryptage des données, ainsi que contre la fraude, la corruption, les abus de pouvoir des agents et le blanchiment d'argent sont inclus dans le contractualisation ?	
<b>Interopérabilité</b>	
Conditions pour maintenir le numéro de téléphone actif (NB: minimum 1 opération par mois)	
Renforcement et pérennisation de l'écosystème de téléphonie mobile	
Mise en place et renforcement de l'écosystème de finance digitale	
	<a href="#">Retour à l'Introduction</a>

<sup>4</sup> At the time of writing, the tool had been submitted to DFID for wider dissemination

## 2. Industry bodies and networking events

In order to bridge the gap between private sector and humanitarian actors and promote replication of successful pilot projects, ÉLAN RDC engaged with industry bodies and organised events to showcase market-oriented solutions and the potential of private-sector collaboration. Through this, ÉLAN RDC was able to act as a link between humanitarian and private actors and generate buy-in: in 2018, ÉLAN RDC was consulted more than a dozen times by actors in the fields of finance and Mobile Money, agriculture and renewable energy on how to engage with humanitarian organisations. Humanitarian actors (both nationally within the DRC and at international head office level) also approached ÉLAN RDC at the project design stage to understand how to engage with local market actors in the DRC and improve project efficiency.

### Industry bodies

Working through established industry bodies allowed ÉLAN RDC to gain legitimacy amongst sector actors and create buy-in for the approaches it promotes. For instance, ÉLAN RDC co-led a task force within the National Cash Working Group (CWG-n) to create an enabling environment for private-sector/humanitarian cooperation in cash transfers. Through this active involvement with the CWG-n, ÉLAN RDC brought the private sector into Cash Working Group meetings, thus providing a platform for actors to exchange ideas and improve the understanding of each other's needs, capacities, procedures and services.

### Networking events

ÉLAN RDC organised several networking events to showcase their pilot approach to humanitarian, development and private actors. Meetings between private and aid actors are usually bilateral and often take place between a humanitarian agent and commercial staff of the private business. Obstacles to successful project implementation are, however, generally consistent across actors and projects, often recurrent and in some cases systemic. As such, bilateral consultations lead to a process of constantly "reinventing the wheel", increasing time and cost for all parties. A broader coordination structure, on the other hand, can highlight recurring constraints and help to identify systemic solutions rather than responding in an ad-hoc manner to problems at project level. Such structures (and related events) also facilitate sharing of good practices across industry actors and demonstrate the potential of new models. Following these events, both private and aid actors agreed on the need for a more formal and collective communication process. As of May 2019, ÉLAN RDC is developing proposals to facilitate that process beyond the duration of the project.

#### National Cash Working Group (CWG-n) DRC

Set up by the under the authority of UN, the National Cash Working Group's objectives are to:

- Develop a national strategic approach in the field of sectoral and multi-purpose cash assistance;
- Improve the integration of cash transfers in the humanitarian programming cycle in the DRC;
- Facilitate the establishment of inclusive, inter-agency and multi-sectoral mechanisms that promote the development of quality cash assistance.

# Case Study: Using Mobile Money for Cash Transfers

## The Case for Change

### Background

ÉLAN RDC has, since its inception, targeted pro-poor market system changes in the branchless banking industry to promote financial inclusion. It aimed to expand the agent networks of MNOs and financial institutions, improve the quality of agent network offerings to better serve low income consumers, and encourage the digitalization of MNOs' supply chains. Whilst progress toward these objectives was made, large MNOs proved difficult to engage because many of ELAN RDC's target beneficiaries were not their own priority targets.

Whilst the use of mobile money in humanitarian cash transfers is growing in many countries (e.g. Rwanda, Jordan), previous poor experiences in the DRC and a comparatively less developed mobile money ecosystem have served to limit cooperation between humanitarian actors and MNOs. The CWG-n estimated that humanitarian organisations distributed more than US \$47.9 million in cash assistance in 2018 through 141 projects, predominantly in rural areas. ÉLAN RDC hypothesized that this activity could provide an incentive for MNOs to expand their network coverage to those areas and increase their user base (both for mobile money and regular communications).

### Key Constraints

- Fragmentation of the aid market increases the time and cost of MM for individual projects;
- The geographically remote nature of humanitarian projects, often in areas of high insecurity, can deter investment by the private sector;
- Absence of information on network coverage by MNOs in the DRC increases the time needed to evaluate feasibility and creates a dependency on the analysis of the commercial department of the MNO;
- Limited understanding of humanitarian sector needs, procedures and expectations among MNOs;
- Limited understanding of MNO capacity, services and priorities among humanitarian actors;
- Bad past experiences due to misinformation and misunderstandings between actors having used mobile money in humanitarian contexts in the DRC led to distrust of this solution;
- Lack of experience sharing by humanitarian organisations using MM in the DRC had served as a brake on progress.

### The Case for Change

There is an increasing volume of humanitarian cash transfers in the DRC but limited use of mobile money. There needs to be better understanding of the necessary conditions for feasibility of MM and the capacity of MNOs to respond to humanitarian needs. MM is not always a viable solution for humanitarian cash transfers, but it is not currently being adopted, even in areas with a relatively well-developed MM ecosystem (e.g. in IDP sites around the urban centre of Kalemie, Tanganyika). This risks missing out on some of the benefits of MM, such as:

- Added value of mobile money in humanitarian cash transfer for monitoring, security and financial inclusion purposes;
- Opportunity for MNOs to use humanitarian and development assistance to offset the costs associated with (agent) network expansion and to increase their user base;
- Opportunity to strengthen the MM ecosystem in the DRC and promote financial education and inclusion.

## Proof of Concept

UNHCR designed a multipurpose cash transfer scheme for Burundian refugees at the Mulongwe Site (Fizi territory, South Kivu), and selected Vodacash (Vodacom Group) to deliver it through its "M-Pesa" mobile money platform. This was UNHCR's first Mobile Money cash transfer programme in the DRC. In March 2018, before project initiation, ÉLAN RDC partnered with both UNHCR and Vodacash (the latter two had already signed a contract) to facilitate implementation.

### Objectives:

1. Demonstrate feasibility and potential of MM in humanitarian cash transfers;
2. Demonstrate commercial potential of a market largely untapped by MNOs and encourage expansion in crisis and/or post-crisis environment by servicing the humanitarian sector as a major client.

## ÉLAN RDC Support

ÉLAN RDC supported both UNHCR and Vodacash to ease implementation and to troubleshoot issues as they emerged. The support planned by ÉLAN RDC fell into three categories:

- General facilitation using ÉLAN RDC's in-house expertise with consultants from humanitarian and MNO backgrounds;
- Below the line (BTL) communication; and
- Business development services (BDS).

The BDS support was curtailed because of the limited time remaining on the programme.

### Facilitation:

- Supported the relationship between UNHCR and Vodacash, advising both parties on actions and mitigation strategies to overcome implementation obstacles (including through a "corrective action plan" drafted by ÉLAN RDC for UNHCR to orient negotiations);
- Developed a tool to facilitate adoption and implementation of MM by humanitarian actors in the DRC "19 tips for a successful Mobile Money project in DRC";
- Drew out lessons learnt and recommendations for dissemination;
- Organised cross-industry events to share experiences (including through joint UNHCR-Vodacash-ÉLAN RDC presentations) in order to promote replication.

### BTL (Below the Line) Marketing:

- Raised awareness amongst the target beneficiary group of the advantages and use of mobile money and related customer services;
- Strengthened financial education of beneficiaries – the use of M-Pesa to withdraw, save and transfer money – through participatory theatre.

### BDS (Business Development Services):

The core objective was to support M-Pesa agent, superagent and merchant network development to establish a permanent mobile money ecosystem in and around the Mulongwe site, including through new partnerships with other Financial Service Providers.

As noted above, while significant work was undertaken on this activity throughout 2018 (including the identification of potential agents, superagents and merchants in and around Mulongwe), time constraints and communication hurdles limited the achievements during the pilot programme. The lengthy nature of partnership negotiations between financial institutions, coupled with the political uncertainty caused by the December 2018 presidential elections also contributed to this outcome.

## Proof of Concept Performance and Impact

### Key challenges and solutions

UNHCR and Vodacash faced several challenges during project implementation. Most of these were nonetheless resolved (see Table 2), and UNHCR achieved its targets (detailed below).

**Table 2. Main challenges of pilot cash transfer project**

Main challenges	Corrective measure(s)	Key Recommendation
Delays in the preparation of payment lists, activation of M-Pesa accounts and troubleshooting of failed payments.	ÉLAN RDC facilitated dialogue between UNHCR and Vodacash through bilateral meetings with both parties and drafted a corrective action plan summarizing the contractual clauses underlying the challenges.	Include clear Key Performance Indicators (KPIs) and mitigation measures in contract, including penalties when KPIs are not met.
Insufficient network coverage and quality for certain operations ( <i>such as SIM SWAP and PIN RESET, requiring data connectivity to be handled remotely</i> ).	Although not contractually obliged to do so, Vodacash responded by investing in an antenna to expand the network over the camp, also benefiting the surrounding population.	Test network on site during rapid market assessment (RMA) or distribution mechanism feasibility assessment mission to determine feasibility of MM.
Limited understanding and usage of M-Pesa by the refugees, some of whom sold or lost their phones.	Awareness raising and financial education through the ÉLAN RDC BTL activities.	<ul style="list-style-type: none"> <li>• Include BTL activities (by the humanitarian actor, third party or MNO) in budget and implementation;</li> <li>• Raise awareness of beneficiaries on MNO customer services and client rights.</li> </ul>

### Key project impacts are listed below:<sup>5</sup>

- **Technology and financial services:** 1,810 of the 1,917 households (nearly 95%) in Mulungwe have mobile phones and active M-Pesa accounts to date.
  - 13% of surveyed beneficiaries report having used **M-Pesa to make payments**, hence reducing pressure on liquidity in favour of digital financial flows.
  - 28% of respondents with specific needs declared having received money from friends and family through their mobile phone, and some (1%) were able to send money to friends and family via M-Pesa.

These findings, though preliminary, suggest that the project is fostering the development of a digital finance ecosystem for previously unbanked populations with low levels of financial education. Risks associated with potential thefts of cash during travels in remote areas are contained, while financial education is supported:

- Nearly **two-thirds (62%)** of respondents could withdraw their money without needing help.
- **92%** of respondents felt safe and protected from potential risks while commuting to withdraw money.

<sup>5</sup> NB: The reported data are from a third-party analysis conducted in March 2019, based on UNHCR's post-distribution monitoring forms collected in November 2018. These figures, based on a sample of 170 respondents, are preliminary and have not yet been formally validated by UNHCR.

Nonetheless, some areas for improvement remain:

- **10%** of surveyed beneficiaries faced technical issues slowing down their payments. Some made mistakes while using the tool (resulting in blocked or lost SIM cards, for instance), while Vodacash experienced delays in troubleshooting SIM SWAP and PIN RESET operations, due to insufficient network coverage and quality.
  - **All (100%)** respondents who needed support to withdraw their assistance found the **cash-out point** to be **too far away**. Additional efforts must be undertaken to further develop the agent network.
  - **88%** reported that **cash out took place without abuses by agents**. This figure indicates a need for further efforts to educate beneficiaries on their rights as clients, as well as to strengthen codes of conduct and penalties for agents abusing their power.
- **Hygiene and shelter:** Mobile Money cash transfers were made to 1,810 households to support the construction of shelters and latrines: **1,623 shelters and latrines** completed to date.
  - **Education:** School fees, kits and uniforms for 700 students were paid through mobile money.
  - **Local economy:** Over US\$ 300,000 injected since early 2018 (2 payment cycles by partners, and 5 payment cycles via M-Pesa).
  - **Communication:** Vodacash responded to one major project constraint by installing an additional antenna to improve network coverage. The company saw the potential of the market beyond Mulongwe and responded to network constraints by investing in an antenna, which also provides additional network coverage for surrounding communities.
  - **Awareness raising and financial education:** In addition to Vodacom's and UNHCR's training, ÉLAN RDC implemented awareness-raising and financial education activities through participatory theatre, training and working sessions.
    - UNHCR has adapted the experience and lessons learnt through the partnership with ÉLAN RDC. They are developing training programmes for beneficiaries and Mobile Money Agents so that they can make appropriate use of mobile money and related financial services in their humanitarian response. This training focuses on the use and advantages of Mobile Money, clients' rights and obligations, and the conduct expected from agents, and will be used for similar interventions across the country.

Mobile Money has been introduced to a population previously unfamiliar with it. There is, however, still significant progress to be made in collaboration with mobile operators to improve the understanding and effectiveness of Mobile Money in the humanitarian aid sector:

- **46%** of respondents reported having **received training on the use of their mobile money/M-Pesa account and the withdrawal process**, contributing to the financial education and inclusion of vulnerable and unbanked households.
- **51%** expressed a **need for additional information on the use of Mobile Money**, indicating a need for more information and education activities.

### Fostering Replication

ÉLAN RDC captured the lessons learnt in a tool to help replication by other agencies:

- **19 tips for a successful Mobile Money Project in DRC:** A repository of existing tools for assessing the feasibility of using Mobile Money in humanitarian cash transfers (including

those from CALP, ICRC and MercyCorps, among others). Beyond these existing tools, it includes risk mitigation measures that can be applied if some of the conditions necessary for the success of a cash transfer programme are not present prior to or during implementation.

ÉLAN RDC also facilitated **industry-wide networking and learning** on the subject in order to scale up replication. ÉLAN RDC:

- **Led two private sector-humanitarian sector workshops** to share experience and discuss ways to further integrate mobile money in humanitarian responses. These provided practitioners and regulators (notably the Central Bank of Congo) the opportunity to exchange views on their priorities and the perceived obstacles to collaboration. From these exchanges, a set of recommendations was distributed to the humanitarian community across the DRC; some of these recommendations are reflected in the UNHCR SOPs mentioned above and in other materials related to the Mulongwe pilot.
- **Co-led a Task Force of the National Cash Working group** to create an enabling environment for private-sector/humanitarian cooperation in cash transfers. Through this work, the CWG-n was able to increase the participation of private-sector actors in the group, with several financial service providers (FSPs) presenting their products and solutions during the monthly CWG-n meeting. This allowed humanitarian actors participating in the CWG-n and FSPs to discuss their respective concerns and priorities. The CWG-n has asked ÉLAN RDC to help with setting up a platform to continue this collaboration.
- **Developed a “customer satisfaction survey”** with the Task Force for humanitarian agencies to report their experiences with different providers in the DRC. This approach is currently being replicated by the CWG in Bujumbura, Burundi. The survey also included a section related to different financial service providers’ cost-efficiency, which led to the development of the costing tool below.
- **Developed a model for a costing tool** which disaggregates the costs related to equipment, (one-off and recurrent) fees and additional foreseeable investments required to implement a humanitarian cash transfer project via MM. The inclusion of such a disaggregated table was recommended in all contracts between humanitarian organizations and private actors to pre-empt problems during implementation. The co-lead of the CWG-n designed a similar cost-disaggregation form, which was proposed to the group for inclusion among standard cash reporting tools in 2019.

Expansions of this project are being discussed:

- Use of M-Pesa by other humanitarian actors in the Mulongwe settlement, optimizing both the efficiency and the impact of cash transfers, and further strengthening the digital finance ecosystem (interest from WFP).
- Expanding UNHCR assistance through M-Pesa to Lusenda (a refugee camp in same territory as Mulongwe, Fizi territory). This expansion would reach approximately 7,000 additional households.

## Conclusion

ÉLAN RDC has demonstrated the feasibility of applying MSD principles to the aid industry. By harnessing the incentives that drive the humanitarian, development and business sectors, it has built strong cases for change. ÉLAN RDC has successfully demonstrated proofs of concept with humanitarian and private-sector partners and facilitated replication across humanitarian sector.

As international trends shift toward greater integration of humanitarian and development assistance, there is an opportunity for MSD programmes to support humanitarian agencies in the adoption of new practices that will improve and accelerate long-term development.

At the same time, there is an important role for donors to play in this process by:

- Allowing further flexibility for implementing partners;
- Establishing policies, targets and guidelines that reinforce this integrative approach; and
- Supporting coordination mechanisms that ease changes and mutual learning in industry norms, processes and systems.

ÉLAN RDC has laid the foundations for the application of an MSD approach to the aid industry in the DRC. More evidence continues to be needed, however, to further and meaningfully shift the global framework within which the industry operates in order to see growth and development in places mired by protracted crises.

**ÉLAN RDC** is a five-year market systems development programme funded by the UK Government and implemented by Adam Smith International (ASI). ÉLAN RDC works mainly with the private sector to design and propagate new economic models that increase income, create jobs and reduce prices for low income groups, viewing this population as valuable consumers and producers. In doing so, ÉLAN RDC aims to improve the livelihoods of 1.7 million low-income people in the Democratic Republic of the Congo (DRC).

Recognising the opportunity and importance of engaging the humanitarian sector in the DRC in order to achieve its pro-poor economic growth objectives, ÉLAN RDC started to explore ways to partner more closely with humanitarian actors in 2017. The programme partnered with both private sector actors and aid agencies to demonstrate how the humanitarian and aid industry could better support long-term development objectives by rethinking delivery and operational approaches.