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International

Adapting Market Systems Development in Conflict Affected Areas

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Introduction to Élan RDC

Élan RDC was a market systems development (MSD) programme funded by UKAID which was active in the DRC between 2014 and 2021. Élan worked in partnership with market actors, predominantly private businesses but also government, foundations, business associations and aid organisations, to test out new ways of doing business with the goal of improving revenue of the most vulnerable.



Élan RDC worked in the following sectors:

- Grains and Horticulture
- Speciality Crops
- Renewable Energy
- Access to finance

Understanding conflict in the DRC

The DRC has been in near constant conflict since independence, with a series of internal civil wars over the past sixty years. Whilst the country is vulnerable to instability, active conflict is mainly located across the east, from Haut-Uele and Bas-Uele Provinces (formerly Orientale) in the north to Lualaba and Haut-Katanga Provinces (formerly Katanga) in the South. Conflict also hit the central areas of the Kasais (Kasai and Kasai Central) in 2016-2017.

To some the entire of the DRC might be perceived as a conflict affected area due to the heightened levels of instability and risk of doing business. For this paper, we consider areas affected by active conflict (areas that are vulnerable to frequent armed groups incursions). This active conflict is not static, it can break out in different places at different times. With that said we can distinguish different types of conflict affected areas:

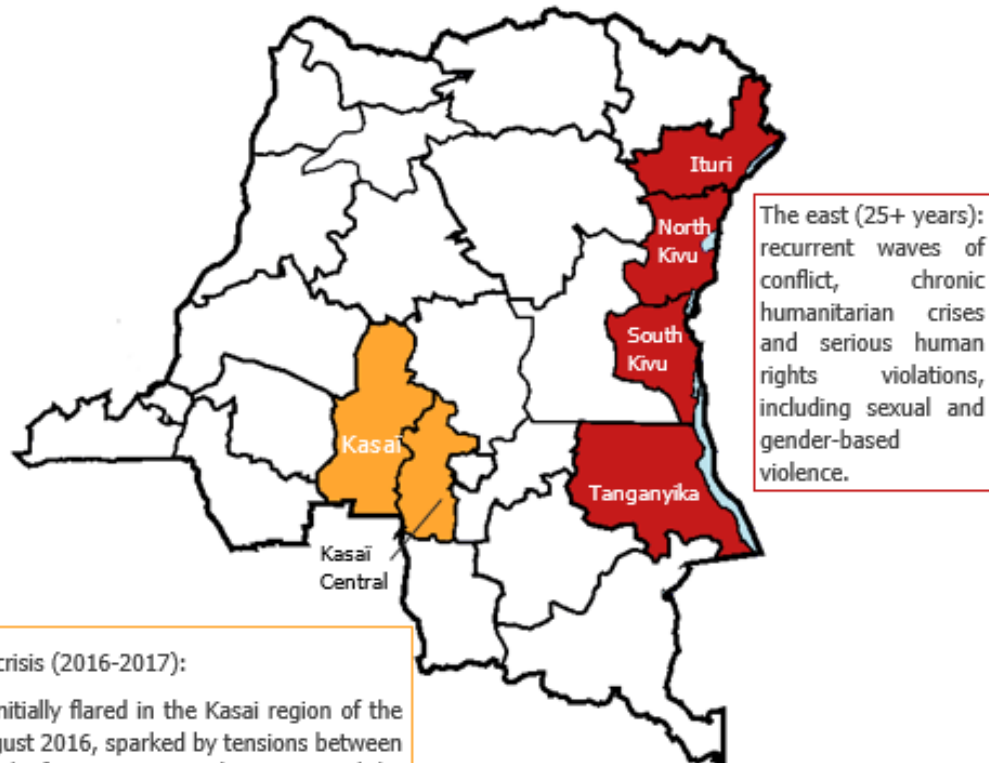
- Territories in permanent/ high intensity conflict: generally characterised by the presence of an armed group established in this territory. Conflicts in those areas may be associated with acts of war and frequent pillaging of villages.
- Territories affected by low-intensity conflict: they may be neighbouring territories where armed groups are headquartered, but incursions into villages are less frequent, and resemble banditry rather than war-like behaviours.

Causes of conflict in the DRC include¹:

- continued presence of Congolese and foreign armed groups taking advantage of power and security vacuums in the eastern part of the country,
- illegal exploitation of natural resources, and/or the collection of illegal rents from the legal exploitation of natural resources,
- interference by neighbouring countries,
- pervasive impunity,
- intercommunal feuds,
- low capacity of the national army and police to effectively protect civilians and the national territory and ensure law and order.

¹ MONUSCO website, accessed 03.12.2020

Figure 1: Overview of conflict and post-conflict areas in which Élan RDC operates



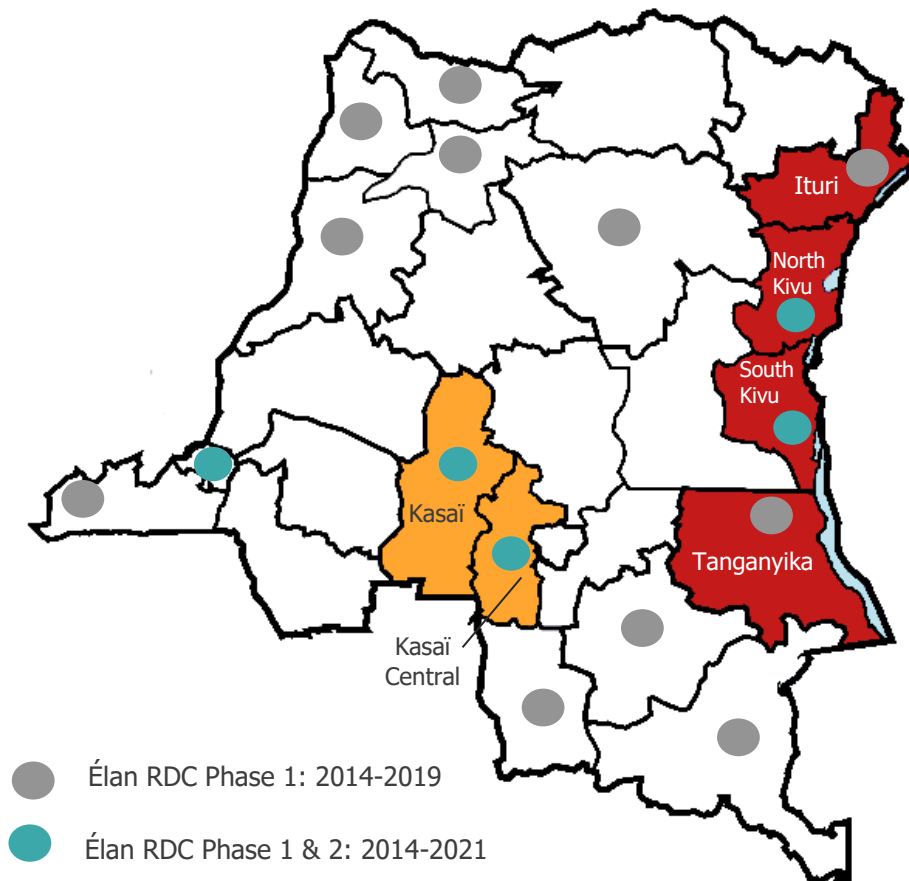
The east (25+ years): recurrent waves of conflict, chronic humanitarian crises and serious human rights violations, including sexual and gender-based violence.

The Kasai crisis (2016-2017):
"Violence initially flared in the Kasai region of the DRC in August 2016, sparked by tensions between customary chiefs in Kasai-Central Province and the government. The violence spread rapidly in early 2017. Existing intercommunity tensions became part of a wider conflict involving militias, armed groups and security forces." (UNICEF DRC Website – accessed 03.12.2020)
Although KASAI has become a post-conflict zone, there are still many reminders of the tensions that maintain a volatile climate.

Where we worked

Since 2014, Élan RDC's has worked in the Kivus, Equateur, the Kasai provinces, and former Katanga, as well as some national level interventions. Several partnerships are implemented in areas affected by conflict, in particular in the agricultural value chains. Élan RDC was active across the DRC, including in areas of conflict.

Figure 2: Élan RDC presence between 2014 and 2021



Adapting Élan RDC's interventions in conflict affected areas

Why did Élan RDC operate in conflict areas?

The UKAID's building stability framework recognises economic development as an important driver of stability. The UKAID's 'Building Stability Framework' includes 'inclusive economic development which creates widespread benefits, reduces incentives for conflict and curbs illicit economies' as one of its five 'building blocks' for driving long-term stability. Whilst Élan RDC did not have a conflict resolution mandate, it was directly addressing some of the root causes of conflict thus contributing, indirectly, to conflict prevention.

In addition, Élan RDC had the specific mission to build markets to benefit the poor. Whilst not specifically focusing on areas of conflict, a large portion of the population it was targeting was based in those areas, in particular in the field of agriculture. To reach those populations, Élan had to adapt its' traditional market system development models to account for increased challenges posed by conflict environments.

What are the key challenges to the implementation of MSD programmes in conflict affected areas?

Additional challenges to the implementation of the MSD approach include:

- **Partner identification challenges** – Traditionally Élan RDC worked by supporting its private partners (technical assistance and cofounding – risk buy-in) to pilot new business models or products that would in turn increase revenue for vulnerable populations. Areas of conflict are characterised by thin private sectors in the DRC, due in part to increased risk on investments. Identifying potential project partners in those areas, or partners willing to expand to those areas, was challenging.
- **Heightened reputational risk** – Association with players perceived as corrupt or abusive of human rights, or known to be connected to such players, was heightened in areas of conflict where connections to influential actors and/or militias may contribute to a player's ability to operate in the difficult environment.
- **Security risk** for Élan staff and its partners.
- **Access limitation** – Certain areas became inaccessible during implementation due to flare-ups. This posed challenges not only to the implementation of activities but also their monitoring.
- **Volatility** – Conflict in the DRC is volatile. An area safe one day may not be the following. This required a lot of flexibility in project designs.
- **"Do no harm"** – Implementation of an MSD programmes often comes with a change in market dynamics and relations between the key market players. In areas of conflict there is an increased risk of heightening local tensions due to the changes in power structures and influences that it may generate.
- **Sustainability risk** – Conflict increases the risk on businesses; the ability of a private actor to absorb risk and adapt to volatility plays an essential role the sustainability of their activity in conflict affected areas.

How did Élan RDC adapt its strategy in conflict areas?

Élan RDC adapted its approach to mitigate risk associated with operating in conflict areas. Initially Élan adapted to complex conflict environment by:

- 1- Avoiding areas in permanent/ high intensity conflict,
- 2- Piloting interventions in stable areas to demonstrate feasibility of the assistance model,
- 3- Improving business environment to indirectly benefit populations in conflict affected areas,
- 4- Selecting partners with the capacity to adapt to conflict situations.

This approach later developed to include:

- 5- Focusing on relatively stable urban centres in conflict affected provinces with the aim to generate positive spill over to more conflict affected territories,
- 6- Leveraging aid actors as an incentive for private partners to invest in areas with higher security risks.

Avoiding areas in permanent/ high intensity conflict (in contrast to territories affected by conflict).



There are different types of conflict (see above). Élan RDC and its partners did not operate in areas of high intensity/ permanent conflict (e.g., around the headquarters of a known armed group). Activities were however carried out in areas of low-intensity conflict, known for being vulnerable to flare-ups. Insecurity in those areas relates more to intensified criminality rather than acts of war.

Piloting interventions in stable areas to demonstrate feasibility of the assistance model.



Areas of conflict are characterised by a thin private sector. As Élan RDC worked through private partners this limited its options in areas of conflict. In addition, risk can be assumed to be higher in areas of conflict, which can limit a partners' willingness to co-invest when an approach has not been proven to work or the potential of an area is not understood. As such Élan focused largely on piloting projects with partners in relatively stable environment to test out business models before considering replication in more complex environments. Over the years partners, with whom trust had been built, were able to expand to more complex settings.

For example, Élan first supported DevSolaire, a Lubumbashi based solar system supplier, to expand its distribution network to rural Haut-Katanga and Lualaba, before supporting its expansion to Kasai Central a few years later.

Improving business environment to indirectly benefit populations in conflict affected areas.



Though its implementation may vary across the country, changes in national or provincial regulatory framework can have indirect impact on sector actors, including in conflict affected areas. To that end, Élan RDC built the advocacy capacity of actors and sector associations to ensure their interests were represented in regulatory reforms.

For example, Élan RDC provided support to coffee and cocoa actors on the lowering of exports tax and reforms to encourage productive, competitive and equitable cocoa and coffee sectors.

Selecting partners with the capacity to adapt to conflict situations and resist to shock.



The choice of partner was central to the Élan RDC approach as they are the ones to continue the activity once the project has ended. This selection was even more important in areas where the sustainability of partners' activities was threatened by conflict. Partners should:

- Be active in different geographical areas to ensure that if a flare up affects an area the business can continue operating in the other ones, thus minimising the risk for the company.
- Have deep community roots (when possible): either already be active in the area or be able to rely on local employees or partner networks to mitigate conflict related risk and adapt to security challenges.

Focusing on relatively stable urban centres in conflict affected provinces to generate positive spill over to more conflict affected territories.



Urban centres are often, more stable than rural areas, including in conflict affected provinces. Trade relations between rural areas and urban centres are important. Rural populations may go to urban centres to purchase specific goods or services. Similarly supply of goods to rural areas often comes from urban centres, through *bayandas* (bicycle traders) for example. Building on that Élan RDC saw an opportunity to have an indirect effect on

conflict affected areas by supporting expansion of services and product availability in proximity to those areas. Specifically, Élan RDC conducted market analyses and Business to Business (B2B) events to encourage private actors to invest in the main urban centres of conflict affected provinces. *Following a business to humanitarian event in Goma, one renewable energy (RE) partner collaborated with aid actors to expand sales to Beni, Bunia and Butembo. Another RE partner expanded activities to Kananga (Kasai Central) following an Élan organised business mission to the province a year after the conflict ended.*

Leveraging aid actors as an incentive for private partners to invest in areas with higher security risks.²



Due to the thin nature of the market in areas of conflict, Élan RDC has relied on collaboration with other aid programmes increase project impact and strengthen the market.

For example, Élan works with Mercy Corps' FARM programmes to increase programme reach in the seed sector in North Kivu. This led to the formalisation of the Provincial Seed Council (COPROSEM), as well as publication of seed producer mapping along with production volumes and estimated price ranges for seeds. This in turn is expected to improve local sourcing of seeds by aid actors and encourage collaboration with seed actors rather than replacing them in the market.³

The aid market can be attractive to certain private partners and may provide the necessary incentives for them to increase investments in those areas. Élan has used market studies and networking events to facilitate linkages between aid and private actors.

How has conflict affected project activities across sectors?



GRAINS AND HORTICULTURE

Sector strategy: From its inception, Élan RDC focused on the establishment and development of a functional value chain to achieve inclusive growth for male and female producers, and the whole spectre of stakeholders involved.

Key results: Since 2014, Élan RDC reached 291.398 smallholder farmers in the grains and horticulture sectors. Those sales generated over £16M in positive income change for the beneficiaries.

Traditional strategy in "stable" areas

Inputs & advisory services:

Partnered with agricultural input providers to provide both quality inputs (mainly seed) and technical backup (extension) in production zones.

Adapting to conflict affected areas

Crop production is more affected by volatility of conflict than distribution. Fields cannot be moved rapidly but distribution networks can adapt and relocate. Accounting for this, Élan RDC:

- Relied on partners operating in both conflict and stable areas to ensure they had a capacity to absorb shock and

² More information on using MSD to improve market impact of aid programmes can be found in the following paper: Changing Aid Industry Norms: Applying the Market Systems Development Approach to the DRC's Aid Industry (Élan RDC, 2019), <https://www.elanrdc.com/s/Changing-Aid-Industry-Norms.pdf>

³ For more information see Élan RDC's paper on Seed, Aid Actors, and Élan

can rely on more stable revenue streams when one area of business is at risk.

- Encouraged partners to use mobile salesforces and recruit agronomists from the conflict affected area. Those individuals were able to rely on their network to get information on any violent movement and could adapt rapidly to any changes and avoid high-risk situations.

For example, one international agricultural partner was able to sell seeds in high intensity areas by relying on local agronomists and distributors from conflict affected communities. Those people were well equipped to anticipate and adapt to changing security environment, including signalling to halt or reprogramme an activity when the risk increases.

Whilst feasible, developing a distribution network in conflict affected areas remains a challenge due to access and security constraints.

Supported radio and mobile-based services, to disseminated technical and business information.

These interventions relied on technologies and were little affected by conflict situation.

Radios are however often politically or ethnically affiliated which increased the importance of solid due diligence of partner to avoid reputational risk and ensure no tensions were created if perceived as supporting one ethnic group over another. Careful due diligence was needed when this activity was implemented in Kasai and Kasai Central, as both provinces were recovering from ethnic conflict and tensions amongst communities remained high.

Access to Finance: Supported financial institution in providing adequate financial products. Élan RDC expanded the range of what could constitute a collateral, and to build the financial capacity of borrowers.

Not adapted to areas affected by active conflict as few viable financial partners were present in those areas. Only implemented in large urban capitals.

Market Access: Increased knowledge of existing markets, their requirements and absorption capacity. Improved integration between local and regional value chains

Not adapted: Work carried out predominantly from urban centres (B2B meetings) with some inclusion of rural field work for market analyses. Stakeholders with operations in conflict affected areas were invited and participated events.

Market research included evaluation of the security situation with the operational team and reliance on local networks.

Sector Governance: Élan advocated for dialogue between the different stakeholders in the value chain, including the government to improve the business environment of the seed sector.

Not adapted: Work carried out predominantly from urban centres. Invitation to events included stakeholders based in conflict affected areas.

Policy changes, though not always efficiently implemented, have the potential to affect both stable and conflict affected areas.

Overview of experience in conflict affected areas:

Élan RDC supported seed suppliers' production capacity and distribution networks expansion, including in conflict affected areas of the Kivu. Élan partnered both with international seed suppliers to help them expand activities in the DRC and with local seed suppliers to improve their production and distribution capacity. Large international suppliers have more capital and resources and as such are more capable of absorbing shocks, however they are also more risk averse than local producers who are deeply familiar with the market and able to adapt to volatile environments. For both type of actors, productions zones were established in stable or semi-stable areas (e.g. ZS Sange in Uvira territory), but distribution networks expanded further,

including into conflict affected areas (e.g. Fizi territory).⁴ International partners were able to rely on the local knowledge of the labour it sourced and local distributor/merchants networks in order to distribute to high risk areas. In case of flare-up, partners paused or rescheduled the activity (e.g., visit to or replenishing of a distributor). Whilst feasible, distribution in conflict areas remains a challenge and whilst included in partner activities, was often not their primary focus in the grains and horticulture sector. Interviews of seed partners having operated in conflict affected areas and how they adapted to that environment can be found in Annex 2 and Annex 3.



SPECIALITY CROPS

Sector strategy: Élan RDC focused on improving the impact of traders on production, processing, access to finance, and enhancing the collaboration between private sector stakeholders to improve governance and marketing.

Key results: Since 2014, Élan RDC reached 71,179 smallholder farmers in the coffee and cocoa value chains. This generated approximately £4,5M in aggregate income change for the beneficiaries.

Traditional strategy in “stable” areas

Production: Élan RDC supported the expansion of exporter-led extension to reach more producers and deepen their understanding and use of Good Agricultural Practices (GAP).

Processing: Élan RDC supported exporters and cooperatives in developing value-adding structures (e.g., washing stations, drying tables, box fermentation units, coffee cupping labs, etc.) and

Adapting to conflict affected areas

Coffee and cocoa production is predominantly located around conflict affected areas in the DRC, due to advantageous the soil and climate.

Risk on nurseries is high as they are static elements that cannot be easily moved. To mitigate that risk, Élan partnered with large, well established sector actors who had the capacity to absorb shocks. Élan RDC selected partners who were active in different areas. As such if one nursery was affected by conflict, other activities could continue which limited the impact of that loss for the company. Indeed, in case of conflict production is stopped, but the partner can return to the nursery once the situation settles down.

This happened to one partner who was due to produce 1 million coffee trees to redistribute, and several of its nurseries were in “hot zones”. Due to conflict, this partner had to stop activities in one nursery and did not meet projected objectives. They were however still able to produce 970.000 trees (97% of initial target) through their other nurseries. They have since set up new partnerships with a targets production of 3million trees.

In the speciality crop sector, Élan RDC supported partners that were already operating in the conflict areas and focused on improving the quality of production of existing smallholder farmers (SHF), rather reaching actors who were previously not engaged in the sector/ area. As such Élan was able to build on actors who already had a base knowledge of the areas and activity.

Élan focused on shortening the value chain by moving washing and buying stations closer to the population. Removing the number of middlemen both ensured more revenue for the

⁴ See Élan RDC, Étude de Cas Ets. Munga, for more information on Élan RDC’s support to local seed producers - https://www.elanrdc.com/s/CS-ETS-Munga_FINAL-4.pdf.

scaling production with treatment and processing capacity.

beneficiaries and reduced risks associated with the moving of funds across the value chain.

One partner had set up 5 washing and buying stations. This however led to higher concentration of money in one spot which was eventually picked up on by local armed groups. In response the partner had to move 3 of 5 washing/buying stations to other locations. The partner was able to continue activities as planned under the project.

Access to Finance: Élan RDC guided financial institutions' understanding on how to engage cocoa and coffee operators and impacted investor entry.

Not adapted to areas affected by active conflict as few viable financial partners were present in those areas. Only implemented in large urban capitals. Spill over to areas of conflict as actors in conflict affected areas can benefit from new financial services. Access to loans for actors exclusively located in those areas is however challenged by the heightened risk level.

Business Environment: Élan RDC provided diverse, but light-touch support for the Congolese industry.

Not adapted: Work carried out predominantly from urban centres. Invitation to events included stakeholders based in conflict affected areas.

Policy changes, such as the lowering of the cocoa and coffee exports tax, can be challenging to implement and not always generate the expected outcome. They however provide a framework which has the potential to benefit both stable and conflict affected areas.

Marketing: Élan RDC worked with industry to improve relations, information sharing and collective marketing to promote a unified vision.

Not adapted: Work carried out predominantly from urban centres (e.g. Saveur du Kivu in Goma) with some inclusion of rural field work for market analyses. Impact however spills over to rural areas, and stakeholders with activities in conflict affected areas are invited to join events.

Market research included evaluation of the security situation with the operational team and reliance on local networks.

Overview of experience in conflict affected areas:

Activities were carried out in areas affected by low-intensity conflict and flare-up; areas of high intensity/ permanent conflict were avoided. Conflict was seen to have a higher impact on production activities due to its static nature. In contrast processing activities could be moved with more ease. When a flare-up occurs, partners stop activities and wait to see how the situation evolves. They only move activities if the situation is particularly bad over time. Access to finance, business environment and marketing activities were predominantly carried out in urban centres and not highly affected by conflict. Since 2014, 9 out of 22 interventions in the speciality crop sector had to be paused and/or adapted due to unrest, flare-ups, or health risks (Ebola/ Covid 19).



RENEWABLE ENERGY (RE)

Sector strategy: Élan RDC focused on supporting private sector players in the DRC to address the affordability gap for both solar PV products and modern cooking solutions to allow the sector to both flourish and be able to reach the desired demographics of poorer households, women and vulnerable population groups in the Élan RDC regions North Kivu, South Kivu, Kasai and Kasai Central.

Key results: Since 2014, Élan RDC reached 85,422 low-income people through its renewable energy interventions. Those sales generated over £9M in positive income change for the beneficiaries.

Traditional strategy in “stable” areas

Élan supported entry of new RE market players to the DRC, and supported the expansion of RE actors to new areas

Élan RDC tested new business models, tools and platforms

Élan RDC supported advocacy for improved business enabling environment

Adapting to conflict affected areas

The urban centre approach was adopted here. Logistical costs and stock security risk are high in conflict areas, and population density limited which renders sells less attractive for RE product supplier.

Élan RDC first engaged with RE partners to pilot expansion of distribution networks around areas they were active in which helped gain partner trust in the approach. Business missions and studies were then used to show those partners the potential of more complex markets, whether they be urban centre in provinces affected by active conflict or refugee camps where population density is higher.

Through this, partners have expanded to Kasai Central (Kananga), North Kivu (Beni, Butembo) and Ituri (Bunia). Logistical costs and challenges (poor infrastructure and poor timeliness of transport actors to move stock) remain the main challenges for partners to operate in those areas.

Not adapted: Work carried out predominantly from urban centres to test out new models in areas where they had more chances of success and were more affordable to trial (access to large market, less logistical costs), before considering expansion to more complex environment.

Not adapted: Work carried out predominantly from urban centres. Invitation to events included stakeholders based in conflict affected areas.

Policy changes have the potential to affect both stable and conflict affected areas, (e.g., advocacy for reduced taxes on import of renewable energy products).

Overview of experience in conflict affected areas:

Élan RDC has limited experience supporting the development of quality renewable energy markets in conflicts affected areas. The programme did however inspire the expansion of partners’ activities to urban centres in conflict affected provinces. Whilst Élan did not desegregate data on sales conducted in conflict areas, increased availability of products in proximity to areas of conflict is expected to have eased access to those solutions as well as have an aspirational effect for surrounding populations.



ACCESS TO FINANCE (A2F)

Sector strategy: Élan RDC aimed to trigger positive change in various areas: regulation, lobby and mediation among actors, Investment facilitation, risk-sharing mechanisms and insurance, capacity building, digital financial services and the digital ecosystem. Élan RDC raised the sector’s awareness around the need for consultation and played the role of both a facilitator and an innovation accelerator.

Key results: Since 2014, £195,361 of loans were extended to MSMEs, and over 399.000 people were able to improve enterprise performance.

Traditional strategy in “stable” areas

Supply side: testing or making the case for products/services with a high financial inclusion potential.

Adapting to conflict affected areas

Not adapted: formal financial service providers (FSPs) were Élan RDC’s traditional partner. The financial sector in the DRC however lacked maturity, including from a digital finance perspective and their penetration in conflict affected areas was weak. Similarly, to the RE experience, lack of urban market

Demand side: analysing end customers' profiles and needs through market analysis and fostering financial/digital education.

Business environment: supporting cross-sectoral consultation and dialogue and making the case for more conducive regulation.

saturation (poor urban financial inclusions) led FSPs to first invest in capturing the urban and peri-urban markets before expanding to more challenging areas. It is important to remind here that Élan co-funded activities with its partner, and that those activities had to be aligned with partner priorities to be sustainable. Low population concentration in rural and conflict affected areas along with security and infrastructure challenges, was limiting attractiveness of those areas for FSPs.

Whilst Élan was not able to pilot financial projects in conflict affected areas, solutions tested in urban settings may in the long run have substantial benefits for conflict affected areas. This is particularly the case through its support to building the digital finance market, the use of digital financial solutions can reduce financial dependence on cash and associated fiduciary risk (support to the development of mobile money ecosystems, expansion of agent networks, introduction of digital microloans, etc.).

Overview of experience in conflict affected areas:

Élan RDC was not able to adapt its traditional intervention models to areas of conflicts, it however saw an opportunity to build on the rise of cash transfer in humanitarian assistance to improve financial inclusion in rural and conflict affected areas. Élan RDC turned to aid actors to capitalise on their presence to stimulate financial inclusion in conflict affected areas. More information on that can be found on Élan RDC and the Cash Working Group's webpages.⁵

⁵ See:

- Reference documents can be found on the DRC Cash Working Group page <https://www.humanitarianresponse.info/fr/operations/democratic-republic-congo/documents-de-r%C3%A9f%C3%A9rence-0>.
- Case Study on collaboration with UNHCR for a mobile money cash transfer pilot can be found on Élan's webpage: <https://www.elanrdc.com/s/Humanitarian-Cash-Transfers.pdf>.
- Changing Aid Industry Norms: Applying the Market Systems Development Approach to the DRC's Aid Industry, <https://www.elanrdc.com/s/Changing-Aid-Industry-Norms.pdf>.
- Cash Assistance Procurement study, <https://www.elanrdc.com/s/Cash-Assistance-Procurement-study-FV.pdf>.
- Study on Energy Access in the Lusenda Refugee Camp, <https://www.elanrdc.com/s/RE-STUDY-Lusenda-refugee-camp-FV.pdf>.

Are interventions in areas of active conflict sustainable?

Élan RDC relied predominantly on private partners to bring about systemic change, and project impact was as such heavily dependent on the private partner. As seen in the previous section, additional care was taken in partner selection when operating in areas affected by conflict. Interventions and their sustainability relied in large part on the partner's capacity and interest to adapt to those environments.

High risk – High reward environment

The project observed that an entire zone can be marked red by the NGO industry while for private operators, only some area within is no go zone. Three core factors motivate private actors to operate in areas of conflict:

- Increase company revenues by tapping into new markets or new production areas,
- Lower competition is an attractive opportunity for private sector stakeholders,
- The consumers' need for better goods and services generates demand from private actors' offerings.

Conflict is not the only obstacle to doing business in the DRC: Informal government taxes and infrastructure constraints

Despite recent reforms to improve governance, doing business in the DRC remains a challenge across markets. The DRC ranks 183 out of 190 countries in the 2020 Ease of Doing Business report, and 170 out of 180 countries in the 2020 corruption perception index.⁶ Informal taxes and poor infrastructure networks (transport and energy in particular) increase the cost of doing business and pose serious challenges to the sustainability of businesses in the DRC.

Informal government taxes

Conflict is perceived by some as a lower business risk than dealing with state officials. In the DRC conflict tends to move from one area to another. When it impacts operations, depending on the type of business, an actor can move temporarily to avoid conflicts. However, informal taxes applied by government authorities is among the main factors discouraging many to do business in DRC. An entrepreneur active in the Kivu for the last decade indicated that "you can run a company in the Kivu without having issue with armed group, it is possible. But you will almost certainly be racketed by the state agents and administration, independently of your level of transparency and adherence to the laws in of the DRC in doing business." This perspective is shared by many and remains one of the biggest threats to business sustainability across sectors. Several Élan partners have faced similar challenges.⁷

Infrastructure

The poor infrastructure network outside of urban centres fragments the market and increases cost of doing business. Poor connectivity reduces access to consumer centres as populations are divided by poor roads increasing the gap between consumer centres and cost of reaching them. Similarly, connection between large urban centres is limited by poor road infrastructure and dated rail infrastructures which increase reliance on air freight thus increasing the cost of moving goods. Poor access to electricity and internet further impedes businesses' expansion to rural areas, including in conflict affected areas, in particular in the financial sector. Poor penetration of financial institutions in turn affects private actors' ability to expand to those rural areas.

⁶ The DRC, <https://www.transparency.org/en/cpi/2020/index/cod>

⁷ Partners shall not be named here to protect their privacy and businesses.

Partners adapt to conflict environments⁸

When choosing to do business in the DRC, and in particular in conflict affected provinces, private actors evaluate the risks they face and make the informed decision to invest and adapt to shocks.

Adapting to this environment, actors whom Élan RDC has partnered with shared some of the strategies they put in place to mitigate risk linked to conflict and adapt to the volatile security. Below are some of the strategies agricultural partners have put in place:

"We have tried to advise our staff to be very vigilant while in the field, to pursue new or safer areas/markets, to always engage and enquire from the local councils about the security in the affected areas."

"Abandoning certain fields in the insecure zone and exploiting those in more secure areas."

"Negotiate with the militia leader so that his group does not attack our fields."

"We hire the young people who are idle in our field activities to discourage them from being recruited into armed groups."

"Moving the harvest to safer areas for packaging."

"During the period of maturity of the products, we recruit the sentries, which incurs additional costs and affects the price of the seeds produced."

⁸ Partner Interviews can be found in Annex 2 and 3.

Lesson learnt: adapting interventions to areas of conflict

Working in a conflict affected area requires more controls than in more stable regions of the DRC. Below are some core mitigation measures used by Élan RDC to guide its work in conflict and post-conflict environment:

- **Go/No Go: Political Economy and Conflict Analysis (PECA)⁹**

Do not hesitate to forgo or delay pursuing an intervention or partnership if the security or reputational risk is too high. A thorough political economy and conflict analysis (PECA) along with partner due diligence may inform whether to go forward with an intervention.

- **Select partners with deep community roots (when possible)**

Choose a partner who knows and can operate in a complex conflict or post-conflict environment. Most of our partners, past and present, are deeply rooted in the communities they operate in and able to operate in and adapt to volatile environments.

Choose a partner with activities in several areas, or encourage them to do so, to ensure that the impact of flare-ups in one area are mitigated by activities continuing as normal in others, thus increasing resilience to conflict and in turn sustainability of the business.

- **Use of flexible, adaptive approach**

- Identify potential risks and embed workable contingency plan in the project design to create room for partners and their partners (producers and other operators) to adapt to the situation.
- Use progressive disbursements: not all the of the grant is given in one go. Successive targets are set, and disbursements made upon achievements of said targets. This enables future targets and activities to be adjusted should the situation require it.
- Regularly follow up with the partner to anticipate situational change and adapt the response, when needed, to meet or adjust targets.

- **Know when to retreat:** Be ready to stop or redesign an intervention: Sometimes the risk is too high to continue with an intervention. In such cases the team consulted the partners to map out likely scenarios and brought recommendations to the donor for review and discussion. This could lead to the pausing, adapting or even cancelling of certain interventions to prevent loss of goods or personnel. These decisions were not made lightly as they may carry financial and reputational risks that may challenge the partner, programme or donor and often includes a reduction of activities, targets and budget. The teams closely monitored the situation in case activities could be resumed, tailored to work within an evolving context, or other opportunities arose that warranted further exploration linked to alternative interventions.

- **Use digital payment solutions when possible**

Where possible use digital payment systems to limit fiduciary and security risks associated with financial transactions.

- **Build on the presence of other aid actors (where possible)**

- **Be realistic about what can be achieved, and time needed for it**

Based upon information from the PECA and partners Élan RDC adapted its objectives to ensure that partners were not required to take unnecessary risks.

- **Monitor the situation**

Capitalise on partners, stakeholder relations, internal PECA analyses and security team expertise to maintain an up-to-date understanding of the situation and ensure ability to rapidly respond to any change.

⁹ For more information on PECA see: Embedding PECA into MSD programmes – Lessons from ÉLAN RDC, <https://www.elanrdc.com/s/PECA-Lessons-summary.pdf>

- **Plan for flexible remote monitoring and evaluation**
 - Reprogramming monitoring visits: Access to areas of activities can be challenging for the program. Monitoring visits have had to be reprogrammed several times.
 - Meeting partners in secondary locations: for instance, when Ebola incidence was high in Butembo, Élan incurred the costs of bringing a partner to Bunia for project close-out meetings.

Concluding remarks




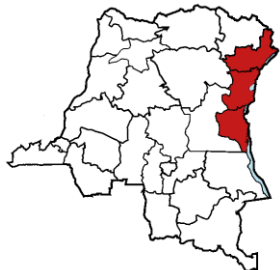
Élan RDC has demonstrated that, whilst challenging, the market systems development approaches can be adapted to areas affected by conflict, though this requires strategic adjustments, several of which we have explained in detail. Many of these are effective and can inform future programming. This has been particularly the case in the field of agriculture where project partners have been able to rely on networks of local distributors and agronomists deeply rooted in the market, and with a capacity to adapt to changes posed by conflict. Other sectors have been more challenging to operate in such as the renewable energy or financial sectors as base infrastructure is lacking, and risk (both operational, and fiscal) heightened. In provinces affected by conflict RE partners have largely focused on developing activities in urban centres, which could indirectly benefit the population of nearby rural areas who purchase goods from the city. Due to the evident risk, financial actors have been slower to expand into those markets, though they have expressed high interest in increasing investments in areas where they know aid actors have regular needs for their services. The volume of the needs and degree of risk would however be determining factors for those investments.



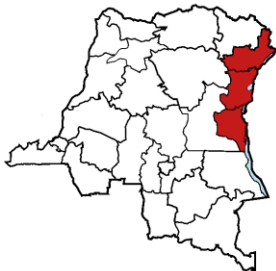

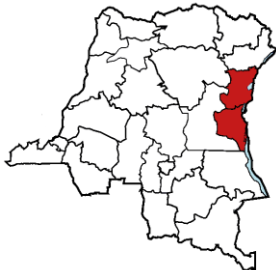
Aside from sectors, the choice of partner plays a key role in the sustainability and impact of interventions in those complex markets. For that it is important to understand the political economy of conflict environment to ensure that no harm is done and that the partner will have the capacity and incentives to maintain activities beyond the project duration. In agriculture, selecting partners active in different areas, or encouraging partners to diversify areas of activities, has proven to be key to mitigating the impact of conflict. If a flare up occurs in one area, partners have been able to maintain their business by relying on activities in other areas. Due diligence analyses and PECA are also important to mitigate the heightened reputational risk of operating in those areas.

Annex 1: Partnership Overviews

The table below reflects the partnerships that include, but are not limited to, work in areas of conflict, along with the conflict mitigation strategies put in place by Élan or its partners. Those partnerships did not specifically have direct conflict resolution objectives but implemented the MSD approach to build the market in areas affected by conflict, create opportunities for its populations, and in turn contribute to conflict prevention. **Partnerships focusing on urban centres have not been included in this list. Similarly, only partnerships explicitly implemented with private partners have been included, collaborations with aid partners are not highlighted in this section.**

Note: Several partnerships follow similar overall strategies, and the overall activities have been combined.

| Sector | Partnerships | Conflict location affected | Strategy and support | Conflict: success and challenges |
|--|---------------------------------------|---|---|---|
| Cocoa  | COPAK | North Kivu  | <ul style="list-style-type: none"> increasing in-house agronomic capacity provision of GAP training for cocoa farmers to improve quality, volume, and in some cases, achieve certification establishing centralised fermentation (value adding transformation), storage and buying stations domestic processing, finishing, and marketing | <p><u>Successes in conflict areas:</u></p> <p>Extension services and certification system adoption.</p> <p>Purchasing and processing centres near to the villages.</p> <p>Nurseries.</p> <p>International events hosted in Bukavu, attended by local and international actors.</p> |
| | SCAK | | | |
| | Muvunga | | | |
| Coffee  | Coffeelac | North Kivu, South Kivu, Ituri  | <ul style="list-style-type: none"> increasing in-house agronomic capacity provision of GAP training for coffee farmers to improve quality, volume, and in some cases, achieve certification improving producer access to treatment/processing facilities (post-harvest value addition) integrating digital traceability systems | <p><u>Challenges posed by conflict:</u></p> <p>Limited ability to send Élan program staff on sites considered unsafe by the program but safe enough by the partner.</p> <p>Temporary halt of activities (such as purchasing, training, or seedlings nursing) due to security.</p> <p>Activities had to be moved (such as purchasing/training) due to security.</p> |
| | Domaine de Katalé | | | |
| | Masasi | | | |
| | SCAK | | | |
| | SOPROCOPIV | | | |
| | Virunga Coffee Co./Olam International | | | |
| | Root Capital | North Kivu, South Kivu | <ul style="list-style-type: none"> boost coffee cooperative access to finance by supporting social impact lender outreach, client network and portfolio expansion. | |

| | | | | |
|--|---------------------------------------|--|--|--|
| | SCAK |  | <ul style="list-style-type: none"> • improved production, treatment, and crop regeneration/restoration practices • farmer sensory/quality analysis training, improving market orientation, and market engagement strategies | |
| | Virunga Coffee Co./Olam International | | | |
| | Virunga National Park Foundation | | | |
| Cocoa + Coffee  | ASSECCAF | North Kivu, South Kivu, Ituri  | <ul style="list-style-type: none"> • training and institutional capacity building • developing and advancing advocacy strategy to encourage pro-business policy reform, improve sector relations, and coordination • launching collective marketing tools • establishing a regulatory overreach alert system • promoting convention, cooperation, and improved sector relations • improving market visibility and engagement with buyers | |
| | | | | ECI |
| | | | | IFCCA / IWCA DRC Chapter |
| Maize  | NASECO | North Kivu, South Kivu  | <ul style="list-style-type: none"> • Improving access to good quality maize seeds and technical backup to increase SHF revenue: <ul style="list-style-type: none"> ○ increasing quality production ○ expanding distribution network ○ improving marketing and technical assistance to buyers | <p><u>Successes in conflict areas:</u></p> <p>Successes in conflict areas were limited as distribution reduced to a bare minimum because of either inaccessibility of areas or population displacement, or both.</p> <p><u>Challenges posed by conflict:</u></p> <p>Establishing a network in a conflict area proved challenging as security of personnel and goods could not be guaranteed in the face of heightened threats.</p> |
| | | AGRIFORCE | | |

| | | | | |
|--|-----------|---|--|--|
| | |  | | |
| Rice  | ETS Munga | South Kivu  | <ul style="list-style-type: none"> • Improving access to good quality maize seeds and technical backup to increase smallholder farmers' (SHF) revenue: <ul style="list-style-type: none"> ○ increasing quality production ○ expanding distribution network ○ improving marketing and technical assistance to buyers | |
| Agriculture (multi crop)  | Viamo | Kasai and Kasai Central  | <ul style="list-style-type: none"> • Radio messages on good agricultural practices | <p><u>Successes in conflict areas:</u></p> <p>By nature, the intervention type is remotely run and poses no risk for personnel. All activities are recorded and broadcast from a secure location.</p> <p><u>Challenges posed by conflict:</u></p> <p>Relying on communication infrastructure such as antennae, the integrity of these is key. When compromised their usefulness reduces and messages cannot be disseminated.</p> <p>Similarly, if farmers lose connectivity to the provider, the intervention becomes redundant.</p> |

Annex 2 – Perspective of an agricultural partner working in North and South Kivu

1. Please describe your core business activity.

We are an agri-business company which produces and distributes improved seeds to smallholder farmers. Our vision is to continuously provide the best performing seeds, related agro-inputs and know-how to the farming community, in order to maximize development, profitability and quality of life.

The company produces improved seed varieties comprising maize, upland rice, soybean, beans, sorghum, ground nuts and vegetables. These seed varieties are drought tolerant, disease resistant and high yielding through innovations, breeding and strict quality assurance in comparison to other varieties. The company distributes its improved seed majorly through Agro-dealers/Stockists in the different markets.

2. How does conflict affect your work? (e.g., financial and physical security risk, land grabs and displacements, access, process and operational challenges, etc.)

From our view the conflicts have led us to experience an increase in logistics costs, late stock deliveries during an active season due to impassable roads without security personnel/convoy, lack of supply in the affected areas due to intense insecurity or displacement of the population, late or no planting of demo plots out of fear of getting kidnapped or for safety, missed opportunities of trainings for either agrodealers or agents, lower sales targets, challenges in supervision, the halt of local production of seeds and discovery of new markets not affected by conflicts.

3. What strategies have you put in place to mitigate the impact of armed conflict on your business?

We have tried to advise our staff to be very vigilant while in the field, to pursue new or safer areas/markets, to always engage and inquire from the local councils about the security in the affected areas.

4. Beyond your own business/operation, and if relevant, has membership to or affiliation with an industry association benefited you? (e.g., afforded protections, created a channel to advocate for change alongside other industry, etc.)?

Being part of a trade association, we have seen a more responsive action between the Ministry of Agriculture and different stakeholders in terms of an inclusive approach on how to develop the seed industry to a higher level.

5. Is there anything that donor programmes and technical assistance providers should know or could do to align with contextual constraints to more effectively and efficiently deliver technical and financial support?

In general, I think the donor programs and technical assistance providers have been doing a great job as the focus is now more on promoting or providing a long sustainable approach accessible to the smallholder farmers.

Annex 3: Perspective of an agricultural partner in South Kivu

1. Please describe your core business activity.

We are a seed company whose main activity is the production, improvement, dissemination and commercialization of agricultural inputs, mainly food and vegetable seeds, fertilizers and phytosanitary products.

2. How does conflict affect your work? (e.g., financial and physical security risk, land grabs and displacements, access, process and operational challenges, etc.)

Our activity, which takes place essentially in a rural environment, is harshly confronted with threats from armed groups in certain production sites where these groups make the law. In these areas, we are constantly confronted with:

- Difficulty of access to certain production sites (case of the Ruzizi plain)
- Theft of agricultural products from the field
- Difficulties in selling seeds in these areas with a negative impact on our turnover
- Threats to sentries by armed men

3. What strategies have you put in place to mitigate the impact of armed conflict on your business?

- Abandoning certain fields in the insecure zone and exploiting those in more or less secure areas
- During the period of maturity of the products, we recruit the sentries, which incurs additional costs and affects the price of the seed
- Negotiate with the militia leader so that his group does not attack our fields
- Moving the harvest to safer areas for packaging
- Hiring idle young people in our field to discourage them from being recruited into armed groups

4. Beyond your own business/operation, and if relevant, has membership to or affiliation with an industry association benefited you? (e.g., afforded protections, created a channel to advocate for change alongside other industry, etc.)?

Yes, membership or affiliation to an industrial association can make it easier for us to get supplies in the event of a shortage or during the off season, to make up for the small quantity of products we have available.

5. Is there anything that donor programs and technical assistance providers should know or could do to align with contextual constraints to more effectively and efficiently deliver technical and financial support?

It is important that donors and technical assistance providers have a clear understanding of what is happening in areas where armed groups abound: Their modus operandi, objectives, sponsors, motivations and complicity in the field. If the context is well understood, the effectiveness of assistance to organisations and companies working in these areas can be guaranteed.

Such intervention can be oriented towards:

- Advocacy with the authorities in charge of the security of people and their property to take steps to end the activism of armed groups
- Providing financial support to companies to absorb the additional costs they incur due to the presence of armed groups. In this way, companies can maintain lower prices so that producers continue to have access to quality seeds without difficulty
- Facilitating operators to open other production fields in more secure areas through favourable access to credit
- Strengthening of the technical capacities of our companies (equipment and material production and post-harvest activities...)

Annex 4 – Reference Documents

Below are a list of relevant Élan RDC publications:

On collaboration with aid actors to generate market system change:

- Case Study on collaboration with UNHCR for a mobile money cash transfer pilot can be found on Élan’s webpage: <https://www.elanrdc.com/s/Humanitarian-Cash-Transfers.pdf>.
- Cash Assistance Procurement study, <https://www.elanrdc.com/s/Cash-Assistance-Procurement-study-FV.pdf>.
- Changing Aid Industry Norms: Applying the Market Systems Development Approach to the DRC’s Aid Industry (Élan RDC, 2019), <https://www.elanrdc.com/s/Changing-Aid-Industry-Norms.pdf>
- Seed, Aid Actors, and Élan
- Study on Energy Access in the Lusenda Refugee Camp, <https://www.elanrdc.com/s/RE-STUDY-Lusenda-refugee-camp-FV.pdf>.

On selling seeds to smallholder farmers:

- Étude de Cas Ets. Munga, for more information on Élan RDC’s support to local seed producers - https://www.elanrdc.com/s/CS-ETS-Munga_FINAL-4.pdf.

On Political Economy and Conflict Analysis (PECA):

- Embedding PECA into MSD programmes – Lessons from ÉLAN RDC, <https://www.elanrdc.com/s/PECA-Lessons-summary.pdf>

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