CRACKING THE CODE:
Enhancing Emergency Response & Resilience in Complex Crises
# TABLE OF CONTENTS

**EXECUTIVE SUMMARY** ................................................................................................................................. 1

- CONTEXT – A NEW NORMAL .......................................................................................................................... 1
- CASE STUDIES FROM CONFLICTS AND FRAGILE STATES ............................................................................. 2
- FINAL RECOMMENDATIONS ......................................................................................................................... 3

**INTRODUCTION** ............................................................................................................................................. 5

- AID AND DEVELOPMENT IN THE NEW NORMAL .......................................................................................... 5
- THE CURRENT SYSTEM - FIT FOR PURPOSE? .................................................................................................. 6

**CASE STUDY: SYRIA** ...................................................................................................................................... 8

- MERCY CORPS’ RESPONSE ............................................................................................................................. 10
- WHAT HAS CONSTRAINED EFFORTS TO GO TO SCALE OR BUILD RESILIENCE? ......................................... 13
- RECOMMENDATIONS ...................................................................................................................................... 19
- CONCLUSION .................................................................................................................................................. 20

**CASE STUDY: LEBANON** ............................................................................................................................... 21

- MERCY CORPS’ RESPONSE ............................................................................................................................. 23
- WHAT HAS CONSTRAINED EFFORTS TO GO TO SCALE OR BUILD RESILIENCE? ......................................... 24
- RECOMMENDATIONS FOR OTHER PROTRACTED CRISES ........................................................................... 25
- CONCLUSION .................................................................................................................................................. 26

**CASE STUDY: DEMOCRATIC REPUBLIC OF CONGO** ..................................................................................... 27

- MERCY CORPS’ RESPONSE ............................................................................................................................. 29
- WHAT HAS CONSTRAINED EFFORTS TO GO TO SCALE OR BUILD RESILIENCE? ......................................... 31
- RECOMMENDATIONS ...................................................................................................................................... 33
- CONCLUSION .................................................................................................................................................. 34

**CASE STUDY: UGANDA** .................................................................................................................................... 35

- MERCY CORPS’ RESPONSE ............................................................................................................................. 36
- THE BOONS AND SHORTCOMINGS OF A MARKET-FOCUSED RESPONSE .................................................. 38
- TOWARD TRANSFORMATION? BRIDGING RELIEF AND RESILIENCE .......................................................... 40
- RECOMMENDATIONS ...................................................................................................................................... 41
- CONCLUSION .................................................................................................................................................. 42

**CASE STUDY: FINANCIAL SERVICES** ........................................................................................................... 43

- MERCY CORPS’ RESPONSE ............................................................................................................................. 44
- WHAT HAS CONSTRAINED EFFORTS TO GO TO SCALE OR BUILD RESILIENCE? ......................................... 48
- RECOMMENDATIONS ...................................................................................................................................... 49
- CONCLUSION .................................................................................................................................................. 50

**HOW DO WE CRACK THE CODE?** .................................................................................................................. 51

- FINAL CONCLUSIONS ...................................................................................................................................... 51
- FINAL RECOMMENDATIONS .......................................................................................................................... 52
ACRONYMS

BIS  Syrian Bureau of Industry and Security
CSO  Civil society organization
CT  Counterterrorism
DFID  Department for International Development
ECHO  European Commission Humanitarian Aid and Civil Protection
GADCO  Gulu Agricultural Development Company
GHG  Growth, Health and Governance program
GSMA  Groupe Speciale Mobile Association
GWN  Goma Water Network
ICRC  International Committee of the Red Cross
IDP  Internally displaced persons
ILFAD  Indonesia Liquidity Facility after Disasters
INGO  International Non-Government Organizations
ISIL  Islamic State in Syria and the Levant
JAN  Jabhat al Nusra
LNGO  Local Non-Government Organization
MICRO  Microinsurance Catastrophe Risk Organization
MFI  Microfinance institution
NGO  Non-governmental organization
OECD  Organization for Economic Co-operation and Development
PYD  Democratic Union Party
RAIN  Revitalizing Agricultural Incomes in New Markets program
RCRC  Red Cross/Red Crescent
RRF  Rapid response fund
SARC  Syrian Arab Red Crescent
SDG  Sustainable Development Goals
USAID/OFDA  United States Agency for International Development Office for Foreign Disaster Assistance
UN  United Nations
UNDP  United Nations Development Programme
UN OCHA  UN Office for the Coordination of Humanitarian Affairs
WASH  Water, sanitation and hygiene
WFP  World Food Programme
EXECUTIVE SUMMARY

CONTEXT — A NEW NORMAL
In 2015 and 2016 the international community will attempt to reshape how it helps the poorest people in the world and those most vulnerable to conflict and disaster. The new Sustainable Development Goals, launched in September, will be followed in May 2016 by the first ever World Humanitarian Summit. These are rare moments to change the way the world helps those most in need. This paper is a contribution from Mercy Corps to these debates. It is based on five case studies that outline Mercy Corps’ particular experience of working in conflict-affected and fragile states around the world.

International initiatives are not the only reason bold thinking is needed now. The world is facing a new normal of unprecedented challenges. More people are forcibly displaced now than at any time since 1945, with more than 59 million internally displaced persons, refugees, asylum seekers and stateless people. Internally displaced persons are now displaced for an average of 17 years. Globally economic losses from natural disasters are US$300 billion a year and rising fast. The UN estimates that by 2050 up to a billion people will be displaced by climate change and 40 percent of the world’s population will be living in areas suffering from water shortages. Rapid urbanization and a “youth bulge” in developing countries add to the complexity.

Currently, the 50 countries on the Organization for Economic Co-operation and Development’s 2015 fragile list account for 43 percent of people living on less than US$1.25 a day. By 2030 this concentration could rise to 62 percent.

Increasingly, poverty is concentrated in countries with violent conflict and state fragility. Currently, the 50 countries on the Organisation for Economic Co-operation and Development’s 2015 fragile list account for 43 percent of people living on less than US$1.25 a day. By 2030 this concentration could rise to 62 percent.

Addressing the problems of conflict-affected and fragile states is therefore no longer tangential to the broader development agenda. The proposed Sustainable Development Goals include especially ambitious aims for the next 15 years, including to “end poverty in all its forms, everywhere.” With people in poverty increasingly concentrated in fragile states, more effective and efficient ways must be found to resolve the underlying causes of those crises. Otherwise, wider ambitions for global development and poverty reduction will fail.

In this paper it is argued that the existing aid architecture is not designed to tackle the underlying problems of 21st-century fragile states. Designed in the 20th century, the current system embeds a separation of short-term humanitarian approaches from long-term development; it is too centralized and top down; it is overly focused on the UN; it is too inflexible.

CASE STUDIES FROM CONFLICTS AND FRAGILE STATES

These case studies have been chosen to illustrate a spectrum of the fragile contexts in which Mercy Corps works, each raising different questions for the international humanitarian and development sector: a hot conflict in Syria, a refugee crisis in Lebanon, a protracted conflict in the Democratic Republic of the Congo, development amid vulnerability in Uganda and the key sector of financial services. In each case Mercy Corps makes recommendations specific to the case study before drawing on all of them to propose recommendations for how the system overall should be reformed to improve approaches to conflicts and fragile states.

Syria: Before the passage of UN Security Council Resolution 2165 in the summer of 2014, UN cross-border relief into Syria was prevented by the Syrian government, protected by veto-wielding members of the UN Security Council. Yet between 2012 and 2014, Mercy Corps reached 2.5 million people as part of a nongovernmental organization–led response made possible by the bravery of colleagues and partners inside Syria. This case study shows how it is possible to gain access to constrained environments even during violent conflict when the UN is prevented from operating, by supporting a civil society response. It also outlines Mercy Corps’ lessons for how to operate in a battlefield environment.

Lebanon: Lebanon is experiencing a refugee crisis on an extraordinary scale, with around 1.5 million Syrian refugees contributing to a refugee population in Lebanon composing around 30 percent of the total population. This case study outlines some of the effects of the refugee crisis, including the impact on the labor market and the heightened risk of conflict. With political gridlock having left the national government unable to respond adequately, Mercy Corps has worked with municipal institutions that are on the front lines of this crisis to build up institutional resilience. It has conducted emergency response comprising protection; water, sanitation and hygiene; nonfood items and food, while working with municipalities to decrease intercommunity tensions and increase their capacity for the longer term, including their ability to collect and manage taxes.

Mercy Corps is working to deliver water and sanitation to 1.55 million people in Goma by 2019—an approach that focuses particularly on moving from the short-term emergency provision to a long-term comprehensive water system.

DRC: Eastern DRC is experiencing a protracted crisis that has persisted for more than 20 years, with more than 5.4 million deaths and 2.6 million people displaced since 1994. Mercy Corps is working to deliver water and sanitation to 1.55 million people in Goma by 2019—an approach that focuses particularly on moving from the short-term emergency provision to a long-term comprehensive water system. Mercy Corps has renovated Goma’s water network by repairing and building miles of pipeline through volcanic rock to 57 water points, and it is now working with the Congolese water utility company to shift management of the system to the municipal water authority. Mercy Corps has found the humanitarian response system to be inadequate for this long-term approach. Its use of conflict analysis has not been good enough; there has been a disproportionate focus on internally displaced people over host populations, potentially stoking intercommunity tensions; recurrent, short-term funding has hindered a move to long-term recovery and few funding sources are available to address the root causes of vulnerability, namely, conflict and land use and ownership.

Uganda: Northern Uganda is less violent but still fragile, having suffered for 50 years from insecurity, lack of investment, bad infrastructure and extreme climate variability. Security conditions are much improved in recent years, but community resilience is elusive, financial services are lacking or prohibitively expensive and poor transportation...
pushes up food prices. Two projects that have taken a light-touch market facilitation approach are presented. Rather than providing direct services, they have extended existing services to create more sustainable market-oriented opportunities—for example, by providing finance to high-risk individuals. The examples show how it is possible to generate significant economic development in a fragile context, in this case by contributing to a boom in the sesame market. However, this economic success has reduced the resilience of farmers to fluctuations in the sesame market and potentially contributed to environmental damage and new conflicts over the use of communal land. The need for integrated approaches that increase prosperity while also enhancing, not undermining, resilience are discussed.

**Financial Services:** Globally, more than 2 billion people lack access to proper financial services—1 billion of them in rural areas living on less than US$1.25 per day. Providing effective financial services is essential to reducing poverty and increasing resilience. Yet perversely it is very expensive to be poor, with poor communities generally unable to access affordable financial services that would help them to start and grow businesses, manage risks and absorb financial shocks. Mercy Corps works to address this problem by adopting market-sensitive approaches in crises, leveraging the private sector early on to minimize market distortions. Mercy Corps improves access and usage of financial products like savings, credit and insurance. Examples include microinsurance initiatives in Kenya and Haiti, unconditional cash transfers to mobile phones following Typhoon Haiyan in the Philippines and Islamic financing in Ethiopia.

**FINAL RECOMMENDATIONS**

If the lessons of the case studies are to have impact for crisis-affected people around the world, we must use them to rethink not just the specific cases but what they mean collectively for how the global humanitarian and development system should be reformed.

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*Mercy Corps calls for a sea change in how the international community engages in conflicts and fragile states—moving away from short-term humanitarian response in all but the most acute crises and where appropriate reducing or refocusing the role of the UN.*

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Based on its experience Mercy Corps calls for a sea change in how the international community engages in conflicts and fragile states—moving away from short-term humanitarian response in all but the most acute crises and where appropriate reducing or refocusing the role of the UN. There should be a much increased focus on conflict sensitivity and peace building, on market sensitivity and economic development. National and local governments should take ownership wherever possible, with an increased focus on national and local civil society. This must be done while increasing both the duration and flexibility of international engagement. We make the following specific recommendations:

1. **ADOPT A MORE DECENTRALIZED, DIVERSE APPROACH TO CONFLICTS AND FRAGILE STATES.**
   - The World Humanitarian Summit should establish a high-level panel to review the roles, mandates and comparative advantages of different humanitarian agencies, including UN agencies.
   - Donors should, where appropriate, support NGOs to fulfill a large-scale coordination and operational role in cases where the UN is politically unable to meet urgent humanitarian needs.
   - Donors should increase their risk tolerance for operating in highly fragile and conflict-affected places, particularly their willingness to program remotely at scale by supporting local partner networks.
• Humanitarian agencies should pool their learning for how to manage partnership-based response, “remote management” and other successful responses in conflicts—and integrate those lessons into future responses.

• Humanitarian actors should commit to using international external action only as a last resort—instead prioritizing local capacity. Sometimes a direct humanitarian response by international actors is vital to saving lives and reducing suffering. But it should not be the option of first resort, nor should it be used beyond the point at which it is appropriate.

2. FOCUS ON TACKLING THE ROOT CAUSES OF CRISES.

• Donors should increase support for peace-building and conflict-reduction programs as part of long-term resilience-enhancing strategies for fragile states.

• Implementing agencies, supported by donors, should make conflict sensitivity analysis based on local knowledge a prerequisite for engagement in conflict-affected countries.

• Donors should increase support for market-based economic development and financial inclusion as part of long-term resilience-enhancing strategies for fragile states. This should include an explicit focus on increasing resilience to avoid unintended harm.

• Implementing agencies, supported by donors, should make market sensitivity analysis a prerequisite for engagement in conflict-affected countries.

• The World Humanitarian Summit should propose new frameworks for vulnerability assessments, and monitoring and evaluation, in fragile states. These should include indicators that measure the absorptive, adaptive and transformational capacity of systems — that is, measuring resilience criteria rather than just measuring outputs.

• International NGOs should support donors and private-sector organizations to take on greater levels of risk. There is enormous potential to extend finance to vulnerable populations, but providers need help so that commercial risks can be mitigated.

3. ENSURE APPROACHES TO FRAGILE STATES ARE BOTH LONG TERM AND FLEXIBLE.

• The World Humanitarian Summit should call for new frameworks for action in fragile states. These should focus on local governance and prioritize a partnerships approach—able to identify public- and private-sector actors who will remain engaged in the long term.

• Donors should provide long-term, flexible funding to finance strategic plans for fragile states, structured so that they strengthen local governance wherever possible.

• Donors and implementing agencies should increase the use of systems approaches and adaptive management, including multiyear financing and the increased use of mechanisms like inception phases.
1. INTRODUCTION

AID AND DEVELOPMENT IN THE NEW NORMAL

Over the course of the coming year the international community will attempt to reshape how it helps the world’s poorest people and those most vulnerable to conflict and disaster. This year will see the establishment of the new Sustainable Development Goals,8 the Sendai Framework for Disaster Risk Reduction9 and the most significant recent conference on climate change.10 Finally, in May 2016, the UN Secretary General will host the first ever World Humanitarian Summit to assess and reform how the international community responds to crises affecting millions of people each year.11

Moments of this kind do not come along often. So it is even more important that discussions among those engaged in funding, delivering and receiving aid are as honest, innovative and farsighted as possible. This paper is a contribution from Mercy Corps to these discussions. Mercy Corps seeks to offer candid reflections based on its experiences from operating in conflict-affected and fragile states around the world.

Mercy Corps hopes to stimulate further discussion about subjects including meeting the needs of people in conflict, addressing the root causes of conflict and fragility, tackling long-term protracted crises and enabling market-based, economic development in natural disasters as well as in conflicts and fragile states—particularly ahead of the World Humanitarian Summit in May 2016.

The confluence of international initiatives is not the only reason bold thinking is needed now. The world is facing unprecedented challenges in the face of ever more conflicts and humanitarian crises. More people are forcibly displaced now than at any time since 1945, with more than 59 million internally displaced persons, refugees, asylum seekers and stateless people.12 Those forced to leave their homes within countries are now displaced for an average of 17 years. Annual economic losses from natural disasters are US$300 billion and rising fast. The UN estimates that by 2050 up to a billion people will be displaced by climate change and 40 percent of the world’s population will be living in areas suffering from water shortages.13 More than half the world’s population now lives in cities, and rapid urbanization continues, while many developing countries are experiencing a “youth bulge,” with an extremely high percentage of their populations being adolescents or young adults.14

We also are seeing large numbers of persistent, protracted crises—characterized by violent conflict and state fragility—and it is in the countries where these are occurring that poverty is increasingly concentrated.15 The large majority of states classified by the Organization for Economic Co-operation and Development as “fragile” will miss Millennium Development Goal targets on reducing poverty and child mortality while increasing access to clean water.16 Currently, the 50 countries on the OECD’s 2015 fragile list account for 43 percent of people living on less than US$1.25 a day, the World Bank’s definition of extreme poverty. By 2030 this concentration could rise to 62 percent.17 In fragile and conflict-affected countries, progress is usually not linear. Development gains are frequently set back by shocks—such as a natural disaster or an increase in conflict—requiring the development aid system to adapt quickly and pivot to meet emergency needs. Furthermore, many conflicts include violent, armed, non-state actors, often with extreme ideologies—such as Islamic State and Boko Haram—which present a new and dangerous dimension for humanitarians operating in fragile contexts.18

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8 See https://sustainabledevelopment.un.org/sdgsproposal.
9 See http://www.unisdr.org/we/coordinate/wcdr.
Despite broad progress at the global level toward meeting the Millennium Development Goals, therefore, these growing complex challenges add up to a new normal—in which increasingly those communities stuck in conflicts and fragile states are being left behind by global economic and human development, a population described by Paul Collier in 2007 as the “bottom billion.”

The proposed SDGs include especially ambitious aims for the next 15 years: to reach “zero targets,” to “end poverty in all its forms, everywhere” and to “end hunger, achieve food security and improved nutrition, and promote sustainable agriculture.” It is clear that unless more effective and efficient ways are found to help people in conflicts and fragile states, while addressing the underlying causes of these crises, these ambitions will fail.

THE CURRENT SYSTEM—FIT FOR PURPOSE?

The existence of so many global initiatives suggests that the international community truly cares about meeting the needs of the poorest and most vulnerable. But the sheer number of displaced persons, conflicts and unmet humanitarian needs also calls into question whether the current international system of governance, development and aid is fit for purpose in meeting such ambitious goals. We think it is not. We believe that in fragile states in particular, the existing system is unsustainable—both overstretched and underfunded. Alongside increased investment, therefore, we need a system that is more cost-effective, less bureaucratic and more nimble if the challenges of the new normal are to be met.

The international aid architecture as currently designed stems from the foundations of the UN in 1945. The birth of the UN was soon followed by the establishment of the Universal Declaration of Human Rights and key UN agencies including the UN International Children’s Emergency Fund, the Food and Agriculture Organization, the World Health Organization and the International Refugee Organization.

More recently, today’s international humanitarian response apparatus was established in 1991 with UN Resolution 46/182, which created key institutions including the post of emergency relief coordinator, the humanitarian coordinator system, the Inter-agency Standing Committee, interagency needs assessments, the consolidated appeals process, the Central Emergency Response Fund and the financial tracking system. This architecture has been adapted and updated since 1991, most notably by the 2005 Humanitarian Reform Process, which established the cluster system and the subsequent Transformative Agenda in 2010. However, the fundamental shape of the established system, its institutions, its financing mechanisms and its coordination bodies remains strongly influenced by UN Resolution 46/182 and in turn the international political settlement of 1945. This 70-year history has a number of practical implications for the operation of the international system—particularly its engagement in fragile states and conflicts. Simply put, it was not designed for the challenges of the modern 21st-century world.

The following issues, in particular, have been raised:

• The existing system embeds and reinforces the separation of short-term humanitarian and long-term development approaches. This is baked into the international aid architecture, with the corresponding humanitarian system too frequently focused on emergency response, while development actors are often insufficiently responsive to crises. This severely hampers efforts to address the root causes of crises and to set communities on paths to greater long-term well-being and resilience.

24 See, for example, http://www.wvi.org/disaster-management/publication/context-ready.
• The existing humanitarian system is too centralized, top down and UN focused. It does not sufficiently support local and national actors, who usually have the greatest knowledge and capacity, to operate effectively, and efforts to improve the international aid system have been overly focused on reforming the UN architecture. While important, this has drawn attention away from alternative approaches with greater potential for transformative change, involving the private sector, governments and civil society.  

• There is insufficient flexibility within the system, with humanitarian and development actors often unable to adapt their activities to changes in context.

In many ways, the existing challenges within the international humanitarian and development system have already been acknowledged. For example, both the SDG process and the World Humanitarian Summit process call for greater integration between emergency assistance and long-term development. It is well established that preemptive action to increase resilience is more effective and a greater value for money compared with a retrospective response, with recommendations that early response and resilience building should be the overwhelming priority of donors and agencies.

Initiatives already exist for addressing the challenges of fragile states, particularly the Dili Consensus between the G7 and fragile states, highlighting in particular the importance of strengthening the capacity of governments and institutions, and the 2011 Peacebuilding and Statebuilding Goals, as part of the New Deal for Engagement in Fragile States.

Despite good intentions, however, the ambitions of these initiatives remain unrealized, and practical examples of successful approaches in fragile states are still broadly lacking. Ahead of the World Humanitarian Summit, therefore, Mercy Corps is sharing some of its experiences of what does and does not work. It is developing and testing new models for working in fragile states that are more nimble, are capable of responding to complex and frequently changing contexts and involve a wide range of stakeholders across government, the private sector and civil society.

The case studies both confirm existing issues and offer potential ways to improve the system—to enable immediate life-saving assistance for crisis-affected people and to address the underlying root causes of crises that prevent a transition into longer-term resilience and well-being.

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CASE STUDY: SYRIA

THE CRISIS IN SYRIA
The existing humanitarian system is not set up to effectively engage in what is becoming an increasingly common occurrence in places as disparate as Syria and Sudan: aid settings where sovereign states, protected by veto-wielding permanent members of the United Nations Security Council, arbitrarily withhold access to populations in need. Yet, international and local non-governmental organizations (INGOs and LNGOs) played critically important roles in Syria during 2011-2015, offering viable alternatives for delivering humanitarian aid in access-constrained environments. In Syria, NGOs worked effectively outside fraught political and mandate constraints and were successful in putting the humanitarian imperative over sovereignty, while above all, delivering results. While sovereignty issues have not been overcome, by any means, and are still responsible for tremendous unmet needs, increasingly, NGOs – both international and local – are capitalizing on their nimble and flexible high caliber technical expertise to manage large-scale response efforts in complex, highly insecure and fluid conflict settings. In doing so, NGOs are notably taking on roles traditionally led by the United Nations (UN) and the Red Cross/Red Crescent (RCRC) movement. In this new reality, the existing humanitarian system, when confronted with roadblocks arbitrarily raised by a sovereign state, no longer provides a

one-size-fits-all approach to aid delivery, and is increasingly struggling for relevance in modern conflicts with multiple actors, many of them non-state actors.

The Syrian conflict, now in its fifth year, has morphed from a civil uprising and conflict between Syrian government troops and organized opposition forces into a broader armed conflict. On the ground, a range of moderate and extremist opposition groups, not all of them aligned, and foreign jihadi forces are battling Syrians on all sides for control of the country fueled by the geo strategic interests and resources of other, primarily, state actors. The human toll has been profound. More than 220,000 Syrians have been killed, 76,000 of them in 2014 alone including more than 10,000 children. A reported 12 million Syrians have been displaced — four million of whom have fled to neighboring countries with another eight million displaced internally. Inside Syria, well over half of the remaining population of approximately 18 million is in urgent need of humanitarian aid with an estimated 440,000 Syrians living in besieged areas, according to recent UN estimates. Syria’s education, health and social welfare systems are in a state of collapse; millions of Syrians have lost their livelihoods and are now living in poverty.

Today the United Nations and its partners report they are collectively reaching millions across the country, many of those through cross border convoys. Yet, for the first two and a half years of the crisis, the UN was constrained. Without support from the UN Security Council, or approval from the Syrian government, the UN claimed its own mandate prevented it from crossing national borders without the permission of the Syrian Government, to deliver aid inside opposition-held areas of the country. Meanwhile, UN operations established in Damascus, disproportionately directed aid to government-controlled areas of the country. Finally, in the summer of 2014, after years of diplomatic impasse, the passage of UN Security Council resolution 2165 cleared the way for the UN to begin cross border deliveries into Syria. With great fanfare, the news media followed what they reported as the first convoys of aid as trucks crossed into Northern Syria to make deliveries to Syrians in Aleppo, Idlib, Dar’a and Queitra governorates. But, what was not publicly known at the time was that millions of Syrians living in communities all over the North and other opposition held areas had been quietly receiving aid deliveries under the radar since 2011 from international organizations like Mercy Corps, as well as Syrian civil society groups. In fact, by June 2014, Mercy Corps had reached a cumulative 2.5 million unique beneficiaries in non-government controlled areas of the country.

We hope this case study illustrates that NGOs can succeed at delivering aid at scale and in negotiating access in constrained environments.

Until now, one of the narratives around this crisis has focused on fixing, or reforming components of the broader humanitarian aid system — inclusive of bilateral, multilateral and NGO response efforts — specifically, with the UN, rather than on rethinking the potential for reconfiguring and expanding the centrality of other actors, particularly international and local NGOs, within the current system. As NGO roles evolve in settings such as Syria, we have seen notable changes in the ways that humanitarian actors do business. We hope this case study illustrates that NGOs can succeed at delivering aid at scale and in negotiating access in constrained environments. However,

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in the absence of a robust UN presence, there are still significant gaps in coordination and information sharing. Looking towards the future, effective and efficient delivery of aid in other access-constrained environments like Syria will ultimately depend on building up the management and procurement systems necessary to support alternative approaches among multiple NGO actors when it is a choice of sovereignty or suffering.

**MERCY CORPS’ RESPONSE**

Since the early days of the conflict, Mercy Corps’ programming focused on fulfilling our humanitarian imperative in Syria. In doing so, we made concerted efforts to be impartial and to reach civilians in need across the country. In practical terms, this meant exploring a wide variety of access and operational modalities, including a range of entry points into the country, as well as partnerships. Government donors such as the US Agency for International Development’s Office for Foreign Disaster Assistance (USAID/OFDA), USAID’s Food for Peace office and the UK’s Department for International Development (DFID) and the European Commission Humanitarian Aid and Civil Protection (ECHO) funded aid efforts alongside private donors and foundations.

**Pre-war operations**

Established in 2008, Mercy Corps’ pre-war Damascus-based programming centered on vocational training for Iraqi refugees and their Syrian hosts, with our work under limited Syrian government authorization provided through a local partner NGO. With the start of the Syrian conflict in 2011, Mercy Corps sought permission from the Syrian government to expand our mandate and respond to emerging needs stemming from the violence and corresponding internal displacement of Syrians throughout the country. The Syrian government did not grant us permission to expand our mandate.

On the other side of the border, goods were reloaded onto Syrian commercial trucks that, with the assistance of Mercy Corps’ security and logistics team, navigated a maze of fixed and ad hoc checkpoints—numbering in the hundreds in the Aleppo governorate alone—to deliver aid.

**Cross border operations to opposition held areas**

As the conflict escalated, opposition forces gained control over large swaths of territory – especially in the Northern governorates of the country – that also hosted significant numbers of internally displaced persons and civilians in need of humanitarian assistance. Crossline aid from Damascus to these areas was virtually impossible, facing dual challenges. On the one hand, Bureaucratic hold-ups and hurdles by the Government of Syria impeded aid to these areas. At the same time, opposition forces viewed the limited aid that managed to reach them from government areas with suspicion. Therefore, Mercy Corps concluded that the only practical means of accessing civilians and meeting needs in opposition held areas was to obtain the tacit consent of opposition forces and to drive the aid in across borders from neighboring countries.

Subsequently, Mercy Corps began modest cross border work from Turkey into North Syria in late summer 2012. We did so by prioritizing the development of a strong relationship with Turkish authorities and directly negotiating cross-border aid deliveries from our base in Gaziantep and Kilis, Turkey into areas of the Aleppo governorate – at that time, controlled by a mosaic of opposition groups. Negotiated at the municipal level with local councils and newly formed ad hoc relief committees, Mercy Corps established partnerships with Syrian community leaders ranging from business owners to former government officials, religious leaders, academics and students. In the early days, we housed our team with local business and civic leaders active in relief committees as we set up
an office inside Northern Syria, mapped population movements and assessed needs. Under the umbrella of the Free Aleppo Relief office, we eventually established formal relationships with newly created community-based relief committees, signing formal memorandums of understanding (MOUs) that outlined roles and responsibilities and compliance requirements. Over time, Mercy Corps established partnerships with 16 relief committees, 11 associations, two of which were formal Syrian NGOs, 18 bakeries and dozens of vendors/procurements. Through this network and coordination with nascent community governance structures and the business community, our operations gained credibility and acceptance.

From Turkey, Mercy Corps carried out cross border deliveries with informal, and eventually formal, consent and registration with Turkish government and related authorities, relying on a robust logistics pipeline. What started in 2012 as small-scale deliveries of food baskets, basic staples and bags of milled Turkish flour to local bakeries, designed to address economic challenges stemming from the elimination of entrenched government subsidies, quickly expanded into a full-scale relief operation. Items were purchased in Turkey, and warehoused in Turkey near the border. Using Turkish commercial trucks to transport items from Turkey to Syria, Mercy Corps cleared the bulk of the items with Turkish authorities, including the Turkish Red Crescent at the Oncupinar border crossing near Kilis, also known as the Bab al-Salameh border crossing in Syria. On the other side of the border, goods were reloaded onto Syrian commercial trucks that, with the assistance of our security and logistics team, navigated a maze of fixed and ad hoc checkpoints – numbering in the hundreds in Aleppo governorate alone – in order to deliver aid. Often this happened in real-time as our security team advised them remotely, by monitoring security incidents on Twitter, by phone, and through our network of community partners and staff. Mercy Corps brought items directly to communities, and to smaller warehouses inside Syria, where we maintained a quick distribution turnaround to diminish the risk of aid diversion or seizure by armed actors.

Mercy Corps’ cross border aid deliveries like that of many NGOs at the time, quickly achieved scale. At its peak in 2014, our cross border operations delivered aid to 1.3 million Syrians every month in 147 locations, and had reached 2.5 million since the start of the conflict. Even during the height of intense aerial bombardments on Aleppo city during the summer of 2014, our delivery pipeline still managed to bring in 1,500 metric tons of aid per month to civilians isolated in that besieged city.

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4 Because the bulk of flour inside Syria was brought into the country via smuggling networks from Turkey, we decided to buy and mill it to Syrian preferences in Turkey to avoid any unintended boost to the black market. Doing the milling in Turkey also allowed us to accommodate a greater level of need, have greater oversight over quality control standards and better mitigate fluctuations in access, including access to in-country storage facilities. Today, the vast majority of the flour supply sourced inside the country comes from ISIL controlled areas, raising additional questions about unintended consequences that could arise from the in-country purchase of flour.
**Damascus operations supporting aid to government-controlled areas**

As the crisis escalated in 2013, displacing upwards of five million people inside Syria and two million others to neighboring countries, the Syrian government finally agreed to allow the Syrian Arab Red Crescent (SARC) to sponsor Mercy Corps’ registration approximately nine months after our initial request was made. This registration, governed by an agreement between Mercy Corps and the SARC, allowed us to provide humanitarian assistance to Syrians inside Syria. Subsequently, we initiated emergency operations from a Damascus base. Implementation of this program, which focused on distribution of non-food items and water, sanitation and hygiene (WASH), overwhelmingly into government controlled areas of the country, was accomplished through the SARC and configured around strict parameters dictated by the Syrian government. We faced restrictions including limitations on monitoring and evaluation and on assessments and partnership arrangements, which could only be established with vetted, government-approved Syrian organizations. Virtually no aid was permitted to flow into opposition-controlled parts of the country.

**Damascus departure and partnership work**

By late 2013, these two tracks of response programming – deliberately firewalled from each other to protect our staff and ensure access by various armed actors and the Syrian government - were at odds. Mercy Corps’ operations in the Aleppo governorate fell outside the parameters outlined in our MOU with the Syrian government, and had grown to a size that the Syrian authorities could no longer ignore. In response, the Syrian government through the SARC issued an ultimatum for Mercy Corps to close down our cross border work or face expulsion and potential consequences for our staff in Damascus. Over many months, Mercy Corps engaged in a series of private high-level negotiations with Syrian government representatives. In the end, this process forced us to make a choice between the continuation of large-scale cross border programs serving 1.6 million beneficiaries or delivery of NFIs to 331,000 other Syrians near Damascus. In addition, due to inadequate visibility into the selection of beneficiaries or ability to monitor, our work from Damascus had limited benefit. We had no freedom of movement or ability to monitor or assess independently. Therefore, Mercy Corps ultimately concluded that because we were able to reach five times more people in the north than Damascus, we should close down our Damascus operations and focus on our cross border work in areas where there was no UN presence and where we could make the biggest impact with greater independence and oversight of our activities.

*By mid-2014 Mercy Corps was also operating cross border from Iraq into Hassakeh governorate, an area controlled primarily by Kurdish forces inside Syria, but also influenced by the Syrian government and increasingly controlled by ISIL forces from the west and south.*

As one door closed with the end of Mercy Corps’ Damascus based operations, other doors quickly opened. Mercy Corps’ pivoted from our work in Damascus to programming implemented through sub-grant agreements with a range of Syrian diaspora groups, local civil society organizations – formal and informal - and religious organizations in hard to reach areas. We explored this programming as a way to achieve a greater degree of independence of action. By mid-2014 Mercy Corps was also operating cross border from Iraq into Hassakeh governorate, an area controlled primarily by Kurdish forces inside Syria, but also influenced by the Syrian government and increasingly controlled by ISIL forces from the west and south. As the civil war entered its 5th year, in March 2014, Mercy Corps’ humanitarian response was reaching millions inside Syria with interventions serving civilians irrespective of religious or political affiliations with well-established programming and partnerships supported by operational centers in Southern Turkey, Beirut and Northern Iraq.
During this period, principled delivery of humanitarian assistance was obstructed under the guise of state sovereignty, and constrained the mandates of some large-scale humanitarian response efforts in Syria by the UN and other humanitarian actors. As an independent NGO operating under humanitarian principles, Mercy Corps made the decision to move forward in ways that provided impartial needs based assistance to as many civilians as possible. We did this by focusing on the practical needs and realities of what it took to obtain safe and secure access to various parts of the country.

**WHAT HAS CONSTRAINED EFFORTS TO GO TO SCALE OR BUILD RESILIENCE?**

What we have learned in Syria is that effectiveness and innovation in access-constrained environments hinges on doing the basics well. Mercy Corps, and other NGOs were the leading responders in some parts of the country, meeting needs at a scale that dwarfed UN response efforts in those areas. Alongside other NGOs, we also took on coordination and negotiation roles with armed, non-state actors historically filled by multilateral actors, albeit with both successes and substantial limitations. As NGOs took on new roles in a fluid environment, adaptive approaches to humanitarian response became increasingly important. In Syria, that meant relying on real-time contextual analysis and a multi-faceted monitoring and evaluation system to gain and maintain access and manage security. The development of NGO-led protocols for engagement with formal and informal authorities and combatant groups and NGO-led negotiation was also a central component of our success. As the security situation deteriorated, we saw a noticeable shift in focus by donors and INGO implementers on tailored capacity development approaches for partners and strategies that addressed the challenging realities of remote management, risk transfer and compliance. Nevertheless, the development of alternative systems outside the UN structures for high-risk environments is still nascent. In Syria, coordination of INGOs and LNGOs and the consolidation of data into joint response planning outside the UN system also posed a considerable challenge.

**Contextual analysis to unlock access**

A nuanced understanding of the crisis guided Mercy Corps’ approach to programming in Syria. Our team put a great deal of effort into understanding political and security dynamics at a granular level and tailored our approaches accordingly. New approaches to monitoring and evaluation, related to remote management of disparate operating environments, complemented these efforts. Real-time information management played an increasingly important role in shaping our security, program and policy strategies. Yet, even while informed with detailed information at the local level, Mercy Corps – along with many other NGO actors –still faced challenges in linking up our local response strategies with robust, big-picture needs assessments to both the UN and alternative systems and in establishing an integrated approach to coordination.

Complementing standard monitoring and evaluation practices, we adopted a number of innovative approaches that captured the nuances of each location and addressed the limitations of access to project sites. Third party monitoring was done through ‘community based trust networks’ organized by Mercy Corps to gather feedback, using phone, Skype and email, from non-beneficiary third parties – community leaders living within served communities.

Programming in Syria achieved access through contextualized approaches to aid delivery to a greater degree than is typical in most response efforts. In some areas of the country, we worked through local relief committees and relied on transport contractors directed by our security team to distribute aid rapidly. While, in other areas,
we worked through civil society partners that allowed us informal access into hard to reach communities, some besieged. Understanding the context and unique needs of different communities, facilitated a more targeted approach to programming that frequently changed course in order to adapt to changing dynamics on the ground.

Complementing standard monitoring and evaluation practices, we adopted a number of innovative approaches that captured the nuances of each location and addressed the limitations of access to project sites. Third party monitoring was done through ‘community based trust networks’ organized by Mercy Corps to gather feedback, using phone, Skype and email, from non-beneficiary third parties – community leaders living within served communities. We verified information using social media, including frequently updated, independent web pages hosted by communities inside Syria. In some locations, we gathered and triangulated sources – to build a clearer picture of programmatic contexts. At the same time, Mercy Corps maintained traditional tactics such as focus groups, key informant interviews, spot checks, and photographs and video. Tactics such as crowd sourcing for project inputs/feedback loops and use of social audits – broadcasting of program activities to communities via local media to avoid misuse of funds and maintain transparency – are now under development.

Reflecting on our Syria programming during this time, Mercy Corps staff noted an increased influence of ‘real-time’ global information on program approaches at the local level. When US politicians and policymakers weighed in on the Syrian conflict from Washington, this had an almost immediate impact on the ground and on security considerations for our programming. Illustrating this point, only a few hours passed between the US government’s designation of Jabhat al-Nusra as a terrorist organization and Jabhat al-Nusra tweeting its response. As an implementing partner of the US government’s, we therefore had to track media on a wide variety of topics as foreign policy decisions made in donor capitals increasingly bled over into the security considerations of our humanitarian inside Syria.

Mercy Corps focused on new ways to utilize real-time information and social media to influence policymakers and donors, as well as to inform program and security planning. In particular, we shared specifics from local community contexts and used this information to try to influence donor thinking on humanitarian issues as well as broader political track discussions. At the programmatic level, we used social media to triangulate information about our work and inform partner selection by providing insights into their networks. With this information, we tried to diversify our partnerships, as well as to mitigate the impact of any potential conflicts of interest. Rather than seeing security as a logistical function alone, Mercy Corps allocated additional resources to understanding and mapping the impact of our presence on conflict dynamics. This manifested itself in the creation of a team that exclusively analyzes and tracks social media reactions to aid. In the early days of our Damascus operations, we also contracted a third party ‘Do No Harm Analysis of Aid Delivery in Syria’ to ensure that our operations in Damascus were not having any inadvertent, negative impacts, and to help guide decision making around program implementation modalities and geographic targets.

Relationships with target communities that went beyond one-off deliveries allowed vulnerable populations and local partners the ability to plan and also to ensure that aid was carefully targeted around jointly agreed upon criteria to reach those most in need over a sustained period. This meant that Mercy Corps and other aid groups were more in sync with actual needs than many of the slow moving, process-oriented appeals processes set up by the international community. Therefore, adherence or linkages to plans that might be weeks or months old, and that dovetailed with the Syrian government system, did not make sense for many groups in a fast evolving context that was also highly politicized and fraught with security concerns around information on unauthorized operations leaking to authorities. Another factor which allowed more a more flexible response was the fact that much of the aid was delivered in small batches that could shift course rapidly; this diffusion of aid commodities also had the dual benefit of mitigating attempts of diversion by armed actors.
While this had the benefit of enabling rapid response, on the other hand it also exacerbated an already slow uptake of a ‘Whole of Syria,’ approach to aid and sidelined UN-led coordination structures that were struggling to integrate cross border deliveries in Northern Syria with Damascus-based work. At the local level, needs were clearly defined, but security constraints, as well as the firewalls between Damascus-based programming and cross border work prevented the ‘roll-up’ of information to capture needs and trends across the entire country. NGOs were distrustful of Damascus-centric coordination systems – in many cases for valid reasons. For Mercy Corps, reluctance to share information continued even after our departure from Damascus. In an attempt to fill a gap stemming from this challenge, NGOs addressed coordination for cross border from Turkey with the formation of an NGO-led forum. However, the humanitarian community still failed to come to a timely consensus on an information sharing system that was nimble, relevant and addressed security concerns. This failure ultimately slowed progress toward a meaningful, big picture strategy to address needs across the country.

**New roles in access negotiations**

Until the summer of 2014, the UN and ICRC were not physically present in opposition-held areas of the North to play their traditional negotiating roles due to their decisions to work exclusively from Damascus. As a result, NGO actors stepped into roles traditionally assumed by the ICRC and the UN’s Office for the Coordination of Humanitarian Affairs (OCHA). These exchanges occurred through straightforward messaging relayed directly to field-level commanders for groups ranging from Jabhat al Nusra (JAN) to the Democratic Union Party (PYD) and the Islamic State in Syria and the Levant (ISIL).

In dealing with newly minted leadership of armed groups that had no experience with, or training in international humanitarian systems and law, aid agencies tried to find common ground by relying on straightforward messaging and clear redlines. NGOs operating cross border from Turkey developed Joint Operating Principles for dealing with armed actors entitled the ‘Protocol for Engagement with Parties to the Conflict to deliver Humanitarian Assistance in Northern Syria’, which outlines redlines. The joint protocol, widely circulated in English and Arabic, served as the common basis of ongoing liaison and principle-based engagement with all armed groups, including ISIL, in northern Syria.

*Working in a system, largely cut off from the UN and ICRC access negotiations, Mercy Corps relied on painstaking efforts to build a wide range of government connections to complement our local networks in order to gain access to hard to reach communities.*

For the most part, Mercy Corps was able to use these parameters with non-state actors, in tandem with the strength of our community networks, to achieve access. Meanwhile, Mercy Corps’ legal and Syria country team developed detailed and robust internal guidelines for ethical, legal and practical relationships in conflict areas that abided by humanitarian and international legal standards, complementing this joint work. In our early forays into Syria, an initial indicator of success was Mercy Corps ability to obtain a laissez-passer, or travel pass, from two militias controlling territory adjacent to the Turkish border crossing allowing us to access vulnerable civilians. In another instance early in our operations, aid seized at one check point near the Turkish border was returned within half an hour, once our networks of community contacts were activated and combatants were held accountable to red lines.

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5 For the ICRC, a lack of permission from the Turkish government to operate in Turkey, meaning that they could not implement across that border, also curtailed their presence.

6 In the Protocol, NGOs agreed that they will not accede to requests by armed parties to the conflict to: a) provide detailed beneficiary information; b) be involved in, or have influence over, selection of staff for the INGO or to make available personal details of staff members; c) provide armed or other escorts for INGO vehicles or personnel engaged in humanitarian duties; d) review, edit or otherwise influence the content of needs assessments; e) deliver assistance to combatant forces or individual combatants; f) pay taxes or duties; and f) accompany NGO staff carrying out their humanitarian duties.
While access negotiations were successful in the majority of cases, engagement with ISIL was an exception to the overall trend. While some NGOs were able to negotiate access at the local level in our operational area, recognizing that different commanders had varying degrees of tolerance for humanitarian actors, with Mercy Corps, ISIL crossed redlines and demanded involvement in the selection of beneficiaries for food programming. This, combined with several instances of interference and staff detention, resulted in Mercy Corps suspending our aid deliveries in ISIL areas in July 2014. This agonizing decision left over 621,000 vulnerable civilians living in that area without assistance.

Working in a system, largely cut off from the UN and ICRC access negotiations, Mercy Corps relied on painstaking efforts to build a wide range of government connections to complement our local networks in order to gain access to hard to reach communities. For example, in one set of negotiations over access, Mercy Corps met with the Special Governor's office in Gaziantep, one of the closest Turkish cities to the border with Syria. Although it reported directly to the Prime Minister’s office, this office was largely dismissed by multilateral actors as being too far from the central government to have substantive influence. Yet, we set up a direct line of communication with the Governor to discuss the thornier issues of cross border access in a more informal setting. Mercy Corps’ early investments into both formal and informal communication channels along the border, in tandem with a centralized line of communication with the Turkish Ministry of Foreign Affairs in Ankara, were critical to our success. These relationships established early on, allowed us to separate our access requests from other diplomatic negotiation tracks. As a result, our requests for new border crossings were clearly understood, and seen as only connected to our programs and the humanitarian imperative, rather than as diplomatic negotiations and political maneuverings by various world powers.

**Capacity development in the midst of conflict**

Strong relationships established early on, and a commitment from the beginning to national staff development, allowed us to responsibly transition to the eventual withdrawal of Mercy Corps’ international, and some Syrian, staff from the country in late August 2013 due to security concerns. With this transition came the new challenges of remote management, with the programs implemented in country by a large cadre of Syrian national staff and partners. These challenges were particularly relevant for our sub-grant work with Syrian partners, which had expanded following withdrawal from Damascus.

While many of our national staff members were relatively new to the humanitarian response field, they also brought strong networks within our operational area, and an intuitive sense of local priorities. The success of our programs in all parts of Syria directly stemmed from the commitment and professionalism of our national staff. Many Mercy Corps’ staff were directly impacted by the war and, in some instances, were themselves displaced by the fighting. Training in Syria and in neighboring countries filled in knowledge gaps and addressed a range of technical issues ranging from international humanitarian principles and practices to Sphere standards and hostile environment awareness training. Training also touched on basic financial and programmatic management skills – including monitoring and evaluation best practices - to help new program teams come up to speed on best practices for humanitarian response. Most partners welcomed coaching and mentoring approaches to capacity development, as well as staff secondment. Now under development, partners also requested training that touches on tactics for analyzing and mitigating war economy issues – for example, how we can do local procurement of flour without negatively influencing market prices for those not served - as well as protection planning. By May 2015, Mercy Corps was exploring tactics for remote capacity development, including using skype and an online platform for staff who could no longer leave Syria to attend face-to-face training in third countries.
As the capacity of our Syrian sub-grantees quickly expanded, getting the balance right between quality implementation and local ownership was a challenge. Our partners repeatedly stated that they did not want recognition only as local implementers for international organizations, but as independent groups in their own right. In this regard, partners sought relationships that advanced their own development goals, perspectives and aspirations. Yet, at the same time, many of the organizations were only as old as the conflict itself, and were understandably lacking experience. Mercy Corps staff responsible for partner oversight reflected on the challenges of joint decision-making, particularly in cases in which Syrian partners understood well how to deliver in the Syria context, but lacked experience with donor requirements and global best practices in humanitarian response. In many cases, tools like Organizational Capacity Indices, developed predominantly for development contexts, were ill-suited to an emergency setting and skill-sets appropriate to that context, demonstrating a gap.

To reconcile approaches that might seem at odds, Mercy Corps staff emphasized the importance of building mutually beneficial partnerships, and joint approaches geared toward the long-term sustainability and independence of Syrian organizations. Yet despite this shared aspiration, Mercy Corps staff commented that the daily pressures of working within an emergency environment, and the need to show results to donors, frequently forced partnerships to focus their time and energy on achieving specific, predetermined program results – with little room left for adaptive management approaches and with a reliance on direct delivery of aid commodities. Some staff felt that this fall back on tested direct delivery models curtailed out-of-the-box thinking and attempts to pilot activities – for example livestock programming – that moved away from this approach because of the need to deliver quickly and the need to justify new approaches with detailed assessment data that was difficult to obtain in a highly insecure environment. New approaches were the exception to the rule for most donors, even as isolated cases demonstrated how calculated risks yielded results. In one notable example, a major donor supported programming in an area typically outside of the mandate of emergency work to fund the addition of loading bays at the Turkish border. A major bottleneck for aid flowing from Turkey into North Syria, this effort unlocked access to Aleppo governorate in a way that procurement of emergency commodities alone would not have achieved. However, testing new approaches was the exception rather than the rule.

The success of Mercy Corps’ programs in all parts of Syria directly stemmed from the commitment and professionalism of its national staff. Many Mercy Corps staff were directly affected by the war, and some were themselves displaced by the fighting.

INGOs played a critical bridging role, serving as a platform to link partners and institutions that might not otherwise have connected – a common occurrence in many aid settings that is growing in importance with the expansion of access-constrained environments. The Overseas Development Institute likens this establishment of ties and mechanisms for knowledge sharing to the sort of private sector technology transfer that occurs when international firms invest in developing countries. In Syria, Mercy Corps incrementally stepped up to play this role as the ‘Whole of Syria’ approach gained support, linking the work of our partners to a highly centralized UN planning and assessment architecture that otherwise had limited local context. Notably, in Aleppo city, we facilitated a dialogue that informed joint planning by the NGO-led Food Security working group and the World Food Program.

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(WFP). This dialogue helped new actors understand the realities in Aleppo City, including practical limitations like numbers of available trucks for distributions. Similarly, we linked local partners with macro level security shifts and conversations about ceasefires to inform their day-to-day security and related decision-making processes. At the same time, there were many missed opportunities earlier in the conflict due to security concerns around centralized information sharing, highlighting this as an area for attention and discussion in advance of future response efforts.

**INGOs played a critical bridging role, serving as a platform to link partners and institutions that might not otherwise have connected—a common occurrence in many aid settings that is growing in importance with the expansion of access-constrained environments.**

**Centrality of compliance and risk transfer**

Like many international organizations working in Syria, we had to adapt normal operational procedures to respond to the challenges of often remotely managed partnership work of sub-grantees in the Syria context. This included a focus on revamping procurement and record keeping controls and procedures in places where our existing systems faced challenges due to the realities of the program environment. For example, partners working in besieged communities could not realistically transfer paper copies of quotes or be caught with papers and receipts linking them to aid operations. In many cases, standard procurement documentation - like contracts - was difficult to obtain in the midst of the war. Information on computers and cellphones, including communications between partners and Mercy Corps had the potential to put them at risk of imprisonment, detention, torture, or targeting given the fact that many were operating in government-controlled areas outside the formal system for aid set up by the Syrian government. In many cases, files were destroyed or became inaccessible; in one case, a partner’s office was shelled.

Some donor compliance requirements, which are manageable in permissive operating contexts, posed operational challenges for Mercy Corps and our partners in Syria. Many partners had difficulty in securing Bureau of Industry and Security (BIS) licenses from the US Department of Commerce for potential dual-purpose items like anti-virus software, generators and satellite phones because they lacked registration for work in Syria. Partners also struggled with requirements like proof of origin with equipment leasing; notably, the US government required partners to provide proof that US manufactured vehicles were not available on the local market before leasing other options, even though it was widely known that US vehicles were not available on the market. The process of completing paperwork to document compliance with complex donor requirements alone, confused many partners and detracted their attention from programming. Many local suppliers when faced with contracts that included flow down of anti-terrorism and material support clauses also balked when faced with the possibility of facing prosecution abroad if they also sold items to the Syrian government. Many feared ‘reverse’ sanctions by the Government of Syria if they were discovered to have signed a contract with a US-based organization. These obstacles made trust difficult to build, making even basic purchases of goods challenging.

Prior to the start of the conflict, there were few civil society organizations in Syria, and the few that did operate were greatly constrained by government oversight controls. As a result, many sub-grantees did not have the structure or experience to manage complex donor requirements at the outset. Therefore, in an effort to maintain strict compliance standards with new partners, Mercy Corps put in place a phased implementation model allowing us to test out new arrangements first through low-risk programming that met partners where they were at in
terms of their prior experience with grant management. This prevented a $50,000 per year organization from receiving a sudden infusion of $500,000 to deliver programming, recognizing that nascent systems were unlikely to support this pipeline. Even while Mercy Corps relied on local NGO groups to reach many areas of need, which they did with exceptional results, our perspective was that channeling excessive amounts of money through local groups before their systems were equipped, had the potential to do more harm than good to their long-term sustainability – and security.

Because of such security risks, the issue of risk transfer in remote management became a central issue for Mercy Corps. It was challenging to find an acceptable medium where we supported our partners, but still allowed them some level of autonomy. Our lack of sustained presence in many parts of the country limited our ability to manage and inform – from a first-hand perspective – our partners’ security. In an attempt to work through this, program staff – as a matter of course in new partnership development – jointly outlined and reviewed the level of risk our partners were entering into with our funding, including review of whether or not our involvement changed their profile or increased their risk. As part of our capacity building assistance, we also began work with partners to think through and mitigate challenges arising from changes in scale and profile. In an attempt to formalize these processes, we developed a guide outlining a structured format for thinking through and recording risk transfer.

Even while Mercy Corps relied on local NGO groups to reach many areas of need, which they did with exceptional results, its perspective was that channeling excessive amounts of money through local groups before their systems were equipped had the potential to do more harm than good to their long-term sustainability—and security.

RECOMMENDATIONS

Support and elevate NGO-led response efforts to unlock access in constrained environments, presenting alternative tools for aid delivery in cases where sovereign nations are blocking, or politicizing, assistance.

Funds to support NGO-led efforts can address gaps not addressed by UN Global Appeals. The Start Fund in the UK, and the RRF fund, currently under development in the US are two examples of emerging mechanisms that respond rapidly without the lengthy administrative and application processes – or geographical limitations – common to larger appeal processes. Similarly, there is a need for more robust NGO-led coordination systems in crises where the UN is unable to lead efforts, or rely on standard mechanisms like the clusters, and where information sharing to a central hub is especially sensitive. In such environments, NGOs actors are increasingly leading engagement with non-state, armed groups. Initiatives to develop guidelines and tools for future engagement also need more focused donor support to help put theories into practice, with a particular focus on Track II negotiations.

Rethink risk and operations in high-risk environments: Forge a culture of transparency, trust and risk tolerance amongst donors, implementers and partners.

Currently, most donor nations do not have legal frameworks that protect humanitarian actors from prosecution from over-aggressive counter-terrorism legislation. All donors should proactively review their CT frameworks and change any laws that slow or impede humanitarian operations or access. A growing emphasis on fiduciary risk
also ignores the realities of operating in active conflict zones and has the potential for reduced programmatic impact resulting from overly cautious or prescriptive programming and a tendency to over-manage local partners – particularly those that are non-traditional actors – to avoid cost penalties resulting from minor infractions of grant rules and regulations. Responding to these trends, donors should commit to reform objectives that remove or streamline non-value added administrative requirements, while maintaining the highest levels of control possible in an active conflict setting. To support these efforts, donors should further mainstream use of and provide funding for tools that apply Do No Harm and other principles to help agencies work through the implications of difficult programming decisions in politicized environments. The Decision Navigator Tool is one notable example that can serve as a model for discussion.

**Leverage and fully exploit the value of local partnerships and elevate the importance of tailoring capacity building of local humanitarian groups to the needs presented in conflict settings.**

Phased funding is one approach to responsibly deepen and scale partnerships with LNGOs over time toward the goal of graduating LNGOs from sub-grantee relationships to direct partnerships with key donors. In rapid response environments, streamlined approaches by donors, including through unified reporting standards for local civil society partners, can greatly increase efficiencies. With the recognition that many partnerships are ‘remotely managed’, remote capacity building models are growing in importance, including through the use of online systems. Emerging needs include organizational capacity indices tailored for emergency settings, robust security training and tools for risk transfer ‘decision making’. As LNGO roles expand, donors should further prioritize efforts to make coordination bodies more accessible to local groups through initiatives including the deployment of a senior staff member of UN/OCHA in all L3 emergencies tasked with insuring effective inclusion of national NGOs and INGOs and/or secondment of INGO staff to OCHA units to fulfill this role.

Develop and expand adaptive management models as a standard practice for protracted, complex emergencies where humanitarian actors increasingly have to innovate and use out-of-the-box approaches to achieve access.

Donors should build in “innovation and opportunity” budget lines to respond to emerging needs and unexpected opportunities. Best practices for unplanned needs include trigger funds and ‘innovation and opportunity’ funding streams that can be set-aside for pilot programming to reach communities not already benefiting from assistance programs, or to pursue an emerging opportunity to take an intervention to scale. In tandem, longer-term partnership agreements - moving beyond the 3-6 months typical in emergency response settings – allow for continuity in joint work, as well as the space to adjust to realities over time. Direct delivery of aid is often a default option in short programs that have to show results quickly; longer grant terms would take the pressure off a very limited period for results and allow for the exploration of more sustainable response modalities.

**CONCLUSION**

Increasingly, politics, the rise of non-state actors, and constrained access to populations in need complicates humanitarian assistance efforts. As a result, the existing humanitarian system has adapted with local and international NGOs assuming new roles in settings like Syria where the multilateral response was limited. Yet, alternative response systems configured outside UN-led coordination structures are still nascent, highlighting a gap. In Syria, even while NGOs took on roles typically led by the UN, such as coordination and negotiation, response efforts were still constrained by the challenging realities of remote management, risk transfer and compliance. For future response efforts, the development of NGO-led response models in high-risk environments, including through greater attention to leveraging the role of local stakeholders and adaptive approaches, demands a concerted focus by the humanitarian community.

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8 See: http://www.decision-navigator.com/index.html
CASE STUDY: LEBANON*

THE CRISIS IN LEBANON

Even before its neighbor descended into a violent civil war, Lebanon was considered a fragile state,¹ with a political system and society buffeted by sectarian tensions, slowly recovering from 15 years of civil war. Since 2011 and the start of the Syrian crisis, Lebanon has been in the eye of a perfect economic, political and demographic storm.

The degree of the crisis is astounding: an estimated 1.2 million Syrian refugees have fled to Lebanon and now constitute approximately 30 percent of its total population—the highest per capita refugee population in the world. There are no official camps for refugees; more than 80 percent live in host communities, and the rest reside in informal settlements in approximately 1,750 locations, placing huge burdens on those communities. For example, more than 402,000 Syrians have settled in the Beqaa Valley, which was already one of the poorest areas in Lebanon.²

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² Lebanon was ranked 43rd on the Fund for Peace's Fragile State Index for 2011. See http://fsi.fundforpeace.org/rankings-2011-sortable.
Across the country, the economic impacts have been colossal: the number of poor Lebanese has risen by two-thirds, and Lebanese unemployment has doubled to 24 percent, with youth unemployment exceeding 35 percent.\(^3\) The country has been—on a macro and micro level—substantially and adversely affected by the conflict and the deluge of refugees. With the onset of the conflict in Syria, the annual growth of the Lebanese economy crashed to 2 percent in 2011 and has continued to decline since. In 2013 the GDP growth rate was just 0.92 percent, and initial reports suggest that growth was 0.96 percent in 2014, a tenfold reduction compared to pre-conflict highs.\(^4\)

There are growing frustrations among Lebanese workers toward refugees as additional Syrian workers have flooded the market, job opportunities have decreased and wages have subsequently plummeted. As more refugees cross the border, this troubling trend has extended to a variety of jobs: electricians, plumbers, carpenters and other medium-level professions, making it even more difficult for Lebanese workers to provide for their families.

Social services also are stretched; many public schools are operating in two shifts to support the massive influence of refugee children (estimated at more than 400,000) and health clinics are crowded with refugees, with little room left for low-income Lebanese families to get treatment. Making matters worse, Lebanese communities are increasingly frustrated that refugees receive assistance for free, while locals with similar needs are not eligible. This is leading to an emotionally driven backlash against Syrians, heightening the likelihood of violence.

The primary public responders on the front lines of this refugee crisis have been local municipalities, which have been receiving and managing refugees on a daily basis while trying to support host community needs and maintain constructive relationships between the two groups.

Further complicating matters, the national government has been virtually deadlocked because of broader sectarian politics. For the past year, the country has been without a president. And as tensions play out within the national government, ripple effects are felt by the Lebanese. Deep religious and sectarian divisions are embedded within national structures, and with the added complexities of the Syrian conflict, Lebanese communities are paralyzed and disempowered, incapable of changing the polarized environment.

The primary public responders on the front lines of this refugee crisis have been local municipalities, which have been receiving and managing refugees on a daily basis while trying to support host community needs and maintain constructive relationships between the two groups. However, local municipalities’ infrastructure and capacity are overstretched, with staff and resource shortages a chronic problem limiting their ability to respond to existing and emerging needs. For example, the poorest municipalities often have no full-time paid staff and do not have the resources to respond and maintain stability in their communities.

When not properly addressed, frustrations between the Lebanese and refugees have become personal. Mercy Corps conducted a nationwide Livelihoods and Conflict Assessment in March 2013, which confirmed that whenever the livelihoods of Lebanese households deteriorated, negative perceptions of Syrians increased; specifically, those with fewer coping strategies demonstrated a higher propensity toward violence aimed at refugees. Syrian refugees are also feeling the strain. Refugee youth who were interviewed expressed how they felt hated and how they longed to get out of Lebanon by any means possible. One young Syrian boy commented, “They [Lebanese]...
hate us; they make us responsible for everything: if the phones
don't work, it is the Syrians; if there is no electricity, it is the
Syrians; if there are traffic jams, it is the Syrians."

As Syrian refugees and poor Lebanese alike try to make ends
meet, difficult international realities persist. Due to the protracted
nature of the Syrian crisis, international donors are stretched
to capacity. In the past three years, there has been a steady
decrease in funding for the Regional Response Plan, compared
to what was requested and required for Lebanon (90 percent
in 2012, 72 percent in 2013 and 46 percent in 2014). The
year 2015 does not look any more hopeful: the Kuwait Third
International Humanitarian Pledging Conference held on March
31, 2015, was able to raise less than half of the appeal for
2015: US$3.8 billion was pledged out of the requested $8.4
billion (which included $2.9 billion for the response within Syria
and $5.5 billion for neighboring countries). It is likely that donor
funding will only be more difficult to secure in years to come.
In response, the UN and the government of Lebanon have
developed a more sophisticated response to the crisis and have
begun to draft a development and stability-building response to
help the government meet the demands of its own citizens as
well as those of Syrian refugees. Yet it is unclear how much the Lebanon Crisis Response Plan will raise out of the
US$2.14 billion that has been requested for 2015. In addition, during the Kuwait donor conference, the Lebanese
government asked for an additional US$1 billion based on a plan that various Lebanese ministries pulled together.

MERCY CORPS’ RESPONSE

During the past four years, Mercy Corps’ Lebanon country team has solidified its emergency response
programming by focusing on key sectors: protection (including child-friendly spaces and youth community
centers), water sanitation and hygiene, food e-vouchers and non-food items, governance and conflict resolution
and livelihoods. With these efforts, Mercy Corps is helping strengthen basic services within communities and
building relationships and opportunities. Currently, Mercy Corps has 15 ongoing projects that have assisted more
than 107,000 beneficiaries, including supporting both refugees and host communities in the Bekaa Valley, South
Lebanon and Tripoli.

With a paralyzed national government and international donors reaching their funding limits, Mercy Corps sees
enormous potential to address humanitarian needs and build resilience. Municipalities and local authorities have
the unique ability to quickly understand and prioritize community needs and can maneuver project implementation
through sensitive political, social and economic dynamics. And in an environment in which there is a multitude of
actors funded by an array of donors and where coordination among implementers is weak, municipalities, unions
of municipalities and local authorities can also provide effective coordination between these actors.

However, while municipalities provide an excellent entry point for making sustainable development gains and
helping build community resilience, they also face enormous challenges. Although they have the potential to serve
as a central point of coordination among a large number of actors, they often lack necessary connections with the
national government, are financially dependent on it and are frequently understaffed and lack capacity. To build
resilience in the face of these challenges, Mercy Corps has worked with municipalities to increase their capacity,
including leveraging opportunities to bring both host communities and refugees together to decrease tensions and continue to meet development challenges. Specifically, Mercy Corps has worked with municipalities and organized meetings to help heads of municipalities exchange information, to learn from each other's experiences to increase their knowledge of both ministerial processes and procedures for social service project approval and to provide information about UN and NGO activities to allow municipalities to access external resources independently, thereby becoming more financially independent and able to implement programs benefiting their communities faster and more efficiently.

More work is still needed though, including efforts to strengthen and empower local authorities. For example, encouraging more local government engagement with civil society organizations is needed to pave the way for appropriate decentralization and better coordination with the national/central government and to avoid the disconnect that is often felt when assessing needs and prioritizing interventions.

WHAT HAS CONSTRAINED EFFORTS TO GO TO SCALE OR BUILD RESILIENCE?

While Mercy Corps has focused on meeting emergency needs and bolstering the absorptive and adaptive capacities of Lebanese municipalities, there also has been a plethora of missed opportunities that should not be repeated in future crises. Over the course of the crisis, we have seen five major impediments diminish the effectiveness of the international response:

Slow deployment of an integrated approach of relief and development interventions

In many emergencies, there is a fixed period of rapid, humanitarian response that eventually transitions to longer-term development. However, given the acute and protracted nature of the Lebanon crisis, a hybrid approach of relief and development should have been applied earlier. During the past four years, despite the urging of NGOs, the donor community used the shorthand of “emergency assistance” to refer to needs of refugees, while “development” referred to longer-term needs of host communities.

For donors, funding cycles contribute to this complexity. Traditional funding streams clearly distinguish emergency humanitarian assistance from development and have deliberate timelines and parameters. But due to the unexpected duration of this crisis, Lebanon requires both emergency and short- and longer-term funding cycles to address a wider scale of needs targeting structural and institutional changes to build local capacity to strengthen and transform their communities to build better futures. For example, instead of only providing water through trucking for refugee families, a larger-scale rehabilitation of water networks that improves access to water provision for both refugee and host community families would not only be more cost effective but also build long-term capacity. Moreover, the UN and other bilateral donors initially made the funding environment more complex with the provision of short-term (three- to six-month) grants that did not allow for strategic investments in building longer-term capacities of Lebanese institutions and systems and resulted in major challenges in attracting and retaining competent staff.

Lack of integrated UN coordination structures and siloed mandates

The Syria crisis response in Lebanon has had four responding structures within the UN system: United Nations High Commissioner for Refugees for Syrian refugees, United Nations Relief and Works Agency for Palestine Refugees in the Near East for Palestinian returnees from Syria, International Organization for Migration for Lebanese returnees from Syria and UNDP for Lebanese communities. All work with similar counterparts in the government of Lebanon and share many of the same partners within the donor and NGO community. In addition, the activities they implement will often be contemporaneous in the same geographic localities. It is therefore essential that these efforts be better integrated in a multi-stakeholder foray. Otherwise there will continue to be duplication of efforts, cost inefficiency, lack of effectiveness and shortsighted use of extremely limited donor resources.
However, existing coordination mechanisms are cumbersome. Within the current working groups, there is a lack of information sharing and no strong mechanisms to force collaboration. Various UN agencies report to their headquarters and the resident coordinator/humanitarian coordinator who heads the Humanitarian Country Team has an advisory function more than a supervisory role.

This lack of integrated approaches extends to the regional level. There are multiple and overlapping mechanisms that are used to document needs, but many of these were used for fund-raising purposes rather than more strategic implementation. Lebanon, and the region more generally, requires a well-integrated, inclusive, streamlined coordination structure with clear accountabilities to harmonize humanitarian and development responses to this protracted crisis.

**Underutilization of local CSOs and limited engagement of local authorities**

Despite Lebanon's robust civil society, which responded well to the 2006 war, these groups have not been fully and actively engaged or leveraged as part of the Syrian refugee crisis. This also applies to local authorities that have considerable understanding of local challenges and in many cases have competent staff and appropriate plans to address needs. As the UNDP–Mercy Corps report noted, “although they were encouraged to participate in the UN working group system, the language barrier, as meetings were predominately in English, and the centralization of meetings to one major city per region, made this coordination challenging for them to access.”

**Disproportionate targeting of refugees increased tensions with host communities**

While now much more adequately addressed in rhetoric and policies, for at least the first three years of the crisis, directing assistance to refugees while not providing commensurate support to host communities increased tensions between Lebanese and Syrians and broke a cardinal rule of humanitarian response—to “do no harm.” Lack of sufficient funds for host communities, including for adequate programs to mitigate tensions between refugees and Lebanese, severely constrained the effectiveness of the early response.

**Support for local-level government response**

The lack of a national framework (including legislation that would further empower municipalities) to support decentralization hinders the creation of a more robust response at the municipal and local levels. Decentralization legislation has been caught in a deadlock between the national Parliament and Cabinet. This has stymied a more regular flow of funds from the national level to the municipalities. It also would have allowed for a more robust coordination mechanism at the local (Caza) level that enables local councils to draft plans that address the needs of their respective regions and execute them without the need to obtain approvals from the national government.

**RECOMMENDATIONS FOR OTHER PROTRACTED CRISES**

Where possible, unify behind and implement one strategy.

This is a long-standing best practice for emergencies, but one that gets more rhetorical attention than action. Host country ownership and strong local leadership can make strategies more effective, but in political crises like those that exist in Lebanon, it can prove to be a challenge. To improve coordination, prevent duplication of effort and look toward building more adaptive and transformational capacity, unifying governments, donors and communities behind one strategy can prevent wasting scarce donor dollars. It can also help to move a response more methodically from short-term relief to longer-term development opportunities that help communities build resilience. The example of the Lebanese Crisis Response Plan could hold important lessons for other protracted conflicts. The 3RP is an example of a useful plan, but it’s also important to establish enforcement mechanisms in these plans to ensure donors, governments and implementers are committed to and follow agreed-on strategies to achieve better implementation.
Use local systems, including local governments, to build resilience.
Working at a local level can be an effective way to support a humanitarian response and is necessary to build longer-term connections and relationships between host communities and local government structures. Relationships that strengthen local systems are especially important in an environment where the central government is often deadlocked or defunct. In Lebanon, working through municipalities, local authorities and CSOs may be the best entry point and way forward to build systems-level transformative capacity at this time. As noted in the UNDP–Mercy Corps report, “there are a range of options, from administrative and legal reform to practical programming, some of which are already occurring at a small scale, which will contribute to building the resilience of local government.”

Utilize longer-term funding to defuse and prevent conflict.
Restrictions on humanitarian funding and practices that keep funding restricted to short-term (three- to six-month) grants are not cost-efficient, nor do they contribute to strengthening longer-term relationships, building trust between diverse actors with different incentives and preventing conflict in protracted crises. Funding in protracted crises must be, at a minimum, 12 months and ideally multiyear. Longer-term funding could have a positive effect on reducing conflict and enabling communities to work together to build resilience. Data from Lebanon show that the more positive someone’s perception of their local government’s performance, the less likely it is that someone would be inclined toward violence. This strong correlation suggests that if local governance capacity and the tie to community are strengthened, the likelihood for Lebanese constituents to turn to violence to express frustrations or grievances will likely diminish. Strengthening government capacity requires longer-term funding but too often gets lost in the debate about whether a project should be labeled “relief” or “development.” This distinction, and needless semantic argument, could be resolved if funding were made more long term. Especially where donor dollars for immediate humanitarian needs are diminishing, providing funding that improves infrastructure and service provision, like education, health care, waste management and so forth, remains essential, but support also should be extended to longer-term economic growth job-creating interventions, including working with the private sector, to provide an alternative for refugee households and host communities to reduce tension, strengthen tolerance and enhance government consent.

Use conflict-sensitive approaches.
Lebanon provides a perfect case study for implementation in a politically sensitive environment that is perpetually on the brink of a major crisis. Even before the latest refugee crisis, Lebanon’s history was full of many examples in which tensions devolved into years of violence. Donors in Lebanon, or in any conflict-prone environment, need to be extremely sensitive to this potential. As noted in the UNDP–Mercy Corps report, “to strengthen social cohesion and prevent further political instability, humanitarian organizations, donor agencies and the central government must immediately focus on remedying the socio-economic impediments and wider systematic needs exacerbated by the Syria refugee crisis with conflict sensitive approaches.”

Conclusion
Increasingly, politics, the rise of non-state actors, and constrained access to populations in need are complicating humanitarian assistance efforts. As a result, the existing humanitarian aid system has adapted, with local and international NGOs assuming new roles in settings like Syria, where the multilateral response was limited. Yet, alternative response systems configured outside UN-led coordination structures are still nascent, highlighting a gap. In Syria, even while NGOs took on roles typically led by the UN, such as coordination and negotiation, response efforts were constrained by the challenging realities of remote management, risk transfer, and compliance. For future response efforts, the development of NGO-led response models in high-risk environments, including through greater attention to leveraging the role of local stakeholders and adaptive approaches, demands a concerted focus by the humanitarian community.
CASE STUDY:  
THE DEMOCRATIC REPUBLIC OF CONGO

THE CRISIS IN DRC
The Democratic Republic of the Congo has just passed the 20th year of the gravest humanitarian emergency the world has ever known. Since 1994, 5.4 million persons have died, and more than 2.6 million people have been displaced. At least $6.5 billion dollars has been spent on humanitarian aid in the Northeast alone.¹ The international community continues to struggle to respond to a complex and changing environment in which it’s trying to protect civilians, alleviate human suffering and facilitate sustainable recovery amid ongoing multiparty armed conflict. While the primary drivers of this chronic crisis are political, economic and natural resource based, the humanitarian response is also at fault for missing opportunities to better analyze conflict trends and community coping mechanisms to capitalize on opportunities to build community resilience to recurrent shocks.

This case study provides a reflective overview of the humanitarian response to protracted displacement in North Kivu through the lens of the water, sanitation and hygiene response. It delves into four structural, system-wide challenges that prevent humanitarian organizations from supporting best practice resilience-building efforts and provides concrete recommendations to address them.

CONTEXT: SITUATING CHRONIC WATER, SANITATION AND HYGIENE NEEDS WITHIN THE DRC CRISIS

Eastern Congo has been embroiled in conflict since 1994. A combination of persistent, multi-actor armed conflict, forced and prolonged mass displacements of civilians, recurrent epidemics and absent civilian governance authority or service delivery across the country has created a chronically insecure and hostile environment. This context has created particularly high levels of chronic vulnerability in the Northeast of the country, particularly among the population of the Kivus.

One of the most life-threatening ramifications of this crisis, like many, is its impact on civilian access to safe water. Decades of conflict here have forced people to flee their homes time and time again, and many of those families eventually end up in Goma—the capital of North Kivu Province—seeking safety. But the city sits at the base of a volcano, which erupted in 2002 and destroyed most of the local water system—leaving hundreds of thousands of people with little or no access to clean water.

Right now, three-quarters of the total population of DRC—a total of 51 million people—have no access to potable drinking water. These communities are extraordinarily vulnerable to communicable diseases such as cholera, diarrhea and respiratory infections. The situation is exacerbated by abject poverty, tensions and years of underspending on infrastructure and the health system.

DRC also has one of the fastest urban growth rates in the world at 4.5 percent. The majority of the 2.6 million (plus) conflict-affected internally displaced persons have fled the countryside in search of perceived and relative safety in urban centers. Cities along Congo’s eastern border have been particularly affected by this convergence of shocks. The population of Goma, for example, has quadrupled during the past 20 years, while the country itself is currently home to an ever-increasing number of urban inhabitants.

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4 Considering the history of North Kivu Province, it is important to bear in mind two points: (1) the roots of the current conflict stretch beyond the past two decades, and (2) interrelated internal and external causes are the outcomes of historical events. See: Autesserre, Séverine. (2008). The Trouble with Congo, Foreign Affairs.
During the past four years, the provision of water to IDPs living inside of camps has exacerbated tensions between IDPs and host communities. Under humanitarian law, water provision to conflict-affected IDPs is required to be free. Residents not classified as IDPs, however, have to pay for water. As the rapid pace of urbanization has not been matched by infrastructure and service delivery investments, water is one of the most expensive commodities inside of DRC.

According to research by Mercy Corps, World Vision, Search for Common Ground and The Fond Social, host communities say that after two decades of conflict, they feel just as conflict affected as IDPs. Yet they do not receive assistance from the international community due to existing targeting and vulnerability tools used by international nongovernmental organizations. This has fueled resentment, tension and at times violence between host and IDP communities and a sense of disenchantment with international humanitarian action.

**MERCY CORPS’ RESPONSE**

Mercy Corps began operations in DRC in 2008, with the goal of graduating emergency water/sanitation programming into a comprehensive water system that could be sustained by local communities. By 2008, after more than a decade of conflict, patterns of displacement and violence in the Kivus had become—relatively—predictable. Violence between armed groups continued, but trajectories of displacement could be broadly anticipated: the vast majority of civilians fleeing violence would seek refuge in peri-urban or urban centers that they believe can provide safety, social networks and more sustainable services than rural areas. Of those moving into urban or peri-urban areas, roughly 70 percent were moving into host communities. Yet the vast majority of international aid was being targeted to serve IDPs living inside of camps.

Mercy Corps thus adopted a two-pronged approach for water provision in eastern Congo: providing immediate emergency relief to still-underserved IDP communities while initiating development activities for host communities designed to reduce the risk of future conflict, lessen the impact of the current crisis and set the stage for recovery and development.

**Meeting Basic Needs**

Since 2008, Mercy Corps has managed dozens of water provision systems across 35 IDP camps, serving up to 250,000 IDPs across North Kivu. In addition, Mercy Corps is working with community health advocates to promote good hygiene practices and constructing latrines and showers to ensure these practices are put into use.

**Coupling Emergency Interventions with Development Action**

With support from USAID’s Office of Food for Peace and the European Commission, Mercy Corps began rebuilding Goma’s water network to connect hundreds of thousands of residents and host communities to this. Partnering with the local and national government, and hiring local workers, Mercy Corps renovated Goma’s crippled water network to connect hundreds of thousands of residents to this vital resource.

The new system pumps water from Lake Kivu to several reservoirs that store and treat the water. To get the water to Goma’s residents, Mercy Corps’ team repaired and constructed miles of pipeline in the lava rock and built tap stands throughout the city’s neighborhoods. Communities can now access water through one of 50 water points—each with four taps—located throughout Goma. For local families, this means the critical chore of gathering water now takes minutes instead of hours.

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5 It is still true that some civilians, but not the majority, choose to find refuge in the forest.
Mercy Corps then synced up with a World Bank public enterprise reform program and leveraged funding from the European Commission, Department for International Development and Vitol to advance the next phase of the transition process. With a six-year grant from DFID, Mercy Corps now has partnered with the Congolese parastatal water utility company Regideso to start to permanently shift management of the system (the Goma Water Network) to an independent operator by brokering a service management agreement with Regideso. To date—slightly more than a year and a half into the program—GWN is providing water to more than 100,000 Congolese daily on a pay-per-use and nonsubsidized basis. Families buying water through GWN are paying on average four times less per liter of water than they paid during the past decade.

**With a six-year grant from DFID, Mercy Corps now has partnered with the Congolese parastatal water utility company Regideso to start to permanently shift management of the system (the Goma Water Network) to an independent operator by brokering a service management agreement with Regideso.**

Mercy Corps will spend the next four years enhancing the capacity of GWN to sustainably manage the water system, with the goal of enabling the Goma water system to serve 1.55 million people in two major cities by 2019. If implemented according to plan, the investment cost of this permanent water solution should continue to be $1 per beneficiary per year, which is factored into the price of the water sold. In contrast, all things being equal, the equivalent cost of providing water to IDPs under recurrent humanitarian interventions is double the cost and has no inbuilt cost-recovery potential. While cost recovery is not possible in certain situations, transitioning to sustainable service delivery in many urban and peri-urban areas is appropriate and desirable and could save humanitarian donors hundreds of millions of dollars each year if adopted.

It is hoped that this streamlined, consolidated and effective management of water supply by legitimate public-private municipal actors will begin to shift governing responsibilities back to local authorities and civil-society-based organizations—working to strengthen citizen-state relations. Important to note, host communities, especially those living close to IDP camps, appreciated the investment and durable solution that were provided, as they reduced the burden of new influxes of IDPs, which eased tensions. In theory, the Goma water system will be better suited to absorb and adapt to IDP (re) settlements and urban growth.
WHAT HAS CONSTRAINED EFFORTS TO GO TO SCALE OR BUILD RESILIENCE?

Building an evidence base to convince donors to invest in this type of mixed humanitarian and development model in the context of ongoing armed conflict was difficult and took time. Often Mercy Corps staff felt as if they were working against the grain of the mainstream humanitarian architecture—fighting back against institutional humanitarian incentives that encouraged short-term, direct delivery programs. Mercy Corps encountered four major challenges in trying to apply a resilience lens, or take a development approach, to humanitarian programming, namely, the following:

**Humanitarian planning processes, funding and implementation suffer from weak conflict analysis.**

Few humanitarian planning frameworks take conflict into meaningful consideration. The “need for speed” imperative of humanitarian programming has meant that weak analysis has informed humanitarian program design and implementation. However, throughout this two-decades-long humanitarian response in the Kivus, very poor conflict analysis has been conducted by humanitarian actors, and Do No Harm principles have been implemented halfheartedly.

Analysis and upstream program planning around population movements are a primary example. The Congolese government—backed by regional governments, the United Nations peacekeeping force and the international community—has been waging a progressive military campaign to defeat a variety of non-state actors throughout the Kivus. Patterns of population movements in the Kivus are—relatively—predictable. Civilians in areas of active conflict almost always migrate to peri-urban and urban areas in search of refuge, social networks and perceived safety.

*Every civilian in the Kivus has been adversely affected by the decades-long crisis. More than 70 percent of IDPs in DRC are supported by host communities or host families. Yet the vast majority of humanitarian dollars during the past 20 years have gone to support IDPs in camps.*

These movements should be categorized from a conflict analysis perspective as predictable, recurring phenomena that we can anticipate—similar to the approach of the disaster risk reduction or climate change adaptation community’s efforts to proactively categorize shocks. But this is not happening. As humanitarians are frequently focused on the emergency, lifesaving task at hand, they have struggled to design policies and programs that would support absorptive capacity of public service provision systems in areas likely to receive either IDPs or returnees.

**Humanitarian targeting tools disproportionately focus on measuring the needs of IDPs, at the human or household level, and fail to include the needs of host communities. They also fail to capture the vulnerabilities and adaptive capacities of public service systems on which communities depend.**

Every civilian in the Kivus has been adversely affected by the decades-long crisis. More than 70 percent of IDPs in DRC are supported by host communities or host families. Yet the vast majority of humanitarian dollars during the past 20 years have gone to support IDPs in camps. This is primarily due to the fact that prevailing vulnerability and capacity-targeting tools, accepted as standard practice by donors, evaluate only IDPs in camps. But by ignoring host communities, humanitarian assistance has inadvertently contributed to divisions and tensions between host communities and IDPs. In so doing, this method of assistance has in some cases hardened divisions between different ethnic communities and at times has stoked additional violence.
Recurrent, short-term funding streams renewed time and time again to address repeated humanitarian crises—such as disease outbreaks—are rarely complemented by longer-term programming to facilitate the move into early recovery.

Short-term, emergency funding mechanisms with restricted time frames (i.e., three- to 12-month grants) and narrow lifesaving objectives do not allow for long-term thinking, or programming, to address the root causes of conflict or promote sustainable livelihoods. Their benchmarks for success are almost solely quantitative: measured by how many people they can serve in the shortest amount of time with the least amount of financial resources.

The humanitarian coordination system in DRC—the cluster system—has had the unintended consequence of perpetuating this narrow, response-oriented operational trap. As each cluster is mandated to diffuse crises within its respective sector, few structural incentives or leadership efforts exist to steer the humanitarian community toward early recovery or resilience building—or, effectively, to solve problems.

Few funding mechanisms are available to INGOs and CSOs to address the root and new causes of chronic vulnerability, namely, intercommunal violence and land issues.

When Mercy Corps’ beneficiaries were interviewed about where they’d like the international community to focus its energies, these people said their priorities were land issues, corruption and intercommunal grievances. Yet very few donors or INGOs are working on these issues in the Kivus. At the same time, institutional-level efforts in Kinshasa are not affecting the lives of ordinary civilians.

Among those most central to the future of development in DRC is conflict about land and control of resources. These range from disputes between communities or armed groups about fertile or mineral-rich areas to disputes between neighboring individuals about the boundaries that separate their farms or homes. Following the collapse of the Mobutu regime and the start of the current conflict, disputes about land primarily revolved around competing party claims about their right to land. Parties would often accuse their counterparts of having obtained the land through coercion or injustice. With lack of legal clarity, access to grievance mechanisms, and weak governing authorities at the local, municipal and national level, today’s disputes are resolved mostly by violent, extrajudicial means.

The humanitarian community has done little to address this issue head on—for, principally, good cause. In the context of a 20-year humanitarian footprint, in which INGOs are very much system actors, we must reorient our capacities to support community-led processes to nonviolently manage these grievances and strengthen connections between governance investments in Kinshasa and burgeoning local and municipal governance authorities.

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7 These disputes can trace their origins to the policies of the Belgian colonial system and the subsequent Mobutu regime. The former facilitated the original mass migration of people from neighboring Rwanda into present-day DRC, and the latter exploited the new arrivals, by, at various times, either granting them favor or treating them as scapegoats.
RECOMMENDATIONS

Ensuring decisive reforms to improve humanitarian effectiveness in chronic crises such as that in DRC should be a clear benchmark of success for the 2016 World Humanitarian Summit. Mercy Corps recommends the following immediate priority recommendations:

Increase support for integrated, multisector programs that reduce conflict, ensure protection and advance resilience.

Competition over increasingly scarce resources, in the context of rapid urbanization and heated contestations over land rights, will continue to increase throughout DRC. A key concern of many emergency response professionals is that any conflict management programming will compromise the agency’s neutrality, reducing its effectiveness and potentially placing its team at risk. However, conflict management approaches are critical in helping humanitarians seize moments of opportunity to prevent the spread of violence and corresponding human suffering that would likely warrant a future emergency intervention.

Beyond DRC, violent conflict is a defining characteristic of today’s complex humanitarian emergencies—globally.\(^8\) A majority of the world’s poorest people now live in conflict-affected areas, and conflict is the leading cause of reduced resilience and social cohesion.\(^9\) Donors must increase the diversity, size and availability of conflict mitigation and peace-building tools, including—where appropriate—increased multi-year peace-building funding, integrated conflict streams into multisector programs and rapidly available surge and stabilization funding streams.

Increase research and learning budgets in program agreements to ensure conflict-smart programming, and institutionalize real-time beneficiary feedback loops.

Context analysis is key to understanding what is possible in a complex humanitarian emergency. It is important to emphasize that the context analysis, along with an understanding of organizational mandate and positioning, will inform the scale and scope of possible conflict approaches. Moreover, to respond more nimbly and appropriately to community priorities and perceptions of need, humanitarian budgets must include specific carve outs for iterative research and learning. Real-time assessments and data analysis—paired with adaptive management structures—can help humanitarians break through rigidity obstacles and tailor interventions more suited to local demands.

Revise vulnerability and capability assessment tools to capture the drivers of vulnerability, and the absorptive and adaptive capacities of IDPs, host communities, and the systems that serve them—not just IDPs.

Humanitarian targeting criteria in chronic contexts should be reformed to focus on the drivers of vulnerability, and assess both human and system needs in order to support a shift to resilience programming approaches. In the context of DRC, needs should be assessed simultaneously in areas of both displacement and potential settlement so as to give affected populations the knowledge and the option to invest in longer-term solutions in a context of chronic crisis. Better distinguishing between chronic and acute needs is an important place to start.

 Normalize multiyear, multisector programs in the Northeast that couple humanitarian and development interventions.

Advancing community resilience requires time, flexibility and adaptability. Without structural incentives and appropriate funding streams that support resilience-building programs, recurrent emergency-only interventions

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\(^8\) This is true not just for Mercy Corps. Conflict-affected, post-conflict or fragile countries receive more than half of U.S. foreign assistance. See http://pdf.usaid.gov/pdf_docs/pnady739.pdf.

\(^9\) As the 2011 World Development Report on Conflict, Security and Development (http://web.worldbank.org/WEBSITE/EXTERNAL/EXTDEC/EXTERESEARCH/EXTWDRS/0,,contentMDK:23292415-pagePK:4780934-pagePK:477627-theSitePK:477624,00.html) revealed, one in four people live in areas affected by repeated cycles of political and criminal violence. People in fragile and conflicted-affected situations are more than twice as likely to be undernourished as those in other developing countries, more than three times as likely to be unable to send their children to school, twice as likely to see their children die before age five and more than twice as likely to lack clean water. Half of all child deaths occur in conflict-affected areas.
can perpetuate and entrench protracted crises. Multiyear, multisector programs should become the norm in DRC, with a focus on sectors that span emergency, livelihood and security needs, such as food security; water, sanitation and hygiene and nutrition. Flexible budget lines should be built into grant agreements to allow data-driven program adaptation throughout the program cycle.

Adapt monitoring and evaluation frameworks to support systems thinking, linking community-level evaluations with institutional or governance-related evaluations.

The indicators for success in the humanitarian setting continue to favor quantitative, material deliverables at the household level (i.e., the number of liters of water delivered to x households over y amount of time). These indicators are impact blind. They condition implementers to focus on compliance requirements regardless of whether they support positive coping mechanisms or transformative community-policy changes for the communities they serve. Mercy Corps recommends a shift away from compliance-oriented indicators and toward impact indicators that focus on fewer but more meaningful outcomes. Indicators should measure changes in the adaptive, absorptive and transformational capacity of both communities and the systems within which they live. Post-program evaluations will be critical to measuring the type of impact sought.

CONCLUSION

In the fall of 2014, the humanitarian community began consultations with the government and in camps around “durable solutions” (i.e., returns, integration and relocation). Improving the absorption capacity of public service provision systems in areas of potential settlement will be critical to ensuring that vulnerabilities and tensions are not created or exacerbated with the arrival of new residents and that IDPs find sustainable options to access services, safety and livelihoods.

The humanitarian community now broadly agrees on the importance of reinforcing self-sufficiency strategies. In particular it supports promoting access to income-generating activities to enable conflict-affected populations to both meet their food security needs and independently maintain and manage basic services, especially water, sanitation and hygiene systems. Achieving this in the context of DRC requires commitments by all relevant actors—namely donors—to reorient the goals, funding streams, aspirations and success criteria of the response to support a transition to systems planning and development.

Implementing these changes in DRC, rigorously testing and reevaluating these theories and incorporating lessons learned when designing new humanitarian interventions will be critical to upholding our humanitarian commitments to efficiently and effectively alleviate human suffering.
CASE STUDY: UGANDA

NATURE OF THE CRISIS
For 50 years, northern Uganda has been a place of perennial crisis. Decades of insecurity, a shortage of investment, bad infrastructure and, particularly in arid Karamoja, extreme climate variability have conspired to frustrate development, undermine progress and keep many Ugandans perpetually vulnerable. The next crisis always lurks around the corner. While today security is much improved, opening a window of opportunity, building resilience continues to elude development practitioners and their programs. As Mercy Corps has found, through its market development work in the Acholi and Karamoja sub-regions, even where programs are successful in achieving gains, they may not make communities any less vulnerable. Increasingly, it appears that one-off, single-sector development programs are unlikely to build the resilience of beneficiary communities to cycles of crisis that underpin and exacerbate chronic vulnerability. To build resilience, we need to adopt a broader, multi-actor and multi-sectoral approach. Failing that, our efforts are unlikely to be sustainable—and may, in some cases, introduce new, unintended vulnerabilities.

For too long, northern Uganda was the poster child for political and economic collapse. The Acholi subregion, which occupies the northern center of the country, was at the center of a decades-long civil war. The brutal incursions of the Lord’s Resistance Army, intertribal conflicts and crackdowns by government forces resulted in a severe and prolonged humanitarian crisis: more than 100,000 people killed, more than 20,000 children abducted, more than 1.5 million people displaced. Internally displaced persons were, under the watch of Ugandan...
military forces, uprooted and relocated to vast camps, disrupting livelihoods and education and killing thousands: epidemics of malaria and AIDS made the camps themselves some of the deadliest places in the world.\(^1\)

Meanwhile, to the east, the neighboring Karamoja sub-region’s 1.2 million people consistently register the lowest, among Ugandans, on human development indicators. Since the 1960s, Karamoja has been a net food purchaser and a recipient of food aid.\(^2\) Moreover, the sub-region’s climate woes are biblical: a severe drought struck in 2006, followed by another dry season and flooding in 2007, with 2008 bringing little rain. The combination of shock after degrading shock left nearly a million people in need of emergency relief in 2009. The ability of Karamoja’s people to withstand these shocks has been undermined by years of chronic insecurity, intertribal struggles, the impoverishing rise of professional cattle raiding and military disarmament campaigns.

Today, northern Uganda is no longer a place of perpetual emergency. The Lord’s Resistance Army largely withdrew from Acholiland by 2006. The IDP camps closed, and throughout the north, Ugandans returned to looted villages and farms to start again. Similarly, in Karamoja, years of chronic insecurity largely abated. While government disarmament campaigns were the subject of much criticism, they, along with regional branding campaigns, helped sharply reduce cattle raids and cross-border smuggling.

Nevertheless, achieving progress in development has proved complicated. Poverty and food insecurity are chronic and widespread. The agricultural sector is badly underdeveloped. In Acholiland, for instance, a generation raised in IDP camps lacks basic knowledge about how to cultivate crops, much less the tools to do so. Meanwhile, climate fluctuations and unpredictable weather plague farmers and pastoralists alike. The lack of veterinary care undermines the herds. Pests eat up crops; otherwise, poor storage, after harvest, may spoil the farmer’s labor. A dearth of financial services and lack of capital—or crippling terms—are among the biggest challenges to growth. Interest rates run 25 percent annually or higher.\(^3\) Distant villages remain isolated from larger markets by poor roads. Transportation is expensive and slow, exaggerating distances, particularly during the rainy season; inflating the cost of food and driving poverty and insecurity.\(^4\)

**MERCY CORPS’ RESPONSE**

Mercy Corps’ market facilitation programs in northern Uganda are committed to expanding economic opportunity for the poor. In Acholiland, the Revitalizing Agricultural Incomes in New Markets program, funded by the US Department of Agriculture and the Wal-Mart Foundation, seeks to improve food security and economic growth in target areas through a focus on the agricultural sector. In Karamoja, the Growth, Health and Governance program, a five-year Development Food Assistance Program funded by the United States Agency for International Development Food for Peace program, focuses on expanding economic opportunity, promoting maternal and child health, boosting nutrition and improving governance.

Rather than provide direct services, facilitation can create market-oriented opportunities for the poor that are more sustainable and more cost-effective.

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3. Ladwong Farming Limited, a mechanized tillage company and Mercy Corps partner, reported that a two-year tractor loan required a 50 percent down payment and an annual interest rate of 45 percent.
4. Isolation from markets has vital implications for resilience. Mercy Corps and TANGO International, in a study of household resilience in southern Somalia, found that access to markets was a key contributor to resilience: in the midst of a shock, households with access to markets had more opportunities to buy food and were less likely to rely on negative coping strategies. Mercy Corps and TANGO, “What Really Matters for Resilience,” last modified October 2013, http://www.mercycorps.org/sites/default/files/WhatReallyMattersForResilienceSomaliaNov2013_0.pdf
Both RAIN and GHG utilize a “light touch” market facilitation approach. Rather than build new systems, the programs work to expand existing capacities: marshaling networks of public and private actors, framing opportunities, shaping incentives. Rather than provide direct services, facilitation can create market-oriented opportunities for the poor that are more sustainable and more cost-effective.

For example, loan guarantees to financial institutions have expanded financing to high-risk individuals with little or no collateral. And developing networks of commercial actors have expanded value chains. By linking village-level commercial agents to outside suppliers, Mercy Corps’ programs have facilitated the introduction of efficiency-enhancing inputs: improved seeds, pesticides, mechanized tillage services and improved livestock health services. These are improving productivity.

By aggregating supplies for external buyers, these agent networks are also opening new markets for smallholder farmers. Historically, northern Uganda was too chaotic and disorganized for most private-sector actors to take the risk. In many communities, there was no centralized market where an outside purchaser could inspect and purchase local agricultural produce. Going farm to farm, meanwhile, would be overly time consuming. Early on, Mercy Corps partnered with local communities to build storage facilities: participating farmers could safely store their produce, which would protect it from incidental damage, while also serving as a bulking center for external purchasers. These storage facilities, combined with Mercy Corps’ networks of local partners, have provided entry points: agents could organize local harvests; agricultural produce could be cleaned, bagged and stored in a single place and external buyers could efficiently access markets that previously had been scattered among dozens or hundreds of smallholder farms. This all drove down the cost of doing business. By aggregating supply, Mercy Corps could more easily pitch large agricultural companies on the commercial appeal of the north.

**GADCO’s investment helped catalyze a sesame boom: from 2012 to 2014, the price of sesame more than doubled.**

Today, investment is following opportunity. A high global price for sesame, paired with Mercy Corps’ facilitative work, encouraged the Gulu Agricultural Development Company, a large Uganda agro company, to court smallholder farmers as suppliers. Eager to ensure a consistent, high-quality supply of sesame, GADCO offered pricing guarantees to participating farmers. These contract farming arrangements encourage investments by both sides. Farmers, confident of a return, expanded planting and invested more resources in sesame production. GADCO provided communities with training and equipment, like tarpaulins, to ensure quality postharvest handling. Now, financial institutions that have partnered with Mercy Corps—local savings and credit cooperatives, for example, and Post Bank, a large regional financial institution—are collaborating with GADCO to provide tailored financial products to farmers to encourage saving and investment.
GADCO’s investment helped catalyze a sesame boom: from 2012 to 2014, the price of sesame more than doubled.\(^5\) Market access has expanded. Northern Uganda, once a quiet backwater, is participating in international commerce: seeds grown on smallholder farms in rural Uganda are ending up on buns in Germany and the Netherlands.

Leveraging competition to drive growth is vital to market development. Once GADCO started aggressively purchasing sesame, its competitors crowded in: Yield Uganda, Export Trade Group and Olam Group started purchasing sesame. Meanwhile, another agricultural company, SAGE Uganda Company, weighing the untapped agricultural opportunities in the North, entered the market to buy chia, a new cash crop.

This approach is also proving effective in Karamoja. Improving animal health for the region’s pastoralists—through the increased availability of vaccines, drugs and veterinary care—is a focus of GHG. On the basis of Mercy Corps pitches to drug suppliers, Norbrook, a global veterinary company, entered the Karamoja market, offering free drug delivery and credit to local drug distributors. As of December, Norbrook had shipped 6.5 million UGX worth of drugs (approximately US$2,275) to Karamoja. Offering wholesale drug prices to vet shops reduced prices for the end user: for instance, the Jie Community Animal Health Workers Association in Kotido cut prices 20 to 30 percent. And after Norbrook entered the Karamoja market, drug supply companies Cooper Uganda and Eram Uganda also started to supply pharmaceuticals to regional distributors.

**THE BOONS OF MARKET FACILITATION**

A facilitative approach takes time and flexibility. RAIN started in 2011, and it took several years to pilot and refine its programs, identify market constraints, build partnerships, demonstrate economic opportunities, assist actors in overcoming perceived risks and, ultimately, help farmers and communities capitalize. Now, the program’s efforts are paying off. Across its program areas, RAIN has been associated with a striking increase in income and productivity. For approximately 36,000 households in the North, annual incomes increased, on average, by 90 percent, from approximately US$400 to US$730, or from a tad more than a dollar a day to two dollars a day.\(^6\) By capitalizing on—and extending—the sesame boom, by growing links to markets and improving inputs, a market development has catalyzed new wealth in northern Uganda.

A distinct but related measure of development is the cultivation of new farmland. Families who once planted two acres are now planting twice or three times that. According to RAIN survey data from 2014, Acholi farmers reported opening 4.5 acres of new land. The average farm size is now roughly 6.5 acres, and crop yields have, on average, improved 63 percent.\(^7\)

**THE SHORTCOMINGS OF A MARKET-FOCUSED APPROACH**

In northern Uganda, market facilitation has grown incomes and opportunity, prompted innovation and catalyzed measurable growth in the agricultural sector. It has not, however, improved food security.

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\(^5\) From about 2,000 UGX per kilogram to 4,320 UGX. Mercy Corps, “Mid-Term Evaluation of the Revitalizing Agricultural Incomes and New Markets (RAIN) Pro-gram,” October 2014. The final evaluation is publically available here: http://pdf.usaid.gov/pdf_docs/PA00JSRQ.pdf

\(^6\) These data are generalizable from the midterm survey.

\(^7\) Some crops have seen much bigger increases. Bean crops, for instance, which have benefited from extensive investments in improved seeds, have increased from 211 to 648 kilograms per acre. See RAIN Mid-term evaluation.
High levels of malnutrition are still evident. According to focus group discussions, this is in part due to parents’ working for long periods in potentially distant sesame fields, leaving young children on their own. The high profitability of sesame has distorted priorities, encouraging farmers to grow the cash crop and, in some cases, little else. Not enough food is being grown. And while incomes have risen, much of the money earned is neither saved nor spent on nutrition: lavish expenditures—some nonproductive and others as investments in tools and equipment—have been the bane of improving food security.

In addition, market development approaches may animate new vulnerabilities. Current farming practices, for instance, are environmentally unsustainable, exhausting the soil and leading farmers to annually migrate their fields. Rising incomes, it appears, are also spawning new conflicts. Theft is on the rise, and domestic disputes over money are increasingly common. Conflict, however, is not confined to the home. Poor land management, paired with the itinerant nature of planting, threatens to aggravate territorial feelings among neighbors. Since most land is communal, the acceleration of non-sustainable cultivation may lead to a rise in tensions about land use, triggering local disputes, the foundations of which may have been laid after years of conflict-driven displacement.\(^8\)

\[\text{In 2014, sesame accounted for 83 percent of total agricultural sales, dwarfing all other crops. In the event of a crash in global sesame prices, this could be disastrous. Farmers may find they lack enough income-earning crops and, worse, in their shift toward sesame, they have failed to grow enough food to get through a lean time.}\]

Still, the worry that nags most is that the good times will end. The income boom in Acholiland is largely fueled by spiking sesame prices, and the turbine that has dragged incomes up could very well drag them down again. In 2014, sesame accounted for 83 percent of total agricultural sales, dwarfing all other crops. In the event of a crash in global sesame prices, this could be disastrous. Farmers may find they lack enough income-earning crops and, worse, in their shift toward sesame, they have failed to grow enough food to get through a lean time.

This illustrates an apparent tension between market system development and resilience approaches. Market-oriented investments enhance efficiency and, by extension, specialization, whereas resilience focuses on reducing exposure to risk.\(^9\) Market development may expose households and communities to new cycles of boom and bust, price and income fluctuations, environmental degradation and social and cultural change.

Nevertheless, market-oriented approaches are vital to building resilience. In the case of northern Uganda, by providing farmers and other market actors with skills and access to information, programs can inform decisions that mitigate risk. In the case of the sesame boom, Mercy Corps’ programs are now working to educate farmers about the importance of diversifying incomes, the value of savings and the necessity of sustainability. Market development, particularly in crisis-prone areas, must take the short and the long view. Failing that, even where programs grow incomes, they will not be sufficient to address recurring vulnerability.

\[\text{\footnotesize 8 Throughout northern Uganda, land conflicts historically fell under the purview of the customary authorities: councils of elders, such as Karamoja’s akiriket, who are now much diminished by decades of conflict and the growth of the formal state.}\]

TOWARD TRANSFORMATION? BRIDGING RELIEF AND RESILIENCE

Vulnerability is complex and multilevel, a product of intersecting pressures. Single-sector economic development efforts are, on their own, poorly positioned to tackle the social, political and ecological sources of crisis. Climate variability, poor infrastructure, sluggish regulation: these are among the most pernicious drivers of underdevelopment in northern Uganda today, and blunting their impacts is vital to building resilience.

After all, expanding supply chains and building market linkages will mean little if, during the annual rainy season, the roads are flooded and goods can’t get to market or if poor regulation routinely undermines investment: when government-certified produce scales in the village are tampered with, for example, or when legitimate drug suppliers are squeezed by a black market in smuggled and expired drugs that Uganda’s National Drug Authority has, to date, been unable to police. Ultimately, building resilience requires a coherent approach that integrates donor and NGO efforts into regional, government-led development plans.

But building resilience also requires that development actors closely coordinate with their colleagues in emergency relief. This is particularly evident in Karamoja, where chronic vulnerability periodically erupts into a humanitarian crisis, interrupting development efforts and, worse, undermining the incentives of local community partners.

The deeply rooted challenge of aid dependency, in particular, is a serious obstacle to progress. Emergency assistance is vital in the aftermath of a crisis, but when relief efforts are not appropriately sequenced with development, aid can threaten the development enterprise. One-off handouts have helped few graduate from direct assistance, but cycles of relief have choked off commercial investments that would sustainably address need. When farmers know their loans are financed by international aid, they may strategically default, knowing there will be no consequences. Expanding veterinary drug availability among pastoralists will not be sustainable if some actors provide those drugs for free, or if local politicians, eager to score points among the electorate, demand they be provided at no expense to the beneficiary.

Undoubtedly, emergency aid will be needed in the future: in Karamoja, a humanitarian crisis is just a dry season away. But balancing emergency aid, when needed, with a holistic, long-term development strategy will be necessary to ensure that vulnerability diminishes over time.

This points to the need for an inclusive, multilevel approach by a range of actors across the relief and development continuum: NGOs, donors, the private sector and, critically, local, regional and national governments. To date, the focus too often has been on single-sector, piecemeal programs funded and implemented by various players, in isolation of one another. But as our experience in Uganda underscores, a more coherent approach is necessary to ensure that efforts are mutually reinforcing and, taken together, will build resilience to crisis in some of the world’s poorest and most vulnerable communities. When development gains are rooted in a resilience framework, there eventually will be less need for emergency assistance in the aftermath of crisis. Rather, government, the private

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10 The UN World Food Program has supplied food aid to Karamoja for more than 40 years, but it is significantly scaling back, weaning the region of food subsidies. From 2009 to 2012, WFP beneficiaries in Karamoja dropped from 1 million to less than 150,000. “Uganda: Weaning Karamoja off Food Aid,” IRIN, August 9, 2012, http://www.irinnews.org/report/96065/uganda-weaning-karamoja-off-food-aid; see also Kim Beevers, “Economic Market Systems Overview, Karamoja,” BRACED Assessment, July 2014.
sector and local communities will have the inherent skills and capacities to adapt, absorb the shock and continue along with the development pathway. Partnering with local actors to improve their ability to respond independently to crisis is the purpose of development: if we’re not putting ourselves out of work, we’re not doing our job.

**RECOMMENDATIONS**

Initiate multi-year, multi-sector programs earlier in a crisis response.
Resist institutional interests that perpetuate “humanitarian” and “development” silos. Humanitarian and development actors have worked in northern Uganda for fifty years. This is nothing to celebrate. Short-term, piecemeal efforts will not build resilience to crisis. Rather, multiyear, multisector programs must become the norm for complex interventions. They should be rooted in robust assessments of risk that span economic, ecological and social systems. Programs also need the time and space build the capacity and knowledge of local staff, earn community trust, and adapt in the face of unexpected challenges. Too much is lost in the gap between one program closing and another opening its doors. To that end, programs should be, at a minimum, five years in length.

Anchor resilience programming in government-led development platforms.
One of the biggest challenges facing development actors in northern Uganda is incorporating a resilience framework into national and regional government planning. Specifically, donors must align their regional strategies with government planning documents to ensure that resources are properly allocated and their impact is maximized. While donors and NGOs may bring valuable functional expertise, government regulation and infrastructure is vital to achieving sustainable development outcomes.

Prioritize a market systems development approach.
Market systems development, utilizing a facilitation approach, is vital to good development outcomes. Using program resources to catalyze new relationships, build skills and extend services to underserved populations can be sustainable when those interventions are market-oriented and implemented through local partners. By contrast, where benefits are contingent on continued funding, programs are not building local resilience. More likely, they're contributing to long-standing problems of aid dependence that render local populations more vulnerable, not less.

To build resilience, move beyond market development alone.
While a market development approach is vital to sustainable development, it does not automatically build resilience. A market development strategy can emphasize new linkages and income opportunities that potentially increase vulnerability to some shocks. By contrast, resilience demands a diversification of risk. Any resilience building activity should increase coping and adaptive measures, which includes finding ways to diversify and protect incomes. Adding additional systems analysis and adapting market-systems interventions to consider risk can lead to gains in both incomes and resilience.

Support adaptive management approaches.
Systems are complex and respond to variables in unpredictable ways, requiring mid-stream adjustments. To this end, programs should be iterative, empowered to pilot new ideas, and able to adapt, quickly, to unforeseen challenges (or opportunities). M&E should be re-conceptualized as an internal feedback loop for management and impact, rather than a rigid measurement of quantitative outputs. Typically, donor requirements limit program flexibility: the desire for clearly defined indicators and outputs, articulated during design, tends to undermine innovative, community-led and market-driven solutions. Where possible, these constraints must be reformed.
CONCLUSION

Building resilience requires we design interventions across multiple systems: the economic, certainly, but also social and ecological systems. This explains, at least in part, why successful market development programs may achieve income gains but fail to build resilience.

Ultimately, the ability to withstand a crisis is rooted not in the household, but in the society’s collective assets: these include everything from infrastructure to relationships and human capital. When those assets are coordinated to respond to a shock, they foment the potential for “collective action,” which Frankenberger and others have identified as vital to pulling a community through a crisis.11

This points to the need for an inclusive, multi-level approach by a range of actors across the relief and development continuum: NGOs, donors, the private sector and, critically, local, regional and national governments. In northern Uganda, we are beginning to see how this might manifest through an approach that integrates across programs and systems, and which harmonizes efforts among different actors. When development gains are rooted in a resilience framework, there will be, eventually, less need for emergency assistance in the aftermath of crisis. Rather, government, the private sector and local communities will have the inherent skills and capacities to adapt, absorb the shock and continue along with the development pathway.

CASE STUDY: FINANCIAL SERVICES

CONTEXT

There are more than 2 billion people excluded from or underserved by financial services. Of them, 1 billion live on less than US$1.25 a day, relying on cash for everyday transactions and long-term use.¹ Although financial inclusion is not an end in itself but rather a means to an end, it is an essential ingredient in reducing poverty and achieving inclusive economic growth.² Studies show that when people can access a range of financial services, they are better able to start and expand businesses, manage risks and absorb financial shocks.³ Ironically, it is very expensive to be poor; yet poor and underserved populations frequently have limited financial options as they are often perceived to be high risk, with low potential for earning lenders a profit. The result is that not enough financial providers⁴ offer the needed range of flexible financial products for those who need it most, including smallholder farmers, pastoralists and micro, small and medium enterprises. Financial providers often fail to meet the actual demand for financial products by strictly operating on supply-led models that do not address the core financial needs and behaviors of poorer market segments.⁵

⁴ Financial providers is used throughout this document—unless otherwise indicated—to include banks (commercial and public), microfinance institutions, credit unions, savings and credit cooperatives, mobile network operators, leasing companies, insurance providers, post offices, savings groups and other financial providers.
At the same time, poorer clients may have limited ability to meet institutional or legal requirements. This is especially true for vulnerable populations, the unserved and the chronically underserved, who lack legal documentation, cash flow or credit histories. Culture also plays a role, including gender-based or religious restrictions that limit access to financial products not tailored to their particular needs and interests. This mismatch leaves poor households and businesses, especially those in countries plagued by frequent disaster or crisis, without access to the stepping stones that could help lead them out of generations of poverty.

**MERCY CORPS’ RESPONSE**

Mercy Corps strengthens financial systems in more than 30 countries with a wide range of financial providers, enabling resilience in the face of financial shocks for households and growing businesses. It implements programs in some of the toughest operating environments and sees them as opportunities to increase financial inclusion and build long-term economic resiliency. Mercy Corps’ approach to financial inclusion adheres to market development principles and focuses on geographies affected by conflict, natural disasters and economic and political crises.

Below are a variety of examples under four themes.

**Financial Protection to Improve the Effectiveness and Efficiency of Humanitarian Response**

When feasible, Mercy Corps provides access to affordable and appropriate risk management tools to protect against the effects of catastrophic loss due to disaster, weather, crop failure and illness. In Kenya, Mercy Corps supported the pilot of the country’s first Sharia-compliant, index-based livestock insurance in partnership with Takaful Insurance of Africa and the International Livestock Research Institute, targeting livestock owners in the agro-pastoralist Wajir region in response to ongoing drought. In the pilot, more than 600 households accessed insurance for the first time, insuring more than 10,000 livestock. In Haiti, Mercy Corps and the global reinsurance company Swiss RE cofounded the Microinsurance Catastrophe Risk Organization, a globally oriented, fully fledged commercial reinsurance company that provides microfinance borrowers an innovative blend of parametric and indemnity insurance coverage. In 2013, MiCRO released US$8.8 million of parametric and basis risk insurance payouts to more than 39,000 insured borrowers (all women), including elimination of borrower’s debt (loan balance reimbursement to Fonkoze), emergency cash payments of up to US$125 and new loans to recapitalize their businesses. Mercy Corps has supported the expansion of MiCRO product offerings into Central America starting in Guatemala, with a product to launch by the end of 2015. Mercy Corps has also facilitated the development of stand-alone and bundled insurance products (including via mobile technology) with private-sector partners in Zimbabwe targeting smallholder farmers and in Ethiopia targeting pastoralists.
Indonesia: Indonesia Liquidity Facility after Disasters

Indonesia is the most vulnerable country in the world to tsunamis and landslides and is repeatedly exposed to earthquakes and flooding. Building disaster resilience and reducing risk in Indonesia are critical, as the question is not if another disaster will occur but rather when and how bad it will be. Recognizing this ongoing cycle, Mercy Corps pioneered ILFAD in 2011 with USAID’s Office of Foreign Disaster Assistance as a proof-of-concept initiative for national governments, international donors and financial providers. ILFAD assists Indonesian financial institutions to prepare for emergencies and provide stabilizing liquidity and financial product support immediately after disasters strike. ILFAD achieves this by working to enhance the resilience of households and businesses and of the financial institutions themselves. Financial institutions are also affected by these disasters and as a result need the capacity to absorb ongoing shocks and stresses, recover operationally and financially after a disaster and adapt their business models in the face of increased and more unpredictable hazards.

ILFAD provides immediate liquidity to financial institutions. For its part, Mercy Corps helps financial institutions design a portfolio of short-term credit, savings and insurance products that, when combined, increase the absorptive and adaptive capacity of their clients. Financial institutions preapprove clients before a disaster strikes so that short-term credit products can provide immediate cash post-disaster for essential items. ILFAD savings products are also bundled with micro-insurance. In addition, ILFAD is developing Disaster Risk and Recovery insurance at the portfolio level, applying an index-based insurance scheme. To date, in Indonesia, disaster insurance using indemnity covers fire and earthquakes. Partnering with insurance companies, Mercy Corps is developing comprehensive, commercial-based disaster insurance to financial institutions and their clients that covers tsunamis, floods and volcanic eruptions. This model can be scaled without relying on humanitarian assistance. In West Sumatra, 20 financial institutions have formed a Rural Banks Disaster Preparedness Association using their own funds as an alternative solution to the creation of their own disaster liquidity account (locally driven and locally owned), which demonstrates a measure of success for risk management. Long-term success will be a market shift in the Indonesian financial services industry in which these types of risk-based investments and products are made available as a standard commercial product across Indonesia’s 10,000 microfinance institutions that will reach millions more Indonesians.

Mercy Corps recognizes that financial institutions have a wealth of information, physical networks and strong client relationships that can be leveraged in disaster and other crisis situations.

Post-Disaster Business Recovery

Mercy Corps recognizes that financial institutions have a wealth of information, physical networks and strong client relationships that can be leveraged in disaster and other crisis situations. Within the context of integrated market relief, financial institutions often have a vested interest in supporting the recovery of their clients while ensuring the health of their own companies. After several disasters, Mercy Corps has jumpstarted operations of affected businesses by placing capital in local banks to ease liquidity constraints, assisting with loan application procedures, providing individual loan guarantees, and supplementing loan monitoring to alleviate the banks’ human resource constraints. After the episodes of violence in southern Kyrgyzstan in 2010, Mercy Corps’ MFI affiliate Kompanion offered a variety of credit relief mechanisms for its clients affected by the conflict, including

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6 In Indonesia, the term MFI includes both rural banks and cooperatives.
7 Wahana Tata Insurance, Swiss Reinsurance and Japan Risk Specialist Ltd.
8 MFIs pay a membership premium of $50 and a monthly contribution fee of $25. MFIs pay 1 percent of their total deposit portfolio (within 12 months) in return for 10 times in the event of disaster.
canceling late payment penalties and offering a one-month grace period. Kompanion forgave loans and partially wrote off and restructured loans for thousands of clients; 97 percent of clients whose loans were restructured remain Kompanion clients today.9

Facilitating Cash Flows in Emergencies
In crisis environments, inflation, limited availability of goods and services and constrained cash flows can hamper household coping mechanisms. Mercy Corps recognizes that select responses to this situation can bolster long-term financial inclusion. To that end, Mercy Corps is piloting innovative methods for distributing electronic cash payments, transfers and vouchers. In the Philippines, Mercy Corps provided unconditional cash transfers to 25,000 households affected by Typhoon Haiyan and deposited them in recipients’ mobile accounts. Mercy Corps is also a founding member of the Better than Cash Alliance10 and an active contributor to the Cash Learning Partnership.

Philippines: Electronic Cash Transfers as a Pathway to Financial Inclusion
In response to Typhoon Haiyan in 2013, Mercy Corps and BPI Globe BanKO, the Philippines’ first mobile microsavings bank,11 distributed US$2.3 million in emergency cash assistance to 25,889 typhoon-affected households in the Western, Central and Eastern Visayas regions of the Philippines. Mercy Corps was able to integrate typhoon-affected households into the formal financial system through the BanKO partnership. An estimated 70 percent of Filipinos do not have regular access to bank accounts. And nearly half of those without bank accounts—more than 35 million people—live on US$2 a day or less. Following Typhoon Haiyan, 25,889 beneficiaries opened BanKO mobile-banking accounts to receive their unconditional cash transfers, providing them a safe place to save their money. Beneficiaries of the TabangKO (“my help”) program were enrolled in BanKO’s mobile savings accounts, through which they received electronic cash transfers totaling 3,950 Philippine pesos (about US$90). When local markets are functioning, sending cash is a flexible and empowering form of emergency assistance, while access to savings and immediate and longer-term credit and insurance can build disaster resilience and stimulate markets. Mercy Corps paired the cash transfers with activities aimed at promoting the uptake of formal digital financial services with the intention of building resilience to future disasters. Mercy Corps’ research12 found that during and after the disaster, access to financial services through existing savings or short-term loans can provide rapid access to needed cash and in the recovery phase restore livelihoods and diversify options for different income streams for more resilient livelihoods.

An estimated 70 percent of Filipinos do not have regular access to bank accounts. And nearly half of those without bank accounts—more than 35 million people—live on US$2 a day or less.

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9 Kompanion, a community development financial institution specializing in group lending, employs more than 1,000 staff, has 94 branches and is Kyrgyzstan’s largest MFI with more than 115,000 clients nationwide.

10 See www.betterthancash.org.

11 Mercy Corps’ partnership with BanKO began in 2009, prior to BanKO’s 2011 launch. Through external funds from the Bill & Melinda Gates Foundation, Mercy Corps served as technical assistance provider to build the original BanKO business model and provided strategic subsidies for marketing costs and to purchase the initial technology infrastructure.

12 See www.mercycorps.org/research-resources/do-financial-services-build-disaster-resilience.
Mercy Corps’ experience in the Philippines showed that when it transferred cash to households in one lump sum (in this case, about US$89), households were more likely to invest in productive assets such as small livestock (e.g., chickens, pigs and goats) than when it delivered the same amount of money in three smaller payments. These animal assets supported household recovery by providing additional sources of food and cash. Important to note, the families who received the money in one lump transfer and who invested more in small livestock were also able to meet their immediate needs—food, transportation, school fees and so forth—as well as the families who received the three smaller payments.

Under the program, BanKO launched a livelihoods loan product, which has built-in one-year insurance coverage, among both TabangKO recipients and a wider Haiyan-affected population. BanKO has committed to develop and market similar loan products for disaster-affected households. Mercy Corps and BanKO were awarded GSMA’s 2015 Global Mobile Award for the best use of mobile technology in an emergency or humanitarian situation.13

Access to Formal Financial Products in Slow-onset and Chronic Humanitarian Crises

Mercy Corps facilitates linkages with financial providers for targeted product development. In Nepal, Mercy Corps’ portfolio of financial inclusion initiatives has facilitated access to financial services for more than 100,000 Nepalese households, benefitting 440,000 people, the majority of them women. By 2017, it will reach an additional 715,000 Nepalese (162,500 households). Through smart subsidies, mobile platforms and appropriate product development, Mercy Corps has established 27 new bank and MFI branches in remote districts of Nepal. In return, these financial institutions have injected US$15.2 million in capital into rural Nepali households.

Islamic Financing in Ethiopia

To date, humanitarian disasters and the subsequent humanitarian aid that follows these disasters has failed to make Ethiopians more resilient to sudden shocks. One of the key factors affecting household resilience in Ethiopia is low levels of access to financial services. Only 14 percent of the adult population has access to formal credit and savings products, a rate that drops to 1 percent in rural areas. Financial providers cluster in cities, leaving rural areas underserved. Ethiopia’s Muslim population is larger than that of Saudi Arabia, Syria or Yemen; yet this population has been significantly underserved by the financial sector both by lack of local access to conventional banking products and, until recently, by the unavailability of Islamic-compliant financial services.

Mercy Corps has taken a broader, systems-level approach to increasing Islamic financial services in Ethiopia. In 2013, Mercy Corps supported the launch of the first provider of Islamic-compliant microfinance services in the country—offering loans, savings and money transfers for micro, small and medium enterprises. The Somali Microfinance Institution now has 16 branches and more than 7,000 active clients, with aggressive expansion plans for the future.

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In early 2015, Mercy Corps partnered with a mobile money company to launch the country’s first commercial mobile banking service. Within three months, 1,800 accounts were opened through 19 agents. In April 2015, Mercy Corps received government approval to expand the agent network to 4,000 mobile agents. This will allow up to 1.1 million Ethiopians in the Somali region to access financial services, primarily pastoralists who are hardest hit by sudden shocks and stresses.

WHAT HAS CONSTRAINED EFFORTS TO GO TO SCALE OR BUILD RESILIENCE?

Across the globe, financial losses from chronic and acute crises and disasters are on the rise, having reached an average of US$165 billion per year during the past 10 years. In response, national governments and international donors face pressure to draw funding away from basic public services or to divert funds from development programs to react to frequent humanitarian emergencies due to lack of existing infrastructure and regulations that could ease access to financial products and risk mitigation measures post-emergency. Lack of access to financial services reduces the ability to cope with future shocks and stresses and increases the need for ongoing humanitarian aid.

Lack of Tailored Financial Products and Services

It is common for humanitarian actors to apply a one-size-fits-all approach to financial services, which excludes vulnerable populations and does not meet the financial needs of the targeted populations. Mercy Corps promotes market segmentation of clients to understand the demand of current and potential clients as well as their ability to engage with financial providers. This is often done through market segment profiles so Mercy Corps can understand which interventions are appropriate or applicable to different clients based on various factors (age, gender, income levels, type of employment, collateral available, repayment capacities and religious considerations). As in Mercy Corps’ ILFAD example, international nongovernmental organizations and other humanitarian actors have the opportunity to work with and invest in financial institutions pre-disaster to develop appropriate response mechanisms such as insurance products, easy-to-access savings and cash flow loans. When donors and humanitarian actors segregate funds for emergency responses and development interventions, they ignore the fact that many countries face reoccurring acute and chronic crises and require a mixture of interventions that can adapt to the environment.

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15 Mercy Corps also looks at different types of employment—formal salaried, informal salaried, seasonal and entrepreneurial.
Overuse of Unsustainable Subsidies That Distort Markets
Shortsighted and unsustainable subsidies slow the development and growth of long-term market actors. Mercy Corps uses subsidies to buy down the risk of new business models or products for a limited time to test or prove their business viability (e.g., introduce a new financial product or new technology). Any subsidy should be short term and have a clear objective and exit strategy so people do not become dependent due to lack of a market. Interest rates or collateral requirements should not be subsidized to avoid distorting the market. Subsidies should not be used to push clients into legal financial transactions that lead to over indebtedness.

Need for Donor Support to Encourage Country-level Regulations and Financial Service Providers
Most countries lack nationwide financial inclusion strategies and targeted regulations that could promote financial inclusion. Post-disaster and especially in acute crises, governments need the capacity and ability to take risks to test and ease alternative collateral requirements, need alternative or flexible Know Your Customer regulations and need to offer legally recognized identification cards. In post-disaster Philippines, the ability for Mercy Corps and other humanitarian actors to provide cash transfers via mobile transfers was possible only due to the government's short-term easing of Know Your Customer requirements to onboard survivors on mobile payment platforms. However, governments need policy and regulatory support pre-disaster to have these systems in place so they can be quickly processed once a disaster occurs and still meet national and international requirements for bank and money transfers.

RECOMMENDATIONS

Support Governments to Issue ID Cards
Not having a unique identification card keeps people from accessing financial services, and the majority of people who lack IDs are poor. There are new efforts to remedy this problem. For example, Nigeria’s National Identity Management Commission, in partnership with the MasterCard Corporation, plans to issue National Electronic ID cards to Nigerians ages 16 years and older—approximately 120 million people (70 percent of the population). As part of this program, those receiving IDs also will have access to electronic payments and savings. Under the World Humanitarian Summit track on “Transformation through Innovation,” efforts to share best practices in implementation of national identification cards should be prioritized and funded by national governments and international donors, such as the UN.

Increase Infrastructure for Digital Financial Services
Countries with the highest poverty rates and highest dependence on cash tend to have weak technology infrastructure, making it hard to connect people to digital financial services. Digital services can’t expand faster than the infrastructure they run on. Digitizing payments is the optimal entry point and first step on a pathway to financial inclusion. Digital finance is also an ideal entry point for humanitarian response and longer-term development in multifunctional sectors such as agriculture, transportation, water, health and energy. Technology provides an opportunity to increase financial inclusion at scale and can reduce transaction costs through the use of electronic payments and bundled services, especially for segments of the population that may have limited freedom of movement or are dependent on remittances in emergencies and after disasters. With the appropriate technology infrastructure, governments can transition salary payments and social safety net payments onto digital platforms, encouraging and increasing the utility of digital financial services. Rather than wait for a disaster to hit,
such as West Africa’s Ebola epidemic and the recent earthquake in Nepal, investing in payments infrastructure pre-disaster for countries prone to acute and chronic crisis will increase value for money and the efficiency of such investments. International multilateral agencies such as the World Bank and International Finance Corporation can support national governments in several ways: creation of appropriate legal and regulatory frameworks to support growth and investment in digital financial services, consumer protection and recourse mechanisms, technology transfer and government incentives for innovation by the financial sector.

**Support Governments and Financial Providers to Finance Risk Mitigation Mechanisms**

Rather than repeat cycles of disaster and crisis with short-term aid post-disaster, there are opportunities to expand wide-scale risk financing to improve the effectiveness and efficiency of humanitarian aid insurance products, building the ability of households and financial institutions to cope with shocks and stresses and negating the external demand for short-term humanitarian aid. This includes preplanned finance response mechanisms (liquidity funds, insurance funds and guarantee schemes) that strengthen the financial sector in crisis-prone complex and fragile states. International donors can support private-sector led or public-private partnerships to increase financial risk mitigation mechanisms in efforts to reduce vulnerability and mitigate risks at the household, community and business levels.

**Promote Partnership Models for Sustained Coordination**

Development actors like Mercy Corps play a critical partnership role by mitigating commercial risks for both donors and the private sector. INGOs can offer valuable insights about new consumer populations to multinational corporations, national companies and entities and technology firms that may not have firsthand knowledge of field realities and needs. INGOs can help connect national-level financial players to small local institutions, including informal ones, to broaden the reach of financial services to more disadvantaged populations.

**CONCLUSION**

Countries with the lowest levels of financial inclusion are those with the highest poverty rates, those with the highest population growth and those suffering from cycles of crisis and conflict. When people can easily access, use and afford a range of financial services and products they can better manage their economic assets to cope with and plan for financial shocks and decrease reliance on short- and long-term humanitarian aid. Ultimately, access to financial services allows all people, but especially those who are most vulnerable, to recover more quickly from sudden shocks.
3. HOW DO WE CRACK THE CODE?

As outlined in the introduction, the case studies confirm many problems that were already known to prevent effective assistance from reaching and sustaining people in conflicts and fragile states. They also, we hope, provide a compelling insight into the reality of working in these most challenging of contexts—and what is required to help people living in those places improve their lives. We have already identified some specific issues within the case studies, where Mercy Corps’ approaches offer opportunities for improvement.

However, if these lessons are to have greater impact and wider relevance, we must draw from them to rethink not just the specific cases but what they mean collectively for how the global humanitarian and development system should be reformed.

With such varied contexts and challenges, making broad conclusions and recommendations is difficult—indeed, a central conclusion is that everything should be context specific. Here, though, we attempt to pull together some key lessons to make recommendations for improving the global approach to conflict-affected and fragile states.

Mercy Corps’ experience leads to the conclusion that the existing centralized, UN-dominated international response system is not effective enough, particularly in conflict settings. The decades-old separation of humanitarian response and development assistance in fragile states is inefficient, is outdated and does not enable a resilience approach. Overall there is insufficient innovation, and not enough use is made of the variety of actors available.

The central solution proposed is a sea change in how the international community engages in conflicts and fragile states—moving away from short-term humanitarian response in all but the most acute crises and where appropriate reducing or refocusing the role of the UN. There should be a much increased focus on conflict sensitivity and peace building and on market sensitivity and economic development. National and local governments should take ownership wherever possible. This must be done while increasing both the duration and the flexibility of international engagement.

FINAL CONCLUSIONS

- The **UN can be unable to place humanity over sovereignty** in active conflicts unless geopolitical dynamics permit. This was seen in Syria, where Mercy Corps as an NGO was able to significantly scale up programming into Syria years before formal permission was granted to the UN under Resolution 2165.

- The **international system, centered on the UN, is inherently risk averse** and is at times unable to program remotely through partners in a high-risk environment, as seen in Syria.

- **There is a general lack of conflict sensitivity analysis**, seen in Syria, Lebanon and DRC. This raises concerns for the principle of Do No Harm, with the potential for programs to increase tensions between communities. This is particularly an issue where UN mandates are siloed to support different communities, as with refugees and hosts in Lebanon.
• There is insufficient donor support for approaches that explicitly address conflict and the root causes of crisis. Agencies like Mercy Corps are well positioned to undertake conflict-sensitive, market-based actions that mitigate intercommunity tensions—but these approaches receive too little support in comparison to traditional aid delivery programs.

• Aid is too often presented by donor governments as the solution to a crisis rather than as temporary assistance. Despite the ability of aid agencies to undertake conflict mitigation programs, as stated above, in most cases there is no substitute for a political resolution to conflict. Aid generally, and emergency aid in particular, should not be seen as a substitute for political action, and aid agencies cannot be held responsible for the failures of international diplomacy.

• Relief and development are not integrated and are instead running in parallel, as seen in Lebanon, DRC and Uganda. This has prevented a transition to the long term and left unaddressed key issues of governance, institution building and conflict reduction.

• There is a general underutilization of local civil society organizations and networks.

• Existing approaches are not holistic enough or flexible enough. They do not account for complexity and do not allow programs to adapt to changes as they evolve in context.

• Repeated short-term humanitarian grants, in emergencies lasting longer than a year, undermine attempts to build longer-term resilience, as seen in Lebanon and DRC.

• There is generally poor market analysis and not enough attempts to help the poorest to access financial services, as reflected in the Financial Services section.

• There is little evidence for how interventions adversely affect economic and market development and how those impacts may influence community resilience.

FINAL RECOMMENDATIONS

1. ADOPT A MORE DECENTRALIZED, DIVERSE APPROACH TO CONFLICTS AND FRAGILE STATES.

• The World Humanitarian Summit should establish a high-level panel to review the roles, mandates and comparative advantages of different humanitarian agencies, including UN agencies. This should include discussion of ensuring humanitarian legitimacy.

• Donors should, where appropriate, support NGOs to fulfill a large-scale coordination and operational role in cases where the UN is politically unable to meet urgent humanitarian needs.

• Donors should increase their risk tolerance for operating in highly fragile and conflict-affected places, particularly their willingness to program remotely at scale by supporting local partner networks.

• Humanitarian agencies should pool their learning for how to manage partnership-based response, remote management and other successful responses in conflicts—and integrate those lessons into future responses.

• Humanitarian actors should commit to using external international intervention only as a last resort—instead prioritizing local capacity. Sometimes a direct humanitarian response by international actors is vital to saving lives and reducing suffering. But it should not be the option of first resort, nor should it be used beyond the point at which it is appropriate.
2. FOCUS ON TACKLING THE ROOT CAUSES OF CRISES.

- Donors should increase support for peace-building and conflict-reduction programs as part of long-term resilience-enhancing strategies for fragile states.
- Implementing agencies, supported by donors, should make conflict sensitivity analysis based on local knowledge a prerequisite for engagement in conflict-affected countries.
- Donors should increase support for market-based economic development and financial inclusion as part of long-term resilience-enhancing strategies for fragile states. This should include an explicit focus on increasing resilience to avoid unintended harm.
- Implementing agencies, supported by donors, should make market sensitivity analysis a prerequisite for engagement in conflict-affected countries.
- The World Humanitarian Summit should propose new frameworks for vulnerability assessments, and monitoring and evaluation, in fragile states. These should include indicators that measure the absorptive, adaptive and transformational capacity of systems—that is, measuring resilience criteria rather than just measuring outputs.
- International NGOs should support donors and private-sector organizations to take on greater levels of risk. There is enormous potential to extend finance to vulnerable populations, but providers need help so that commercial risks can be mitigated.

3. ENSURE APPROACHES TO FRAGILE STATES ARE BOTH LONG TERM AND FLEXIBLE.

- The World Humanitarian Summit should call for new frameworks for action in fragile states. These should focus on local governance and prioritize a partnerships approach—able to identify public- and private-sector actors who will remain engaged in the long term.
- Donors should provide long-term, flexible funding to finance strategic plans for fragile states, structured so that they strengthen local governance wherever possible.
- Donors and implementing agencies should increase the use of systems approaches and adaptive management, including multiyear financing and the increased use of mechanisms like inception phases.
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ABOUT MERCY CORPS

Mercy Corps is a leading global humanitarian agency saving and improving lives in the world’s toughest places.

Poverty. Conflict. Disaster. In more than 40 countries, we partner with local people to put bold ideas into action, help them overcome adversity and build stronger communities. Now, and for the future.