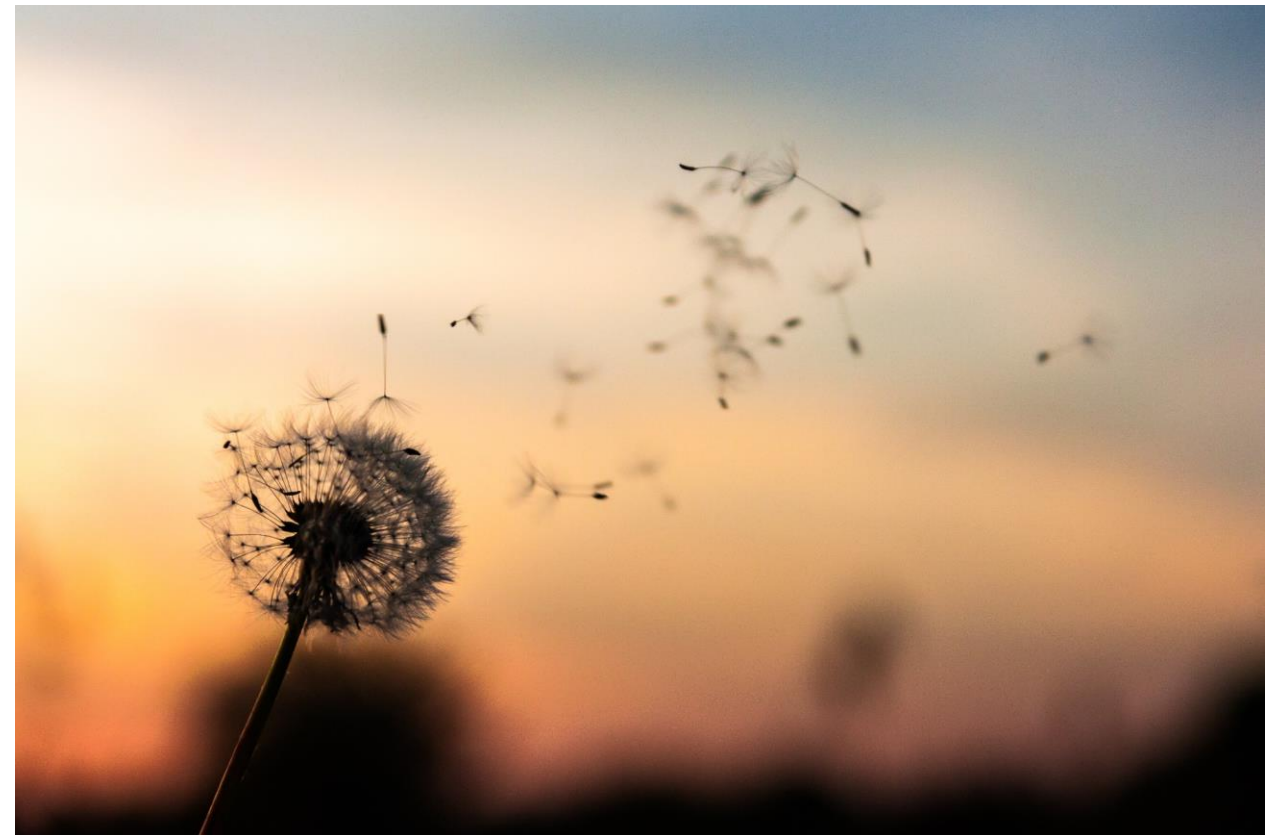




# Inclusive economic development (IED) in fragile contexts

Fragility and its implications for SDC's engagement for inclusive economic development (IED) in projects and programs comprising:

- Private Sector Development (PSD),
- Financial Sector Development (FSD),
- Vocational Skills Development (VSD)
- Private Sector Engagement (PSE)





# Contents

This document provides guidance on how to promote inclusive economic development in fragility contexts. It reflects on how to maximise impact and reduce fragility through the promotion of employment and income programs and private sector engagement. The document is divided in the following sections:

- Fragility
  - Definition & Dimensions
  - Fragility in the world
  - Addressing fragility
- Private sector Development (PSD) in Fragile Contexts
- Financial Sector Development (FSD) in Fragile Contexts
- Vocational Skills Development (VSD) in Fragile Contexts
- Private Sector Engagement (PSE) in Fragile Contexts
- Conclusion



# Definition

SDC uses the Organisation for Economic Co-operation and Development (OECD) definition of fragility. OECD defines fragility as ***the combination of exposure to risk and insufficient coping capacity of the state, system and/or communities to manage, absorb or mitigate those risks*** ([OECD, 2016](#)).

In such contexts, state institutions lack the capacity or the willingness to provide essential governance functions required to reduce poverty, promote development, ensure public security and respect for human rights.

Fragility is a complex topic which is generally conceptualized in relation to five dimensions.

Political

Societal

Economic

Environmental

Security

# Dimensions of fragility

Fragility is multidimensional. The dimensions of fragility are often **mutually and self-reinforcing** (e.g. Security fragility can induce economic fragility and amplify security fragility). **Violence can be both a driver or a consequence of fragility**, but the complex interaction between both concepts demands attention of humanitarian, development and peace building programs.



Political

Vulnerability to **political processes, events or decisions** (political inclusiveness, corruption, repression).



Societal

Vulnerability to both **income inequalities** and **inequalities between social/culture groups** that affect **societal cohesion**.



Economic

Vulnerability to **weak economic foundations** and **low human capital** (macroeconomic shocks, inequality, unemployment).



Environmental

Vulnerability to **environmental, climatic and health risks** that affect citizens' lives and livelihoods.



Security

Vulnerability to **violence and crime** (including violent organized crime)

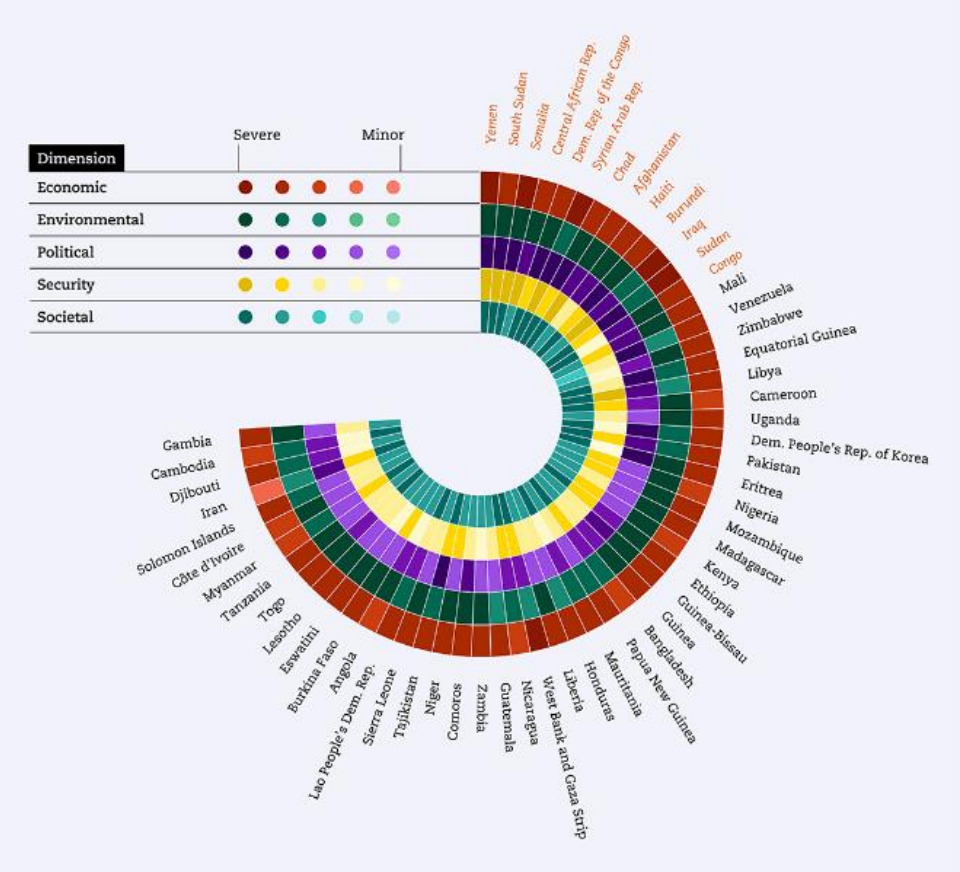
# SDC's operations in fragile contexts

- 45% of the **priority countries** defined by SDC (2021-24) are defined by OECD as fragile or extremely fragile contexts

<b>Fragile Contexts</b>	Bangladesh	Lao PDR	Occupied Palestinian territories
	Burkina Faso	Mali	Tajikistan
	Cambodia	Mozambique	Tanzania
	Ethiopia	Myanmar	Zambia
	Kenya	Niger	Zimbabwe
	<b>Extremely Fragile Contexts</b>	Afghanistan	Chad
	Burundi	Democratic Republic of the Congo	Somalia**

\* SDC prioritises the Syrian crisis area (Lebanon and Jordan)  
\*\* SDC prioritises the Somalian crisis area (Kenya and Ethiopia)

- In all 21 mentioned fragile countries, except Syria, IED projects are being implemented
- Fragility around the world is expected to increase in the coming decades. OECD expects extremely fragile contexts to double by 2050
- Covid-19 crisis has the potential to increase vulnerability and fragility in many contexts



# Consequences of fragility

- **Fragility impedes development and human potential**, making it possibly the single biggest spoiler to achievement of the Sustainable Development Goals (SDGs) and the sustaining peace agenda. Fragility poses additional obstacles to an effective and sustainable fight against poverty ([SDC, 2019](#)). Fragility is:



- often **self-reinforcing** ([OECD, 2018](#))
  - E.g. inequalities can drive to higher inequalities and motivate violence;
  - E.g. Natural disasters can displace people and reduce economic opportunities, which combined with lack of social protection can fuel grievances and violence.



- increases **inequalities and excludes people** from being part of the development process.
  - Fragility reiterates the need to forge inclusive social contracts for development ([OECD, 2018](#)).



- Fragility **increases poverty and violence** – violence is often a consequence of each dimension of fragility
  - **Fragility, poverty and violence form a vicious circle**: when state structures are too weak to deliver basic social, economic and legal services or to guarantee security, conflicts tend to escalate. However, this vicious circle can be broken by establishing legitimate institutions and an active civil society ([SDC, 2019](#)).



# Addressing Fragility

- [OECD - Principles for good international engagement in fragile states & situations, 2007](#)
  1. Design interventions based on clear conflict and governance analysis - **context as a starting point.** ([FCHR shareweb](#))
  2. **Do no harm** – Understand the implications of an intervention and the biases and mental models carried. ([SDC do no harm framework](#))
  3. Promote the **strengthening of institutions** by engaging on concerted relationship building between society and state institutions
  4. Prioritize **prevention** so that the risk for future conflicts is lowered.
  5. Recognize the **multidimensional character** of fragility and the interdependency between dimensions.
  6. Promote **non-discrimination** as a basis for inclusive and stable societies.
  7. Adjust to **local** priorities and existing strategies.
  8. Foster **coordination mechanisms** between international actors
  9. **Act fast** and **stay engaged** long enough to give success a chance
  10. Avoid **exclusion**
- [SDC Peacebuilding and Statebuilding Strategy](#) provides guidance on how to engage in fragile and conflict affected contexts.
  - Fragile environments are complex systems that demand **systemic mapping and political economy analysis**. The 'New Deal for engagement in Fragile contexts' sets 5 key Peacebuilding and Statebuilding Goals (PSGs) to be addressed in fragile contexts:
    - Legitimate politics
    - People's Security
    - Justice
    - Economic Foundations
    - Revenues and Services.
- *SDC Fit for fragility*
  - Set of efforts to be undertaken by SDC to address human resources challenges, build expertise on remote program management, adapt programmatic/administrative/financial procedures to fragile contexts and to improve complementarity between humanitarian aid, development and peace.
  - Organisations must develop **operational and quality assurance standards** in order to respond adequately to fragility in all its complexity and dimensions.
  - SDC Fragility, Conflict and Human Rights Network ([FCHRnet](#)) provides information, tools and trainings for addressing fragility and working in fragile contexts
    - [Conflict-sensitive programme management \(CSPM\)](#)
    - [Human-rights based approaches \(HRBAs\)](#)



# Humanitarian-development-peace - triple nexus

- Fragility can lead to **humanitarian crises, protracted crises, displacement, forced migration and breakdown of local institutions** ([OECD, 2018](#)).
- Crises increasingly assume a **protracted nature** – Short-term humanitarian aid needs to be linked to long-term development initiatives and peacebuilding
  - Humanitarian relief, development programmes and peacebuilding are not serial processes: they are all needed at the same time.
- Working in fragile contexts often demands for nexus approaches that combine short- and long-term interventions while taking **adaptive measures** and staying engaged.
  - “Again and again, donors fail to genuinely **harmonise their efforts**, let host societies take the lead on their development, adequately account for local conditions, focus on sustainability, and act with sensitivity to the potential for conflicts and second-order effects” ([OECD, 2018 pp. 64](#))
- Switzerland seeks to strengthen the existing synergies between humanitarian aid, development and conflict transformation instruments through what is known as the humanitarian-development-peace nexus - triple nexus
  - Nexus refers to the interlinkages between humanitarian, development and peace actions and approaches that aim to strengthen collaboration, coherence and complementarity and capitalize on the comparative advantages of each pillar in order to reduce overall vulnerability and the number of unmet needs, strengthen risk management capacities and address root causes of conflict.
  - “*Prevention always, development wherever possible, humanitarian action when necessary*” (DAC, 2019)





# COVID-19 and Fragility

- Covid-19 **adds another layer of fragility** to fragile contexts, exposing inadequate coping capacity of the state, system and/or communities.
  - **Health care is being disrupted** in places where the capacity to deal with other diseases was already very limited.
  - **Covid-19 disrupted education and training systems** - massive closure of educational facilities resulting on increased economic burdens on families. This will have long-term social and economic impacts and expose further fragilities in already fragile contexts.
  - Covid-19 threatens to **exacerbate conflict, trigger severe humanitarian crises, and disrupt global coordination** on public health issues.
  - Covid-19 highlights and deepens social inequalities ([OECD, 2020](#))
  - **Compounding challenges**, including climate change shocks, forced displacement and food insecurity
- Global economic downturn is causing historic levels of **unemployment**
  - **Poverty increase** - 71 million people will be pushed into extreme poverty because of the economic shocks from Covid-19 ([World Bank, 2020](#))
- Economic development initiatives will be critical to **safeguard the countries' financing situation and stability**
  - Many fragile contexts are heavily reliant on commodity exports and will **suffer from the drop in commodity prices and global demand** ([OECD, 2020](#))
  - Investors are likely to reduce investments seen as risky in favour of safer assets. Such trends can reduce government finances, private investment, and household incomes, even while the need for social expenditure, healthcare, and economic stimulus grows.
  - Responses to Covid-19 need to address the short-term needs, as well as the longer-term structural impacts on societies and the economy.

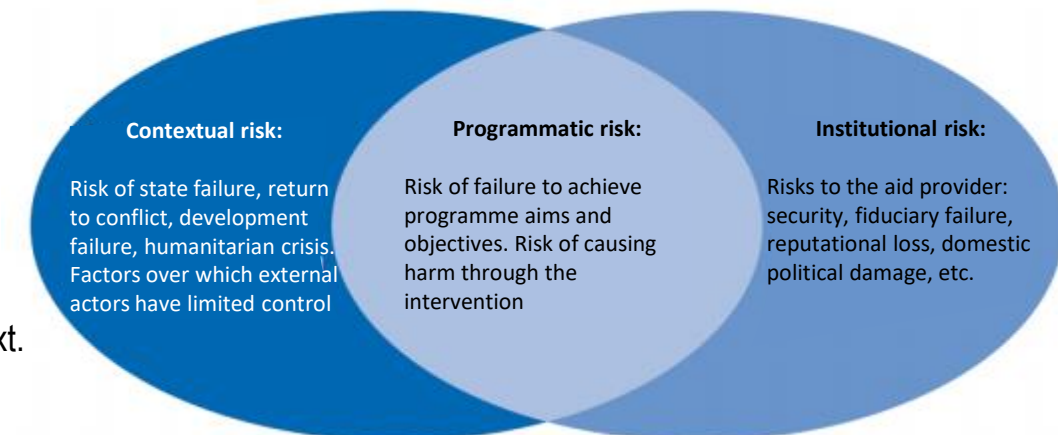
# Risks & Challenges for IED in fragile contexts

## Challenges:

- Designing and implementing IED programmes in fragile contexts can take significantly **more resources** than in a non-fragile context ([DCED, 2018](#))
- **Data availability** –Unreliable communication networks (or lack of access) present **operational constraints** to the collection of primary data.
- **Rapidly changing contexts** – Organisations and programmes need to **adapt quickly** to and **anticipate possible future scenarios**.
- **Difficulty accessing insecure areas** – Promoting IED in specific areas may contribute to an increase in inequalities.
- **Greater requirements on staff capacities and training** – Addressing IED in fragile contexts demand for **staff capacities and skills** to overcome risks
- **Local context challenges:** Weak state legitimacy and capacity, mistrust and structural discrimination, extreme economic and social disparities, youth unemployment and conflict dynamics, organised crime ([GIZ, 2015](#))
- Inexistent or declining **access to basic services** (education, health);
  - Lacking or inequitable basic services can be both an indicator of (increased) state fragility and trigger for fragility

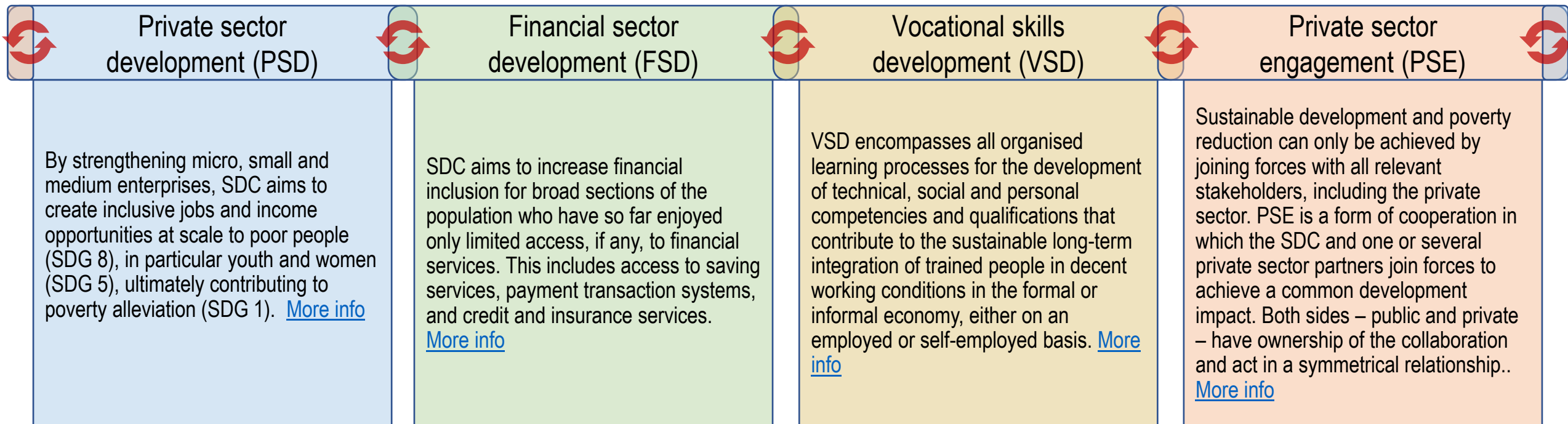
## Risks:

- Contextual Risks – **Understand the context of the IED intervention**
  - Tools: Context analysis, scenario planning, Local risk assessment, monitoring system for development-relevant changes (MERV) ([SDC FCHR network](#))
- Institutional Risks – **Support local IED in a conflict sensitive way**
  - Tools: Security risk management, staff management, communication, policy dialogues, finance ([SDC FCHR network](#))
- Programmatic Risks – Understand interaction between institution and local context. Guarantee interventions **‘do no harm’**
  - Tools: Country strategy, monitoring reporting, PCM ([SDC FCHR network](#))



# IED in Fragile Contexts

- Through the next slides we will expand on the most important aspects of fragility for IED projects\*, namely in the following areas:



\* IED projects/programmes englobe the 4 themes of the e+i/PSE Expert Team (presented above). Besides that, they might incorporate aspects of education, food security, social protection or other areas.

# How is local private sector affected by Fragility

## Political

- Lack of access to justice, weak rule of law institutions, corruption and nepotism increase business reluctance to make long-term investments that spur economic growth and generate jobs. ([World Bank, 2011](#))
- Insecurity **reduces access to credit**, consistent with creditors fearing political instability and the associated **weak property rights**.

## Societal

- **Inequality, discrimination and exclusion can lead to volatility, distrust among actors, social unrest, conflict and violence.** These harm PSD as they increase transaction costs (e.g. lack of trust leads to expensive legal advice/contracts), disincentivise investment (short and long term), may cause damages to property and overall shrink private initiative and private sector development ([Keeley, B. – OECD, 2015](#))
- Inequalities and lack of opportunities may lead to **migration** (e.g. “brain drain”) with devastating consequences on the functioning of economies and service delivery, for example in the health or education sectors.

## Economic

- Local PSD is directly impacted by the proportion of (young) people that undergo **education or employment trainings** ([OECD, 2016](#))
- **Informality** of the economy constrains local private sector development (e.g. Access to credit for entrepreneurial ventures is hampered by informality)
- Economic **instability** (e.g. fluctuations in currency value) difficult the establishment of lasting relations with global value chains

## Environmental

- PSD is vulnerable to **environmental, climatic and health shocks that affect the people** (labour force).
- Environmental shocks/disasters also **increase reluctance for long-term investments**. Resilience to these shocks is key for private sector development. ([OECD, 2016](#))

## Security

- Organized crime and terrorist networks deter private investment. An enabling environment for PSD needs to be based on security.
- Extremely fragile situations may lead to **forced migration** (also linked to other dimensions of fragility – e.g. environmental).
- **Internally displaced person (IDP) or refugees** and their needs/restrictions can have very negative or positive impacts on private sector development in origin or destination.
- **Security risks increase the cost of investments and, in some cases, can completely discourage private sector investment** ([OECD, 2016](#))

Impact on PSD



# Risks & Challenges for PSD in fragile contexts

## Challenges

### Skills & Services

- Lack of adequately educated, qualified and trained workforce
- Lack of support services (e.g. technical assistance)

### Infrastructure

- Lack of infrastructure (e.g. transport networks, access to internet, etc.)

### Investment

- Difficult access to credit for local market actors

### Rules & Regulations

- Lack of protection for the development of private sector
- Property rights
- Cultural practices and norms

### Environment

- Vulnerability of people, infrastructure and markets to extreme weather events

## Risks

### Contextual

Hamper private sector development capacity:

- Corruption
- Nepotism
- Conflict, violence
- Social unrest
- Unlawful competition
- Monopolistic markets

### Programmatic

- Market distortion (programmes can inadvertently benefit market players over their competitors)
- Increase of inequalities, exclusion and conflict patterns

### Institutional

May harm donors and programme implementors:

- Reputational risks (partnering with or supporting local organisations that don't adhere to principles of donor/implementing partner – e.g. human rights, corruption, environment protection, etc.)



# PSD and do no harm

Apply “Do No Harm” principles to avoid market distortions and ensure that the private sector development strategy mitigates potential negative effects while preventing aggravating fragility factors – [see slide on Addressing fragility](#)

## Political

**Avoid engaging directly in advocacy** for private sector development support in situations that can associate the implementing partner (or the donor by association) with the local political forces

## Societal

Programmes should keep a gender lens and ensure that private sector development doesn't contribute the increase of **gender gaps, nor to the exclusion of vulnerable groups - Leave no one behind (LNOB)**.

Analyse and address possible programme **influence on social cohesion** through aggravating inequalities or tensions among different social or ethnic groups.

Conduct thorough stakeholder mapping and political economy analysis to be acquainted with all the actors who can influence the market system and how they are connected

## Economic

Beware that by supporting private sector actors projects **risk** supporting the creation of **monopolistic markets**.

Make sure that through official development assistance (ODA) **no illicit activities** (directly or indirectly) are being financed.

Choose your partners carefully (Private sector, public actors or civil society organisations) using proper **due diligence** methods.

## Environmental

Do not engage with local private sector partners that **disregard environmental standards** and **exploit natural resources**.

Evaluate thoroughly before engaging in PSD in areas that are prone to environmental problems (e.g. infrastructure investments in flood prone areas)

Support and foment the responsible use by local private sector of **natural resources** (e.g. water efficient agriculture, responsible forestry, etc.). Local PSD must not produce negative externalities for people's health.

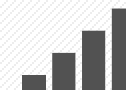
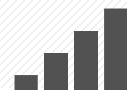
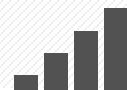
## Security

Do not contribute to the escalation of existing tensions (e.g. by intentionally or unintentionally favouring certain groups or individuals)

Make sure that the private sector partners supported by the programmes follow all the safety and security measures in relation to their staff, stakeholders and to the environment.

Guiding Principles

Impact



# PSD influence on reducing fragility

Private sector development has the ability to reduce fragility on different dimensions. Involvement in fragile contexts should follow a systemic approach and involve local system actors.

## Political

**Facilitate links** between private sector, civil society organisations (CSO) and the public sector for advocacy regarding measures that facilitate PSD.

Policy dialogue can address issues such as respect of human rights, promoting inclusive economic development and respect for environmental standards.

PSD can contribute to the **increase of tax collection**, allowing governments to offer more inclusive and better quality services, which are inclusive inclusiveness and social cohesion (LNOB)

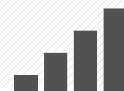


## Societal

Support the development of private sector initiatives that foster inclusion of individuals and/or groups in local markets (**inclusive development**). This will contribute positively to social cohesion and reduce societal fragility

Support private sector initiatives that contribute to the reduction of **gender gaps** (e.g. by empowering women through women-led entrepreneurial initiatives and supporting the establishment of women on labour markets)

Support the development of private sector initiatives that contribute to reinforcing linkages and defueling tensions among different social / ethnic groups.

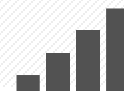


## Economic

Actively include local businesses in sustainable development solutions. **The local private sector is the engine of economic growth.** ([WEF, 2016](#))

Facilitate the linkage between **large international businesses and local private sector - MSMEs** (e.g. connecting them to global value chains) – See [PSE section](#) of this document

Promote solutions that confer **resilient income opportunities** for local populations



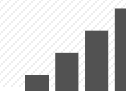
## Environmental

Support local partners develop and implement management practices that **consider and protect** the environment. ([see Helvetas' guidelines on addressing climate risks on Market Systems Development -MSD - projects](#))

Support local PSD with **environment resilient infrastructure**

Mainstreaming **Disaster risk management** on PSD projects (analysing disaster risks and taking steps to prevent vulnerability)

Promote environmentally conscious practices that contribute to healthy life styles.



## Security

Engage in **open communication** and make information available to all stakeholders of the programme and system actors (including market competitors)

Support the inclusion of individuals and groups in local markets (Societal dimension) – contributing positively for **social cohesion** and **reducing potential instability and grievances.**





# Maximise impact and reduce fragility

## Opportunities

Support the inclusion of individuals and groups in market systems - Engage with local private sector

Place gender at the heart of programming and promote intervention that contribute for gender equality and social cohesion

Reduce tension fields through thorough stakeholder mapping, identifying local CSO, intermediaries and system actors willing to take positive change roles

Promote youth led entrepreneurial initiatives

## Strategy and Vision

PSD interventions in fragile and conflict-affected areas must consider the contexts in which they operate. **Context is key.**

Envision interventions centred around PSD that foster **inclusive opportunities** and **local ownership** of projects (both in short- and long-term)

PSD programming should be an **integral part of the conflict management process.**

Advocate for the importance of **formal market systems**

## Analysis and Measurement

Establish databases of private sector beneficiaries

Promote culture of (lean) data collection within the project and in local private sector

Adapt projects to the identified needs and expectations of local private sector actors

Beneficiary-centric approach with regular feedback loops with local private sector actors

## Measurement

[DCED](#) establishes guidelines for [Measuring Achievements of PSD in Conflict-Affected Environments](#)

It is important not to focus solely on private sector growth but rather **disaggregate** key changes by parties to the conflict and seek balanced results

Develop indicators together with target groups and use qualitative data to assess contribution to social cohesion.





# PSD projects in Fragile contexts

- PSD programmes in fragile contexts should engage on the **nexus of humanitarian aid, development and peace**
  - **Minimum Economic Recovery Standards (MERS)** **Useful tools**
  - **Emergency Market Mapping & Analysis (EMMA)** **for working**
  - **Political Economy and Power Analysis (PEPA)** **in the nexus**
- PSD projects in fragile contexts should follow [Conflict sensitive project management \(CSPM\)](#)
  - **ATTENTION:** guidance on CSPM not yet adapted to PSD/MSD

## Making Markets Work for the Chars (M4C) - Bangladesh

**Partners:** SDC project implemented by Swisscontact with diverse Local Government and private sector partners and NGO sub-contractors

**Goal:** Reduce poverty and vulnerability of char dwellers in Northern Bangladesh, by facilitating market systems for enhancing opportunities of income generation.

**Approach:** The three major rivers in Northwest Bangladesh continuously erode and deposit soil to form riverine islands (chars). Chars are vulnerable to hazards like flood and erosion which cause damage to crops, livestock and housing. M4C focuses on input supply and production services; output market and post-harvest/processing services; and financial services targeting both crops and livestock farming households. M4C addresses cross-cutting themes like women's economic empowerment, disaster risk reduction and CSPM in project design and implementation.

2011 – 2020 (two phases)

## Programme d'Appui à la Promotion de l'Entreprenariat Agricole (PAPEA) – Burkina Faso

**Partners:** SDC project implemented by Helvetas with SNV and local private sector and public sector partners

**Goal:** Strengthening agricultural entrepreneurship to create income and employment opportunities for rural and peri-urban populations, especially youth and women.

**Approach:** Businesses in the agricultural sector are mostly informal micro-enterprises facing multiple constraints in accessing non-financial and financial services. Climate change is an additional constraining factor. Taking a market systems development approach, PAPEA promotes the creation of business clusters around promising produce. The project strategy emphasises the collaboration between enterprises, access to inclusive financial services, advocacy as well as gender and social equity.

Phase I: 2019-2023<sup>17</sup>

# How is the financial sector affected by Fragility

## Political

- The **deterioration of the legal and institutional infrastructure** (e.g. branch or telecommunication networks) makes the provision of financial products and services more costly and risky, thus adding to liquidity constraints and hindering financial inclusion. ([AfDB, 2013](#))
- The underlying fragility, instability or political volatility undermines the countries' financial institutions and the ability to diversify their economies. ([Mercy Corps, 2017](#))

## Societal

- Growing **inequality induces slower economic growth, lower GDP and greater financial instability**. It may cause discontent and undermine democratic values, which can lead to social unrest, violence and increased numbers of displaced people and hence **financial exclusion**. Poor people rely on financial tools to help them manage frequent risks, e.g. through increased usage of loans (both formal and informal) for emergencies and other purposes ([El-Zoghbi, M. – CGAP, 2016](#)),

## Economic

- Fragility affects a country's capacity to provide basic, affordable and appropriate financial products and services through different channels, including formal and informal financial services providers → **financial exclusion**. ([AfDB, 2013](#))
- Fragility negatively affects macro-economic indicators including high inflation rates, slow economic growth and high unemployment rates. **There is a circular relationship between fragility, inequality, and inclusive growth** - with two dimensions of inclusive growth: **income growth and income distribution** ← **financial inclusion**. ([B. Fowowe, & E. Folarin, 2019](#))

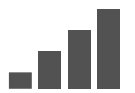
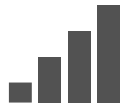
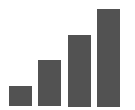
## Environmental

- A country's financial sector is **vulnerable to climate-related extreme events and other climatic, environmental and health shocks and disasters**; i.e. since the technical and operational **infrastructure of financial institutions** (particularly transport and telecommunication systems) can equally be compromised as the mobility and capacities of the **human workforce**.

## Security

- Situations of war, violence and organized crime affect the financial sector, **the nerve system of an economy**. The main platform for market transactions, public finance management, and the mechanism used by citizens to demonstrate their civic responsibilities can be sustainably compromised ([El-Zoghbi, M. – CGAP, 2016](#))
- Security risks increase the **cost of doing business for financial institutions** in fragile and conflict-affected situations (FCAS), with the effect of increased product and services delivery charges, which negatively influences the **access to financial services** for the most vulnerable, e.g. refugees and/or migrants.

Impact on FSD



# Risks & Challenges for FSD in fragile contexts

## Challenges

### Market

- Financial market imperfections such as informational asymmetries and high transaction costs can be a source of fragility, especially for poorer populations ← limited access to capital, which reduces the efficiency of capital allocation and intensifies income inequality.

### Legal & Regulatory framework

- A key challenge is financial sector regulation. Fragile states fail to regulate financial activities → which poses problems & risks for financial service providers, but particularly for **clients**. ([Mader, 2015](#))

### Micro Level

- Fragile states show lower rates of formal salaried employment equating to high informality, income insecurity and financial exclusion, which negatively effects household consumption and production decisions.

## Risks

### Contextual

*Hamper financial sector development capacity:*

- Regularly changing & unpredictable political contexts
- Foreign exchange and parallel currency markets
- Constrained access to markets and populations
- Potential high degree of population mobility and/or recurrent humanitarian cycle of needs.

### Programmatic

*Difficult project implementation due to:*

- High potential for illicit markets to thrive
- High prevalence and reliance on informal financial mechanisms (i.e. family and friends, rotating savings schemes, pawn brokers, moneylenders, savings 'under the mattress')
- High levels of distortion (aid interventions with limited long-term investment strategies)

### Institutional

*May harm programme implementation:*

- High risk of security challenges
- Weak institutions, public and private, in the formal financial sector including weak capacities and missing incentives for financial service providers
- Widespread infrastructure deficits (particularly transport and telecommunication systems)

# FSD and do no harm

“All financial system development interventions should ‘Do No Harm’; which means understanding the context, the interaction between the various activities and the context, and consequently acting upon this understanding to avoid negative impacts” ([DCED, 2015](#))

## Political

**Avoid changing existing power structures**, for example by artificially increasing competition in a market through associating with political interventions.

Avoid reducing the capacity of local structures **or setting up parallel bodies**, like associations, chambers or regulators.

Avoid resource transfers to any **parties to the conflict**. For instance through **SDC’s fund flow analysis tool** that monitors the flow of funds towards targeted receivers and beneficiaries, using the information for project monitoring and steering.

## Societal

Foster financial services sector’s acknowledgement that **men and women have different financial needs** (*gender-sensitive finance*). Women, youth and minorities economic empowerment initiatives & interventions shall be fostered in order to sustainably advance their roles in social cohesion, peacebuilding, mediation and reform processes, but...

An emphasis shall also be put on the **inherent risks** in women’s, youth’s and minorities’ economic inclusion and empowerment programs, i.e. increased command over financial resources (improved financial inclusion) can expose women and youth to **domestic conflict and violence**. ([R. Eves, 2014](#))

## Economic

**Avoid contributing to inflation, and other macro-economic risks like** debt accumulation, neglected macro-prudential regulation or on-going dependence on natural resource exports.

Ensure that responsible financial inclusion encompasses **core Client Protection Principles (minimum standards)** to support financial service providers practice good ethics and smart business (incl. prevention of over-indebtedness, transparency, responsible pricing, etc.)

## Environmental

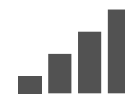
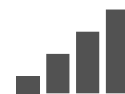
Program interventions on financial inclusion and responsible finance must include the **compliance to national and/or donor-driven environmental and social laws and performance standards** – on program, but also on client (i.e. banks or MFIs) and end-client (MSMEs, private individuals) level.

The generation and analysis of information about **actual environmental and social sustainability results** of access to finance activities (i.e. (digital) financial products and services) at all levels must be guaranteed in order to assure positive long-term effects for vulnerable target groups.

## Security

**Avoid real or perceived bias in the distribution of project resources**, in order to pro-actively prevent social unrest (societal dimension), conflicts and violence amongst various target groups and stakeholders.

Assure that partner financial institutions and regulators promote and strictly adhere to national and/or programme-induced **Anti-Money Laundering and Counter-Terrorism Financing regulations**



# FSD's influence on reducing fragility

"The majority of institutional donors invest in financial sector development as a supporting sector for larger impact goals – with growing portfolios on interventions addressing fragility and building resilience" ([Mercy Corps, 2017](#))

## Political

**Explore and further expand promising trends** for donors and development actors in partnership with the commercial sector and national governments, incl. increasing flexible finance options for refugees and displaced populations.

**Consumer protection standards / regulations** for customer recourse to build trust in the formal finance system.

## Societal

Access to and usage of financial products and services must be **equitable** along cultural and ethnic lines, religions and gender – in order to avoid horizontal inequalities.

FSD means investing in the foundations of inclusive finance – **financial sector regulations and identity solutions**, especially important for scalable remittances infrastructures, (digital) payments, mobile money and general access to finance (← i.e. through building of a credit history) as financial strategies to increase savings and diversify risk.

## Economic

**Market system solutions to influence** unique & complex fragile situations. By using a MSD approach, donors and development actors can adjust tactics (**adaptive management**) but adhere to various key principles: think long-term, incl. informal sector, positive business case, carefully sequence interventions, diverse package of smart aid instruments.

FSD should explore the option that fragile countries also offer a unique entry point for **impact investors in partnership with donors** to support a pipeline of investments - keyword: **blended finance** ([OECD, 2019](#)).

## Environmental

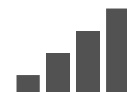
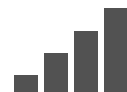
Financial system development should continue to put emphasis on strengthening proven concepts like environmental and social standards management (**ESSM**) and **climate-smart financing**.

Responsible and inclusive financial services are a vehicle for households to establish, repair (post-crisis) or upgrade businesses, homes and assets as well as to assist with (e.g. environmental or health) **risk mitigation**. Household stability encourages longer-term planning, investment and **resilience**, esp. women's economic resilience in the face of increasing external shocks ([CARE, 2016](#)).

## Security

Develop **effective, accountable and transparent financial institutions** at all levels; reduce illicit financial flows and combat organised crime, i.e. through tools like emphasized **Anti-Money Laundering** and **Counter-Terrorism Financing regulations**

Increase the range of financial service providers that target people in crises situations, supporting inclusive (micro-) insurance, and increasing use of liquidity, guarantee and other risk-sharing facilities as **financial "safety" instruments**.





# Maximise impact and reduce fragility

## Opportunities

Investments in the financial sector, i.e. in the **foundations of inclusive finance**, can reduce poverty, and serve as a sustainable strategy for future investment in fragile countries

Scale digital payments and remittances infrastructures (**diaspora investments**) as financial strategies to increase capital generation and diversify risk

Financial market reforms coupled with **private sector-led** innovation can lead to better access to formal financial services (i.e. mobile arena) & financial equality

## Strategy and Vision

Capture the interlinkages between the humanitarian, development and peace sectors by effectively using the triple nexus concept in FSD programs.

Development partners and donors are to manage the **trade-offs** between short-term needs and long-term goals of FSD programs

Donors are to **crowd-in** legitimate financial market actors & provide **flexibility** to take risks, and allow development actors to pivot as fragile contexts change and adjust.

## Analysis

Support the design of effective FSD interventions promoting poverty reduction and income equality by leveraging impact evaluation to improve M&E

Proactively meet the progressive need for more adaptive or creative evaluation methods to ensure rigorous M&E in FSD programs in FCAS

Advocate for informed experimentation & documentation within a **market systems approach** fostering high flexibility in M&E and reporting systems

## Measurement

The measurement of **financial inclusion** and impact on financial sector regulatory + **legal framework** assumes critical importance in fragile contexts

**Access to and use** of tailor-made (digital) financial products and services (e.g. payments and savings)

Financial Health (the ability to build **resilience** to shocks and crisis and create opportunities for economic growth)

Financial Literacy and Education (Digital Literacy) + Financial behaviour (Financial capability)



# FSD projects in Fragile contexts

- Use of **diagnostic tools for Financial Sector Development** as solid indicators of driving components of financial inclusion.
  - World Bank/IMF backed **Financial Sector Assessment Programs (FSAP)**
  - UNCDF's (in collaboration with FinMark Trust and Cenfri) **Making Access Possible (MAP)**, a holistic diagnostic and programmatic framework for financial inclusion

## Approaches for FSD projects

- MSD approach and Making Markets Work 4 the Poor approach (M4P) as proven methodology in fragile contexts
- The humanitarian-development-peace nexus (triple nexus) exists still more in rhetoric than practice, and needs to be made more practical at field but also on policy level. Joint budgets could make a difference. The ongoing silo donor approach is still a bottleneck ([Mercy Corps, 2020](#)).

### Microfinance Investment & Technical Assistance Facility (MITAF I)

**Partners:** KfW, UNCDF, UNDP, CORDAID, Bank of Sierra Leone, Ministry of Finance and Economic Development (MoFED)

**Goal:** Development of a national, competitive, sustainable & *inclusive financial sector* providing access to financial services to low income people & businesses in **Sierra Leone**.

**Approach:** Creation of an enabling environment for the microfinance sector by acting as a catalyst for the development of the financial sector.

### FMO's loan via MASSIF fund to VisionFund International (VFI)

**Partners:** FMO, VFI's microfinance institutions (MFIs) network Africa & Asia

**Goal:** The loan benefits VFI's MFIs end clients with a focus on fragile states and with limited access to finance.

**Approach:** Dedicated financial service delivery to empower women, young people & rural entrepreneurs in **Fragile and Conflict-Affected States**.

# How VSD is affected by Fragility

## Political

- Weak state legitimacy **undermines the state's steering and mediating function** in VSD, also makes necessary reform measures to strengthen the system difficult. Weak state capacity doesn't allow provision of needed personnel, infrastructure or financial resources for **implementing organised learning processes**. [\(GPPI, 2013\)](#)

## Societal

- Fragmented, illegitimate and inefficient forms of organization hinder the various parties - trade unions, trade and business associations, responsible ministries - **to bring their interests effectively into the negotiation process**. Commonly agreed upon participation in VSD thus becomes unlikely.
- Conflict and insecurity are **barriers** to access VSD and are reinforced by discriminatory practices, exclusion on the basis of ethnic/ religious/ conflict party association or other forms of marginalisation. [\(SDC, 2017\)](#)

## Economic

- Weak capacities of the private sector limits its **commitment to** the governance and to the necessary funding and delivery of vocational training which are essential to improve the relevance, quality and social acceptance of the training. [\(GPPI, 2013\)](#) **Non-formal training offers**, which sometimes bridge the gap, are often not sustainable.

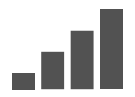
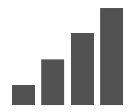
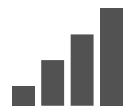
## Environmental

- VSD is vulnerable to **climate-related extreme events, health shocks and disasters** since teaching and learning facilities can temporarily not be reached by students and trainers or can even be destroyed.
- Insecure environment compels VSD actors to **develop short-term strategies rather than creating long-term sustainable approaches**.

## Security

- The government cannot guarantee the security of the citizens which leads to increased **security risk**, raises the cost of training and thus makes training more unlikely and difficult. Lack of security can also result in restricted access to vocational schools, technical institutes, workshops or workplaces in enterprises.

Impact on VSD







# Risks & Challenges for VSD in fragile contexts

## Challenges

### Competencies

Widespread violence and the erosion of social standards and services **limit the development of basic and vocational skills** and thus hamper the chance to develop social and personal qualifications and competencies, in turn impeding integration into the labour market.

### Institutional

**Training contracts are not enforceable** and do not bind the contracting parties. Thus the target group is not interested in qualification measures, since insecurity can undermine incentives to invest in training. ([GPPI, 2013](#))

### Market relevance

Informal economy and lack of jobs are big challenges for VSD. Workers are **not hired on the basis of qualifications but** on ethnicity or affiliation to a conflict party, which makes the development of demand-oriented training occupations irrelevant.

### Sustainability

Unclear future prospects make it difficult to **awaken the interest** of the various institutions in VSD and to generate a sustainable demand for vocational training on the part of the state, enterprises and employees. ([GPPI, 2013](#))

## Risks

### Contextual

Lack of basic education (BE) and VSD raises the risk of **losing generations of young people** and signifies a major fall-off in social and economic development and in the recovery of crisis-affected countries. ([SDC, 2017](#)) **High mobility** prevents consistent training attendance. **Constrained access** to training institutes for certain religious/ethnic population group and also for women.

### Programmatic

Widespread **infrastructure deficits** (particularly learning infrastructure, transport and telecommunication systems) as well as **weak public and private institutions** (availability of trainers, etc.) may harm programme implementation.

### Institutional

Key players of VSD – government ministries, local authorities, vocational schools, NGOs, the private sector - **are unable or unwilling to invest in VSD**. Donors and implementers take **reputational risks** when they invest in **not necessarily sustainable** non-formal training instead of developing local VET systems.

# VSD and do no harm

## Political

The examination of **unintended negative impacts** of VSD projects, particularly in terms of human rights and conflict dynamics, is crucial.

The deterioration of the **state-society relationship** should be avoided. The reasons for violence in the society should not be ignored in the training measures. Tools on conflict-sensitive education: [INEE](#)

## Societal

In **refugee and IDP contexts**, the integration of the local population into qualification programmes is a basic condition for the peaceful coexistence of refugees, internally displaced persons and host communities. Learning together with the local population and refugees can, if designed in a sensitive way, reduce prejudices and strengthen **social cohesion**. [\(GIZ, 2016\)](#)

Programmes should maintain a focus on gender and ensure that VSD doesn't contribute to the increase of **gender gaps or exclusion of vulnerable groups**.

## Economic

The application of the do no harm approach is crucial in order **to avoid the perpetuation of socio-economic disparities** and social exclusion. Frustration must be prevented, and young people must be offered viable economic opportunities so that they are not forced to join violent groups.

A real or perceived bias in the **distribution** of project resources and support should be avoided.

## Environmental

The responsible use of **natural resources** and the understanding of environmental contexts should be the subjects of training.

Partners that **disregard environmental standards** and **exploit natural resources** should not be engaged.

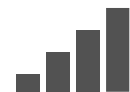
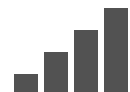
## Security

**A conflict-sensitive approach** is indispensable both to the selection of the target group for the VSD and to the selection of partners in order to avoid contributing augmenting social exclusion (societal dimension) or to the escalation of **existing tensions**.

Partners supported by the programmes should follow all the **safety and security measures** in relation to their staff, stakeholders and to the environment.

Guiding Principles

Impact





# VSD influence on reducing fragility

## Political

The systematic and reflective **selection of partners** is central to the relevance and impact of VSD in fragile contexts. ([GPPI, 2013](#))

**Links** between private sector, civil society organisations (CSO) and the public sector for advocacy of measures that facilitate VSD should be supported.

**Corruption** can be reduced by applying state of the art legal and compliance frameworks along with risk management procedures.

## Societal

The training offer must correspond to the **diverse Target group needs**, in order to foster integration.

Trauma work, life skills training and basic education (literacy, numeracy and catch-up education programmes) also need to be taken into consideration ([ILO, 2016](#)).

Offer VSD also in minority languages - and advocate at policy level to introduce this offer also in the formal curricula.

## Economic

**Holistic approach:** complement vocational skills development with active labour market measures (e.g. career guidance and placement). Entrepreneurship and financial support to capitalise on synergies with PSD initiatives and access to finance.

**Comprehensive analyses** of the state institutions and the labour market are central to select the skills or qualifications, make occupational profiles and curricula demand-oriented and to promote sustainable economic development on the long run. ([GPPI, 2013](#))

## Environmental

Knowledge of **climate protection and environmental management** in daily professional practice (e.g. construction, agriculture), which the trainees acquired in the training courses, can mitigate environmental risks and lead to a reduction in fragility.

**Livelihood measures** that are **resilient** to environmental, climatic and health risks should be supported.

## Security

**Enhancing inclusive and conflict-sensitive quality VSD** and addressing causes of **social grievances, tensions and violence through targeted measures at training institutes** can foster cohesion (reducing societal fragility), violence prevention and conflict resolution.

Guiding Principles

Impact





# Maximise impact and reduce fragility

## Opportunities

Establish long term benefit for individuals by improving their knowledge, capacities and self-confidence

Support economic and social (re-) integration of people affected by conflict and provide perspectives that discourage them from joining armed groups.

Foster social cohesion by offering training support to different population groups (IDPs, refugees, host community)

Place gender equality at the heart of programming

## Strategy and Vision

Promote systemic approaches that respond to pressing needs while fostering development and peace

Integrate all key players of VSD into programmes to support democratic principles, intercultural understanding, respect and peace

Foster local ownership of interventions in both short and long term

Reduce barriers to VSD through a holistic approach to addressing the exclusion of marginalised groups, including investment in basic education where relevant

## Analysis

Establish a monitoring system for evidence-based project implementation

Conduct tracer studies to measure the economic and social (re-) integration of VSD trainees

Promote culture of (lean) data collection within the project and in the VSD sector

Follow a beneficiary-centric approach including regular feedback loops with all relevant actors

## Measurement

SDC highlights a set of [Common Outcome indicators \(COI\) in VSD programmes](#) that measure outreach, relevance of training, gainful employment and systemic changes.

In fragile contexts Improved social cohesion should additionally be measured (e.g. through focus group discussions)

Improved employability and income should be evaluated through qualitative interviews with trainees and employers



# VSD project in fragile contexts

## Promoting Life Skills and Livelihoods in Kakuma Refugee Camp - Kenya

<b>Situation:</b>	Camp hosts <b>186.000 refugees</b> mainly Somalis and South Sudanese, protracted refugee situation.
<b>Project Objective:</b>	To strengthen the <b>income-generating capabilities of youth</b> (both refugee and from the host community) by enhancing <b>their technical, financial, life and literacy skills</b> .
<b>Approach:</b>	<ul style="list-style-type: none"> <li>• <b>Strong self-reliance and market-oriented approach;</b></li> <li>• Market-oriented and competency-based skills training and income generating activities, <b>no blueprints in the selection of training measures</b>, but training is adapted to the needs of the camp and the surrounding communities; selection of skills training and training packages have been adapted again and again to prevent saturation of the market;</li> <li>• <b>Holistic approach</b> – skills training complemented by soft skills (communication, sexual reproductive health), entrepreneurship, financial literacy, work readiness training, basic literacy and numeracy skills;;</li> <li>• <b>Refugees and host communities</b> (selected based on vulnerable criteria) <b>were targeted 50:50</b>, to improve cohesion;</li> <li>• Learning takes place in <b>Learning Group (LG)</b>, these are homogenous, self-selected, self-managed and comprise of people with similar interests;</li> <li>• <b>Implemented in partnership with other stakeholders</b> such as private sector businesses, non-governmental organizations, community-based organizations and government agencies.</li> </ul>
<b>Goals:</b>	Increase access to market-driven skills for 4,600 youth; increase financial/ business management capabilities by supporting the start-up of 1,300 new micro-businesses; facilitate 3,000 beneficiaries to gain meaningful (self)employment.
<b>Requirement:</b>	Fertile ground for socio-economic integration due to the <b>needs and willingness of the host county to collaborate</b> . ( <a href="http://www.swisscontact.ch">www.swisscontact.ch</a> )



# What is PSE?

An authentic  
collaborative partnership based  
on common values and shared responsibilities

Co-Initiating

Co-Steering

Co-Funding

**Core attributes of effective EPS**

Shared risks

Shared costs  
(usually 50:50)

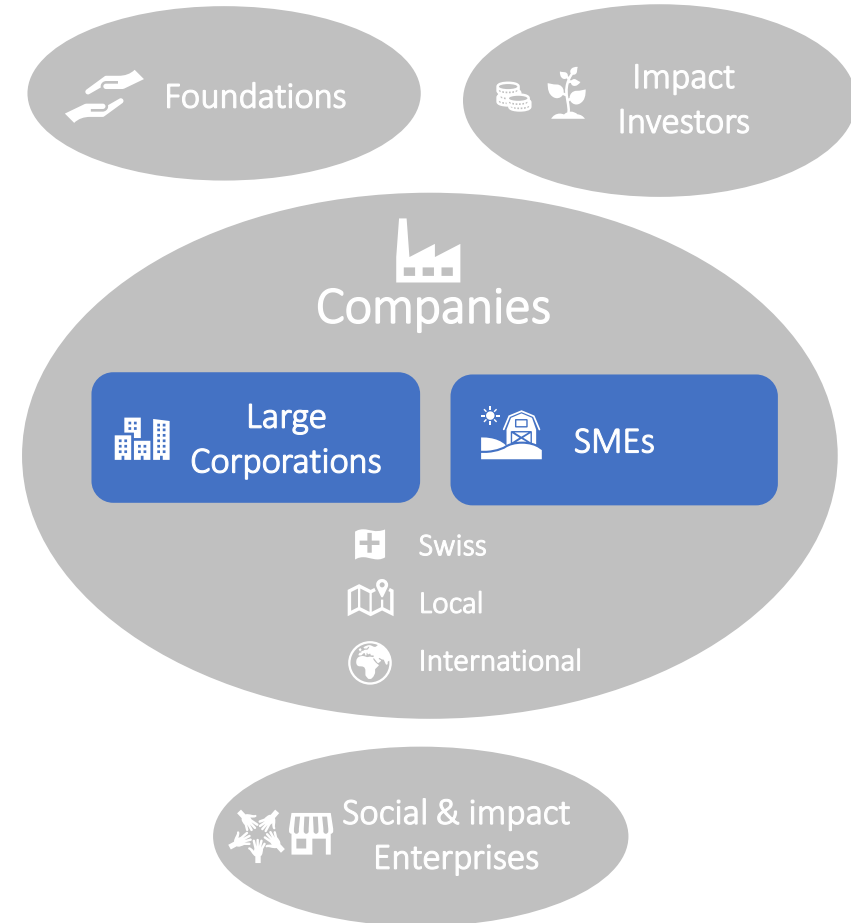
Shared benefits

**“Fair play”**

Clarified mutual expectations & formal partnership agreement

Complementary strengths, resources & skills

Common ground: shared set of values & project vision



# How is PSE affected by Fragility?

## Political

- Political instability and weak government institutions leading to **sudden change in government can jeopardize PSE projects**, as they **oust private actors**
- Regulatory and administrative **hurdles slow down PSE processes**, as the private sector operates in dynamic and fast-changing environments
- The **lack of property rights, transparency and reliable commercial law undermines the interest of private sector actors**

## Societal

- **Lack of social cohesion, political and social disparities** affect PSE design
- In some cases, citizens of fragile states **rely on the government, rather than the private sector**, to be the main participant in economic activities, PSE needs to address this additional challenge

## Economic

- **Difficulty to attract** new PS partners due to macroeconomic instability, poor infrastructure, limited size of the market and lack of business case while existing private sector actors face limited access to capital
- **Dependency on export of primary goods** (such as the lucrative oil or mining industries). Such goods are often **controlled by governments who are** reluctant to release their holdings, which makes it a difficult territory for PSE

## Environmental

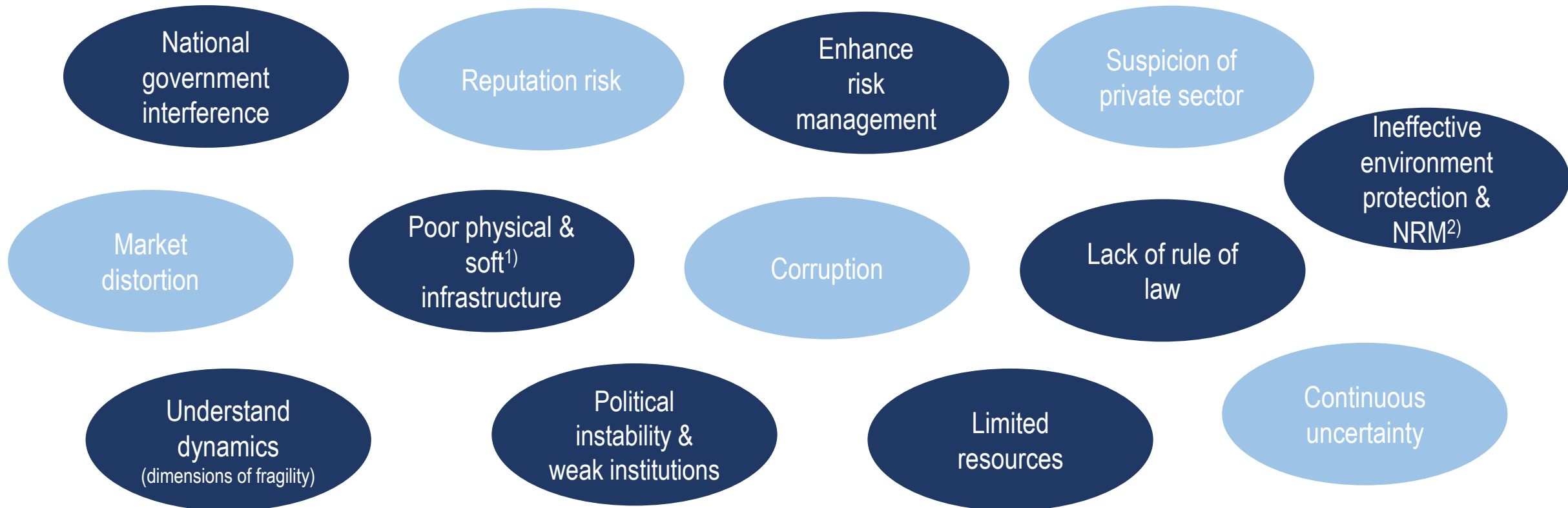
- PSE strategy can be strongly affected by **environmental risks** (nature disasters, droughts etc.)
- **Insecure environment compels** private sector actors to develop **short-term strategies rather than creating long-term sustainable development plans**

## Security

- **Conflicts geographically constrains** areas in which PSE projects can be implemented
- **International companies have high risk aversions** towards fragile state and **might exit** the country/region as soon as insecurities arise



# Risks & Challenges for PSE in fragile contexts



1) Physical infrastructure: roads, energy, water, telecommunication. Soft infrastructure: technology, skills, higher education;  
2) NRM: Natural Resources Management



# Steps & tools to conduct PSE in fragile contexts



## Steps



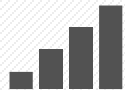
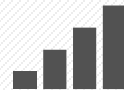



## Tools

	Steps	Tools
1	Understand the <b>context</b> in which a PS actor operates, including drivers of conflict, political dynamics, social norms adhered to by communities and the services available there	<ul style="list-style-type: none"> <li>World Bank Group. <a href="#">Country Diagnostic Search Tool</a></li> <li>MercyCorps. <a href="#">Private Sector Engagement Toolkit</a>; <a href="#">Private Sector Firm Identification Tool</a>; <a href="#">Business Sector Scan Tool</a>; <a href="#">Due Dilligence Assessment Tool</a>; <a href="#">Feasibility Assessment Tool</a>; <a href="#">Stakeholder Analysis for PSE Tool</a></li> </ul>
2	Understand the <b>interaction</b> between the actors, their activities and the context	<ul style="list-style-type: none"> <li>The Springfield Center. <a href="#">The operational guide for M4P approach</a></li> <li>Swiss Agency for Development and Cooperation. <a href="#">SDC Handbook on Private Sector Engagement</a> and the embedded Risk Management Process for Private Sector Engagement therein.</li> </ul>
3	Develop a comprehensive <b>assessment of risks on a systematic basis</b> and the need for <b>mitigating measures</b>	<ul style="list-style-type: none"> <li>While there are standardized metrics for measuring development outcomes (<a href="#">IRIS+</a> and the <a href="#">SDG indicators</a>), there are no standard metrics for private sector engagement specifically. However, the OECD explores how development actors are currently <a href="#">measuring the results of private sector engagement</a> and Endeva has identified <a href="#">12 good practices for results measurement</a> in relation to private sector engagement.</li> </ul>
4	Use this assessment to <b>avoid negative impacts and maximise positive impacts</b> of the activities	

# PSE and do no harm

Goal	Ensure PSE <i>does no harm</i>	Strategy	Apply “Do No Harm” principles to avoid market distortions and ensure that the engagement <b>strategy mitigates potential negative effects while preventing aggravating fragility factors</b>
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Guiding Principles	Political	Societal	Economic	Environmental	Security
Impact	<ul style="list-style-type: none"> <li>• <b>Prevent</b> PSE from <b>weakening state-building processes</b></li> <li>• <b>Prevent public-private competition</b>, except if it has positive effects &amp; promotes better quality investments</li> <li>• <b>Avoid bribes</b> and <b>support</b> government <b>legislation<sup>1</sup></b></li> <li>• <b>Steer clear</b> of <b>illicit financial flows</b> and <b>tax avoidance</b></li> </ul> 	<ul style="list-style-type: none"> <li>• <b>Avoid</b> approaches which can <b>increase inequalities</b> (e. g. prevent partnerships with business owned by large families or linked to military).</li> <li>• <b>Respect balanced hiring policies</b></li> <li>• Take into account <b>gender diversity and ethnic realities</b></li> </ul> 	<ul style="list-style-type: none"> <li>• Do <b>not</b> give <b>advantage</b> to the handful of <b>large</b>, often family-owned <b>businesses</b>, which can <b>impede</b> the development of <b>competitive markets</b></li> <li>• <b>Stay away</b> from <b>excluded sectors and practices</b> and be careful in engaging in critical sectors, such as extractive industries<sup>2</sup></li> </ul> 	<ul style="list-style-type: none"> <li>• Adhere to and <b>support</b> the development of <b>environmental and social standards</b></li> <li>• <b>Prevent</b> environment <b>degradation</b> and <b>mis-/over</b> usage of natural resources and (e.g. deforestation, fresh-water reduction or soil exhaustion...)</li> </ul> 	<ul style="list-style-type: none"> <li>• <b>Avoid</b> practices <b>favouring a group over another / upsetting the balance of power</b> between interest groups which can exacerbate conflicts and violence</li> <li>• <b>Steer clear of all armed groups collaboration</b>, especially with sanctioned parties</li> </ul> 

1) Legislation to implement measures to combat bribery and corruption in projects with private sector  
 2) Refer to the document "How to Make It Work: Implementation of Private Sector Engagement - Part B: Private Sector Engagement Risk Management Process" for a list of excluded sectors and practices as well as critical sectors

# PSE influence on reducing fragility

Goal

Apply PSE modality  
*to reduce fragility*

Strategy

Design projects with fragility factors in mind, try to find the **right partners and aim to address the drivers of fragility**

## Political

- Make private sector **registration** and **tax payment** conditions for PSE
- Support **innovative solutions** to overcome the limitations of public institutions
- **Reduce corruption** by applying state of the art legal and compliance frameworks, as well as risk management procedures



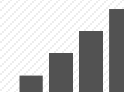
## Societal

- Select organization creating **jobs shaping social identity, building networks, increasing fairness & inclusiveness** to help defuse societal tensions and instability
- Target PSE **projects** towards areas **providing essential services** in order to **restore social stability and government credibility** towards its citizens



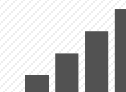
## Economic

- Focus on private sector actors with **activities spurring long-term economic growth, supporting stabilisation, fostering trade, developing physical infrastructure**
- Entering **partnerships** with Private Sector through activities creating **jobs** and providing (vocational) **trainings**
- Focus on creating conditions in which **informal or illegal markets transform into legitimate** Private Sector activities



## Environmental

- Ensure **sustainable management of natural resources**
- Provide **sustainable infrastructure services** (e.g. agroforestry, off-grid solar energy etc.)
- Build **livelihoods resilient** to environmental, climatic and health risks



## Security

- Leverage PSE to **increase low per capita income and lack of employment** and give populations a reason to favour peaceful conditions
- Make sure to create jobs for **unemployed youth and former combatants** (or any member of population involved in the conflict)



Guiding Principles

Impact

# Examples of PSE projects in fragile context

## SIDA – Job opportunities in Ethiopia

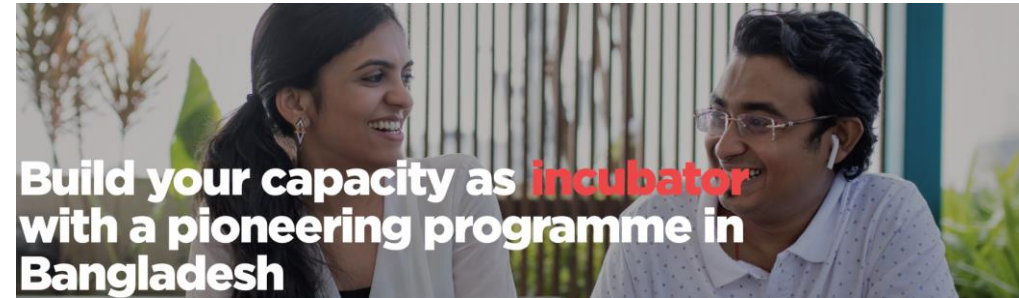


Copyright: UNIDO.org

- **Partners:** Sida, UNIDO, Volvo, Selam Technical and Vocational College, Ministry of Education and Ministry of Industry
- **Goal:** Creating employment opportunities for young Ethiopians as highly-trained vehicle mechanics and drivers
- **Approach:** Set-up **vocational training** for heavy machinery to provide underprivileged youth with skills **by engaging a major multinational company** in active provision of human resource development outside its own organisation

Source: [SIDA, 2020](#)

## SDC - Social Impact Incentives in Bangladesh



- **Partners:** SDC, Roots of Impact, LightCastle Partners, several institutional investors, several incubators and social enterprises
- **Goal:** Bridge market failures and significantly leverage the impact of social enterprises
- **Approach:** The programme is structured around three pillars of activities: capacity building, catalytic funding and policy advocacy. The **payments of SIINC are structured and linked to impact, with the underlying objective being to support social enterprises in their efforts to scale their impact with less risk of a mission drift.**



# Conclusions

## A clear rationale for IED in fragile contexts:

Fragility shapes and can also be shaped by the economy. **Societies are more likely to prosper and be peaceful if economic development is inclusive** and people have fair access to livelihood opportunities and services ([International Alert, 2015](#))

## Analysis & adaptive management:

**Context is key.** Fragility is multi-dimensional and addressing fragility needs to take the context into consideration. Interventions need to be adapted accordingly.

Involvement in fragile contexts calls for **flexibility and adaptive management** that adjust to the changing context, while keeping a clear impact objective defined.

## Do no harm

Donors and implementing partners should be aware on own bias and of the impact their actions have on the local environment. In fragile contexts especially, inclusive economic development needs to emphasize and follow SDC **'do no harm'** guidelines

## Reduce fragility

Enhancing the ability of communities and societies to thrive and achieve resilience demands more **comprehensive and innovative solutions**. These must include **public-private partnerships and a greater engagement of the business sector**. ([WEF, 2016](#))

Social cohesion needs to be on the forefront of interventions and programs should actively engage in initiatives that reduce inequalities and gender imbalances.



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