



# FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative



## Primer on Private Sector Engagement in Fragile and Conflict-Affected Situations



### Feed the Future Market Systems and Partnerships Activity September 2021



**USAID**  
FROM THE AMERICAN PEOPLE

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# Acronyms

CDCS - Country Development Cooperation Strategies

CSR - Corporate Social Responsibility

FDI - Foreign Direct Investment

FCS - Fragile and Conflict-Affected Situations

FTF - Feed the Future

IDA - International Development Assistance

IFC - International Finance Corporation

IP - Implementing Partner

IRC - International Rescue Committee

MNC - Multinational Corporation

MSP - Market Systems and Partnerships Activity

ODA - Official Development Assistance

PSE - Private Sector Engagement

PSLA - Private Sector Landscape Assessment

STTA - Short Term Technical Assistance

USAID - United States Agency for International Development

# About this Primer

The purpose of this primer is to guide USAID and implementing partners on how to strategically engage the private sector in Fragile and Conflict-Affected Situations (FCS) and includes:



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## What makes PSE Different in FCS

This section offers a summary of special considerations and practices needed to conduct effective PSE in FCS, providing Missions and implementing partners with a framework to 1) define fragility, 2) understand the unique benefits and inherent risks of PSE in FCS, and 3) prepare for effective PSE in FCS by committing to more than financial support; taking a facilitative approach through practicing systems leadership; balancing the need for fast and urgent action with due diligence; and expecting longer timelines and the need to pivot approach.



02

## Private Sector Types in FCS

This section of the primer describes four main types of private sector actors that operate in FCS to reveal the variations in incentives, appetite for risk, and drivers in decision-making across these actors: 1) social enterprises; 2) local private sector; 3) large-footprint companies; and 4) new investors. For each type of private sector actor, the guidance describes how they tend to operate in FCS; common incentives and constraints; where USAID can add value; anticipated behavior change through PSE efforts; and special considerations.



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## Vignettes

Annex I presents a series of vignettes that highlight real-life examples of engaging the four different categories of private sector actors to support conflict stabilization, humanitarian efforts, and/or foster resilience.

# Executive Summary

## Key Takeaways



The key takeaways from this primer are:



### Adding a Third Dimension to Shared Value:

The preferred approach to engaging the private sector, across contexts, is by advancing shared value where development objectives intersect with core business interests. In FCS, we must apply a third layer of intersection to ensure a partnership or alliance also aligns with principles such as Do No Harm and Conflict Sensitivity to foster stability and resilience.



### Not All Companies are Alike:

In FCS, the private sector can serve as a bulwark against chaos by contributing many positive attributes necessary for stability such as jobs, tax revenue, and the provision of essential goods and services. Most businesses typically thrive in more stable environments—characterized by transparency and accountability. However, some private sector actors perform better in chaos and are able to maintain a privileged position by participating in entrenched patterns of corruption, advancing their own special interests at the expense of the collective good. Understanding each private sector actor's role in the system, as well as any potential embedded relationships (to the greatest extent possible within the context of imperfect information), is essential to making the right decisions around how and with whom to engage. Selecting partners whose interests align with peace and stability is key to encouraging inclusivity and fairness rather than further enforcing behaviors or actions that exacerbate inequalities and conflict.



### PSE Best Practice is More Important than Ever in FCS:

A PSE best practice, across all contexts, is to conduct upfront prospecting, or opportunity identification, ahead of selecting partners and areas of collaboration. This upfront prospecting is essential to understanding individual companies' role in the system and by extension who the most strategic and impactful set of partners might be to USAID.



Good prospecting will reveal companies' interests and incentives to enter into partnership, which will help development practitioners effectively co-create partnership design with their company counterparts in a way that drives forward shared value. Insights revealed through prospecting will also help USAID and IPs to understand whether they can offer additionality—whether or not they are uniquely positioned to unlock constraints to private sector involvement and investment in an area that advances development objectives.

In FCS, upfront prospecting is more important than ever to understand opportunities, challenges, and how to engage appropriately. Though there will be pressure for siloed fast action in these contexts, short-circuiting essential upfront analysis can expose USAID to significant risk in unknowingly engaging with bad actors, which could ultimately exacerbate inequalities and conflict. Conducting due diligence to thoroughly vet potential partners ahead of engagement is therefore critical.

A cornerstone of prospecting, or strategic positioning, in FCS will be applying a conflict sensitivity lens to begin to map conflict dynamics and stakeholders within a country or locale. Though it would take trusted local sources (which can take years to establish) to navigate the complex web of incentive structures between interconnected market actors, in the broadest terms, this mapping can help to reveal companies whose interests are aligned with stability versus those whose interests are aligned with chaos.

Engaging companies that adhere to transparent, accountable, fair, and socially inclusive business practices can elevate standards of engagement for all players—taking the first steps towards forming the foundations of a functioning market system. Prospecting can reveal whether potential corporate partners are motivated by philanthropic or profit interests. Philanthropically oriented partnerships that make a meaningful contribution will be few and far between and will tend to be concentrated in humanitarian contexts in order to provide immediate access to essential goods and services.



### **Getting Beyond Financial Support:**

There is a clear need for USAID and its implementing partners to shift away from contributing only, or primarily, financial support, to also accompanying their private sector partners throughout engagement in navigating these environments to gain access to human capital, data, information, and infrastructure. USAID and IPs have a key role to play in brokering relationships with other essential market actors, including peer firms, government, civil society, and other donors or development actors. USAID and IPs can also accompany firm partners in problem solving and unlocking constraints throughout partnership implementation, leveraging their convening power when necessary and appropriate to draw other key actors into dialogue or action. By shifting into this active, facilitative and accompaniment role, USAID and IPs can add value by acting as catalysts for positive change; as facilitators of constructive, peace promoting activities; as key contributors to an enabling environment that supports stability; and as influencers of stability.

# Introduction



Photo credit: David Rochkind



The purpose of this primer is to guide USAID and implementing partners on how to strategically engage the private sector in Fragile and Conflict-Affected Situations (FCS).



## 1.1 The Role of Private Sector Engagement in Fragile and Conflict-Affected Situations



**Private sector engagement (PSE), as defined by USAID's [Private Sector Engagement Policy](#), can help developing countries build the skills, resources, knowledge, local institutions, and incentives needed to make local systems and markets more resilient.**<sup>1</sup> In Fragile and Conflict-Affected Situations (FCS), engaging the private sector can uniquely address and help to mitigate drivers of instability and conflict by creating jobs, providing essential goods, increasing financial inclusion, developing infrastructure, and promoting other forms of inclusive economic development. When done carefully and thoughtfully, engaging the private sector in FCS can help to reduce or remove incentives for further conflict and instability by lifting communities out of poverty and promoting resilience. However, the complexity and unpredictable nature of the social, economic, and political environments in FCS is such that principles of Conflict Sensitivity and Do No Harm must be the cornerstone of all forms of collaboration with the private sector to avoid further exacerbating inequalities and conflict.

## 1.2 Purpose of This Guide



**The purpose of this primer is to provide USAID and implementing partners (IPs) guidelines on how to strategically engage the private sector<sup>2</sup> in FCS.** PSE in these environments will often be driven by typical USAID development and humanitarian objectives in sectors such as food security, education, protection, health, resilience, or governance, but given the unique dynamics in FCS, there is a need for heightened due diligence prior to USAID engagement of various private sector actors to support humanitarian assistance delivery, stabilization, conflict reduction, and resilience. For example, applying principles of conflict integration when designing partnership opportunities can help practitioners to be mindful of how conflict impacts the goals, approaches, and implementation of PSE, thus minimizing negative impacts while maximizing opportunities for peace. Doing so can help promote peace and, even more importantly, ensure PSE efforts have the best chance for success in fragile and conflict-affected settings. This primer provides USAID and implementing partners with 1) a summary of special considerations and practices needed for effective PSE in FCS; 2) guidance around engaging four primary types of private sector actors; and 3) a series of vignettes that highlight real-life examples of engaging the four different categories of private sector actors to support conflict stabilization, humanitarian efforts, and/or foster resilience.

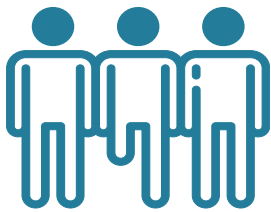
Conducting PSE in fragile situations is not a new practice. A [Brookings Institution analysis](#) of 1,500 USAID private sector partnerships between 2001 and 2014 found that one-third of these partnerships were in countries facing fragile situations. Despite this institutional experience, USAID currently has no official guidance outlining the

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<sup>1</sup> USAID PSE Policy definition: PSE is a strategic approach to planning and programming through which USAID consults, strategizes, aligns, collaborates, and implements with the private sector for greater scale, sustainability, and effectiveness of development or humanitarian outcomes.

<sup>2</sup> Private sector as defined by USAID's PSE Policy includes: For-profit, commercial entities and their affiliated foundations; Financial institutions, investors and intermediaries; Business associations and cooperatives; Micro, small, medium and large enterprises that operate in the formal and informal sectors; American, local, regional, and multinational businesses; and For-profit approaches that generate sustainable income (e.g., a venture fund run by a non-governmental organization (NGO) or a social enterprise).

special considerations and programmatic adaptations needed to effectively engage the private sector in such contexts. This primer addresses one of several recommendations from the [Office of the Inspector General Audit Report on USAID Implementation of the PSE Policy](#). Specifically, the report noted “a lack of comprehensive implementation guidance for engaging with the private sector”.<sup>3</sup> In an effort to provide such guidance, and advance the body of knowledge on PSE, this primer will harmonize and build upon several related strategies, resources, and efforts including USAID’s [Private Sector Engagement \(PSE\) Strategy \(2018\)](#) and [Responsible Development: A Note on Conflict Sensitivity from USAID’s Center for Conflict and Violence Prevention \(2020\)](#).



## Who this Primer is For

This primer is intended for USAID staff and IPs, particularly FCS-focused practitioners interested in using PSE as a tool to conduct development and humanitarian work, and PSE practitioners seeking best practices for working in FCS. This primer is designed to provide broad recommendations based on the insights and experiences of development practitioners working at the intersection of private sector engagement and fragile states. These recommendations can help practitioners to better understand the institutional, socio-political, and economic dynamics in these situations, and the range of private sector motivations and roles. Key insights were gleaned from subject matter experts, existing literature, and best practices on fragile states and PSE, as well as from key informant interviews and focus group discussions.

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<sup>3</sup> OIG Report on USAID Implementation of the PSE Policy. P. 17. [https://oig.usaid.gov/sites/default/files/2020-12/5-000-21-001-P\\_1.pdf](https://oig.usaid.gov/sites/default/files/2020-12/5-000-21-001-P_1.pdf)

## What Makes PSE Different in Fragile and Conflict-Affected Situations



This section will identify the risks and benefits inherent in engaging the private sector in FCS and will address special considerations and unique approaches to facilitate successful collaboration.

## 2.1 Defining Fragility



The **OECD** defines fragility as the combination of exposure to risk and insufficient coping capacities of the state, system and/or communities to manage, absorb, or mitigate those risks.<sup>4</sup> Fragility, while not a static condition, is often determined by a governing institution's effectiveness and legitimacy, key determinants for a country's ability to absorb, adapt, and manage shocks and stresses, including natural and human-made disasters, food insecurity, and climate change. When the public perceives a government to be illegitimate and ineffective, this can lead to challenges such as: weak social cohesion, ineffective, corrupt, and/or unaccountable institutions, an inability to provide basic goods and public services, loss of physical control of territory, abuse of human rights, and the loss of fundamental freedoms.<sup>5, 6</sup> A community, country, or region can become fragile if it is unable to adequately address these drivers of, and vulnerabilities to, conflict as well as to environmental and human-made shocks and fails to produce outcomes that are widely considered to be effective and legitimate.<sup>7</sup> For the purpose of this primer, there are five types of fragility, including: large-scale violence, political crises, economic crises, severe criminality, and complex humanitarian emergencies. If not addressed, each of these forms of fragility have the potential to leave countries, regions, and their communities vulnerable to violence, transnational threats, and other significant shocks that disrupt economic activity and slide communities back into poverty.<sup>8</sup>

## 2.2 The Unique Benefits and Inherent Risks of PSE in FCS



**In geographic areas experiencing any of these complex challenges, PSE presents an opportunity to disrupt a vicious cycle of fragility, conflict, and poverty.**<sup>9</sup> As established, often trusted, and/or influential members of a country's economic fabric, private sector actors are well positioned to be catalysts for positive change in situations where breakdowns in communication, resource scarcity, and social or political missteps can lead to instability, displacement, and deadly violence. With these heightened stakes, engaging the private sector in FCS is both inherently unique and challenging when compared to employing the same approaches in more typical development contexts. An added layer of complexity in FCS is that some companies may thrive because of instability and thus prefer the status quo, while others are simply managing the best they can within challenging conditions. As development practitioners, it is important to be aware of the complex dynamics within these contexts and the various incentives that could motivate a diverse set of private sector actors. While not without risks, PSE in fragile contexts can carry high rewards if undertaken successfully.

**One of the primary benefits of using PSE to conduct development or humanitarian work in FCS is the private sector's ability to contribute to and strengthen ancillary peacebuilding processes and/or directly support economic stability, as well as to enable access to essential resources and services such as health care, electricity, housing, or financial services.** Functioning as essential actors

<sup>4</sup>[https://www.oecd-ilibrary.org/sites/ba7c22e7-en/1/4/2/index.html?itemId=/content/publication/ba7c22e7-en&\\_csp\\_=89578a182071559ff79c670c40753038&itemIGO=oe&itemContentType=book](https://www.oecd-ilibrary.org/sites/ba7c22e7-en/1/4/2/index.html?itemId=/content/publication/ba7c22e7-en&_csp_=89578a182071559ff79c670c40753038&itemIGO=oe&itemContentType=book)

<sup>5</sup> <https://www.state.gov/wp-content/uploads/2020/12/us-strategy-to-prevent-conflict-and-promote-stability.pdf>

<sup>6</sup> <https://fragilestatesindex.org/frequently-asked-questions/what-does-state-fragility-mean/>

<sup>7</sup> [https://pdf.usaid.gov/pdf\\_docs/PA00TKRR.pdf](https://pdf.usaid.gov/pdf_docs/PA00TKRR.pdf)

<sup>8</sup> <https://www.state.gov/wp-content/uploads/2020/12/us-strategy-to-prevent-conflict-and-promote-stability.pdf>

<sup>9</sup> <https://www.ifc.org/wps/wcm/connect/07cb32dd-d775-4577-9d5f-d254cc52b61a/201902-IFC-FCS-Study.pdf?MOD=AJPERES&CVID=mzejewf>

in multi-track diplomacy and brokers between government, other private enterprises, civil society, and other social or politically-aligned groups, private sector actors can use their influence to facilitate negotiations and connections among multiple key actors. Further, by establishing markets and trading relationships that are transparent and inclusive of opposing social and political groups, the private sector can contribute to a culture of trust and integrity. Partnering with the private sector can, in fact, elevate the standards for business engagement, increase transparency, and revive economic activity. Private actors can also leverage their influence by encouraging dialogue between affected communities and amplifying the voices of marginalized actors. These various roles, summarized by Miller et al., are as follows:

- **Catalyst** for positive change in the relationships between other actors in the context;
- **Facilitator** of constructive activities by other actors that have an interest in stability;
- **Key contributor** to efforts to lay the foundations for an enabling environment for private sector actors post conflict; and
- **Influencer** of actors who, by virtue of their official position or informal authority and legitimacy, can say “yes” or “no” to stability.<sup>10</sup>

**Despite these benefits, there is also an inherent risk of negative outcomes when engaging the private sector in FCS.** Long-standing patterns of corruption between private sector actors and states often form the foundation of both formal and informal economies in FCS. Furthermore, FCS typically grapple with weak or ineffective institutions leading to gaps in effective governance. Private sector actors can take advantage of this political and social instability for economic gain by bypassing regulations. In the absence of legal repercussions, bad actors in the private sector can operate with impunity and potentially create challenges such as economic entrenchment, community displacement, or unfair or illegal exploitation of resources or environmental degradation, each of which can exacerbate fragility. Even those business actors not engaged in these overtly nefarious practices are likely to have trading and partnership networks that are exclusionary and favor their particular social, political, ethnic, or kinship groups, or that exclude marginalized groups. Furthermore, in some cases companies can have ties to powerful elite or government figures that are on the Specially Designated Nationals and Blocked Persons list. As such, development practitioners must consider the potential for private sector actors to cause adverse effects, so careful vetting of potential partners ahead of engagement is critical.

Without the contextual knowledge needed to carefully navigate conflict and instability dynamics, engaging the private sector can potentially cause inadvertent harm in FCS. Engagement can sometimes exacerbate inequalities and introduce or prolong conflict through indirect support to parties to conflicts. To avoid such challenges, development practitioners must carefully consider the potential opportunities and risks associated with engaging specific types of private sector actors in FCS and ensure they are equipped with the required knowledge and local networks necessary to avoid causing further harm. Since private sector actors play a variety of roles in FCS, USAID and its IPs must ensure they are selecting company partners whose interests are to promote accountability and transparency, rather than corruption and promotion of special interests at the expense of the collective good. Finally, market systems may have quite limited competition, with few market actors—particularly on the private sector side; thus, development practitioners must take extra care in thinking through the approach to and impact of partnering decisions so as not to arbitrarily and unwittingly pick winners.

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<sup>10</sup> A Seat at the Table: Capacities and Limitations of Private Sector Peacebuilding, 2019 (Miller et al.)



## 2.3 Preparing for Effective PSE in Fragile and Conflict-Affected Situations



**Conduct Upfront Strategic Analysis and Positioning:** Setting the active intention of Do No Harm—which recognizes that while aid can strengthen local capacities, it can also cause negative impacts—when selecting and evaluating potential private sector partners must be the cornerstone of any type of collaboration in FCS.<sup>11</sup> Keeping this principle at the forefront of upfront strategic analyses and positioning, in order to identify the most impactful potential private sector partners, and how to engage them, will enable development and humanitarian practitioners to pay special attention to opportunities for harm reduction and mitigation.

humanitarian practitioners to pay special attention to opportunities for harm reduction and mitigation.

While Do No Harm promotes consciously avoiding and actively mitigating negative impacts, Conflict Sensitivity builds upon this approach by encouraging development and humanitarian actors to actively seek out opportunities to build peace and negate conflict.<sup>12</sup> Some practical steps for applying a conflict sensitivity approach include mapping conflict dynamics and stakeholders within a country or locale. This mapping can be performed using USAID’s [Conflict Assessment Framework](#), which helps practitioners assess the political, economic, social, and security factors at work within a specific context, with special attention paid to how key actors mobilize grievance and resiliencies to drive or mitigate conflict. This approach can help practitioners forecast how such dynamics might evolve in the future and anticipate potential triggers or turning points.<sup>13</sup>

Further, by conducting such mapping activities, development and humanitarian practitioners can proactively identify and prioritize issues that can be addressed by the public sector, and identify key public and private actors along with their roles, influence, and vulnerabilities vis-à-vis conflict dynamics. Additionally, such mapping can help identify suitable points of entry and can inform recommendations for key populations to engage, along with models of engagement, that can support effective conflict prevention, management, or mitigation as well as principled humanitarian assistance. It is worth noting, however, that mapping is much more viable on multi-year activities than on quick impact interventions of short duration.



**Commit to More than Financial Support—Achieving Systemic Change Requires USAID to Take an Active Accompaniment Role throughout Engagement:**

Though the focus of USAID’s engagement with the private sector is often on providing financial assistance, some of the most valuable assets that the Agency and implementing partners can offer company partners are accompaniment, relationship brokering, and convening power.

These non-financial contributions are typically delivered in the context of on-the-ground

USAID activities that have dedicated long-term staff. USAID and IPs can promote the sustainability and success of PSE in FCS countries by committing Mission and IP staff to taking an active facilitative, or accompaniment, approach, which works to catalyze long-lasting systemic impact in fragile situations. Understanding that short-term positive outcomes from investment and market-based interventions cannot be sustained in a fragile setting without substantial changes in the key drivers of fragility and conflict,<sup>14</sup> active facilitation requires USAID and IPs to commit to contributing more than just capital.

<sup>11</sup> Responsible Development: A Note on Conflict Sensitivity from USAID’s Center for Conflict and Violence Prevention, December 2020

<sup>12</sup> [https://www.dmeforpeace.org/peaceexchange/wp-content/uploads/2021/01/Responsible-Development\\_A-Note-on-Conflict-Sensitivity-from-USAID-CVP-1.pdf](https://www.dmeforpeace.org/peaceexchange/wp-content/uploads/2021/01/Responsible-Development_A-Note-on-Conflict-Sensitivity-from-USAID-CVP-1.pdf)

<sup>13</sup> Conflict Assessment Framework 2.0, USAID (June 2012)

<sup>14</sup> *Ibid*

For example, in addition to offering partnership grants, Mission and IP staff could also address weak social cohesion by facilitating information sharing, building relationships between key actors, fostering inclusive public-private dialogue, and improving governance through institutional strengthening activities. Such active facilitation/accompaniment and direct engagement can initiate the first steps of the journey towards a more stable and enabling environment for business—forming the cornerstone of a functioning market system. Without such engagement, financial capital (partnership grants) made available through PSE is unlikely to bring lasting change.<sup>15</sup>

Distinct private sector challenges in FCS can include: corruption, threats to physical security of company employees and capital, unreliable supply chains, fledgling communications connectivity issues, underdeveloped digital infrastructure, reputational risk if partners are affiliated with a conflict actor or intergroup tensions, poor labor conditions, human rights abuses, and severely constrained access to capital. Pairing financial support (grants) with active accompaniment can also enable development practitioners to address certain risks that are sometimes unique to, or more pronounced in FCS.



**Key to this facilitative approach is practicing systems leadership,** or developing productive relationships between individual systems actors, which can lead to constructive institutional relationships over time. Identifying passionate systems leaders in FCS is key to exemplifying collaborative leadership skills, employing effective coalition-building strategies, and developing a deep understanding of the complex systemic challenges being addressed. These leaders are critical to aligning incentives between diverse actors, fostering trusted relationships and shared learning, and identifying priority interventions and solutions. Systems leadership is

relevant to PSE in FCS due to the potential diplomatic nature of private sector contributions to peace processes. The private sector's linkages to government can be an important opening for development practitioners to introduce institutional- and community-level capacity and relationship building that aid in the peace and transition processes.<sup>16</sup> Given the strong relationships the private sector maintains with government and customers even in times of peace and stability, companies can function as important messengers, promoting peace and advocating for humanitarian access when channels between society and government are frayed.<sup>17</sup> To help business leaders assume this role, USAID and IPs should seek to create a safe space for companies to share ideas. For example, USAID developed PSE advisory groups in Colombia and Haiti to advise on the Missions' approach to engaging the private sector in these complex environments, and carefully ensured these groups were representative of the local community.



**Balance Need for Urgent Action with Due Diligence:** In FCS, political developments can create short-lived openings for change that must be seized upon quickly. As such, quick action is essential if development and humanitarian practitioners and their partners hope to take advantage of opportunities for engagement. On the other hand, cutting corners on early activities such as conflict mapping, strategic positioning, due diligence, and environmental and social risk management is shortsighted. The operating standards developed through these

activities can help to minimize social harm, reduce risks in the medium term, and help lower the risk of future instability.<sup>18</sup> It should be noted that adopting good environmental and social standards in FCS is likely to take longer than in more stable development contexts, requiring flexible timing and additional resources. Despite these potential delays to the project timeline, it is important to always maintain standards for quality.<sup>19</sup> Given the unpredictability and disruptions in FCS that require greater flexibility and adaptability, thorough due diligence can ensure that any necessary pivots do not inadvertently overlook core risks.

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<sup>15</sup> Generating Private Investment in Fragile and Conflict-Affected Areas, IFC (2019)

<sup>16</sup> *Ibid*

<sup>17</sup> *Ibid*

<sup>18</sup> Generating Private Investment in Fragile and Conflict-Affected Areas, IFC (2019)

<sup>19</sup> *Ibid*.



**Expect Longer Timelines and the Need to Pivot Your Approach:** Conducting business in these fragile environments is unpredictable and requires flexible, patient, and agile approaches. Results in these contexts typically take more time to achieve compared to other places. One strategy is to support longer periods of performance (such as 3-5 years) developing six-month milestones that can be revisited and adapted depending on the current situation, using a recurring “refine and implement” approach. At any moment, an increase in

tensions caused by political or humanitarian issues could cut off access or reverse gains previously achieved, making it more difficult for the private sector to continue its operations. When these flare-ups occur, companies may need to de-prioritize partnership activities and focus on the immediate needs of their operations and employees. During these periods, it is important that USAID and its IPs maintain channels of communication with these private sector partners, understand the emerging constraints the companies are facing, and determine how to adapt or refine PSE activities given the new context.

# Private Sector Types in Fragile and Conflict-Affected Areas



This section describes four main types of private sector actors that operate in FCS to reveal the variations in incentives, appetite for risk, and drivers in decision-making across these actors:



**Social Enterprises**



**Local Private Sector**



**Large-Footprint Companies**



**New Investors**

Photo credit: Thomas Cristofolletti, USAID

For each type of private sector actor, this guide describes how they tend to operate in FCS; common incentives and constraints; where USAID can add value; anticipated behavior change through PSE efforts; and special considerations. Understanding these broad areas can help practitioners frame their engagement with a variety of potential private sector partners in unstable and chaotic situations.

# Model 1: Social Enterprises



For the purposes of this primer, a social enterprise is defined as **a company with a business product or service that is driven by a social mission. Social enterprises can often offer a bulwark against chaos in FCS.** These enterprises can be either local or international and have a product or service that solves or mitigates a social problem, generating employment for affected communities in the process. These social enterprises could have already successfully rolled out their product or service in an FCS market and may need help finding another use-case. Or, these enterprises may still be early-stage and may need support in piloting or commercializing a new product or service. Examples of such enterprises include USAID's Humanitarian Grand Challenge awardees such as [SurgiBox](#), [Nuru](#), and [Translators without Borders](#).

**How Social Enterprises Operate in FCS:** Social enterprises operating in fragile situations tend to be comfortable filling in gaps left by ineffective governments and institutions. For example, when public information services, public works, and other public goods are disrupted, social enterprises are able to provide these services through their operations. As highly adaptive, nimble, and typically small businesses driven by social missions, social enterprises tend to have a high tolerance for the risk characteristic of FCS. Despite their social mission and flexible nature, social enterprises can inadvertently contribute to inequities or conflict, particularly if they are not well informed of the local context or connected to trustworthy local sources. Additionally, sustained provision of public goods and services by social enterprises can result in negative patterns of behavior with the state, which may be less compelled to resume the role of providing these services as its capacity grows.

**Incentives and Constraints:** Social enterprises are driven by both social and commercial incentives, and typically seek opportunities for alignment between the two. These enterprises tend to use societal challenges amplified in FCS as drivers for opportunities. Some of the unique constraints that social enterprises face in FCS include the larger investments in human capital needed to launch their operations, and high overhead costs incurred while filling public sector functions such as conducting population surveys or collecting market data. Further, unlike larger corporate entities with established brand recognition, it takes social enterprises a long time to build trust with customers



## Where USAID Can Add Value



USAID's value to social enterprises operating in FCS lies in the Agency's ability to help identify and test new use-cases for their innovations.



USAID can offer value to these entities by providing support to cover overhead costs as they scale their model in different countries or regions.



USAID can help buy down the risk of investment in those social enterprises by using blended finance approaches to aggregate pools of investment capital in FCS. These larger pools of capital would broaden the number of investors involved and reduce transaction costs.



USAID can provide linkages to local community groups to help social enterprises foster peer networks and relationships with other key actors, including the government, in the market system. These networks can help social enterprises access the information, local insights, and capital needed to expand their operations.



and the host community. Such small organizations also typically find the bureaucracy of working with large bilateral donors prohibitive and often perceive the short-term nature of procurements as insufficient.



### Anticipated Behavior Change Through PSE Efforts

By engaging with social enterprises in FCS, USAID and IPs can encourage the expansion of inclusive business models that reach targeted segments of the population including youth, women, and marginalized ethnic groups. According to the International Finance Corporation’s (IFC), inclusive businesses in FCS countries largely perform well and only show slight variations in performance across different industries. Additionally, the IFC reports that its inclusive business portfolio is currently more prominent in fragile and conflict-affected situations than the rest of its portfolio, which indicates that these models can be helpful components for development agencies supporting PSE practice in FCS.<sup>20</sup> Partnering with these social enterprises can also help foster trust and collaboration across various private and public key actors to develop mutually beneficial assets such as data or infrastructure that can help to foster stability. Finally, engaging with social enterprises can help open up the space for new ideas and offer opportunities to deal with conflict in innovative ways.

**Special Considerations:** Social enterprises often experience limitations in scope for collaboration with USAID when they are required to engage through partnership funds administered by large contractors. This category of private sector sees USAID’s convening power, long-term presence, and diplomatic influence as especially valuable and find they often miss out on these benefits when they are unable to engage directly with the Agency. Instead of working through intermediaries, many social enterprises desire a more direct relationship with the Agency and would prefer to have more strategic influence over USAID’s engagement in fragile situations. Furthermore, social enterprises are often particularly sensitive to the perceived power imbalance when engaging with contractors or with USAID directly due to cumbersome procurement processes. To expand work with these actors, USAID and IPs should consider how to simplify procurement and contractual guidelines and regulations to facilitate engagement with social enterprises as equal partners rather than simply as grant recipients.

### Model 2: Local Private Sector



USAID describes the local private sector as “a highly complex set of actors...[with] wide variation in the tone, focus and scope of their interactions with [USAID]. Given the range of economic and political contexts in which USAID operates, it is difficult to make generalizations about these partners.”<sup>21</sup> Some typical characteristics of the local private sector is that they tend to be domiciled in a country, operating independently or as part of the supply chain for larger multinational corporations (MNCs). They can also constitute regional companies that may be domiciled in one country but maintain operations or presence across multiple states. A significant percentage of local firms operate in the informal economy in many FCS, outside the line of sight of governments, thus further compounding fragility. Additionally, the absence of effective governance in FCS accentuates pervasive informality.

<sup>20</sup> World Bank Group, IFC’s Experience with Inclusive Business, an assessment of IFC’s roles, outcomes, and potential scenarios, an IEG Meso Evaluation, 2018

<sup>21</sup> <https://www.usaid.gov/sites/default/files/documents/15396/Local%20Private%20Sector%20Partnerships%20Feb%2016%20update%20to%20cover.pdf>

## How Local Private Sector Actors Operate in FCS:

Local private sector actors' roles and operations in FCS largely depend on their existing relationships and networks. These actors tend to exhibit deep familiarity with local systems, operating environments, and market actors, which can translate to a higher tolerance for risk and, in certain instances, more flexibility and responsiveness. Local private sector actors may be more interested than foreign firms in supporting peacebuilding and stabilization, and may suffer more from conflict than multinational corporations that could relocate to other markets. Their long-term track-records of involvement and investment in a given market means they tend to be directly impacted by instability and tend to be amongst the first to respond to a crisis.

However, local private sector actors, like any entity, are not necessarily neutral or pro-peace. Local companies may benefit from conflict dynamics, may have embedded relationships with bad actors, and may exhibit business practices that cause or sustain inequality and instability due to the absence of regulations and enforcement.

**Incentives and Constraints:** Local private sector actors' main incentive and motivation in FCS is minimizing their operating risks, particularly given the level of unpredictability in their environments. Unlike social enterprises, their incentives are primarily commercial. Local private sector actors in FCS tend to face many enabling environment constraints including inadequate digital and physical infrastructure to connect to markets, political and regulatory uncertainty,<sup>22</sup> supply chain and operational disruptions, and weak supportive institutional capacity. Challenges such as limited access to finance and capacity can create further challenges, as small firms facing these limitations often lack the confidence to do business with larger companies, thereby limiting growth and opportunities to



## Where USAID Can Add Value



USAID can bring the most value to the local private sector in FCS by helping these actors to develop market linkages, to foster trusted relationships with other market actors, and to connect suppliers with providers.



USAID can also provide guidance to these actors on how to incorporate conflict sensitive approaches and on how to expand inclusive business practices that incorporate marginalized communities.



USAID can also help to demonstrate why these approaches are relevant and mitigate the risk of innovation for these private sector entities by providing technical assistance and matching grants to support testing out new practices. USAID's effort in Sri Lanka to encourage local apparel manufacturers to invest in communities slow to recover from the country's long civil war is an example of the Agency's work with local private sector actors in FCS. This initiative ultimately created jobs where few existed and developed ties between communities that had clashed during the war.



Further, USAID can promote peacebuilding and/or humanitarian preparedness efforts by hosting dialogue platforms between local business groups or associations, and local government. Some local private sector actors, with support from USAID, can be well-positioned and trusted to bring together relevant stakeholders across sectors to discuss how to better prepare for and respond to complex humanitarian, socio-political, or economic challenges.<sup>24</sup>

22 [https://www.ifc.org/wps/wcm/connect/region\\_\\_ext\\_content/ifc\\_external\\_corporate\\_site/sub-saharan+africa/news/za\\_ifc\\_fcs\\_value\\_chains](https://www.ifc.org/wps/wcm/connect/region__ext_content/ifc_external_corporate_site/sub-saharan+africa/news/za_ifc_fcs_value_chains)

contribute to stability efforts. These actors can also be disadvantaged by market distortions caused by donor interventions. Finally, a brief developed by the World Bank's Independent Evaluation Group found that, "Low capacity at all levels characterizes FCS countries: governments often lack sufficient capacity to effectively implement and enforce laws and regulations; the private sector is largely informal and lacks business skills to enable rapid firm-level growth; and workers lack technical and professional skills limiting their employability."<sup>23</sup>



## Anticipated Behavior Change through PSE Efforts

By engaging the local private sector in FCS, USAID can help achieve enhanced coordination and collaboration that fosters greater trust among market system actors. By collaborating directly with the local private sector in determining the strategic focus of interventions, USAID can help foster a sense of ownership and buy-in with these counterparts, which can, in turn, develop a sustainable pool of leaders needed to drive forward innovation after the life of a project.<sup>25</sup> Some of the most powerful champions for change can be local private sector participants operating within a value chain or market system. This is particularly important in conflict-affected situations as these actors can provide leadership in trust and peacebuilding activities as well.<sup>26</sup> Finally, by supporting local private sector actors, USAID can enable the creation of jobs, employment and income-generating opportunities. This has the potential to mitigate economic drivers of instability, and could even, indirectly, increase pressure on parties to the conflict to reduce tensions and safeguard livelihoods.

**Special Considerations:** Conducting a thorough due diligence process is particularly important before entering into partnership with a local private sector partner. In addition to understanding if the prospective partner is socially responsible, environmentally accountable, and financially sound, local partners may raise concerns tied to political connections and affiliations, business activities, or corrupt practices (perceived or real). Concerns may also emerge regarding whether prospective local partners have the financial resources, capacity, or stability to follow through on their partnership commitments. The due diligence process helps USAID and IPs understand how individual entities and the local private sector as a whole is perceived in the target area and within target communities.

However, for local partners, the due diligence process can be more challenging given the lack of publicly available information about them (especially when compared to MNCs). Instead, USAID and IP staff will need to rely on their local networks to help vet the proposed local partner. Practitioners should aim to understand what types of relationships local companies have with the government and other authorities, and if these potential private sector partners engage in behaviors that are peace-enabling and/or conflict-sensitive. It is equally important to determine as soon as possible whether local private sector actors have embedded relationships with bad actors, or if a local company's ties to certain politicians or political parties could have negative implications for USAID partnerships. This due diligence process can take longer, so it is important to start it early in the partnership development process. Proactively managing these risks is a central component of integrating conflict-affected populations into economic activity, particularly when it has been disrupted or changed drastically.<sup>27</sup>

Another special consideration is using co-creation approaches to collaboratively design a development activity with local private sector partners based on shared interests and respective areas of expertise. The goal is to transform business incentives into developmental impact, and to do so in a way that recognizes the special risks and unpredictability of operating in an FCS.

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23 <https://ieg.worldbankgroup.org/ieg-insights-private-sector-fragile-and-conflict-affected-states>

24 <https://www.mdpi.com/2071-1050/13/6/3024/pdf>

25 <https://seepnetwork.org/MERS>

26 Synthesis of Practical Lessons from Value Chain Projects in Conflict Affected Environments

27 Ibid.



## Value of Co-Creation Approaches & Relationship Management in Complex Contexts

USAID's Agriculture and Food Systems Development Activity (AFDA) co-created partnerships with local firms in Myanmar to address critical constraints to market access for smallholder farmers—especially for marginalized ethnic groups, women, and youth. The co-creation process helped to identify ways to increase the productivity, inclusiveness, and competitiveness of key market segments in the prioritized agricultural sectors.

AFDA invested heavily in training staff on market systems and private sector engagement capacity building exercises early on. In particular, an emphasis on best practices in co-creation and relationship management helped the team navigate the complex challenges that resulted from civil unrest and COVID-19. In the absence of an official MoU, working through local partners has been critical to achieving transformational impact given restrictive transport conditions. The rapport the team built with private sector partners allowed them to understand private sector needs, align incentives, and adapt implementation activities that created more resilient and inclusive businesses.

For example, the activity pivoted by developing a targeted Request for Expression of Interest (REOI) to source local partners and piloted microgrants to target producers in Northern Shan and Kachin.

The activity also made operational adaptations such as training partners on how to use Microsoft Teams and Zoom to ensure a seamless co-creation and grant implementation process, and how to overcome supply chain issues by placing orders with vendors who had equipment in stock or ceasing advanced payments.

Throughout this process, AFDA used an evidence-based approach to decision-making, gathering information from multiple studies and sharing findings with the development community and private sector partners to inform their own decision-making. This has allowed the activity to leverage the resources, data, and information available to develop a holistic response to the multiple stressors in Myanmar.



## Model 3: Large Footprint Companies



In this primer, large footprint companies are a type of MNC that are geography-dependent, working in sectors such as extractives, agriculture, infrastructure, or fast-moving consumer goods. Examples of such entities include large players in the cocoa supply chain such as Cargill or Olam, or players in the extractives industry such as Chevron or Rio Tinto. The USAID Mikajy project, designed to foster partnership between the private sector, government, and civil society to advance biodiversity conservation and to strengthen natural resource management, among other objectives, is an example of the Agency's work with large footprint companies. In 2019, Mikajy partnered with McCormick & Company in Madagascar to develop vanilla cooperatives, promote conservation, and improve livelihoods through capacity building, technical assistance, and financial support.<sup>28</sup>

**How Large Footprint Companies Operate in FCS:** Large footprint companies, particularly those that are geography-dependent, have an increased likelihood of influencing systems and dynamics that can actually cause and sustain fragility.<sup>29</sup> These types of corporate operations, which can involve the acquisition of natural resources from government or local groups, can heighten intergroup tension, political upheaval, or violence, “expos[ing] the sharp edge of business and conflict.”<sup>30</sup> Of the 100 countries listed at the bottom of the 2016 Fragile States Index, almost every one of them have faced significant conflicts that intertwined with large-scale business investment.<sup>31</sup> These types of conflicts can center around a range of issues—from illegal natural resource exploitation during wartime to investment projects that exploit or exclude local communities.<sup>32</sup>

Despite these concerning issues, large footprint companies also have characteristics that are beneficial to enhancing stability in FCS. These companies tend to have long-term commitments in the region and the ability to influence and improve local business practices if they operate using international standards. When operating in alignment with development objectives and peace processes, large footprint companies are well positioned to address drivers of conflict by creating private sector jobs, increasing government tax revenue, and providing the economic activity and growth needed to lift FCS out of poverty and instability. Indeed, multinational enterprises will typically enter fragile contexts with the promise of bringing new jobs, capital, training, market linkages, best practices, and adherence to international standards for labor as well as for social and environmental issues. Due to their size, these companies can exert influence over local or national government to help create a shift in operating norms and practices.<sup>33</sup> Large footprint companies, particularly those that are geography-dependent, typically require a social license, or approval of their legitimacy, to operate in a given environment and to gain access to natural resources and labor. This social license requirement often incentivizes these large corporate actors to invest in social and community programs. Some large-footprint companies create their own special-purpose vehicles to implement social and community programs, wanting to be seen as improving livelihoods and addressing community economic insecurity.

Conversely, at their most damaging, large footprint companies can be complicit in conflict or fragility, taking advantage of a weakened rule of law and ineffective institutions, benefiting from corruption, and acting in ways that do not conform with international standards, particularly around human and labor rights. Business leaders willing to collaborate with, or at least tolerate, bad actors have the potential to spoil peace processes by removing the incentives for negotiation.<sup>34</sup>

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<sup>28</sup> <https://medium.com/usaaid-2030/a-flavorful-partnership-2e0a1ca2c185>

<sup>29</sup> <https://ecdpm.org/great-insights/prosperity-for-peace/business-conflict-fragile-states-pragmatic-solutions/>

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.



Another source of tension with large footprint companies is the extractive nature of their operations, and/or dependence on imported talent and resources. These companies may, in reality, create few job opportunities or procurement of supplies locally if they cannot find the talent and resources needed to meet their standards, and the more profitable value addition activities may occur outside the country. In addition, tax revenues received by the government may not primarily benefit the communities where these companies operate nor the population groups that they employ. In these situations, local communities perceive that they are not receiving a fair share of the potential economic opportunities and financial benefits, thus leading to increased resentment and conflict with both the large footprint companies and local government.

**Incentives and Constraints:** Large footprint companies are incentivized to maintain their social license to operate and minimize supply chain disruptions and costs. Geography-dependent companies seek to maintain operational continuity in fragile situations as they are often unable to relocate or unwilling to incur the costs of doing so. These large corporate actors tend to be constrained by land disputes and by pressures from civil society for increased transparency around financial flows and profit-sharing with local communities. In a given country, large footprint companies may face other challenges such as limited access to labor, skills, infrastructure, and capital, which can lead to supply chain disruptions and challenges procuring goods or services locally. Finally, the intense public scrutiny these companies tend to face can pose security threats and unpredictable tax burdens imposed by the government.<sup>35</sup>



## Where USAID Can Add Value



Confrontations between companies, communities, and government in fragile situations related to large-scale business operations have been growing both in number and intensity.<sup>35</sup> As such, USAID can most effectively offer value by encouraging and supporting these large footprint companies to effectively and transparently engage local communities and governments to help secure a stable operating environment.



USAID can foster increased financial transparency, namely in helping to establish mechanisms to channel corporate resources to the government in the form of concessions, fees, or taxes.



Development actors can also build the capacity of national and municipal governments to effectively use these resources to benefit local communities. For example, in Angola, USAID funded the Financial Services Volunteer Corps to implement a program that supports the Government of the Republic of Angola's efforts in public financial management reform. This program provided technical assistance to strengthen Angolan public sector capacity in planning, preparation, and implementation of more transparent budgets.



USAID can facilitate small and medium-sized enterprise integration into MNC supply chains.

<sup>35</sup> [https://www.ifc.org/wps/wcm/connect/region\\_ext\\_content/ifc\\_external\\_corporate\\_site/sub-saharan+africa/news/za\\_ifc\\_fcs\\_value\\_chains](https://www.ifc.org/wps/wcm/connect/region_ext_content/ifc_external_corporate_site/sub-saharan+africa/news/za_ifc_fcs_value_chains)

<sup>36</sup> <https://www.tandfonline.com/doi/full/10.1080/19445571.2015.1189153>



## Anticipated Behavior Change through PSE Efforts

By engaging large footprint companies, USAID has the potential to encourage corporate behaviors that can foster stability such as participation in institutional mechanisms or networks to monitor local contexts; convening diverse (and at times conflicting) local stakeholders around the collection of high-quality data and trustworthy analysis; participation in dialogue to build consensus towards action; proactive conflict prevention; and offering expert and neutral assistance to key actors in the market.<sup>37</sup> Another improved behavior that development practitioners can anticipate is adherence to international standards around large footprint countries' business conduct. Global watchdogs demand that large footprint companies operate with a conflict sensitivity lens. As core members of a FCS' economic community, large footprint companies must learn to appropriately weigh and acknowledge the competing demands of various actors to ensure a conflict sensitive approach to investments and decision making.<sup>38</sup> These large corporations can help foster stability by developing relationships with local peace actors and by investing in their own capacity to mitigate conflict.<sup>39</sup>

**Special Considerations:** When engaging large footprint companies, USAID and IPs must consider that business activities on their own cannot be categorized as peace-positive. Rather, it is a company's approach to executing business practices—namely the way in which a company engages and shares benefits with different socio-political groups, market actors, and local communities determines the extent to which it fosters peace and stability (or detracts from it).<sup>40</sup> While this is the case with most private sector actors in FCS, it is particularly relevant for large footprint companies as their visibility makes them more susceptible to scrutiny, and their size can contribute to larger scale disruptions and conflicts.

Weak policy and regulatory environments and fledgling public institutions with little enforcement capacity, characteristic of FCS, can enable companies to act with impunity. Fragility can lead to a lack of corporate accountability, as companies operating in these situations can preemptively change their business strategies to benefit from weakened accountability mechanisms.<sup>41</sup> USAID and IPs can add value by leveraging market forces and by aligning incentives to motivate large footprint companies to adhere to international standards and to adopt socially beneficial and environmentally sustainable business practices. Finally, development actors can help to level uneven dynamics by encouraging companies to be transparent, participate in community consultations, and engage the local workforce in their operations.

## Model 4: New Investors



For the purposes of this primer, new investors in FCS refers to attracting investment from 1) **private sector actors** that have a potentially effective commercially-oriented business solution for a specific development problem, but that would need a development partner to buy down risk to enter the market, 2) **investors that are committed to the market due to personal affinity** and are therefore willing to take on higher risk as first movers (e.g. diaspora communities), 3) **private sector actors with corporate social responsibility (CSR) motivations** that can immediately offer critical resources during times of heightened need (such as the recovery period following a humanitarian or environmental disaster), but that will never be commercially motivated to remain engaged over the medium- and long-term, and 4) **private sector actors with future**

<sup>37</sup> <https://ecdpm.org/great-insights/prosperity-for-peace/business-conflict-fragile-states-pragmatic-solutions/>

<sup>38</sup> <https://www.cfr.org/blog/mnc-investment-nigerias-niger-delta-building-smarter-strategies-peace>

<sup>39</sup> Ibid.

<sup>40</sup> <https://www.cdacollaborative.org/wp-content/uploads/2017/05/A-Need-for-New-Questions-and-Systems-Perspectives.pdf>

<sup>41</sup> <https://www.somo.nl/wp-content/uploads/2016/11/Report-Fragile.pdf>

**commercial interests** looking to leverage philanthropic efforts as a means to developing productive local relationships that can facilitate future market entry.

Examples of such investors include:

- Proctor and Gamble, who developed a water sanitation product for FCS in need;
- HFund, a Haitian diaspora group that started a venture capital fund to invest in Haiti;
- The GE Foundation, which provided early leadership support to the International Rescue Committee’s response efforts in the Syrian refugee crisis to deliver health services and economic recovery programs for refugee families and local communities in Jordan, along with protection services for vulnerable women and girls in Jordan, Lebanon, and Iraq; and
- Mastercard, which uses its humanitarian partnerships with the U.N. World Food Program to gain understanding of untapped markets in crisis, such as Yemen, that may be attractive investment destinations in the future.<sup>42</sup>

### How New Investors tend to Operate in FCS:

Depending on their strategic interests, new investors operating in fragile situations will exhibit a variety of behaviors. For example, even companies that have a product or service offering that could have a clear competitive advantage in an FCS—or that could fill a substantial market gap—may need significant financial support and accompaniment from development institutions to be convinced to enter such a market. These types of companies often require financial support to buy down risk and facilitative support to broker relationships with other critical market actors. Once these types of firms enter FCS markets, they will tend to operate in compliance with international standards regarding environmental and social issues so as to retain the social license to operate and to protect their global reputations. On the other hand, though diaspora communities often have



## Where USAID Can Add Value



Some ways in which USAID and its IPs can bring value to new investors interested in entering markets in FCS countries include: providing transaction advisory services to help link local firms seeking capital and investors in need of bankable deals; helping corporate actors identify the right networks and capabilities in country; and supporting coordination so that corporate actors are able to bring value to existing efforts from other key players. USAID and IPs can add value by conducting market assessments that help investors better understand potential business opportunities.



USAID and IPs can help facilitate relationships between investors and other key market actors—including public actors—to help increase access to human and financial capital, information, local insights, pooled resources, and expertise needed to lower costs and mitigate risk.



USAID can help buy down risk for investments by using blended finance approaches to aggregate pools of investment capital in FCS. These larger pools of capital would broaden the number of investors involved and reduce transaction costs.



By conducting thorough due diligence and selecting firm partners that model transparent, accountable, and socially inclusive business practices, USAID can help raise the standard of engagement for companies in any given FCS. Displacing entrenched patterns of corruption with above-board corporate behavior can contribute to the creation of favorable conditions for peace and stability.

<sup>42</sup> (OCHA, 2017b)

greater risk appetites and can more easily be convinced to become first movers in a fragile setting, these types of new investors will often seek out support identifying investment-ready firms that meet the right size, sales volume, growth targets, sector positioning, and competitiveness. Finally, philanthropically-motivated MNCs may instead seek to engage through humanitarian actions including the provision of assistance (e.g. food, water, shelter, and medical care), lifesaving services (e.g. search and rescue capacity or logistical assistance), protection (e.g. protection from violence and equal access to basic services) and advocacy in response to these existing needs.<sup>43</sup> These philanthropically-motivated firms may choose to engage only through financial support or in-kind donations.

**Incentives and Constraints:** New investors typically respond to one of the following four incentives or motivations, including: 1) **Commercial incentives** in which MNCs or regional companies have a product or service that presents a competitive advantage in the target market, 2) **Potential high return on investment or desire to support economic growth**, in which diaspora investors act as first movers through their willingness to take on greater risk, 3) **Enhancing legitimacy and reputation**, which is a typical incentive among MNCs seeking to engage through short-term and finite activities unrelated to their core business interests, and 4) **Facilitating future access to new markets** in which companies may seek to engage with humanitarian initiatives as a means to facilitate access to new markets and help firms to familiarize themselves with new contexts and build in-country networks, relationships, and influence.<sup>44</sup>

New investors also face a large number of constraints. For example, even firms with greater risk appetites can struggle to identify investment-ready deals that can yield a return on investment. In addition to not having the right access to networks to generate a deal pipeline, investors can face challenges accessing adequate labor, skills, infrastructure, and capital.<sup>45</sup> Unpredictable markets, supply chain disruptions and challenging regulatory environments can also contribute to these obstacles.<sup>46</sup> Many of these challenges are rooted in a lack of available data within FCS to conduct proper market research. Reputational risk is another major constraint since, by directly or indirectly engaging in an FCS, a company can sometimes be perceived as taking sides in a conflict. New market entrants can potentially exacerbate conflict and inequality by unknowingly working with bad actors. Given the often-political nature of humanitarian action, MNCs or regional companies may be unfamiliar with, unaware of, or unable to guarantee use of humanitarian principles in their work, which could lead their efforts to backfire or cause additional harm. These risks can cause new investors to hesitate to engage or to underreport their engagement.<sup>47</sup> Additional constraints include:

- **Opportunity costs:** Due to the high costs and instability of fragile settings, companies may prefer to invest in cheaper, more stable markets.
- **High risk profile:** Companies may be unwilling or unable to take on the risk associated with entering markets in FCS countries and may require donor funding to buy down risk.
- **Lack of accompaniment:** Companies may require a level of ongoing support or accompaniment to successfully enter markets in FCS countries that donors or implementing partners are not able to offer, lessening companies' ability or willingness to begin or continue engagement.

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<sup>43</sup> Corporate engagement in humanitarian action Concepts, challenges, and areas for international business research Jasper Hotho and Verena Girschik Copenhagen Business School, Frederiksberg, Denmark). (IASC, 2015)

<sup>44</sup> (OCHA, 2017b).

<sup>45</sup> (IFC Generating Private Investment in Fragile and Conflict-Affected Areas 2019)

<sup>46</sup> Ibid.

<sup>47</sup> (Access to Medicine Foundation, 2014)



## Anticipated Behavior Change through PSE Efforts

The system-wide behavior change that development actors can anticipate through engaging new investors includes a healthy private sector able to pay taxes that, if applied correctly, can help develop and stabilize FCS and that can potentially conduct activities that contribute to development objectives as part of their mandate in the country.<sup>48</sup> In addition to promoting international standards, engagement with new investors can also bring hope and economic opportunity to conflict or disaster-affected populations and help crowd in other essential actors to the recovery process.

**Special Considerations:** New investors are diverse and come to fragile and conflict-affected situations with a variety of motivations and incentives for engagement. Before moving forward with a partnership, it is essential to clearly identify the potential partner's motivation to collaborate and to subsequently select the right modality and focus of engagement. For example, partnering with a company that is philanthropically motivated will not lead to longer-term involvement or investment in a fragile area. Having this clarity will allow development practitioners to design partnerships with clear objectives in mind and in a way that yields value for both the development and corporate partner. Whereas in more typical development contexts, USAID may prioritize shared-value partnerships that can generate long-term corporate involvement and investment in a particular market, in FCS, there can sometimes be value in facilitating short-term philanthropically oriented corporate engagements. For example, high-profile corporate actors can play an important advocacy role, bringing critical humanitarian issues to public view across the globe to inspire intervention by other key actors. Such investors can also contribute critical resources and capabilities to facilitate crisis response and recovery. In turn, these companies can enjoy enhanced legitimacy and reputation.<sup>48</sup>

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<sup>48</sup> (IFC Generating Private Investment in Fragile and Conflict-Affected Areas 2019)



## Conclusion

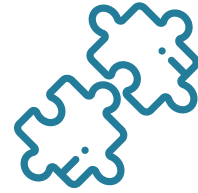


Photo credit: David Rochkind, USAID

This primer provides an overview of what makes engaging the private sector different in fragile and conflict-affected situations. The primer offers broad suggestions around special considerations and extra steps—in line with and in addition to PSE best practice—that may need to be taken to ensure that partnerships or alliances are advancing peace and stability. These suggestions bring together guiding principles and the latest thinking across PSE, conflict, humanitarian, and resilience work though PSE in FCS is very much an emerging practice.

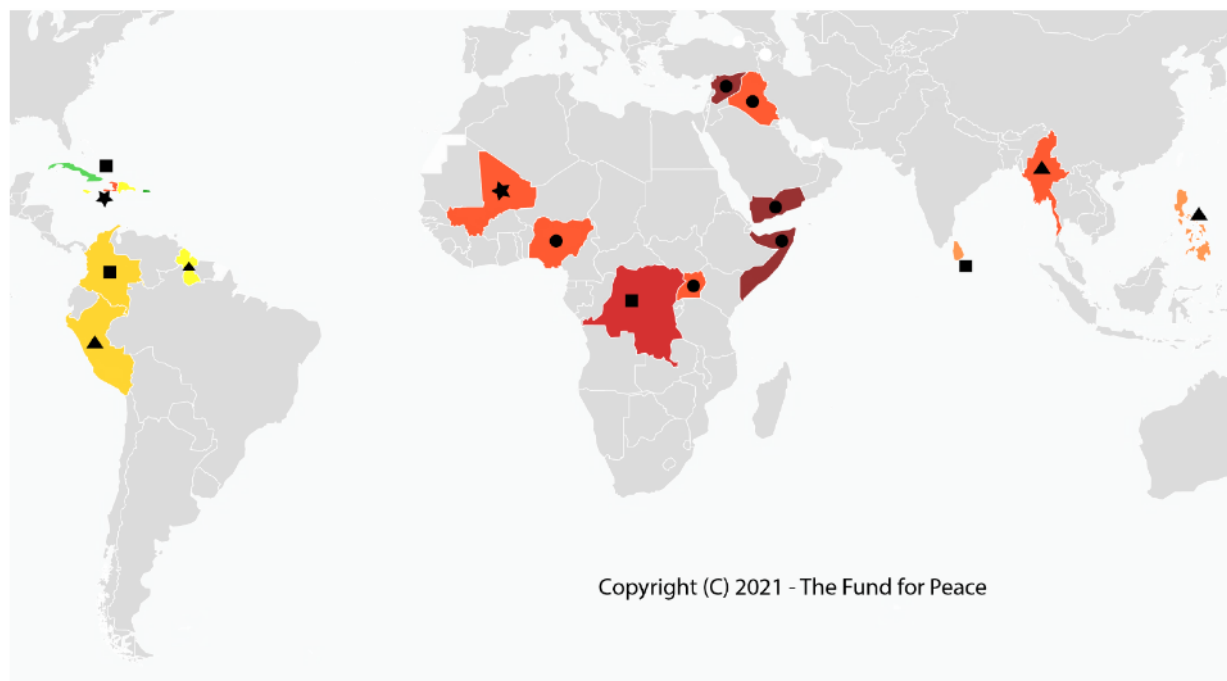
The PSE in FCS community of practice may benefit from more detailed guidance focused on designing and implementing engagements to advance each of the specific objectives of conflict prevention and stabilization, resilience, and humanitarian assistance. Future pieces that explore institutional considerations, signaling essential points for USAID Mission engagement as well as where implementing partners are best positioned to contribute would be particularly valuable. Reflection on cultural and operational shifts that USAID and implementing partners may each need to enact for their respective staff to habitually fulfill the role of active and equal partner to their company counterparts (rather than as primarily financiers) could help raise awareness about the critical elements needed to effectively engage the private sector in these contexts.

# Annex: Vignettes



## Mapping Vignettes Along Spectrum of Fragility

The guide captures 13 vignettes mapped here according to The Fund for Peace's spectrum of fragility.



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Spectrum of Fragility



### Typology of Private Sector Partner

- Social Enterprise: Iraq, Nigeria, Somalia, Syria, Uganda, Yemen, Global
- Local Private Sector: Caribbean, Colombia, DR Congo, Sri Lanka
- ▲ Large Footprint Company: Guyana, Myanmar, Peru, Philippines, Global
- ★ New Investor: Haiti, Mali, Global, Africa

These vignettes offer practical examples of partnerships or private sector-led multi-stakeholder collaborations under each of the four private sector typologies referenced above. Additional vignettes may be included in future FCS guides; please send any additional examples to [msp\\_information@ftf-msp.org](mailto:msp_information@ftf-msp.org).



## Humanitarian Grand Challenge

*This example highlights the ways in which USAID and its implementing partners can support innovators in piloting and scaling essential products and services in humanitarian contexts.*

Primary FCS Context: **Humanitarian**  
Timeframe: 2018–Ongoing

### Description:

The U.S. Agency for International Development, the UK Foreign, Commonwealth & Development Office, the Government of the Netherlands Ministry of Foreign Affairs, and Global Affairs Canada, with support from Grand Challenges Canada, have partnered on Creating Hope in Conflict: A Humanitarian Grand Challenge (HGC).

HGC identifies and supports groundbreaking solutions that engage the private sector and draws from the experiences of affected communities in order to significantly improve—and in many cases, save—the lives of vulnerable people affected by conflict. HGC’s goal is to identify solutions that allow communities to respond more nimbly to complex emergencies and take steps to create better lives for themselves.

HGC seeks lifesaving or life-improving innovations with the potential to create wider changes within the humanitarian sector, that can engage the private sector and that involve input from affected communities, to help people hardest-to-reach in humanitarian crises. Through a combination of funding, capacity-building services, and research, HGC seeks to:

- Identify, test, and scale solutions to the world’s most intractable problems in conflict settings.
- Advance the humanitarian principles of humanity, neutrality, impartiality, and independence.
- Build the case for private sector engagement in conflict settings.

### Examples:

#### Surgibox

A winner of the Humanitarian Grand Challenge in 2019, when they were in Proof-of-Concept stage. SurgiBox addresses three problems often encountered when delivering surgery in conflict zones and humanitarian crises. Firstly, patient safety, which carries high infection risks in non-sterile facilities. Secondly, provider safety, where infection risks can be exacerbated by inadequate personal protective equipment, such as in the Ebola crisis. Thirdly, surgical capacity, where medical facilities are targets of attack, requiring medical teams to be nimble, and necessitating small footprint infrastructure and simple supply chains for equipment. SurgiBox rethinks safe surgery by shifting the focus of protection from full operating room infrastructures, down to the incision site itself. SurgiBox is a clear sterile drape that inflates with sterile air into an enclosure over the incision. Practically, SurgiBox has an antimicrobial incise drape at the bottom to cut through; it has ports for the entry for staff arms and materials; it holds a surgical tray inside; it fits in a backpack or suitcase as a ready-to-use kit for rapid deployment; and it can be rapidly set up without interrupting existing surgical workflows.



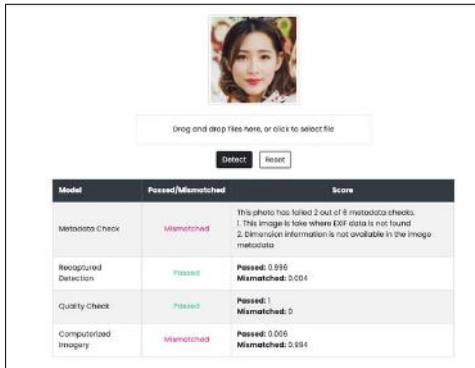


Photo Credit: Humanitarian Grand Challenge

## Murmurate

A winner of the HGC in 2021, when they were in the Transition-to-Scale stage. Murmurate tracks how misinformation spreads in communities via social media. Using Computer Vision and Natural Language Processing, Murmurate will map COVID-19 conversations online, identifying misinformation that delivers false and damaging public health statements. These insights will drive the production and distribution of COVID-19 related counter-messaging that uses an established network of media organizations and channels including SMS, radio, news websites, and television, reaching a wide audience every month. They will continue to counter harmful misinformation in Nigeria and Syria.



## Key Insights for Other Activities in Fragile Situations:

The HGC donors identified a need to conduct a barrier analysis to inform the focus of the second RFP and refine the priority areas for further funding. The purpose of the barrier analysis was to conduct an in-depth review of the key barriers that prevent and affect the provision of humanitarian aid in each of the four focus areas: 1. access to life-saving information, 2. health supplies and services, 3. water, sanitation, and hygiene (WASH), and 4. access to energy. Two categories of barriers were identified:<sup>49</sup>

- **Sector-specific barriers:** The analysis found that these types of barriers can be addressed through bold innovations and include constraints such as equipment and supply shortages, lack of locally available expertise to address humanitarian issues, and high costs associated with maintaining infrastructure. While these barriers pose significant challenges to effective service provision, it was concluded that innovative solutions could be found to tackle them.<sup>50</sup>
- **Cross-cutting contextual barriers:** These more extensive contextual, political, and structural barriers—such as corruption, a lack of humanitarian access due to government restrictions, and a focus on short term solutions—cannot be solved by humanitarian organizations alone, or by a single innovation.<sup>51</sup> To successfully navigate or overcome these barriers, partner innovators may benefit from USAID’s convening power, relationship network, and accompaniment. USAID’s and IPs’ active engagement and problem-solving with its firm partners can support these innovators to scale products and services in a way that achieves meaningful impact.

<sup>49</sup> <https://humanitariangrandchallenge.org/wp-content/uploads/2021/01/Analysis-of-Barriers-Affecting-Innovation-in-Humanitarian-Contexts.pdf>

<sup>50</sup> *Ibid.*

<sup>51</sup> *Ibid.*





Photo credit: Response Innovation Lab

## Response Innovation Lab

*This example highlights creating a space or platform to bring together practitioners, local community members, and innovators to develop and deploy new context-appropriate approaches for humanitarian crises.*

Primary FCS Context: **Humanitarian**  
Timeframe: 2018–Ongoing

### Description:

Response Innovation Lab (RIL) aims to complement the traditional humanitarian system by strengthening connections between response implementers and the holders of innovative solutions to their challenges. RIL Country Labs foster partnerships that develop, pilot, and scale innovations that overcome context-specific problems or barriers to the delivery of aid and community recovery or resilience.

The labs serve all organizations involved in supporting a humanitarian crisis, including governments, NGOs, entrepreneurs, community-based organizations (CBO's) and academics, and the needs of the most vulnerable people. Through problem and solution analysis, the labs support localized innovations in their context through investment to pilot, and scale.

RIL offers three functions that support identifying challenges in humanitarian settings, sourcing solutions, and supporting their development and roll-out. The labs utilize these functions within the framework of the local context, to support the humanitarian ecosystems achieving sustainable and long-lasting outcomes.

- RIL convenes actors from across the response context, from traditional humanitarian actors (UN, I/NGOs, government) to local civil society organizations, universities and research centers, social entrepreneurs, innovation hubs, and private enterprises of all sizes. This is done locally using human-centered design as part of large-scale events and sector-specific meetings. These convening events allow RIL to capture and map the actors, along with the cross-thematic challenges and innovations that exist within the ecosystem. These ecosystem maps are made public to actors within the response context.
- The labs engage in brokering and matchmaking to connect problem-holders with solution-providers. As much as possible, they try to identify readily available solutions to quickly solve challenges, either from local sources or from other humanitarian contexts that can then be adapted to the local context. They also offer an online MatchMaker platform that allows actors within the context to submit challenges online. Once a challenge has been submitted, RIL staff consult with their network of subject matter experts and research both internal and external innovation databases to produce a selection package of potential solutions to address the submitted challenge.
- RIL supports innovators and implementers to maximize their ability to deliver successful innovations. This includes connecting actors to external capacity-building resources and expertise to improve design and management skills, directly providing specialized tools and trainings to facilitate innovation in a humanitarian context. They also provide free access to RIL Monitoring and Evaluation (M&E) tools for evaluating the impact of innovations, advice on ethics in humanitarian innovation and, when funding allows, provide seed funding to test prototypes or conduct pilots.



## Examples:

- The Uganda RIL delivered a national COVID-19 information portal in partnership with the Ministry of Health in record time and found a way to creatively solve a handwashing challenge using local inventors' wits and know-how.
- The RIL in Iraq developed an incubation program on enhancing local food production to lessen Iraq's dependence on imports and implemented the project entirely virtually—an unexpected necessity due to COVID.
- The Somali RIL worked with local creative content producers to develop and disseminate highly contextualized public health messaging and exported the approach to Yemen within weeks.



## Key Insights for Other Activities in Fragile Situations:

Based on the initiative's experience establishing a Response Innovation Lab in Uganda, the team shared the following lessons learned on integrating innovation into the humanitarian context:

- **Be a translator and a connector:** Innovators, humanitarians, and development practitioners often don't understand each other. One role RIL plays is supporting innovators with context analysis, as well as safeguarding and ethical guidance to equip them with the tools needed to succeed in these new markets.
- **Localization is the process, not just a part of the process:** Engaging local communities and actors with ears wide open to listen and learn is integral to solving challenges with lasting solutions. Humanitarian innovation tends to first look for the solution rather than truly understanding the problem and then aligning the challenges. Key ways to do this:
  - Starting with a bottom-up challenge analysis is highly recommended, even when it feels like not enough time is available.
  - Selecting a solution that genuinely responds to the challenge, and taking the time to contextualize it.
  - Connecting local innovators to cutting-edge technical experts from humanitarian, development, and other professional backgrounds.
  - Encouraging smart investments by donors to strengthen local systems to improve response delivery.
- **Investing in local ideas and 'skilling' innovators:** Strengthening local innovators' capacity with the skills, tools, and funds needed to mature their ideas leads to the most relevant and radically different solutions. Investing in an innovator's growth, and not solely the solution, allows the individual to develop alongside the scale of the solution. This may require a rethink of current investment strategy for a long-term optimized outcome.



### USAID/Sri Lanka: BIZ+

*This example highlights approaches for supporting SMEs as a way to contribute to the economic stability of countries emerging from conflict.*

Primary FCS Context: **Conflict Stabilization**

Timeframe: 2011–2019

#### Description:

On this tiny island emerging from 26 years of conflict, SMEs are recognized as the backbone of the economy in Sri Lanka. They account for 80 to 90 percent of the total number of enterprises, contribute 30 percent of GDP and 20 percent of exports, and employ 35 percent of the total workforce. However, SMEs face significant challenges in accessing finance, working capital, and skilled employees.

USAID developed the BIZ+ program in 2011 to strengthen the government's ongoing efforts to improve the business climate by providing financial, technical, and managerial assistance to new and existing SMEs, particularly in the conflict-affected Northern and Eastern districts and other economically lagging border regions. These partnerships include the hospitality, food, leather products, apparel, and dairy processing industries.

More than 60 such businesses received support to start-up or expand in 15 of Sri Lanka's 25 districts. BIZ+ provided financial, managerial, and technical assistance, complemented by matching grants. As a result, between 2011 and 2019, BIZ+ leveraged \$22 million in private capital, created more than 8,000 jobs, and generated approximately \$25 million in business investments as well as job and income growth.



#### Key Insights for Other Activities in Fragile Situations:

As countries emerge from a post-conflict situation, rebuilding trust and relationships is an important aspect in achieving a more stable economic situation. The recovery process can also be unpredictable, requiring firms to pivot and adapt to changing conditions. Given this dynamic context, the BIZ+ program discovered that providing a long-term business coach was more effective than short-term technical assistance (STTA).

The evidence from BIZ+ showed that SMEs often require both capital assets and structured guidance across business functions to achieve sustainable growth objectives. Structured guidance worked best when provided by a longer-term coach that could foster deeper relationships and trust. In the early phases of the program, BIZ+ primarily utilized assistance from specialized consultants and volunteers. This was supplemented by group training workshops covering topics such as project management, financial planning, and occupational health and safety. However, some first stage partners also received more extended support from a business coach. These businesses quickly realized operational efficiencies and sustained financial gains. Based on these learnings, BIZ+ changed its capacity building approach and introduced a management development training (MDT) program and business coaching. The Phase 3 results indicate that the adoption of business coaching as a capacity building tool was extremely effective. In addition, three district chambers of commerce have worked to expand the use of the BIZ+ MDT as a facilitative approach to continue growing the small- and medium-sized enterprises of Sri Lanka.



# USAID/Colombia: A Mission-wide Approach to Encouraging Private Sector Engagement

*This example highlights how a USAID mission used a PSE-approach to support conflict stabilization.*

Primary FCS Context: **Conflict Stabilization / Resilience**

Timeframe: 2017–Ongoing

## Description:

Colombians have endured more than a half century of conflict as a result of civil war among guerilla, government, and paramilitary forces. The overarching goal of USAID/Colombia is to help Colombia implement a sustainable and inclusive peace. One key driver of the internal armed conflict has been the lack of licit economic opportunities and financial inclusion in the country's rural areas. Thus, USAID/Colombia's programs aim to bring licit economic opportunities to these underserved areas by strengthening small producer organizations, improving access to financial services, connecting producers to markets, and increasing private investment.

USAID/Colombia encourages private sector investment in violence-affected areas by uniting Mission staff, and new and existing private sector partners in business development co-creation processes. The Mission has issued several addendums under the Global Development Alliance Annual Program Statement to catalyze private sector investment particularly in conflict-affected areas for Colombia's economic recovery through inclusive and sustainable development. Over the past decade, the Mission has expanded its direct and indirect alliances with local and international private companies, capitalizing on leverage awards to co-fund development projects and using GDAs to invest in critical programs. The long-term goal is to mitigate the effects of violence and conflict and strengthen social and economic resilience.

## Examples:

In 2017, USAID/Colombia launched a Global Development Alliance (GDA) Annual Program Statement (APS) to leverage private sector investment and expertise that result in enhanced sustainable development in Colombia's conflict-affected areas. The Agency's Mission in Bogotá convened co-creation workshops to define the collaborative work between the Mission and the private partners that were interested in this opportunity. The following two examples are GDAs co-created under the aforementioned Addendum.

### The Cacao Effect

Timeframe: 2019 - 2023 \* [Article](#) \* [Blog](#) \* Twitter: [@EIEfectoCacao](#)

The Agency invited Luker Chocolate and the Luker Foundation (two separate, but connected organizations) to participate in the Global Development Alliance (GDA) Annual Program Statement (APS) to expand cacao production in rural (and mostly insecure) areas of Colombia. The Agency's Mission in Bogotá convened a co-creation workshop with Luker, universities, energy companies and others, challenging them to find ways to increase productivity and incomes for cacao growers. From the co-creation came ideas for training, agricultural extension, renovation pruning, transitory shade seeds, soil analysis, and fertilizers. The co-creation also called for support for entrepreneurship and education for children, youth, and adults. Today, 18 cacao associations support the Cacao Effect through these activities and more.



Photo Credit: Luker Chocolate

Only two years into its five-year plan, the Cacao Effect has yielded greater productivity, improved business practices, and higher incomes for farmers and communities in Colombia. 700 small cacao producers have dramatically increased production, from 350 kilograms to a possible 800 kilograms per hectare (about 2.5 acres). Household incomes have risen from \$200 to \$600 a month. In addition, women are leading many of the new enterprises nurtured by the program, and interest has grown in integrated sustainable development across the industry. The Cacao Effect recently signed a partnership with Microsoft to bring connectivity to cocoa producers and build technological skills for women and girls.

### Let's Go Bajo Cauca Alliance

Timeframe: 2019 - 2023 \* [Fact Sheet](#) \* [Article](#) \* Twitter: @AvancemosBC

**Description:** USAID and Colombian corporations Interactuar, Comfama, and Mineros formed the alliance in 2019 to promote entrepreneurship, employment, and financial services, and build the foundations of a legal economy in Bajo Cauca. The alliance would go on to strengthen entrepreneurship and develop agricultural value chains. Through the alliance, USAID connects each partner corporation to local entrepreneurs, agricultural associations, program managers, authorities, and Colombia's national government. Meanwhile, the corporations provide business consultation services and support directly to Bajo Cauca's small and medium enterprises. Interventions include:

- Developing and strengthening agricultural value chains, especially in the beekeeping and fish farming sectors. The development of these value chains increases regional production and business development, improves access to markets and credit services, and creates new employment opportunities.
- Creating and strengthening non-agricultural businesses through technical assistance, commercial connections, and financial and employment services. These businesses generate new market opportunities and contribute to territorial economic development
- Providing employment services to citizens to prepare them to enter, or re-enter, the work force.  
Providing companies with financial services needed for their growth and sustainability.



To date, the Let's Go Bajo Cauca alliance has provided employment services to 660 individuals in the region, strengthened 97 non-agricultural enterprises' business development skills, granted \$408,000 in loans to entrepreneurs, and trained ten associations and 344 agricultural companies in how to develop agricultural value chains.

### Private Sector Support within Mission Activities:

#### Reactivation Colombia

Timeframe: 2020 - 2022 \* [Fact Sheet](#)

**Description:** This activity works with micro-, small-, and medium-sized enterprises' (MSMEs) to increase their productivity, create employment opportunities, and become more resilient to future economic shocks. It engages informal workers, unemployed youth, the migrant population, indigenous communities, and women who have been victims of armed conflict or gender-based violence. Interventions include:

- Mapping and strengthening value chains through the integration of MSMEs and local stakeholders. With the help of local and



interconnected networks, the activity enables MSMEs and entrepreneurs to adapt to changing market conditions, comply with biosecurity protocols, create new and local business models, and find new channels for distribution.

- Using a Cash for Productivity strategy to create temporary job positions in communities impacted by COVID-19. The Cash for Productivity strategy quickly increases vulnerable populations' income and improves local employment opportunities in the long-term by providing community members with labor certification and training.
- Increasing MSMEs' productivity by strengthening their business and management capabilities. The activity provides MSMEs with blended finance, micro-franchising, technical assistance, and digital transformation tools to increase their capacity to adapt to new market trends, survive the current economic shock, and thrive in the long-term.



### Key Insights for Other Activities in Fragile Situations:

In addition to USAID/Colombia's support of these partnerships, the Mission also invests in internal systems and structures to foster PSE. They have a Mission PSE strategy along with a dedicated PSE team; they conduct Private Sector Landscape Assessments (PSLAs) to identify key sectors and areas to focus on; and PSE is a key component in their five-year Country Development Cooperation Strategy (CDCS): *This CDCS prioritizes Private Sector Engagement (PSE) across the portfolio. This is outlined in the Mission's PSE Strategy, which is developed annually, and aligns with the four operational principles in USAID's global PSE Policy. As such, the Mission encourages local and U.S. private sector entities to collaborate and co-create activities. Since 2012, USAID/Colombia has leveraged and mobilized around \$1.1 billion in private sector funds to achieve development objectives. The Mission uses specialized funding instruments, such as financial guarantees, and Global Development Alliances (GDA) to generate private sector investments. Moreover, the number of private sector partnerships created through USAID/Colombia's programming increased from 15 in 2012 to 121 in 2019. The Mission's PSE team will continue supporting activities from all technical offices to include PSE components in their designs, and monitoring and evaluation frameworks. Moreover, the Mission will work closely with the Development Finance Corporation to mobilize additional private sector resources to finance solutions to Colombia's most critical challenges.*





Photo Credit: ÉLAN RDC

### Élan RDC

*This example highlights facilitating trust and network connections amongst local market actors in a fragile context to stabilize conflict.*

Primary FCS Context: **Conflict Stabilization**

Timeframe: 2014–2021

### Description:

ÉLAN RDC aimed to reduce poverty in four geographical regions in the Democratic Republic of Congo (DRC) by increasing the incomes of more than 1 million poor smallholder producers, entrepreneurs, and consumers by the end of 2020. The Activity did this by tackling the root causes of market failures and constraints, in partnership with more than 150 private-sector actors in finance, energy, transport, and agriculture, through more than 100 interventions that offer technical advice, mobilize funds, and encourage networks to change their business practices. Cross-cutting areas include Markets in Crisis, Business Development Services (or BDS), Business Enabling Environment, and Women's Economic Empowerment.

One example is support of Saveur du Kivu (SduK), a specialty coffee cupping competition and annual meeting for representatives throughout the international supply chain. First conceived in 2015 by Higher Grounds Trading Co, Twin Trading, Eastern Congo Initiative (ECI), USAID-funded Kahawa Bora Ya Kivu (KBK), partners throughout the donor and technical assistance community, and the Government of the Democratic Republic of Congo (DRC) as an event that would celebrate progress and promote collaboration and collective action to realize a more inclusive, competitive, and reliable coffee sector. Initially led by those noted above, ÉLAN RDC has been involved in supporting and guiding the group to integrate diverse perspectives from stakeholders with some historical conflict throughout the value chain. Productive relationships amongst interdependent stakeholders are key to realizing SduK's vision to foster stronger ties between value chain actors to expand the industry-wide marketing effort.

ÉLAN applied an intentional women's empowerment agenda—through the establishment and implementation of a role-change framework—throughout its support to the coffee and other sectors, as experience demonstrates that women's economic growth enables a country's overall economic growth—a key factor in establishing and maintaining stability.<sup>52</sup> The framework enabled ÉLAN RDC to successfully facilitate upgraded roles for nearly 55,000 women. Overall, by the end of 2019, ÉLAN RDC benefited more than 265,000 women (31 percent of the total 855,000 individuals benefited) through net positive income change and has seen changes in business practices benefiting nearly 400,000 women (30 percent of the 1,306,000 total).

<sup>52</sup> International Monetary Fund (2018). *Pursuing Women's Economic Empowerment* <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/05/31/pp053118pursuing-womens-economic-empowerment>



## Key Insights for Other Activities in Fragile Situations:

- By being intentional about drawing in historically opposing groups through market facilitation activities, ÉLAN RDC was able to contribute towards conflict stabilization by rallying these market actors around a common economic goal.
- Intentionality around the type of desired role changes for women was essential to identifying the critical shifts the Activity wanted to contribute towards as well as pathways to get there. These shifts included women's labor rewarded and recognized; improved status; and new position acquired or role.
- Developing sector-specific change sheets were instrumental in operationalizing the framework. These sheets provided descriptions of women's current roles in the sector, a vision of how women's roles will change as a result of ÉLAN RDC's engagement, whether it is a targeted or desired outcome, and suggested indicators and guidance on how the outcomes can be measured.
- These sector-specific sheets enabled ÉLAN RDC to understand and track how interventions are contributing to impacts and broader systemic change pathways, an important piece of understanding how efforts contribute towards conflict stabilization.



### Caribbean Corporate Investment for Resilience

*This example highlights mobilizing a range of actors around humanitarian outcomes through using systems thinking and network building. This is an emerging initiative recently launched by USAID.*

Primary FCS Context: **Humanitarian** / Resilience

Timeframe: 2020–Ongoing

#### Description:

From March 2020 through June 2020, USAID Bureau for Humanitarian Affairs (BHA) conducted a Private Sector Landscape Assessment (PSLA) in the Caribbean region with the goal of identifying and prioritizing concrete opportunities to build high-impact Private Sector Engagement (PSE) initiatives that mitigate the effects of disasters and reduce suffering and loss of life once disasters occur. The PSLA contained several proposed opportunities, partners, and recommendations for USAID BHA to consider operationalizing in order to strengthen PSE in disaster risk management (DRM) in the Caribbean. A common theme throughout these opportunities was the ever-present and critical role private sector stakeholders could play in disaster risk reduction and response by streamlining corporate social responsibility (CSR) initiatives towards humanitarian outcomes.

Based on the PSLA, in 2020 BHA launched the Caribbean Corporate Investment for Resilience (CCIR) pilot in the Eastern Caribbean to reduce disaster risk in the Caribbean by increasing private sector engagement and investment. The CCIR platform will drive the private sector to understand the value of investing in enterprises, programs, or other ventures that develop community-level disaster preparedness, have a positive impact on a company's value chain, and provide companies with a financial and/or non-financial return on their investment. Ideally, once the CCIR is established, and provided with the right incentives, a number of companies will pool resources towards a common humanitarian objective for maximum impact.

The pilot aims to mobilize a spectrum of private sector, public, and humanitarian actors motivated to collaborate on improved private sector engagement for disaster resilience. Through a comprehensive discovery process that included more than 100 interviews and seven collaborative workshops, USAID engaged a wide range of cross-sector stakeholders, including humanitarian actors, representatives of National Disaster Management Agencies, and private sector teams and individuals from each of the seven focus islands for the pilot program. Business executives, entrepreneurs, micro enterprises, and multinational conglomerates shared perspectives across nine key sectors including hospitality, telecommunications, shipping and freight, energy, and more. The engagement explored areas of alignment between business interests and humanitarian goals, culminating in three focus areas for cross-sector collaboration: supply chains and logistics, communications and coordination, and business continuity. A key output of these engagements was an [interactive systems map](#) that identified patterns across all three models to assess the underlying dynamics and describe the current state against a potential future state. The engagements also prioritized which solutions to pursue that would aim to move the system from its current state with blockages around challenges, to a future state where those pain points are resolved.

During the next phase, this network of stakeholders will undertake specific projects and initiatives together complemented with learning feedback loops to help them test out different approaches for improving disaster responsiveness. In addition, the pilot aims to support the stakeholders in setting up and sustaining a platform that will continue to bring together humanitarian and private sector actors to address and invest in disaster risk reduction.



## Key Insights for Other Activities in Fragile Situations:

Collaboration and transparency are fundamental components of this approach, along with figuring out how to incentivize the private sector stakeholders to think beyond their current engagement opportunities and to more broadly consider how their core business interests tie into disaster preparedness and increased resilience. The systems approach brought together the diverse perspectives of various stakeholders, while also helping them to better understand how they are affected by and can contribute to humanitarian issues. These stakeholders then jointly prioritized areas to work on, and through the pilot, are exploring and experimenting with tangible ways to address those priorities. CCIR's implementing partner is ensuring that they are "leading from behind" so that these local stakeholders continue to be the driving force for this network and any efforts they take on even after the pilot ends.



Photo credit: Extractive Industries Transparency Initiative

## Extractive Industries Transparency Initiative

*This example highlights a multi-stakeholder initiative formed to promote global standards and practices that ensure the open and accountable management of extractive resources.*

Primary FCS Context: **Conflict Prevention**  
Timeframe: 2006–Ongoing

### Description:

Since 2006, USAID has supported EITI implementation, peer exchanges, and research around the world. This has included over \$24 million in bilateral country support for activities that promote and support transparency and accountability of expenditures, and revenues related to the extraction of natural resources.

The EITI is the global standard for the good governance of oil, gas, and mineral resources. The Standard serves as a tool for countries to improve the management of their oil, gas, and mining sectors. Implementation happens in three steps:

1. A national multi-stakeholder group (government, companies, and civil society) decides how the EITI process in their country should work.
2. Key information about the governance of the sector is reported annually alongside recommendations for improving sector governance.
3. This information is widely disseminated to inform public debate and recommendations are followed up.

In each implementing country, a multi-stakeholder group (MSG) composed of representatives from government, companies, and civil society is established to oversee EITI implementation. Although the mandate of the MSG varies across countries, the MSG is the main decision-making body responsible for setting objectives for EITI implementation linked to wider national priorities in the extractive sector, producing EITI Reports, and ensuring that the findings contribute to public debate and get turned into reforms. While the MSG has a mandate to determine the scope of the EITI in its country, the EITI Standard contains some minimum requirements including those related to the role, rights, and responsibilities of the MSG. This includes the full, free, active, and effective engagement by government, companies, and civil society.

U.S. bilateral assistance for EITI implementation has strengthened the work of EITI's MSGs in countries such as Colombia, Senegal, Guyana, Ukraine, Democratic Republic of Congo, and the Philippines. It has also built the capacity of Civil Society Organizations (CSOs) to engage in the EITI process, supported beneficial ownership and revenue disclosures, created databases and IT tools to open extractives data, built coalitions and regional networks to promote extractives transparency, and assisted countries in applying for EITI membership and passing validation.

**USAID/Peru:** While the Peruvian Amazon is rich in timber and natural resources, public revenue from their extraction is often misused. USAID builds the Government of Peru's capacity to remain compliant with the international Extractives Industry Transparency Initiative (EITI), which supports establishment of transparent and accountable use of royalty resources for local development. With USAID assistance, the regional governments of Piura, Moquegua, Arequipa, Apurimac, and Loreto approved EITI agreements and established citizen committees to monitor budgeting processes and government expenditures for the benefit of the public.



**USAID/Guyana:** USAID supports the Guyana Extractives Sector Transparency (GEST) Project to provide assistance to Guyana’s Extractive Industry Transparency Initiative (EITI) Multi Stakeholder Group (MSG)—a group of stakeholders responsible for governance and oversight of EITI implementation, the national Secretariat and other stakeholders. As Guyana prepares for validation of the country’s compliance with EITI standards and the second EITI country report, the project team is providing important technical assistance to the Secretariat, MSG, and reporting organizations to streamline the validation process and collect data and other materials.



### Key Insights for Other Activities in Fragile Situations:

EITI provides an interesting model around creating industry standards and practices to ensure that economic activity does no harm and that its benefits are realized more broadly. The success of EITI is dependent not just on companies following the standards, but also local governments. The EITI has evolved from its beginnings as a narrow set of rules focused on revenue collection, into an international standard covering the wider governance of extractive resources. It now encompasses beneficial ownership disclosure, contract transparency, the integration of the EITI into government systems, and transparency in commodity trading. The focus of EITI Reports has moved from compiling data to building systems for open data and making recommendations for reforms to improve the extractive sector governance more generally.

[Initiative Description](#)

[2020 Progress Report](#)



Photo Credit: Gap Inc

### USAID/Myanmar and Gap Inc. Partnership

*This example highlights how a global company saw an advantage to being a first mover/early entrant in a market emerging from conflict along with investing in partnership opportunities to help influence a newly emerging market to adopt industry-leading best practices.*

Primary FCS Context: **Conflict Stabilization**  
Timeframe: 2014-2016

#### Description:

By producing its products from two factories in Yangon, Gap Inc. became the first American retailer to enter the Myanmar market. The company's partnership with USAID helped lay the foundation for Gap Inc. to provide growth and economic opportunities for women in the country.

The garment industry in Myanmar stood poised to become a significant source of jobs, exports, and economic opportunity. Gap Inc. hoped to apply industry-leading best practices, including audits by a well-respected non-governmental organization, to ensure that internationally recognized human rights and labor standards were upheld in the factories from which the company was sourcing. From Gap Inc's press release at the launch of its partnership with USAID: "We recognize that Gap Inc., and other responsible companies, will face challenges as Myanmar re-enters the global community and renews its commitment to democracy. However, we truly believe that the country has a unique opportunity to rebuild its economy and we think that companies like ours can help lead this effort through investments—both social and economic."

Gap Inc. also partnered with CARE International to incorporate its women's advancement program, P.A.C.E. (Personal Advancement & Career Enhancement), into its Burmese factories. Started in 2007, P.A.C.E. seeks to advance female garment workers through life skills education and technical training to help them grow personally and advance to management positions. At the end of the program, the proportion of P.A.C.E. participants with a high level of work efficacy more than doubled, rising from 27 percent to 59 percent. This reflects the benefits of investing in women at the workplace to make productivity and efficiency-related improvements.

Gap Inc. also played a leadership role in Business for Social Responsibility's Myanmar Responsible Sourcing Working Group (BSR Working Group) to meet with key stakeholders in Myanmar to engage in dialogue on industry- and country-level issues. The group worked to strengthen the Myanmar Garment Manufacturers' Association (MGMA) Code of Conduct and support actions to build a more sustainable garment industry, including efforts to ensure the prevention of child labor and protect land rights.



## Key Insights for Other Activities in Fragile Situations:

Entering the Myanmar market was a risky decision for Gap Inc., but they hoped that going in early and partnering with other entities like USAID and BSR could help influence the government and garment industry to adopt international best practices. By ensuring that the industry would adhere to these international standards, Gap Inc. would have a more even “playing field” in that market since its global company is held to higher standards than some other competitors in other countries. Initially this approach was successful for them. As the Foreign Policy article noted, “Being the first in Myanmar could give the company an edge—keeping its supply chain ‘flexible and nimble,’ Gap Inc. executives say. In the fiercely competitive apparel market, staying trendy requires the speed afforded by a complex web of suppliers and factories that can react at a moment’s notice. But there are risks—to the company’s investment as well as its reputation—in working in a country without a minimum wage or reliable electricity. And the government’s precarious international standing, as its treatment of minorities, political dissidents, and journalists frequently draws outcries, only makes it riskier.” As the local context started to deteriorate, companies faced a hard decision about remaining and seeming like they were supporting a repressive government. As of 2021, Gap Inc. is no longer directly sourcing in Myanmar, though they do source from a Korean company that runs factories there. (That company cut its ties with the military conglomerate MEHL in 2020 by buying out its stake in one of its Myanmar businesses.)

[USAID Press Release](#)

[Gap Press Release](#)

[Gap article](#)

[Foreign Policy Report](#)

[2014, 2016 Update Report](#)

[Editorial](#)



## Humanitarian Leadership Academy

This example highlights mobilizing a range of actors around humanitarian outcomes through using systems thinking and network building. This is an emerging initiative recently launched by USAID.

Primary FCS Context: **Humanitarian** / **Resilience**

Timeframe: 2016–Ongoing

### Description:

In the Philippines, Unilever created an innovative program with the Humanitarian Leadership Academy (HLA) and Save the Children UK to help SME businesses in their supply-chain prepare for emergencies. Rather than waiting until a disaster impacts, they trained over 1,000 businesses (of which 57 percent were women-owned) in creating business continuity plans. The program also trained 25 Master Trainers, equipping them to facilitate BCP training for MSMEs beyond the life of the pilot program. These plans help to ensure not only their business resilience but also people's ability to access essential goods in times of need.

The BCP program has a clear vision: in countries affected by disasters and crises, business leaders are equipped with knowledge and tools to strategically assess risk and develop contingency plans to continue business operations after an incident. Furthermore, these businesses are able to continue their role in the supply chain, providing much needed goods and services to the communities in which they operate.

The program aimed to build the capacity of 1,000 business leaders and to accelerate pre-disaster planning and post-disaster rehabilitation in their communities. The training focused on building resilience of small-scale retailers in local supply chains, getting businesses back up and running as quickly as possible after a disaster, and contributing to enhanced livelihoods in vulnerable communities. The training started as a pilot in the Philippines and has been tailored for the type of disasters they often have to deal with: typhoons, earthquakes, and floods. However, it can be modified for any context and for any type of crisis.



### Key Insights for Other Activities in Fragile Situations:

A majority of SMEs do not have business continuity plans. Based on industry surveys, the most common reason for not building a plan is that these businesses don't have the necessary skills and knowledge to create one. For large companies that source from these SMEs, this creates tremendous risks to their overall operation. And in FCS places, this creates a vulnerability both for the global buyers and local suppliers. HLA found that the SMEs took this program more seriously because of the involvement of a buyer in their supply chain. The Case Study conducted on this partnership noted: *"Larger corporations are 'life-lines' for SMEs in terms of the development of value chains and additional support. Collaboration with an organization such as Unilever has meant that the program has achieved so much more through engagement with established value chains, as well as the opportunity to learn from their experiences and knowledge of the context."*



### USAID/Mali Investment Facilitation Platform

*This example highlights the successes and challenges of drawing in foreign investment into a fragile country to finance local project sponsors.*

Primary FCS Context: **Resilience**

Timeframe: 2015–2018

#### Description:

Mali has a strong foundation for investment and substantial untapped potential. The country has clear comparative advantages in the development of livestock and cereals in addition to high demand for infrastructure investment. Yet, there exists a clear gap between capital and opportunity. Local firms and projects struggle to access capital due to lack of domestic investment capital and limited experience attracting financing from international investors. In addition, investors need assistance to identify and engage opportunities. International investors demonstrate a high level of interest in Mali, yet many investors are unwilling to commit upfront to the cost of an on-the-ground presence in Mali.

The Mali Investment Facilitation Platform (MIFP) was a USAID initiative to enable access to finance for enterprises, with a focus on the country's agriculture, agribusiness, water, energy, health, and sanitation sectors as well as all other enabling industries to improve livelihoods and to enhance resilience. MIFP acted as a neutral intermediary that identified capital-seeking firms, prepared them for fundraising, connected them to qualified investors, and guided investments to financial close with intensive support.

MIFP was able to provide transaction support services free of charge to small, medium, and large businesses seeking to raise private investment for both new ventures and expansions of their existing businesses. In total, MIFP worked with 23 companies and closed ten deals, valued at \$50 million. In addition to its transaction support services, the MIFP directly advised and liaised with government investment agencies (particularly the Agence Pour la Promotion des Investissements—API-Mali) to develop sustainable capabilities for investment facilitation in Mali.



#### Key Insights for Other Activities in Fragile Situations:

Fragile contexts tend to be burdened by significant firm-level barriers resulting in the need for intermediation. Internal company systems and controls are often lacking (e.g. poor IT and accounting systems, lack of expertise and capacity in key positions), which need to be addressed before a capital provider will feel comfortable making an investment.

Local advisory players beyond the lead investment facilitation firm should be integrated into the process in order to leave behind a legacy of country-level investment promotion capacity. Doing so can take significant time, resources, and effort when the baseline capacity level of these local advisory firms is low.



It is critical to assess the reliability of project sponsors (e.g. are they trustworthy? do they have outstanding debt?) and this takes time. It takes a long time to develop opportunities in these contexts due to the low level of firm capacity and significant enabling environment issues. The attrition rate is quite high: the more you know about a potential project, the more flags come up. Most projects in fragile contexts are greenfield, which are much more difficult to raise capital for since they are riskier than expansion projects. It's worth noting that all MIFP project sponsors were already on the ground, doing something in Mali. Nobody is going to finance just an idea so successful sponsors need to demonstrate skin-in-the game, specific knowledge of a sector, and substantial experience operating something in the country.

[FTF Fact Sheet](#)   [Investment Description](#)   [Investment Description](#)  
[CSIS Investment Facilitation Revisited Paper](#)



## Haiti INVEST

*This example highlights mitigating risks in FCSs for investors motivated by a diverse range of interests, cultivating differentiated local transaction advisory services to continue deal generation and closure post donor engagement, and challenges of influencing an enabling environment under typical life-of-project horizons.*

Primary FCS Context: **Resilience**

Timeframe: 2019–Ongoing

### Description

Haiti INVEST's objective is to connect SMEs with the providers of capital (lenders and equity investors) by working directly with the actors that serve as a bridge between these two groups, namely the Transaction Advisors. By fostering and promoting the network of TAs, Haiti INVEST aims to increase the number of SMEs that have access to advisors who are actively sourcing the market to help them become “investment-ready”. Haiti INVEST has already closed \$20 million worth of deals.

As part of this effort, the Caribbean Resilience Fund, created and managed by Delphin Investments under Haiti INVEST, is raising capital for the pan-Caribbean investment vehicle. With a target allocation to Haiti, the CRF aims to support SMEs in the region and channel diaspora capital into Haitian and Caribbean businesses.



### Key Insights for Other Activities in Fragile Situations:

- Having in-depth knowledge of the opportunities and risks of a particular environment is key to successfully closing deals. Haiti INVEST hired Haitians that had grown up in Haiti, into key positions, who were adept at assessing risk of a proposed deal pipeline.
- Every investor has a different ROI requirement and appetite for risk. It's important for a fund to be able to tranche categories of investors according to their profiles, which CRF plans to do.
- Businesses in fragile contexts tend to be tremendously resilient, highly adaptive, and to enjoy some kind of monopolistic power. An investor pitch should focus on these strengths.
- The sustainability of these donor-originated transaction advisory programs will hinge upon an Activity's ability to engage local TAs—five out of six Haiti INVEST TAs are local. Local TAs will need to convince clients to pay them directly, at a price point the market can bear, post donor engagement.
- Haiti INVEST helped its local TAs differentiate themselves from one another by cultivating niche expertise. For example, certain TAs specialize in going after bank loans, while others are good at going after endowments or impact investors, and others after diaspora investors abroad. This approach enabled INVEST to maximize opportunities rather than have TAs fight over the same deals.

- Roadshows to Canada and the US helped TAs to expand their rolodex of investors. Haiti INVEST will leave behind a legacy of five Haitian TAs who have access to good deal flow and investor network.
- USAID tends to want to invest in a lot of companies, but a fund's fiduciary responsibility is to its investors. Diversity in approach can help minimize risk. For example, CRF's exposure to risks in Haiti is offset by its other investments in more stable Caribbean countries as well as in publicly-traded companies in the region.
- The life of these investment promotion and facilitation activities tends to be too short. Defining objectives, getting to know the players, identifying and engaging TAs, setting up funds, raising capital, and closing deals all takes time and there is no magic formula to expedite the process. If you want to positively impact some of the enabling environment issues, you need to have a proven track record before you can begin to engage. For example, after three years, once enough deals were closed, INVEST was able to stand up an Advisory Committee to try and improve the regulatory environment in the energy sector.
- Haiti INVEST could have had more influence on the enabling environment if it had been able to tap into the work of other USAID implementers in Haiti that were focusing on these issues. Facilitating connections between partners can help to leverage resources, network connections, and convening power.

[Launch Press Release](#)

[USAID INVEST Spotlight: Haiti](#)

[Blog on Investment Roadshow with the Diaspora Community](#)



## NetHope

*This example highlights a partnership platform that created a more efficient and effective way to connect humanitarian organizations' needs with technology companies that wanted to contribute to humanitarian relief efforts.*

Primary FCS Context: **Humanitarian**

Timeframe: 2001–Ongoing

### Description:

NetHope is a partnership platform that enables cross-sector collaboration between nonprofits and innovative companies to develop better programs, mitigate risks, and scale benefits for greater impact in the communities in which they work. The consortium consists of nearly 60 leading global nonprofit members along with 60 with technology companies (such as Cisco, Intel, and Facebook) and funding partners including USAID. Together, they design, fund, implement, adapt, and scale innovative approaches to solve development, humanitarian, and conservation challenges. Benefits of this platform include:

- Engaging the nonprofit community at scale: Technology is vital to the collective work of our member organizations. By partnering with NetHope, visionary companies have the ability to share their product or service with all of the members at once, without having to pick and choose between many important causes.
- Create meaningful field programs that showcase technologies or services: Incredible new technologies surface all the time. NetHope provides the opportunity to deploy these innovative solutions where they are most needed in partnership with global nonprofits that have the expertise and depth to maximize their impact.
- Garner relevant customer feedback from developing markets: Ability to test products and services in developing markets than through NetHope. Companies receive actionable data and feedback on how the product performed in the field, and tangible evidence of impact to support the company's CSR and market objectives.

Some of their project areas include:

- Disaster preparedness and response: NetHope has responded in a variety of disaster situations, ranging from the Syrian Refugee Crisis to the Ebola outbreak to the Nepal Earthquake of 2015 and the devastating Caribbean hurricanes in 2017. Response includes connectivity in refugee camps and along migration routes; technology support to aid refugee resettlement; and crisis informatics and data visualization to equip aid agencies in emergency response.
- Connectivity and infrastructure: NetHope remains focused on sharing knowledge and developing best practice relating to the underlying technology that delivers IT systems everywhere our members work, from HQ to remote off-grid offices and disaster response.
- Information management and informatics: Crisis Informatics provides information management, analytics, and visualizations to improve data and information sharing among response organizations during disasters and humanitarian crises.



## Key Insights for Other Activities in Fragile Situations:

One of the challenges during a humanitarian crisis is matching what is immediately needed with those that are willing to contribute resources. Often this matchmaking occurs in a very chaotic and ad hoc manner. Instead of companies being approached by dozens of different nonprofits, NetHope aggregated all the needs of their member organizations, and then channeled those requests to the funding partners, thus streamlining the donation process and condensing the amount of time needed to do the matchmaking. NetHope and its affiliated organizations continue to refine their process for collaborating during humanitarian crises. In addition, this platform helps to crowd-source common technology needs across the member organizations and identifies ways to collaborate with the technology partners to create new solutions and products. Some of these new innovations even become new commercial products for the companies.

[Website](#)

[Fact Sheet](#)





## Africa Diaspora Marketplace

*This example highlights ways to tap into the diaspora community to support new economic opportunities as a country emerges from conflict. Given their connections to the country, diaspora are often more willing to be 'first movers' or initial investors in a place that others deem more risky. Many diaspora are already providing remittances to family members in their country of origin, with the majority of resources being spent on immediate needs by the receiving families.<sup>54</sup> Diaspora members who are already remitting may be interested in socially responsible business investments because of their more sustainable impact on development, in addition to financial returns.*

Primary FCS Context: **Conflict Stabilization**  
Timeframe: 2009–2016

### Description:

The African diaspora is a deeply committed, yet largely untapped, source of innovative, entrepreneurial solutions to poverty and economic development in Africa. Through the African Diaspora Marketplace (ADM), USAID, Western Union, and the Western Union Foundation seek to support the entrepreneurial activities of the African diaspora community in 19 countries in sub-Saharan Africa. ADM is a business plan competition designed to support the entrepreneurial spirit and resources of the U.S.-based diaspora community and other entrepreneurs who have a demonstrated relevant connection to or experience in another country, to promote economic development in that country by facilitating diaspora direct investment (DDI) and other investment in viable small and medium social enterprises. USAID and Western Union initially launched the African Diaspora Marketplace (ADM) in 2009 and held three rounds of competitions from 2009-2015 in addition to a special Libya Diaspora Marketplace in 2013.

ADM awarded 34 sub-Saharan Africa, Libyan, and Tunisian diaspora-owned SMEs with matched grants to start or expand businesses in their home countries. ADM worked closely with the awardees to address their business challenges and to leverage the grant/support provided into additional opportunities. Additional partners include Deloitte, Ethiopian Airlines, Homestrings, George Washington University Center for International Business Education and Research (GW-CIBER), the Minority Business Development Agency (MBDA), and Small Enterprise Assistance Funds (SEAF).



### Key Insights for Other Activities in Fragile Situations:

Encouraging diaspora to invest in their countries of origin requires both promising business opportunities and savvy marketing to understand what motivates their (re)engagement. Insights offered by practitioners that engage diaspora communities include:<sup>55</sup>

- Diaspora communities vary immensely, and their desire for engagement and means to do so are different. The appetite for engagement will also depend on the reasons they left their home country, and trust in the current political systems. Diaspora actors may not always be neutral, however, and the dividing line between the diaspora as economic or political actors can become blurred, especially in conflict situations.

<sup>53</sup> In 2020, the estimated share of remittances spent for immediate needs by receiving families was around 75%. From <https://familyremittances.org/>

- Engaging diaspora in development is not a one-size-fits-all initiative. For example, some may already have a business they want to scale up, while others may be looking for promising financial returns or are interested in offering technical and advisory support to business enterprises operating in the country.
- A market lens is needed when designing programs for diaspora engagement so diaspora are getting to invest in what interests them and what is meeting market demands locally.
- Communicating the return on investment to diaspora communities is important so that they can see the impact they are having in their country of origin. For countries that are emerging from conflict, another important aspect is being transparent about the context risks and how the investment fund plans to handle different scenarios that could result from a re-emergence of conflict or political tensions.
- Facilitating a positive enabling environment for foreign investment is crucial so investors do not face debilitating barriers to entry.
- Engaging relevant diaspora organizations or associations as they can play an important role for brokering networks and economic opportunities for local SMEs.

[Initial Fact Sheet](#)

[Map of Awardees](#)

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<sup>54</sup> <https://chemonics.com/blog/what-have-we-learned-about-engaging-diasporas/>; [https://www.dev-practitioners.eu/media/event-documents/200617\\_Online\\_session5\\_all\\_slides.pdf](https://www.dev-practitioners.eu/media/event-documents/200617_Online_session5_all_slides.pdf); <https://ecdpm.org/wp-content/uploads/Mapping-Private-Sector-Engagement-Along-Migration-Cycle-Full-Report-ECDPM-March-2020.pdf>; <https://oneearthfuture.org/news/financial-gap-diaspora>