

UNITED NATIONS DEVELOPMENT PROGRAMME



UNDP GUIDANCE NOTE

Private sector recovery and development in crisis and post-crisis settings



UNDP GUIDANCE NOTES FOR RECOVERY SOLUTIONS

Building resilience
through livelihoods and
economic recovery

Women's economic
empowerment
in crisis settings

Community infrastructure
works in crisis settings

Private sector recovery
and development in crisis
and post-crisis settings

Photographs

Cover (left), page 8: Casimira Sanchez prepares pieces of gym equipment at the Gimpack plant in Mexico City. *AFP for UNDP/Luis Acosta*

Cover (centre), page 20: Former combatants at work in new jobs. *UNDP/Aude Rossignol*

Cover (right), page 36: Fishermen bring in the daily catch in south-eastern Viet Nam. *Tran Vinh Nghia*

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Acronyms and abbreviations

ADB	Asian Development Bank	LNOB	Leave No One Behind
BMO	Business Membership Organization	MSME	Micro, Small, and Medium Enterprise
CBI	Connecting Business initiative	M4P	Making Markets Work for the Poor
EBRD	European Bank for Reconstruction and Development	NGO	Non-Governmental Organisation
GBV	Gender-Based Violence	OECD	Organisation for Economic Co-operation and Development
IsDB	Islamic Development Bank	OCHA	Office for the Coordination of Humanitarian Affairs
IDP	Internally Displaced Person	PPP	Public-Private Partnership
IFI	International Finance Institution	PSD	Private Sector Development
IMF	International Monetary Fund	SDG	Sustainable Development Goal
ILO	International Labour Organization	SLF	Sustainable Livelihoods Framework
KPI	Key Performance Indicator	UNDP	United Nations Development Programme
LER	Livelihoods and Economic Recovery	WEE	Women's Economic Empowerment

Introduction

A growing number of crises around the world spotlight the need for crisis prevention and response mechanisms¹ that accelerate the journey towards resilience, ownership, sustainability, and localization. Current crises such as the COVID-19 pandemic and the war in Ukraine highlight the vulnerability as well as the resilience of the private sector. The world was forced to open its eyes to the fragility of global supply chains and their impact on local markets. This is another reminder that systemic thinking is necessary to address the economic repercussion of crises. We must understand market systems to foster systemic change so we can transform them to become more inclusive, dynamic, green, diverse and resilient.

Yet, market systems do not follow blueprints. They are influenced by political and economic constraints, cultural norms, and many other factors. Market systems are complex and highly context-specific. To understand them, we need a thorough assessment of who holds power, beyond simply mapping how the business cycle has been impacted by the crisis and what structural constraints exist. Often, addressing these complexities leads to entry points and opportunities.

Catalytic interventions to improve governance, strengthen social cohesion, address inequalities and promote sustainable natural resource management are called for, especially in protracted crisis settings. Appropriate responses to crises through types of recovery programming that ‘do no harm’² and ‘leave no one behind’ (LNOB) require a forward-thinking approach that tackles the root causes of crisis, structural inequalities, uncertainty, unruliness of markets as well as of market failures that are leaving the poor worse off. The pandemic has produced many collective strategies based on solidarity to overcome difficulties. Putting greater emphasis on the creative energies of vulnerable people to work collectively in the face of adversity and using collective business models thus produce greater resilience, inclusivity, and social cohesion. Therefore, in crisis and post-crisis situations, we need **systems thinking and integrated approaches** that also tackle social cohesion, gender norms and access to affordable and sustainable energy.

In settings where institutions are challenged, security is an issue, liquidity is scarce and supply chains are impaired, business survival is the main objective. Even in the most conflict-ridden circumstances, some basic level of exchange will happen, and this is the seed for economic and livelihoods reactivation. These exchanges are born from entrepreneurship efforts from private

¹ And aligned with the [Sendai Priorities for disaster risk reduction](#).

² Resolutions [58/114](#) and [46/182](#).

individuals, which are key to market reactivation. Economic activities are a main foundation for prevention, stabilization and recovery.

While the *UNDP guidance note on Building Resilience through Livelihoods and Economic Recovery* provides the overall framework, this guidance on Private Sector Recovery and Development offers deeper reflection and specific tools relevant in these contexts. In alignment with UNDP's Private Sector Strategy and the Finance Sector Hub's service offer, **this document provides guidance to UNDP Country Offices on the design and implementation of solutions—within a recovery framework—to foster private sector development in crisis and post-crisis settings.** It addresses the trends, challenges and opportunities of working in those environments to rebuild with greater social cohesion, gender equality, opportunities for youth, and resilient and greener markets.

In a nutshell, UNDP's role is to:

- Enable the establishment of an enabling environment/ecosystem for more sustainable and inclusive business and philanthropy.
- Ensure that the strategies and actions of the private sector and foundations are aligned with the Sustainable Development Goals (SDGs).
- Improve productive capacity, inclusive business, and value chains.
- Ensure that resilience among micro and small enterprises is improved and the private sector and foundations are engaged in crisis responses.



1 Background

1.1 UNDP's private sector engagement

UNDP's [Private Sector Strategy \(2018–2022\)](#) provides an overarching framework for engagement with the private sector. In fragile, crisis and post-crisis settings, UNDP seeks to address the root causes of livelihood and entrepreneurship vulnerability, and ultimately engage in greener and more inclusive ways to transform market systems.

The private sector landscape in crisis and post-crisis settings usually includes:³

- Companies:
 - Large companies.
 - Micro, Small and Medium-sized Enterprises (MSMEs). A majority of micro and small-sized enterprises tend to be informal in crisis settings, meaning they are not registered or licensed.⁴
 - Cooperatives: production, insurance, purchasing and marketing cooperatives, or those combining a range of purposes.
 - Social enterprises: formed to address a specific development issue or cause.
- Intermediary institutions: Chambers of Commerce and industry and business associations.
- Commercial banks and microfinance institutions as the main investors as well as informal moneylenders.

UNDP seeks to advocate and support businesses, especially publicly traded corporations, to adopt models, investments, and business decisions in line with the SDGs, setting aside short-term thinking.⁵ For this purpose, it is also important to scan the engagements from other partners and UN agencies to better coordinate and find synergies based on each mandate.

In crisis or post-crisis settings, it is important to work with MSMEs to tap into the opportunity to build better, more resilient, inclusive and greener businesses. Business models built disregarding local needs or benefiting from poor wages or bad employment conditions to take advantage of a crisis may not survive in the short term as the crisis recedes. Nevertheless, economic recovery based on systemic approaches requires working with larger, possibly foreign, companies or other actors in the system given their intersecting influences on each other.

This does not imply that we should hold MSMEs to unreasonable standards. For the most part, MSME owners live and work in the same community, so they care as much about the quality of life it offers as does every other resident. Being part of the social fabric in which they operate, they are often also among the first responders after a disaster. Even though businesses are great allies in building resilient communities or rebuilding after a crisis, they aren't always aware of sustainable and inclusive business practices or the

³ Adapted from UNDP's definition of the private sector (see glossary). We will not address the case of state-owned enterprises in this document since the focus is around private sector engagements.

⁴ In conflict or post-conflict decent informality aggravated, increasing the already severe decent work deficits that are associated with informality. The ILO estimates that in conflict or post-conflict situations informality accounts for 84.3. percent of employment. (ILO (2018): *Women and men in the informal economy: A statistical picture*. Third edition)

⁵ UNDP's Private Sector Development and Partnership Strategy (2018–2022), Making Markets Work for the SDGs, p.4.

value of implementing them. Therefore, any new programming should seek to demonstrate to businesses the positive impact to their profits and long-term sustainability of adopting a business model in harmony with the SDGs. In a similar vein, the COVID-19 pandemic showed that coping mechanisms of local MSMEs often include collective action and are based on solidarity and mutuality. Therefore, programming should also build on such positive coping mechanisms.

Systemic interventions are fundamental to support private sector development (PSD) in crisis and post-crisis settings. Without legal frameworks, institutional strengthening, economic inclusion, and community empowerment shaping the business-enabling environment necessary for doing business, growth is impossible. Ideally, the flourishing economy resulting from a good enabling environment contributes to the stability and social cohesion necessary to overcome a crisis and resume economic activity. Supporting private sector development contributes to human security, since it is linked to growth, and ensures that the notion of security boosts access to rights, builds connections and strengthens social cohesion.

Given its positioning as a neutral broker, its global presence and mandate on sustainable development, democratic governance, peacebuilding, and climate and disaster resilience, UNDP can add value, advising and supporting institutions and communities as well as deploying solutions to help individual businesses and livelihoods.

⁶ Based on UNDP's guidance note on Building Resilience through Livelihoods and Economic Recovery.

⁷ Disaster Recovery: Challenges and Lessons, UNDP 2016.

1.2 Private sector's role in recovery

Recovery is an umbrella that requires coordinated interventions in different domains. It offers an opportunity to transform market systems and local economies by reflecting on the root causes of crisis and vulnerabilities and recasting development priorities to improve resilience. Such events are prone to recur, hence the need to strengthen capacities to absorb shocks, learn, adapt and recover faster.⁶

The private sector is the engine of the economy, and it provides livelihoods. Repairing, adapting and transforming it in such a way that it is more resilient to future shocks, is critical. The private sector therefore has a dual role in recovery: It needs to recover and adapt itself, while also stimulating the recovery of other areas, or even engaging in humanitarian action.

Recovery is also an opportunity for transformative change. Rebuilding markets in a more inclusive and equal fashion could accelerate progress towards the SDGs and generate larger impacts at the economic and societal level, improving resilience over time. Rather than reproducing the pre-crisis status, programming should aim to tackle gender disparities and empower women by improving their access to economic, social, and environmental assets.⁷ Likewise, the economic recovery process should also stimulate greening processes.

1.3 Economic recovery and livelihoods

UNDP's approach builds on the Sustainable Livelihoods Framework (SLF)⁸ to ensure a systemic understanding of livelihoods and local economies with a specific focus on crisis and post-crisis settings, to help individuals reach

their desired livelihood outcomes in challenging contexts. Through the SLF, economic recovery and livelihoods are considered part of a complex system where individuals, households, communities and institutions interact and adopt strategies to cope with and adapt to crises, based on the levels of household assets⁹ and the functioning of markets, communities, and governments.

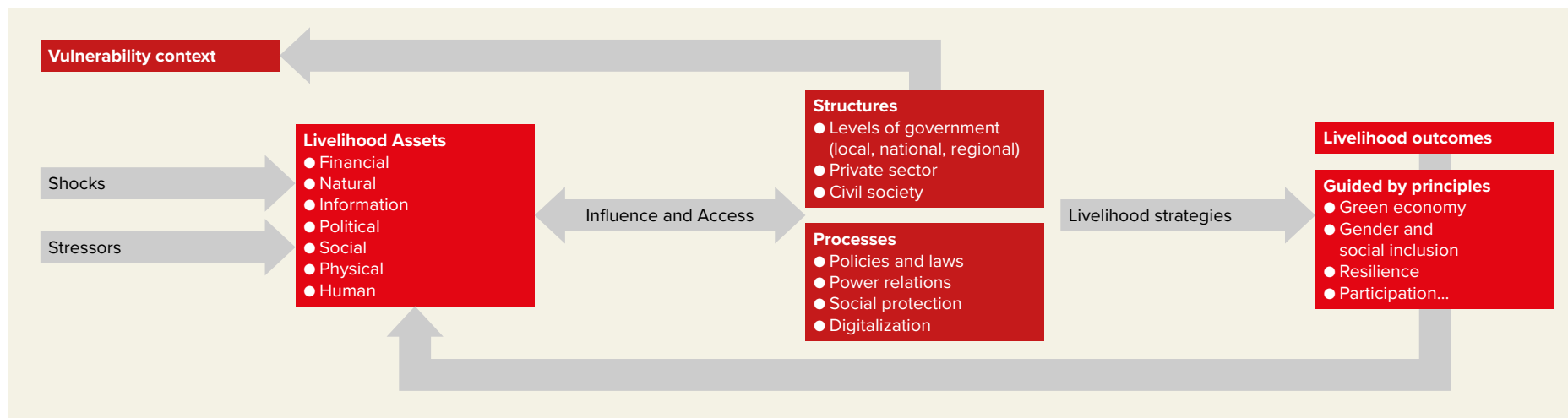


Figure 1. UNDP on the Sustainable Livelihoods Framework. Adapted from DFID Sustainable Livelihoods Framework.¹⁰

⁸ The framework is adapted to LER-FACTS.

⁹ Definitions of each asset (financial, human, physical, natural, information, social and political capital) are presented in the Glossary.

¹⁰ The examples of structures and processes are not an exhaustive list, rather an indication of some key structures and processes.

Through systems thinking in livelihoods, UNDP aims to recover and strengthen the asset base of individuals as well as transform the structures and processes that shape their lives, with the objective of increasing the number of positive coping strategies that lead to the livelihood outcomes that individuals desire. These interventions also aim to improve market mechanisms and advocate for policies, legal frameworks, and institutional arrangements that are key for inclusive social and economic development.¹¹

Interaction with entrepreneurs at the local level is a main objective during the early stages of a disaster response or intervention in a protracted crisis scenario. Investments (via cash interventions, in-kind donations, inventory, etc.) in livelihoods and market recovery result in economic recovery, which reactivates jobs, trading relationships and markets, which in turn contribute to social cohesion, trust, and stability.

While we cannot prevent hazards from occurring, we can develop the capacities of individuals, households, communities and nations to manage crises and reduce their impact on livelihoods and economies, enabling efficient recovery and local economic development. Therefore, we can and should support the adoption of interventions that prevent or manage hazards from leading to disasters by helping communities to be prepared, reduce their risks and become more resilient. To become more effective in achieving impactful and sustainable outcomes for livelihoods and economic recovery (LER), UNDP focuses on the root causes of crises and structural inequalities that hinder livelihood development, with a view to strengthening resilience.

¹¹ More information on systems analysis for risk and resilience in: UN/CEB, p. 25.

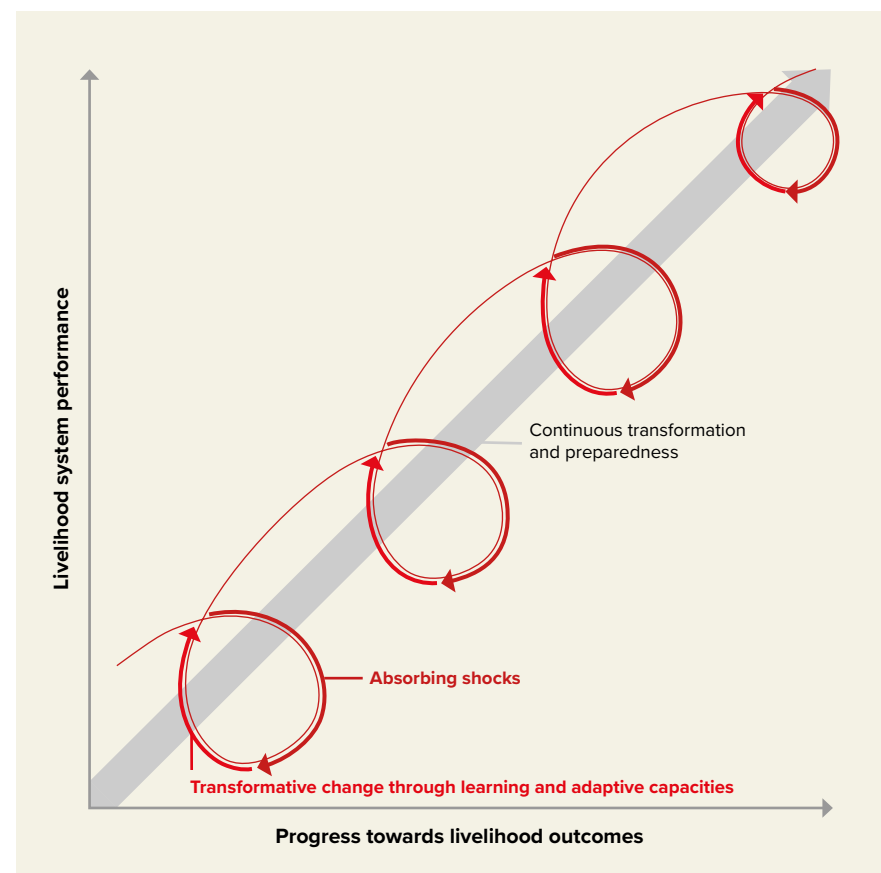


Figure 2. UNDP LER-FACTS approach. Source: Emmanuel Letouze

1.4 Private economic actors and trickle-down effects

In addition to employment and household income, the private sector can deliver necessary goods and services, both for daily living and as needed for recovery, as well as introduce innovation in business and operational models linked to necessity and difficult environments. Figure 3 provides a representation of potential contributions to markets and recovery processes. These are critical to help the private sector recover from crisis in a holistic and systemic manner.

Before addressing how private sector development in fragile, crisis and conflict settings is different from general private sector development, it is worth reviewing the process by which normal functioning business activity takes place. Only when we have a thorough understanding of how business functions in a market unaffected by crisis or fragility, can we maintain a focus on what aspects of the process can be impacted by crisis or conflict.

In a normal context, an entrepreneur identifies an opportunity based on an examination of the market, sources capital to fund inputs, produces goods or services and delivers to the market. The business enabling environment includes services and infrastructure, many of them provided by government, that support licit business functioning in an efficient and transparent market.

When designing an intervention, it is helpful to understand how the business cycle operates in a non-crisis setting. In crisis and post-crisis settings, contexts and enabling environments could face complex challenges that push entrepreneurs to innovate and adapt to missing or disrupted elements. Entrepreneurial activities do not necessarily cease during a crisis, but they may

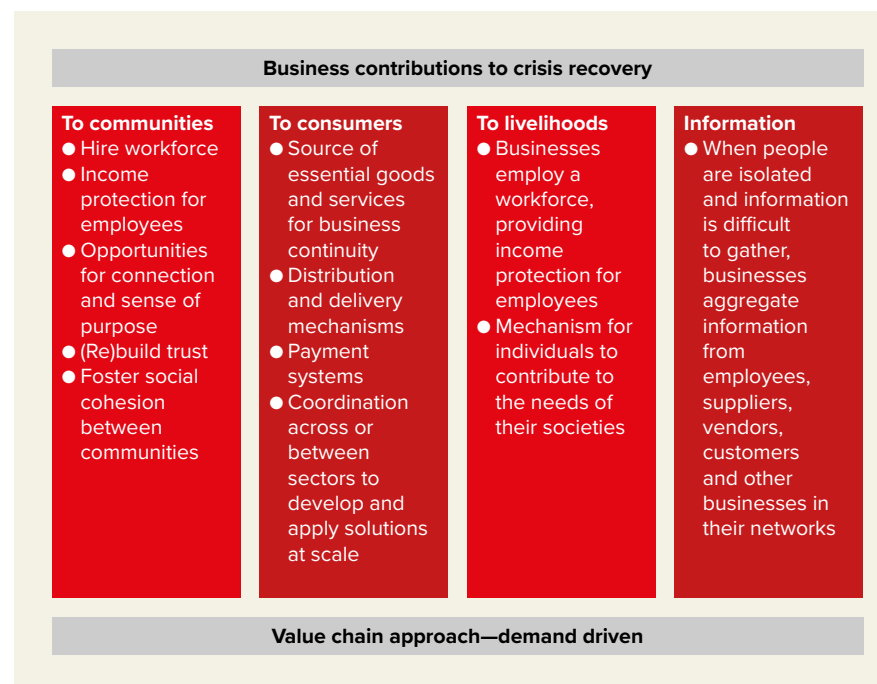


Figure 3. Business Contributions to Crisis Recovery. (Adapted from UNDP Private Sector COVID-19 Service Offer, Finance Sector Hub)

not be as efficient in meeting the needs of the market, may do so at exorbitant prices, or may do so in ways that skirt the law. Similarly, the lack of a functioning enabling environment may result in lack of access to capital because banks might be non-existent or reluctant to lend without the ability to record collateral. At the same time, it is critical to identify the root causes of any market failure,

many of which are likely to date back to pre-crisis issues. Addressing these root causes thus often entails transformational change towards more inclusive, green, resilient and diverse market systems.

The business cycle can be summed up in the following steps:

- 1 An entrepreneur surveys the market and identifies an opportunity.
- 2 The entrepreneur accesses capital, both working capital and capital investment funding to produce goods or services.
- 3 The entrepreneur produces goods or services.
- 4 The goods or services are delivered to the market, which, upon conclusion of sale, generates cash, which funds the next round of capital requirements.

The business-enabling environment is separate from the business cycle but supports and engages it at various parts of the cycle. For example, the physical infrastructure provides the power to operate a business and the roads to deliver goods to markets. A fair, transparent judicial system provides confidence that disputes will be fairly adjudicated and credit reporting systems and a collateral registry enable financial institutions to make lending decisions in an informed manner and to lend with confidence in recouping their investment in the event of default. Government typically delivers many of the functions of the business enabling environment, either directly or via public-private partnerships (PPP).

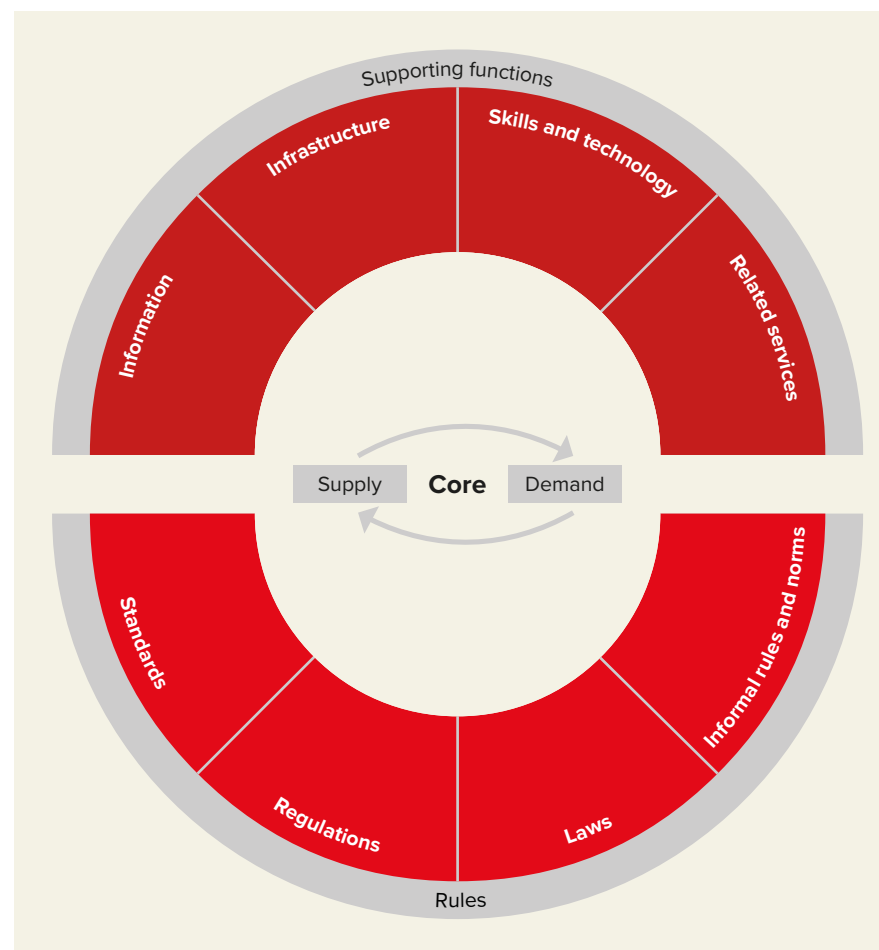


Figure 4. Market system, Springfield Centre: 2015.

Regional economic integration as an opportunity for private sector recovery: the example of the African Continental Free Trade Agreement (AfCFTA)

As the ongoing war in Ukraine is causing food and fuel prices to skyrocket, the need for Africa to strive for food and energy autonomy becomes more urgent. This increase in prices exacerbates existing tensions and might create new ones or new conflicts. To avoid worsening an already dire situation and address existing issues, Africa needs to achieve (near) self-reliance and produce what it needs to consume. In order to do so, regional integration and multilateralism must be chief priorities of African States. The AfCFTA is one such example of an effort to promote cooperation between countries, as regional trade agreements can lead to greater integration, peace, and recovery.

Africa is the one region in the world that trades less with itself and more with the rest of the world. The AfCFTA opens the door to more regional trade and the development of local markets, necessary not only for immediate economic and private sector recovery but also for the resilience of the African economy to external shocks in the future. Moreover, having regional trade agreements in place such as the AfCFTA will cushion the impact of global supply chain disruptions in crisis settings as we witnessed during the COVID-19 pandemic. Building upon the need to revitalize affected local economies in post-crisis settings, the opening of borders

as well as strategic partnerships could facilitate the flow of merchandise and inputs and generate economic activity. It will promote the creation and expansion of regional value chains, interlinking vital sectors in the region (agriculture and livestock, for instance) and fostering private sector development and job creation. Sectors such as livestock and leather or cocoa and chocolate are value chains Africa can capitalize on, as highlighted by the recent Futures Report 2021.

The AfCFTA is therefore a source of countless opportunities for the African continent. In the conflict-prone region of Sahel for example, establishing solid commercial ties between private sector businesses will pave the way toward peacebuilding and socio-economic recovery. The World Bank underlines that “intense trading with neighbors reduces the duration as well as the intensity of conflict” and that “trading with neighbors is also associated with a lower risk of conflict when such trade occurs under regional trade agreements.” Strengthening regional ties through the AfCFTA and private sector engagement represents a consequential entry point for recovery in Africa.

Sources: Cali, M. (2015), UNDP and AfCFTA Secretariat (2021)

Any business cycle is part of a wider market system. Figure 4 depicts the market system as referred to within the framework of market systems development. The core of the market system is supply and demand. The immediate environment consists of rules, including informal norms, formal regulations, and supporting functions. The market systems approach is based on the premise that instead of helping people directly, support should focus on changing the functioning of 'market systems' to make them work better for the poor, marginalized and disadvantaged and make systems more inclusive. Systemic market-based programming helps support local markets to rebound more quickly, restore, rebuild and adapt livelihoods, foster sustainable and decent employment, and create a more inclusive, greener and resilient private sector, thus transforming market systems and local economies.

The basic requirements of doing business in crisis and post-crisis settings are no different to business elsewhere:

- An idea that answers a demand in the market.
- Access to financing (either own funds or others') to cover the cost of inputs through the production or service delivery stage.
- A means to deliver the product or service to market.
- The ability to complete a sale.

This already hints at a variety of preconditions that the market system is required to fulfil for businesses to function. For example, for a business idea to work, information on existing or future demand, and access to finance, skills and technology are needed to produce a good or service, and delivering a product requires transportation infrastructure and security along trade routes.

Human Security Business Model

The market systems approach is about changing the way a market works, including its power relations, to ensure it is beneficial for the poor (or for example refugees and their host communities). The Human Security Business Model, sponsored by the London School of Economics and Political Science (LSE), creates win-win schemes where unequal power relations among the private sector, the public sector, academia and civil society are reduced. Human Security Business Partnerships are a new form of collaboration, allowing everyone at community level to act to improve security and deliver development through addressing local risks and opportunities.

Human security is about finding durable solutions to development with security. Human security must be linked to growth, ensuring that security is not only traditionally security-oriented but has broad dimensions that seek to provide opportunities in all dimensions (social, political, environmental, food security, education, etc.).

1.5 Challenges of crisis and post-crisis settings

In the crisis and post-crisis settings where UNDP works, the challenges imposed by fragility or crisis are on top of challenges faced in any developing economy. The challenges for private sector development in a conflict-affected setting are linked to the disruptions in the economy caused by conflicts or disasters. Protracted armed conflicts and economic sanctions lead educated people to flee the country, causing a brain drain and capital flight, which in turn opens doors to illicit trade.

In conflict-affected settings the **threat of or actual violence** often exists as a pervasive issue touching every aspect of life and work. To the extent of their capacity, businesses will consider the threat of violence by, for example, engaging security for their premises. Corruption and other criminal behaviours are more difficult to fight because a violent response is more likely in an already violent society, which often includes a proliferation of weapons. To achieve good governance, the private sector needs to speak in a unified voice, pushing for better governance and an end to violence. However, this organization of the private sector tends to be more difficult in an environment with vastly different political and business interests, where interpersonal trust is limited, and alliances may be entrenched. The difficulty development professionals face is how to manage the risk, but not to use it as an excuse for doing less than the best possible in the circumstances. Such situations are often dynamic, and implementers need to continually seek solutions to work around and contain the risk.

In the Philippines, the **Private Sector Reconstruction Commission** is headed by a business leader who will assist and support the Philippine Government's reconstruction efforts in his capacity as a private citizen and assist the Government in tapping the resources of the private sector towards this end. The Public Commission and all Government agencies and instrumentalities are mandated to extend all assistance and support to the Private Commission and all projects that the Private Commission and the private sector may undertake in support of the Philippine Government's reconstruction efforts and strategy. The Private Commission and the private sector that will contribute manpower, expertise, funds and resources to the Private Commission shall remain a separate private organization and private citizens and entities, respectively, and will not form part of the Public Commission.

Challenges to private sector engagement in crisis contexts often relate to the potential risks private sector partners perceive in engaging in such a volatile environment. Understanding the risks to the private sector in highly volatile situations will help tailor responses and solutions to support the private sector. For example, UNDP has been investing in establishing crisis

dashboards, to support UNDP and the UN System with reliable data and analysis to make risk-informed decisions.¹² Engaging private sector actors through the Connecting Business initiative (CBI) has shown that collective action coordinated by private sector networks can reduce some of those risks. Furthermore, a network approach provides a clear and easy entry point for companies to engage, reduces duplication and can scale impact. National disaster management policies and frameworks rarely provide guidance or incentive mechanisms for the private sector to engage in emergency preparedness, response and recovery. Nevertheless, the private sector can

be a vital partner in addressing the needs of vulnerable populations affected by crisis. Therefore, as part of preparedness and tapping into transformative capacities, efforts to improve government policies enabling private sector engagement in crisis response and recovery in collaboration with the private sector are key. For example, business membership organizations could represent the private sector in national or local coordination mechanisms.¹³

While every crisis is different, common challenges are present, and their degree of complexity depends on the setting.

Sector	Challenge
Infrastructure	<ul style="list-style-type: none"> ● Roads, transportation networks, power, telecoms, water, and production facilities are destroyed ● Mines and other ordnance represent risk ● Access to some areas controlled by insurgents ● Lack of housing stock for returnees and development workers, large influx of expats distorts real estate market
Inputs	<ul style="list-style-type: none"> ● Value chain disruptions may limit access to raw materials, interrupting production ● Labour may have limited skills to begin with, crisis and conflict bring trauma, displaced populations, issues reintegrating soldiers or insurgents and trust among different groups ● Power and water access limited or disrupted ● Lack of cash to conduct transactions ● Little or no market information

Table 1. Challenges for Private Sector in Crisis or Conflict-affected Settings.

¹² <https://unstats.un.org/unsd/undataforum/blog/undp-crisis-risk-dashboards/>.

¹³ CBI member networks represent the private sector in national or local coordination mechanisms (such as [AGERCA](#) from Haiti), and have also contributed to or are reference in many recent government policies (such as Haiti's [National Management Plan for Disaster Risks](#)).

Sector	Challenge
Access to Finance/Investment	<ul style="list-style-type: none"> ● Collapse of the banking system, liquidity crisis ● Absence of financial institutions or presence limited to major cities, lack of capital, unwillingness to lend to informal enterprises ● Skills deficiency—lack of credit skills, but also a problem for businesses unable to adequately represent business performance with accounting or bookkeeping records ● Lack of access to real property ownership documents to use as collateral and ‘credit infrastructure’ (e.g. credit reporting, collateral registry), or real property destroyed ● Informal nature of business, business registration may be difficult or inaccessible ● Lack of viable funding streams and mechanisms.
Government	<ul style="list-style-type: none"> ● Sometimes still in formation (or in some areas even non-existent) ● Lack of secure environment ● May or may not be some continuation of legal system, some aspects may carry over and be of use to PSD ● Lost experience/skills if significant numbers of government staff died or became refugees ● Programming to establish rule of law often prioritizes other issues over commercial law ● Lacks the capacity to ensure decent work and address child labour and other exploitative practices ● Limited revenues to fund initiatives, reliance on donor funding ● May be distrusted by MSMEs/may have a bias towards large enterprises
Context risks	<ul style="list-style-type: none"> ● Conflict between rent-seeking groups ● Lack of protection for vulnerable populations and their human rights ● Human rights concerns including relating to child labour and other exploitative practices by businesses ● Weak institutions and regulations allowing lax or no environmental standards ● Lack of risk assessment culture

Table 1. Challenges for Private Sector in Crisis or Conflict-affected Settings. (Continued)



2 Entry points to private sector recovery and development in crisis and post-crisis settings

Crisis and post-crisis settings can represent opportunity. These opportunities offer entry points in supporting the private sector's recovery and development. While the COVID-19 pandemic brought economic devastation to many around the world, this forced changes in business models that opened doors towards transformative change in terms of women's inclusion, digitalization, greening and innovation.

In a conflict-affected economy, the obvious immediate opportunity is often the need to guarantee food security, replace or repair housing stocks, and communications, but one has only to see what the pandemic did to the value of conferencing platforms to realize how a **crisis can create demand** for a previously unimagined product or service. In the immediate aftermath of several armed conflicts in Africa and the Middle East, entrepreneurs engaged in business ventures that solved market failures like telecommunication or medical insurance.¹⁴ Mobile phones were the foundation upon which all sorts of other opportunities for economic recovery and development were based: basic devices allowed farmers to access financial services, information and logistics, and young women could get information about jobs and apply. Just the ability to communicate over distances helped build trading relationships along with dozens of other benefits. Filling the demand created by crisis can offer an entry point to support livelihoods in the immediate response.¹⁵

¹⁴ As documented by Clayton M. Christensen, Efosa Ojomo and Karen Dillon in *Prosperity Paradox*, 2018.

¹⁵ An example of UNDP's efforts in this regard is [UNDP Lebanon's programming to reduce the direct economic downturn impact of the COVID-19 pandemic and the economic crisis on vulnerable communities](#), for example through supporting the production of personal protective equipment (PPE).

More systemic entry points mentioned below require a thorough understanding of the market system overall, especially key value chains. Conducting a market systems analysis prior to designing transformative interventions is critical to identify such entry points, as well as the constraints and opportunities in a market system.

2.1 Private sector engagement

As highlighted earlier, with the right preconditions in place the private sector can be a potent and important partner in crisis response and recovery. Private sector actors mobilize their corporate social responsibility mechanisms for donations, use their logistic capacities, and engage with their clients (usually MSMEs and informal actors) to restructure accounts and support for business continuity, and advocate for risk-informed business models.

Some key guiding principles for private sector engagement enable engagements and shape the nature of the collaboration, whether it's a partnership with a large private company or support to the reactivation of small businesses. Besides the mandatory due diligence process, project managers must be mindful of aspects such as the nexus between recovery and reconstruction, the involvement of communities in the design stages, and the importance of adopting a human rights and people-centred approach.

UNDP Sudan's private sector partnership to increase digital and energy access for displaced populations

UNDP Sudan started an innovative and ambitious tripartite partnership with the companies Sudatel Telecommunications Group and start-up Empower Renewable Energy Co Ltd. The collaboration addresses the stark digital access disparity: In Sudan, 80 mobile subscriptions are registered for every 100 people,¹⁶ and mobile penetration is high at 76 percent of the total population—but internet penetration sits at 30.9 percent, primarily concentrated in urban and peri-urban areas. Similarly, rural electrification significantly lags behind and on a national level is suffering from a reliance on fossil fuels and currently high prices. UNDP's partnership is thus testing the value proposition of solar-powered telecommunications infrastructure—aiming to expand digital access to displaced populations in Sudan, namely refugees, internally displaced persons (IDPs), and in areas of return—with a focus on cross-border and rural development livelihood schemes located outside the coverage of the national grid.

The pilot will install four telecommunication towers powered by a Solar in a Box. Solar in a Box is a containerized deployable, mobile community infrastructure modular prototype that can be expanded into a mini-grid that powers collective assets to overcome barriers to digital and energy access.

These two private sector partners share UNDP's vision of reducing the digital and energy divide for vulnerable communities. They have a commercial interest in improving mobile telecommunication and data access, and thus opening economic and market opportunities such as mobile money transfer services, livelihoods, human security, as well as access to information for basic services in health and education.

Empower, an Energy Service Company founded in 2017 by two university friends, aims to reduce Sudan's energy deficit which according to its founders is the pragmatic viable solution to support rural development. Empower will design, offer and monitor the Solar in a Box system.

Sudatel Telecom Group Limited, a Sudan-based public shareholding company that operates in the telecommunication sector. Its subsidiary Sudani is one of three Mobile Network Operators in Sudan. With a network density covering all states of Sudan with nearly 10 million active users, its business products and services include internet connectivity and voice services. Sudani will mobilize Cell on Wheel, a mobile service coverage BTS in Umrakoba and Tunaydbah refugee camps in Gedarif State,

¹⁶ https://data.worldbank.org/indicator/IT.CEL.SETS.P2?end=2020&locations=SD&most_recent_value_desc=false&start=1960&view=chart.

re-activate service coverage at Elkurmuk, Blue Nile State, and a greenfield new service coverage at Joda, White Nile State. This aims to gradually increase digital access and reduce the digital divide in the East and Southern parts of Sudan.

UNDP Sudan's initiative has created considerable interest in scaling up this private sector partnership, with Phase I scaling to a minimum of 50 towers, expanding a wider consortium for public-private partnership (PPP).

Upon installation, the four telecommunication towers will immediately increase digital and energy access for the displaced population in localized areas; facilitate longer-term mobile money reach and use, including cross-border trade; increase digital literacy, enabling extended reach of agricultural extension officers' services; and facilitate the digitization of existing traditional saving schemes, i.e. Sanduk. The aim is to leverage increased digital and energy access for approximately 120,000 beneficiaries.

Even if such collaboration with the private sector in recovery efforts may prove challenging, private sector engagement can still offer opportunities and entry points. Market systems and value chains typically include enterprises of all sizes and forms. While all are market actors, some hold more power than others. Finding partners who are willing to collaborate and have a commercial incentive to improve the market system to ensure that crisis-affected people benefit from it is a critical step when looking for entry points. Such enterprises can play a vital role in market reactivation, either as suppliers or buyers in value chains, or as service providers within the market system not limited to recovery.

2.2 Micro and small businesses

Although there is often a desire to generate exports and foreign currency reserves, it is simplest and most effective to **meet domestic demand first**. Fast exports usually translate to extractive industries or other raw materials or agricultural products with little added value, low-wage local jobs and profits accrued to foreign businesses. Moreover, a crisis may disrupt global supply chains, creating negative repercussions on in-country production.

Micro businesses requiring little capital can have significant impact, with the added advantage that growing an economy via many small businesses represents less risk than putting all hopes on one large business or multinational investor. Support is key to help small and micro businesses

understand the concepts of market demand, price their products to be competitive and profitable, and keep business records. Furthermore, micro and small businesses offer a good breeding ground for innovative solutions to adapt to the crisis.

Value chain or supplier development approaches¹⁷ offer good methodologies to tap into the potential of MSMEs and address their constraints in a systemic way.

It is important to map and understand the coping mechanisms of the micro and small businesses, which tend to be very rooted in the social fabric surrounding them. The COVID-19 pandemic brought about many examples of collective action and coping mechanisms based on mutuality and solidarity. It is therefore crucial to further build on these, in order to transform market systems and local economies and ensure that micro and small businesses are more resilient.

2.3 Formalization of the informal economy

Crises, particularly conflicts, have a negative effect on informality. In conflict or post-conflict situations informal employment is estimated at 84.3 percent of total employment.¹⁸ Crises disrupt people's livelihoods and lead to an expansion of the informal economy, which is further exacerbated by weak public institutions that show a correlation with informality.¹⁹ People engaged in the informal economy are particularly vulnerable in times of crises. Informal

UNDP developed and implemented the **In Motion methodology**, aimed at supporting micro and small businesses to reactivate by assessing needs, supporting business model improvements, trainings and equipment or grants to recover from post-crisis events. The toolkit has been implemented in post-disaster settings in Latin America and the Caribbean region, yielding sustained increases in sales of about 40 percent, allowing local markets to reactivate and resume livelihoods.

self-employed entrepreneurs and workers face higher vulnerabilities as they earn their livelihood from low and irregular incomes; they are often not entitled to participate in government schemes (such as credit guarantee schemes), they are not covered by social protection systems, not protected by labour laws, and inadequately represented in governance structures. People engaged in the informal economy often do not have sufficient savings to sustain themselves over long periods without income. The COVID-19 pandemic has been a painful reminder of these vulnerabilities, further exacerbated by the lack of representation of the informal economy.

¹⁷ Such as UNDP, SDG Value Chains.

¹⁸ ILO (2018): *Women and men in the informal economy: A statistical picture*. Third edition. International Labour Office—Geneva: ILO, 2018.

¹⁹ Schoofs, S. (2015): *Making Sense of Informal Economies in Fragile Contexts. Issues, Dilemmas and Questions*. CRU Policy Brief, Clingendael Netherlands Institute for International Relations, June 2015.

Amplifying the voices of informal economy actors in Africa's recovery from COVID-19 pandemic

The evolving aftermath of the impacts of the COVID-19 pandemic has spotlighted Africa's informal economy. While there has been greater awareness of the fact that the informal economy contributed significantly to GDP and was by far the main source of income and employment in Africa, [accounting for up to 85.8 percent of all forms of employment](#), yet this significant population of Africa continues to exist outside formal arrangements and is often found to be living on the edge: highly vulnerable to poverty, low earnings and irregular incomes and bad working conditions.

This attention intensified as it became apparent that the heaviest impacts could be in the informal economy as evidence of impacts trickled through to the formal economy and for that matter the entire population in African

countries as documented in the series of [ILO Monitor on COVID-19 and the World of Work](#) published in 2020–2021. [Recent World Bank estimates](#) suggested that 42–49 million people—largely in the informal economy in Sub-Saharan Africa—would be pushed into extreme poverty in 2021.

UNDP is partnering with the ILO to play a connecting and enabling role (through a regional initiative) by assembling the analysis and findings through direct interaction with informal economy actors (on the impacts, their agility, needs and the often hidden engine of innovation and growth it harbours), and by providing a platform that empowers informal economy actors to bring their voices and knowledge directly to respective decision-makers and facilitate a transformational policymaking process.

Nevertheless, the informal economy can present an opportunity to generate jobs and income and deliver basic goods and services while at the same time striving to improve working conditions. In many fragile, crisis or conflict-affected contexts the informal economy includes more businesses than the formal economy. The International Labour Organization (ILO) describes the informal sector as activities operating outside government benefit and regulation.

Informal businesses offer ease of start-up and exit, tend to require little capital and utilize local resources or suppliers; all of which contribute to adaptable businesses useful in the chaos of a crisis situation. Informal businesses can respond to previously unanticipated demand in the market and generate income. In general, the informal economy is a fertile ground for entrepreneurial experimentation and innovation. Moreover, the informal economy provides

employment to many people such as women who otherwise may be excluded from opportunities.

The downside is that without legal registration, it is more difficult for informal businesses to grow beyond a micro business because they are unable to obtain financing, hire large numbers of people and enter into lease agreements. As they operate outside government oversight, they are more likely to represent a risk of engaging in illicit practices, such as smuggling or money laundering, and be prone to predatory lending, unsafe working conditions and child labour. It is, however, possible to create mechanisms whereby businesses that started as informal can move into the formal economy and contribute as they grow.

It is critical that any programming that supports informal businesses includes interventions that encourage formalization. Formalization needs to be addressed holistically in any context. In a crisis context, amplifying the voice of the informal economy is even more crucial to ensure that vulnerabilities are adequately addressed and the path to recovery addresses people's needs with a view to transform local economies. As such, organization and representation of the informal economy is a critical stepping-stone towards increasing the agency of informal enterprises. Supporting the organization of the informal economy should ultimately link into efforts to improve the business enabling environment, including fostering formalization.

2.4 Digital transformation

Technology, especially digital technology, represents new opportunities to deliver PSD programming in addition to new business models or products, but it must be done in a way that expands opportunity rather than concentrating economic power. It is important to ensure the model doesn't hurt those at the bottom of the economic ladder and to put protective regulations in place. Therefore, it is critical to monitor the potential impacts of the intervention throughout the system and identify who stands to gain or lose at each step.

Projects that deliver daily market town prices for produce to farmers via mobile phone are an example of technology that provides farmers with information to help them make a rational decision about selling their goods to a buyer at the farm gate or taking them to market. Crisis and post-crisis settings could also open windows of opportunity in testing technologies for assessments, business model development and service delivery.

2.5 Access to finance

Access to finance typically poses a critical systemic constraint in crisis and post-crisis settings. While constituting a key constraint to private sector development around the world, access to finance is likely to become even more difficult at times of crisis.

In the early stages of a crisis, grant schemes for business continuity are key enablers for reducing risk and enabling credit operations, as well as

Technology delivers credit

Just as M-Pesa made it possible to provide bank accounts via mobile phones, Tala is one of several companies offering microcredit via mobile phones. Tala is making loans ranging from US\$20 to \$500 to consumers in India, Kenya, Mexico, and the Philippines. Underwriting is based on factors like online behaviour and mobile phone bill payment history. Terms average 30 days but can range from 20 to 90 days. Charges are a flat fee of 5 percent to 15 percent of the loan. In January 2020, Tala said their delinquencies were 15–20 percent and at that point they were writing off about half the delinquent loans.

Just as with any other consumer product or service, whether delivered via traditional methods or through new technology, regulation is necessary to

prevent predatory behaviour. Tala's use of technology to underwrite and deliver credit should push costs down, but Tala's lowest rate, a flat fee of 5 percent of the loan amount for an average term of 30 days, equates to an annual interest rate of 60 percent. The potential returns are extraordinary for Tala and their investors, but the cost to borrowers is much higher than traditional microcredit. Tala uses social media for marketing but the very reason that can be so effective (consumers may associate the product or service with friends or influencers they trust) is another reason for regulation. With a lender based in one country extending credit via mobile app in another, questions of who has authority to regulate and enforcement are inevitable.

Source: Sameepa Shetty (2020): [Start-up uses mobile data as a credit score for the global unbanked](#), Jan 3 2020, updated Mon, Jan 6 2020.

targeting specific transformative interventions or innovations in small and medium businesses (i.e. greener business models). Addressing access to finance holistically and systemically can bring about catalytic change and unleash private sector recovery. Access to and use of financial services can be improved in many ways even in crisis and post-crisis settings. In addition

to the widespread training and capacity building processes for financial inclusion, the development of solutions like savings groups are a tested way to provide informal access to finance to populations who are excluded from the formal financial sector, such as refugees, while at the same time allowing for strengthening social cohesion. Other, larger scale modalities include enterprise

challenge funds, which UNDP also uses to stimulate innovation in crisis situations.

In conflict-affected settings, international sanctions can cause disruptions in the financial sector. A liquidity crisis can develop in certain situations, in addition to other crisis situations affecting a country, as seen in Afghanistan when the Taliban took over in 2021. This requires a wider, tailored response.

A systemic view of the financial sector is important. This requires looking into longer-term ways of strengthening the ecosystem. For example, regulatory constraints such as missing collateral registries like a cadastre system may be

missing. In countries with protracted and often overlapping crisis situations, even formal MSMEs tend to be underserved by formal financial service providers, due to the high perceived risk. Trust in formal financial service providers is furthermore a key constraint. In this regard, credit risk protection mechanisms may help.

Support to microfinance institutions, remittance delivery mechanisms and other financial service providers can go a long way towards unleashing local economic potential. Examples include support in developing new financial products, or in making adaptations to extend services to excluded MSMEs, for example those with displaced persons or other people on the move. Proper

Impact of violent conflict on the Portfolio at Risk of Yemen's microfinance institutions (MFIs)

Yemen's microfinance institutions (MFIs) came under severe pressure due to the violent conflict there. Forced displacement, high prices of basic commodities, and severe disruption in income-generating activities were some of the factors that led to a drastic increase of MFI's Portfolio at Risk (PAR). An early 2015 study by the Social Fund for Development (SFD) reveals

that the PAR reached 11 percent of the outstanding gross loan portfolio of 2011–2012 affected by the unrest that swept Yemen in 2011, followed by the recuperation of a healthy Portfolio at Risk at 2.1 percent in 2014 and 1.6% in February 2015. However, when the violent conflict flared up again, the PAR increased to its highest level of 29 percent in August 2015.

Source: Social Fund for Development (2015): The Impact of the 2015 Conflict in Yemen on the Local Microfinance Industry. May 2015.

Making entrepreneurship less risky in an insecure environment

UNDP Yemen is working on establishing a credit risk protection mechanism to decrease the credit risks MSMEs bring to the finance sector and thus create a safety net for MSMEs. Lack of access to finance has been identified as a cause for MSMEs typically not being able to sustain their business beyond four years. During the project's inception phase it was found that the reach of microfinance institutions is limited, accounting for only 20 percent of all micro and small enterprise loans, leaving the informal businesses no other way to access finance in the formal market. This trend has been even further exacerbated by additional crises such as COVID-19.

In the longer term, this mechanism is intended to be set up in partnership with some of the major commercial banks, microfinance institutions and insurance companies in Yemen. Numerous challenges remain, such as

a guarantee system to assure financial institutions that the credit will be repaid. To help address these challenges, UNDP Yemen decided to establish a solidarity fund, which helps manage the risks while providing financing to formal and informal businesses. A solidarity fund organizes the SMEs as members and assures their credit risk may be a solution that works in lieu of a small joint liability group model. The solidarity fund will require every SME to contribute on a monthly basis. This solidarity fund can be set up through a seed investment over three to five years by donor agencies to which the SME members regularly contribute. A solidarity fund can be the first of many such risk management steps built with people's participation to build resilience. The pilot phase of the project will start with 100 SMEs and the overall impact will be studied for future development of the project.

credit training can bring lending capacity to even an informal economy, or one affected by crisis. The guiding principles of extending credit are captured in the 'five Cs':

- Character—"defined as the mental and moral qualities distinctive to an

individual. It is perhaps the most important of all qualities of credit."²⁰ Loan repayment is often a function of the borrower's willingness to adhere to an agreement and to work with the lending institution in a fair and transparent manner, even if the business transaction didn't go as originally planned.

²⁰ Bill Ebersole, Community Business Finance Blog: The 5 Cs of Credit: Character.

- Capacity/Cash Flow—the ability of the borrower to repay the debt with cash flow generated by the transaction financed, or availability of cash reserves as a secondary source of repayment. It is important to understand and assess the likelihood of the projected cash flow and align the loan repayment with it.
- Capital—the business owner’s investment in the business or the transaction. This is often described as ‘having skin in the game’, meaning the business owner has something at risk in the transaction.
- Conditions—general economic conditions, competition, whether the business can function successfully in the existing environment.
- Collateral—assets offered to secure the loan with an agreement to sell them if the loan is not paid as agreed.

The first four can be addressed without collateral registries or credit reporting agencies; pieces of credit infrastructure are often missing in developing and crisis-affected economies. Personal references or local reputation can answer for character, and a lender who knows their market will be able to tap into local resources who can comment on character, although one must be attuned to the possibility of some using the opportunity to disparage personal enemies or discriminate against members of certain groups. Communal savings groups have proven a successful way to replicate the personal reference requirement at the local or neighbourhood scale, based on proximity and common knowledge of people within a specific lending group.

Working capital financing should be repaid when the proceeds of the sale related to the inputs financed are collected, rather than structured as a term loan paid over time. Assessing the general economic conditions and the viability of the business in the existing environment is a reasonableness test of a loan.

Weather-indexed insurance products in Sudan

In Sudan, UNDP supported a climate risk finance programme (2015–2021), with \$5.7 million from the Global Environment Facility (GEF) and \$12 million co-finance from partners, to support emergence of new climate finance products in the country. A key focus was on partnerships with the national insurance sector to develop and bring to market the country’s first ever weather-indexed insurance products, as a form of social protection for poor rural farmers suffering from more frequent and severe droughts. The initiative helped to implement the climate adaptation pillar of the government’s climate plan, while developing the capacity of the national insurance company to develop a new internal line of climate insurance products. Opportunities exist to scale up such cooperation with the private sector, to expand access of communities to market-based solutions and green products across the region.

Source: UNDP Regional Bureau for Arab States: UNDP and the Private Sector: Partnerships for a Green Transition in the Arab Region.

The requirement for the business owner to invest his or her own capital in conjunction with the lender is primarily to keep the business owner incentivized to keep working to repay the loan if the transaction financed fails and a revised repayment method and schedule are required.

Contrary to popular belief, collateral is (or should be) the least important consideration in a loan transaction. It should never be less than the third-place option as the source of repayment for a loan. The first source of repayment should be from the transaction financed and the second should be from other income of the borrower, with the possibility of restructuring the repayment schedule to a longer term. Liquidating collateral often brings much less cash than the original price paid for the assets, and it is an expensive and time-consuming process for lenders. In crisis situations there may be some risk in trying to repossess collateral and it is unlikely a functioning legal system will be in place to support the process.

Financial education activities should be part of private sector development initiatives at any level and have considerable impact, particularly among women. Women often lack access to education, and thus have lower financial literacy, as they are often excluded due to traditional gender norms.

There are many solutions to foster access to finance, with loans and grants only constituting a part. Insurance schemes, including micro-insurance, are equally important. For example, in setting where slow-onset natural disasters such as droughts tend to recur, repeatedly destroying harvests or killing livestock, insurance schemes that protect farmers against the impact of weather can help to safeguard access to finance at times of crisis.

2.6 Business relocations

Ongoing violent conflict may make it difficult or impossible for businesses to operate. When people flee, they often try to relocate their business if they possibly can. For example, when fleeing from violent conflict in Syria to Turkey, businesspeople re-started their businesses in Turkey. Local chambers of commerce supported them in doing so.

Relocating businesses requires a range of support, from streamlined bureaucratic and legal procedures to relocate to another municipality or restart the business in the refugee host country, to finding a business location, and getting access to finance.

2.7 Women's economic empowerment as an accelerator of private sector recovery and development

When transforming market systems and local economies, creating a more inclusive private sector is a critical element. While economic recovery offers new opportunities for entrepreneurship, wage labour and social empowerment, women often do not benefit as much from these as men. This highlights the importance of gender-transformative action to be built into any private sector recovery initiatives. [UNDP's Gender and Recovery Toolkit](#) provides details on how to ensure that women benefit from economic recovery, and emphasises gender-transformational change. This goal faces more complex challenges in crisis and post-crisis settings, since pressures linked to disruptions are enhanced by the cultural norms in different settings.

Business relocations in Ukraine

The economic impact of the full-scale war of the Russian Federation against Ukraine, launched on 24 February 2022, will be significant at national, regional and global levels as per initial analysis and forecasts from the IMF and OECD. 42 percent of all small businesses are no longer operational and 31 percent have suspended their operations with plans for resumption in the future. Entrepreneurs from the east and south parts of Ukraine face three main challenges: displacement, loss of assets, and need for integration into the entrepreneurial ecosystem. Both the City and the Oblast Administration have structured economic support and recovery interventions, focusing on supporting local businesses and businesses looking to relocate in the region. To address those challenges, and in alignment with national and local plans and strategies, UNDP has

structured support interventions to support local economies by boosting the capacities of local MSMEs, equitably targeting women- and men-led businesses and the relocation processes of businesses from the eastern, southern and central regions of Ukraine. These interventions aimed at a short and medium term will build on the incentives set by local authorities, as well as on the subsequent phases of recovery, where support will focus on strengthening businesses to become export-oriented with the aim of continuing the internationalization of Ukraine's economy. Businesses in the cities and oblasts will benefit from the interventions since the projects will be also open to local businesses. Interventions like matching businesses for shared facilities will benefit host businesses with the support of consultants.

Gender-informed responses will differ among countries, disasters and conflicts.

The importance of a context-specific gender analysis to inform programme design cannot be stressed enough. A gender analysis must be part of any market systems analysis conducted prior to developing interventions to foster the private sector.

Women's economic empowerment initiatives have shown that women need more than job opportunities. Systemic changes are necessary, and they can only be accomplished through wider initiatives promoting safe and women-friendly workplaces, challenging gendered social norms at a collective level and addressing formal rules and laws that do not currently support working women. Likewise, the lack of affordable quality childcare is a critical obstacle to women's economic empowerment.

To achieve such transformational change, some project design and implementation goals include:

- Systemic (multisectoral and integrated) livelihood interventions to reduce susceptibility to gender-based violence (GBV), combined with GBV prevention activities.
- Addressing structural barriers and fostering an enabling environment, including the provision of childcare.
- Designing tailored intersectional WEE programming that responds to women's and men's diverse and intersecting needs.
- Ensuring meaningful participation by women in formal and informal peace negotiations.
- Facilitating the provision of gender-responsive business development services and tailored support to women-owned businesses.
- Engaging women as change agents via an empowerment approach.
- Harnessing digital technologies and innovation for women.
- Engaging in activities to improve women's financial inclusion and access to finance.

2.8 Greener businesses

A crisis also offers an opportunity to foster a transition to a green economy and lay the foundations for environmentally sustainable and socially inclusive production and consumption. Promoting a green economy implies transformation of policies and practices towards environmental sustainability. This will require interventions at the macro and micro levels addressing gaps and barriers, creating enabling framework conditions through regulatory

frameworks, providing access to finance (through loans, grants, seed funds, etc.), removal of harmful subsidies, demand policies (e.g. public procurement), environmental indicators to support monitoring and enforcement regimes, intensifying technology transfer, strengthening innovation systems, and building national capacity.

At the level of rules and regulations, generating green growth requires a coherent set of well-coordinated policies—financial, industrial, employment/labour market, education, and skills development policies. Shifting to low carbon economies requires changes in every sector. This transition can be driven by prioritising clean technical investments in key sectors including clean energy infrastructure, connectivity infrastructure such as mass transit systems, e-education, and smart quality health care infrastructure.

While economic policy is a determining factor in changing conditions and incentives structures for the economy in favour of the environment, mindsets also need to change, making it important to also consider interventions that address informal rules and norms through steps like stimulating demand in 'green' products in consumers and increasing awareness.

As with other major efforts that require interventions at all levels, systemic approaches are needed to tackle more than one issue at once. A systemic perspective will help to adequately identify opportunities to stimulate inclusive green sector growth. Likewise, a green recovery will require strong and effective coordination among actors.

Access to finance is typically a key factor in private sector recovery in crisis contexts. Addressing access to finance thus lends itself to also ensure access to finance for innovative, green investments, which is a critical gap. While public sector funding is catalytic and needed in this regard, it will be never sufficient to meet the needs of the private sector. Blended funding methods combining public and private funding could provide a meaningful solution. Especially in crisis and post-crisis contexts, it is important to keep financing systems simple for market actors, to remain flexible to respond to changing market dynamics and to keep matching these market dynamics. Furthermore, supporting SMEs in accessing finance is crucial.

Similarly, supportive infrastructure is equally important to a green economic recovery. For example, recycling systems and infrastructure are necessary to facilitate a circular economy, and the availability of renewable energy is a precondition to reducing emissions.

Private sector initiatives can include environmental objectives through:

- Promoting the growth of and the creation jobs in a ‘green’ sector, like renewable energy.
- ‘Greening’/improving the environmental sustainability of a sector.
- Increasing the climate change resilience of a sector.
- Ensuring a do-no-harm approach in supporting sector growth.

At the micro level, a green industry strategy aims at mainstreaming environmental and social considerations into operations of enterprises. For example more efficient use of resources can reduce costs and enhance competitiveness. Enterprise challenge funds such as UNDP’s Innovation

Challenge Funds to spur green innovation, for example in renewable energy or adaptation to climate technologies, have produced good outcomes. Likewise, accelerator labs can be good breeding grounds for climate-smart innovation.

Green value chain development is also effective in greening a sector. As such, all economic activities along the value chain will have potential for greening, for instance by considering how their respective material and energy inputs could be decreased or substituted for greener alternatives, or how to decrease the pollution and waste they generate. Another option could be re-purposing waste as inputs for other activities and industries (for instance, agricultural waste used as fertiliser). Widespread and sustained efforts by a variety of actors in the value chain’s market system are needed for green practices to take root and spread in the market. Since livelihood interventions are often within agricultural value chains, climate-smart agriculture offers effective ways of greening the economy, as unsustainable agricultural production practices are one of the main contributors to climate change and environmental degradation. Climate-smart agriculture aims to sustainably increase agricultural productivity and incomes; to adapt and build resilience to climate change; and to reduce and/or remove greenhouse gas emissions, where possible. As numerous crises are driven by climate change, such climate resilience is critical in transformational change. The circular economy may also offer new job opportunities such as recycling or upcycling.

Measures to green the economy should generally be mainstreamed along with dedicated and targeted interventions as part of private sector recovery programming. As such, any support to policy development should have specific indicators for achieving environmental goals. Systemic interventions at the

micro level will work in any country context as they will be targeted to fit the context and market system on the ground. Thus they may be particularly useful in settings where a variety of market actors (providers of business development services or financial services, business membership organizations, etc.) and the regulatory frameworks need to be strengthened. Such approaches do require an investment in learning by the team to understand the market systems.

2.9 Collective action

The COVID-19 pandemic has shown that for many MSMEs, coping mechanisms were rooted in mutuality and solidarity. In those African sectors less dependent on global supply chains, disruption mostly resulted from lockdowns and other restrictions. As a result, people adopted collective strategies to overcome disruption.

Supporting collective action can mean supporting the creation of or strengthening existing collective institutions such as cooperatives, associations, community-based organizations or savings and loan groups. Developing business models based on business groups or cooperatives can also be a suitable alternative to focusing on individual businesses.

As addressed earlier, collective action by supporting businesses to form associations and formulate their joint demands is especially necessary for informal micro and small businesses. In general, business membership organizations (BMOs) such as associations have an important role to play in shaping the business-enabling environment. Likewise, business incubators have proven helpful in supporting business groups. This likely requires support to strengthen the capacity of BMOs or to establish business incubators.

Such focus on collective action can also potentially promote greater inclusion and create a positive spinoff effect on social cohesion.



3 Resilience in recovery

Conducting systemic interventions to strengthen entrepreneurs' resilience is a complex process, since conditions could be dire, and the risk is high. Nevertheless, even in the most complex scenarios, some level of trade does happen, since affected people seek alternative ways to earn income, secure food and resume their lives.

Supporting entrepreneurs in understanding how to assess the market and its risks, identify opportunities and link them with service providers will help them make better business decisions (i.e. invest in inventories that will not sit unsold on their shelves). Such decisions will have implications for the local economy, income and security, so that they will affect other people. Having good credit with suppliers may buy some additional time when a business encounters a slowdown or is impacted by a crisis.

Institutions at the national and local level have a role in recovering and fostering an enabling environment, thus contributing to a supportive entrepreneurial ecosystem. They are crucial in developing and providing support for business continuation, as well as enabling and developing environments to attract investment and talent. Critically, local and national institutions are required to correct market failures and address unsatisfied demand across the market system. Examples of actions strengthening local and national governmental institutions include:

Rules and regulations:

- Legal frameworks: Key for resilience and sustainability in the development of recovery strategies. While it is very likely that policies and legal frameworks will take longer to develop and adopt, they are a natural entry point for

UNDP as a partner that can support institutional and policy strengthening in stabilization, crisis, fragile and post-crisis settings. Business registration and creation, local permits, incentives, and greening transitions are some of the domains where technical assistance is key.

Supporting functions:

- Business development services and access to finance: Normally all countries have some governmental institutions providing business development services and access to finance, for example through SME concessional loan funds. Working with and strengthening such institutions is crucial during a crisis, as these services are often critical to support enterprises in overcoming difficulties and ensure they maintain in business.
- Infrastructure: From roads to small community markets and providing access to energy and telecommunications, these are vital enablers that allow exchanges, logistics, irrigation, etc. Infrastructure is an opportunity to engage contractors and workers and create business to linked services. It also has lots of potential to develop supply chains to businesses linked to construction services and inputs.
- Information: Many local or national institutions provide relevant information, such as warnings on potential pests due to weather influences for farmers, or on export potential. If international supply chains are disrupted, such information can be critical for businesses.

It is important to strategize and wisely time different interventions, to avoid disincentivizing actions aiming at business formalization. Investing in a business-enabling environment and entrepreneurial ecosystem that provides the incentives as well as enforcement required to convince businesses to

formalize is particularly important in many crisis and conflict-affected countries characterized by large informal economies.

Innovation is a common trait emerging in crisis or post-crisis settings. Due to complex settings and challenges, businesses need to quickly adapt their models and innovate in order to survive. This opens up fertile ground for solutions mapping, which in turn can offer solutions that could be scaled up.

3.1 Partnerships

Partnering with actors for recovery and the development of the local economy is critical and can take many forms. Private sector engagement may be part of the company's corporate social responsibility work or risk assessment mechanisms, even in countries without business interests or presence: engaging with other UN Agencies and International Finance Institutions (IFIs) to explore and implement support strategies to governments for developing incentives and ecosystem development strategies, or partnering up with non-governmental organizations (NGOs) (global and local) to implement projects, among many other ways to engage.

Engaging in partnerships with IFIs and NGOs can support the development of commercial banking systems and sustainable microfinance institutions, reducing remittance costs; support for foreign investment flows to benefit local communities; local procurement, developing capacity on local private sector, funding mechanisms to finance private investment, etc.

UNDP can also take on the important role of coordinating among different actors on the ground with regards to private sector recovery and development in crisis and post-crisis settings, building on its strengths as convener and integrator. Moreover, in situations of crisis, humanitarian, development, and peace actors will invest in supporting the private sector that supports businesses of people in need, including IDPs.

3.2 Framework for implementation

A framework for development and implementation of PSD in crisis and post-crisis settings should contribute to systemic efforts in the recovery process as part of an integrated approach underlined by systemic thinking. PSD is not a standalone intervention since it should be linked as a building block of a recovery or stabilization strategy. As mentioned in the first section of this document, private sector development at all levels is an accelerator of economic recovery and a window to engage in transformative changes that could contribute to social cohesion and peace efforts. Nevertheless, an economy needs an enabling ecosystem to thrive, one that provides access to energy or enables transportation, for instance. Integrated approaches are essential to tackle such a range of issues.

Long term objectives of PSD in crisis and post-crisis settings are related to the SDGs. More specifically:

- Changing market systems to be inclusive, equitable, green, resilient and sustainable while generating profits, innovation and growth.

Examples of entry points to engage with IFIs

The **Islamic Development Bank's (IsDB)** work includes the development of Islamic finance and private sector partnerships to promote inclusive markets, business models for inclusive development, and for increasing entrepreneurship, including through the joint UNDP-IsDB Global Islamic Impact Investing Platform. The IsDB-UNDP Joint Action Plan highlights development of Islamic finance and private sector partnerships to mobilize finance for the SDGs, including advancing the Global Islamic Finance and Impact Investing Platform. IsDB works in fragile and conflict settings.

The **European Bank for Reconstruction and Development (EBRD)** has been scaling up existing UNDP projects by accessing the EBRD private sector network, leveraging private sector financing for the SDGs, through policy coordination and improved business regulations, and blending

financial resources. With regards to digital transformation, which is key to finding new solutions to support private sector development, public services to private sector (tax, admin, registration for private, etc.) are likely to offer an entry point for partnership between EBRD and UNDP.

The **International Monetary Fund (IMF)** is expanding its range of partners including the private sector to support a multidisciplinary understanding of fragility and conflict. It works on fostering private sector investment and development in collaboration with the **World Bank** with a focus on data and analytics.

The **Asian Development Bank (ADB)** is supporting innovative financing for the SDGs, particularly with the private sector.

- Making markets work for the poor and most vulnerable via:
 - Unlocking private finance for the SDGs.
 - Aligning business strategies and operations with the SDGs.
 - Policies that foster inclusive and green economy.

The first step towards achieving these objectives is a market systems analysis to identify disruptions to the business cycle, root causes of constraints in market systems (market failures) and entry points to stimulate private sector recovery and foster private sector development. With this knowledge, a new vision for the market systems can be formulated. This vision will include interventions that change market systems to be more inclusive, equitable, green, resilient,

Bringing systems thinking to the Inclusive Growth Portfolio of projects in Liberia

The UNDP Liberia Country Programme Document (CPD) 2020–2024 has been designed to support the implementation of the Agenda 2030 for Sustainable Development and the United Nations Development Sustainable Development Cooperation Framework (UNSDCF) 2020–2024, and is aligned with Liberia’s National Development Agenda (the Pro-Poor Agenda for Prosperity and Development). The CPD enlists a sound and rigorous situation analysis, which drew great attention to the multifarious challenges facing Liberia as well as the potential of Liberian natural resources to promote green and inclusive growth.

Nevertheless, the Country Office increasingly came to the realization that the portfolio of projects contained in its Inclusive Growth portfolio were standalone/piecemeal, tackling challenges in isolation and lacked coherence, synergies, and the delivery of effective and efficient development results. To overcome this shortcoming, UNDP Liberia initiated a process of review and redesign of this portfolio and attempted to bring more holistic and systems thinking to address the challenges and opportunities. The test for applying this approach in the Liberian context meant a mindset change in the design of the portfolio, one that required

conceptualizing, including, and integrating programmes and projects that typically sustain and improve natural resource production with initiatives that typically increase the growth in (private sector) value addition and inclusion, especially of youth and women in the informal economy. The approach also meant that to address key enabling drivers such as the expansion of infrastructure including energy that support access, connectivity and productivity would also need to be conceptualized, included, and integrated differently to support the entire ‘system of projects/programmes’.

In essence, the systems approach required integration at three levels: 1) integration of thematic areas, such as ensuring that efforts to improve production included the participation of youth and women in the informal economy; 2) integration across systems, for example, linking systems that produce natural resource products with systems that add value; and 3) integration across the portfolio, for example, integrated, area development projects linked to efforts to create an enabling macro environment. Such a portfolio for inclusive and green growth is currently under construction in Liberia.

and sustainable. In the new vision the market system therefore functions without non-market actors providing services (or goods). This new vision for the market systems must have a transformative approach, tapping into the opportunity to change in a more holistic and far-reaching way. For example, in conflict-affected contexts, businesses may identify opportunities to strengthen peace by addressing conflict factors within their business model.²¹ At the

same time, working in a fragile and volatile environment requires flexibility and responsiveness. The market systems vision should therefore support the private sector in becoming more responsive to changing environments and learn to adapt in order to be more resilient.

Desired development outcomes:

Development outcomes	
Overall	<ul style="list-style-type: none"> ● Women’s economic empowerment ● Greener production ● Business model innovation ● Social cohesion and human security ● Business sustainability and resilience ● Integration of youth, people affected by conflict and people on the move
Large companies	<ul style="list-style-type: none"> ● Investment ● Fill demand gaps (larger recovery processes) ● Meet consumer expectations in how they conduct business ● Anchor MSMEs as suppliers ● Employment

Table 2. Private sector development outcomes in crisis and post-crisis settings.

²¹ For more information on the private sector’s role in sustaining peace see [Seizing the Peace Dividend: Private Sector Contributions to Forging Resilient Societies](#).

Development outcomes	
MSMEs	<ul style="list-style-type: none"> ● Fill demand gaps ● Generate employment ● Activate local supply chains (urban and rural) ● Reduce risk—improve access to finance ● Associate
Towards formalization of informal businesses	<ul style="list-style-type: none"> ● Reactivate livelihoods ● Improved business models for sustainability and working conditions ● Inclusion in value chains ● Access to finance
Cooperatives (financial)	<ul style="list-style-type: none"> ● Improve ratings ● Increase and more inclusive membership
Business associations, chambers, guilds	<ul style="list-style-type: none"> ● Take advantage of economies of scale ● Access to finance ● Aggregate outputs for supply

Table 2. Private sector development outcomes in crisis and post-crisis settings. (Continued)

3.3 Supporting the ecosystem for recovery

The market systems approach offers an efficient way to map the ecosystem and understand the enabling environment, existing businesses and market opportunities as depicted in Figure 4. It also provides a way to measure progress. The starting point is a market systems analysis to look at:

- Degree of impact in businesses.
- Degree of impact along the supply/value chain.

- Market failures often evidenced in root causes to constraints in the market system.
- The most vulnerable populations.
- The short-, medium- and long-term strategies that ensure the most vulnerable benefit from the upgraded, functioning market system.
- Opportunities for transformation towards becoming more inclusive, equitable, green, resilient, and sustainable.

Mosul's business ecosystem—information is money

After war and ISIL/Daesh occupation left Mosul devastated, entrepreneurship is on the rise again while entrepreneurs struggle to overcome challenges. The UNDP Accelerator Lab in Iraq used the collective intelligence exercise with key players in Mosul to sense and explore the current situation of the ecosystem of the city. A systems mapping approach and stakeholders meetings with various actors within the Mosul entrepreneurial ecosystem led to identifying a key problem: an information deficit by entrepreneurs. While there are services available

to support them, entrepreneurs lack the means to find them. To address this constraint, UNDP Accelerator Lab Iraq partnered with Mosul Space, an innovation hub, to create and operate an interactive digital platform that lists all entrepreneurs and service providers. At the same time, the platform will collect data from entrepreneurs who use the platform. With this data, the information provided can be better targeted to the needs of the entrepreneurs and ultimately help to further improve Mosul's entrepreneurship ecosystem by tailoring services to demands.

Given the overarching goal of transformational change it is critical to not only support businesses to operate again at their pre-crisis levels and better, but to address market failures to allow vulnerable, crisis-affected people to reap more benefits from being market actors, as producers, traders or consumers.

Ecosystems play a key role in private sector development. In crisis and post-crisis settings, fostering spaces where business owners and entrepreneurs meet encourages the development of networks to foster innovation, improve business ventures, test prototypes, and unlock finance, among other things.

The importance of the ecosystem, however, is how it affects the functioning of the business cycle. In Table 3 below answering the questions for each business cycle will help identify issues within the ecosystem or at the firm level, at each stage of the business cycle, that impede private sector development. The questions are not intended to be comprehensive but rather illustrative.

To engage in systemic recovery, it is important to design rapid response, early interventions and medium- to long-term recovery programmes where sourcing is done from local suppliers, and engage local labour as much as possible, since this will reactivate local markets, promote the creation of local and national entrepreneurial ecosystems, jobs, and ultimately contribute to social cohesion.

Business cycle	Market system functions	Guiding questions
Identify market demand/opportunity	<ul style="list-style-type: none"> ● Core of the market system: <ul style="list-style-type: none"> — Market demand — Market access ● Supporting functions: <ul style="list-style-type: none"> — Information — Business development services — Security 	<ul style="list-style-type: none"> ● What are the goods and services being exchanged? ● Are people's livelihoods/income completely interrupted? ● Where is the market failing? ● How to identify market demand or spot a gap in market that represents opportunity? ● What is the size of the market? ● Who or what is competition? ● Is the market delivering to the demands of women and/or marginalised groups?
Access to finance or means of funding inputs	<ul style="list-style-type: none"> ● Supporting functions: <ul style="list-style-type: none"> — Access to finance — Information ● Rules and regulations: <ul style="list-style-type: none"> — Regulations, laws 	<ul style="list-style-type: none"> ● Are banks, microfinance institutions or other financial intermediaries present in the market? ● Do crisis-affected people have a network or savings to buy inventory and set up a store; are they eligible to receive a loan? ● Is there a functioning regulatory system guiding the financial sector? ● Are there social or regulatory barriers to accessing finance for women and/or marginalised groups?
Source inputs (raw materials, labour, equipment)	<ul style="list-style-type: none"> ● Core of the market system: <ul style="list-style-type: none"> — Market demand — Market access ● Supporting functions: <ul style="list-style-type: none"> — Information — Skills development — Technology — Infrastructure ● Rules and regulations: <ul style="list-style-type: none"> — Societal norms and informal rules restricting women or other people such as displaced people from working 	<ul style="list-style-type: none"> ● Are raw materials readily available? ● Do manufacturing facilities exist? ● Are they operating? ● Is labour available and qualified? ● Is specialty training required? ● Is manufacturing equipment in place, or easily sourced? ● Are there any major factors impeding production (inconstant services, security issues)? ● Can the supply chain be local? ● Are there opportunities for greening the supply chain?

Table 3. Entry points for private sector development.

Business cycle	Market system functions	Guiding questions
Production process	<ul style="list-style-type: none"> ● Core of the market system: <ul style="list-style-type: none"> – Production ● Supporting functions: <ul style="list-style-type: none"> – Information – Skills development – Business development services – Technology – Infrastructure ● Rules and regulations: <ul style="list-style-type: none"> – Labour laws – Regulations and laws 	<ul style="list-style-type: none"> ● Is there adequate power, water and other utilities? ● Can they meet quality requirements for finished product? ● Can they produce in sufficient quantities to meet demands? ● Is manufacturing capacity easily modified? ● Is there a way to keep track of costs and business-related expenses and income? ● Are working conditions adequate? ● Are there any major security issues in the operation? ● Are there any national regulations related to quality, hygiene, packaging etc.? ● Are the processes/technology used green, are there opportunities to make them greener?
Deliver to market	<ul style="list-style-type: none"> ● Core of the market system: <ul style="list-style-type: none"> – Market demand – Market access ● Supporting functions: <ul style="list-style-type: none"> – Information – Infrastructure – Transportation 	<ul style="list-style-type: none"> ● How far is the nearest market? ● Is there an intermediary or a distribution network to deliver to market? ● Are routes safe? ● Are transportation infrastructure (e.g. roads) and services adequate? ● Do women and/or marginalised groups face specific restrictions to transportation?
Conclude sale	<ul style="list-style-type: none"> ● Supporting functions: <ul style="list-style-type: none"> – Information – Access to finance – Business development services – Technology 	<ul style="list-style-type: none"> ● How to establish price? ● Is it driven by awareness of costs? ● Does a means of payment exist (cash, bank transfers, cybercurrencies, community currencies or barter systems)? ● Does seller extend or buyer require credit? ● Is there a means of enforcing collections if credit sales not paid?

Table 3. Entry points for private sector development. (Continued)

In supporting private sector development in a crisis or post-crisis setting, the importance of keeping the focus on ensuring solutions are solving **business** problems cannot be emphasized enough. The need is to find ways for licit businesses that are in alignment with the SDGs to function and be sustainable because that should provide a strong foundation for a resilient, inclusive and cohesive community.

Private sector development practitioners' problem solving (e.g. rebuilding roads, restoring power, developing credit skills) should support identifiable business opportunities, explore local solutions and test business model innovations.²² In the case of ongoing threats, such as an active conflict or insurgency, there are limits to the work, but creative solutions can enable work to move forward while managing risk. For example, one microfinance institution sent staff out with burner cell phones and hid the data they carried in a flash drive, itself hidden in an engine block.

PSD must ensure that activities do not exacerbate conflict or underlying tensions by creating unfair opportunity or otherwise favouring or excluding parties to the conflict. Competition over jobs, resources and economic opportunities often lies at the heart of conflicts or exacerbates tensions. Understanding the root causes of conflict and who holds what power in market systems is critical to avoid doing harm. As a minimum obligation, businesses and PSD practitioners more broadly must examine whether their activities might

unintentionally exacerbate existing tensions or sources of conflict, or even lead new tensions to arise. When possible, practitioners and businesses themselves may want to take a more maximalist approach to conflict sensitivity by ensuring that their activities not only do no harm, but that they indirectly or directly address conflict drivers, and are peace-responsive.²³ Practitioners need to address immediate needs, often to support livelihoods, but do so in a way that supports long-term private sector development. In addition to financial support, development requires expert advice, regulatory reforms and capacity building. The facilitation of new players and innovation will fuel a dynamic private sector.²⁴

Operating in a volatile crisis or conflict-affected context requires quick reaction to changes. Adaptive management as an evidence-based approach to programme design and implementation helps to successfully implement in such volatile contexts. It highlights the importance of continuous and systematic use of relevant knowledge to inform decision-making around changes to ongoing programmes in crisis and conflict-affected settings. This also requires conducting impact assessments to check on progress and, if necessary, changing strategy to achieve a higher impact. We can only learn if we know what works and what doesn't.

In developing programming to solve problems in crisis or post-crisis settings, it is critical to not only address the disruptions or business problems caused by

22 Where UNDP has Accelerator Labs, these can help in finding solutions to business problems. Accelerator Labs employ a bottom-up approach, facilitating grassroots innovation to tackle development challenges in different country contexts. The innovation and learning cycle include sensing, solutions mapping and collective intelligence, and experimentation and scaling.

23 For more information on how the private sector can be conflict sensitive see the [UNDP Guidance Note on Conflict Sensitivity in Private Sector Disaster Management](#).

24 *Generating Private Investment in Fragile and Conflict-Affected Areas*, International Finance Corp., 2019.

Turning an energy crisis into a business opportunity

Even before the war devastated Yemen, access to energy was a struggle. Now, with fossil fuel prices soaring in the country, energy has become scarce and unaffordable leaving the high demand for affordable energy unmet.

The 3-year ERRY project (2016–2019) created a unique, low-cost solar microgrid solution and offered an alternative, clean, and renewable energy source that rural homes could afford as a stable electricity source. It provided energy to around 10,000 people and training to women and youth to set up and manage the solar microgrids. This project addressed two major issues: affordable energy and providing income for women and youth. The next steps involve trying to bring in the private sector as investors into the microgrid business to secure funding to continue to build more microgrids. The number of current businesses involved has increased from 3 to 25 and continues to expand. The exit strategy includes a target of \$5 million in private sector investment.

To improve waste management, UNDP launched Yemen's first waste-to-energy plant in 2021. This initiative aims to bring the community, institutions, and private sector together to reduce waste and generate affordable energy. This UNDP partnered with the company Sehab Tech to set up the first plant and lead the implementation, whereby Sehab Tech contributed more than 30 percent of the capital. The plant is expected to transform up to five tons of solid waste a day and can generate 100 kilowatts/hour of electricity, enough to power 100 commercial shops. Since this is a profitable and sustainable business model, the idea is for other private sector actors to copy the model with their own investment. Such waste-to-energy plants create their own value chain and many jobs, mainly in waste collection and sorting. With waste being able to be sold for profit to the private sector by individuals and the government, the project is gaining a lot of interest from other investors. Major issues improved by this project were reducing waste, creating affordable energy, and creating income opportunities.

the crisis, but to see the crisis as an opportunity to transform market systems, creating a more diverse, inclusive, green and resilient private sector.

While immediate relief can solve problems caused by crisis and help re-establish basic market functioning, many market disruptions caused by

crisis exacerbate or highlight pre-existing market constraints or failures that disadvantage the poor or more vulnerable. As such, crises can be an opportunity to identify new entry points to address systemic constraints hindering the private sector, and thus to transform market systems and local economies. It is therefore of critical importance to understand the entire market system, not only its core. Typically, insufficient or unsupportive rules and regulations and supporting functions pose a significant constraint to building a more diverse, inclusive, green and resilient private sector.

Because crises can vary so significantly and often overlap (a crisis caused by an earthquake might trigger a conflict between groups), it is impossible to classify the impacts by type of crisis. It is important to consider the nature of the impacts and how they affect the private sector's ability to function (recognizing there will likely be significant humanitarian impacts dealt with by other efforts).

Annex 1 lists specific resources for private sector recovery and development in fragile, crisis and conflict-affected settings. Annex 2 lists resources for private sector development, in particular using the market systems approach, applicable to any setting, diagnostic tools, approaches to development and tools for sectoral evaluation.

The need to respond quickly, the unstable nature of fragile, crisis and conflict-affected settings and the presence of former combatants or insurgents make due diligence and risk assessment especially crucial. It isn't, however, a

process that can be done once and checked off. Such situations are especially dynamic with players and alliances changing throughout the course of implementation, requiring ongoing risk assessment.

Finally, the Finance Sector Hub mechanism serves the need to capture experience gained in different programmes and make it available on their site, but it bears stating that anyone delivering programming should formalize a means of capturing and communicating lessons learned. Success and failure all offer lessons, good or bad, as well as new methods/practices. It is important to demonstrate willingness to fail and learn.

3.4 Programming for private sector development in crisis and post-crisis settings

Step 1—Conduct a market systems analysis

This stage focuses on the status of each of the market system functions:²⁵

- *Supporting functions* including business development services, infrastructure, access to finance, skills development, information etc.
- *Rules and regulations* including laws and their enforcement, informal rules and societal norms.
- *Supply and demand* including labour market information, the state of economic sectors etc.

²⁵ For more information on market systems functions and how to conduct the analysis, see [Market Systems Analysis for Decent Work: A User-friendly Guide](#) (ILO) or [Guidance on Market Analysis](#) (BEAM Exchange). See Annex 2 for more resources.

- *Political economy* to understand the opportunities, limitations and nuances of the context and the ecosystem, as well as the roles and perceptions about the actors.

What are existing industries, key businesses in each, and current state of those businesses? Are they functioning, able to conduct business and do they have active customers buying from them? How could we make them function better, be more inclusive, green and sustainable?

It may be useful to select a number of key value chains and conduct a more in-depth analysis on these.

In crisis and post-crisis contexts, companies are required to conduct human rights due diligence and a context or a political economy analysis (part of conflict sensitivity), particularly when inter-communal tensions are present or a conflict is ongoing or recently ended.²⁶ Understanding the drivers of conflict and the factors that contribute to peace can help businesses not only avoid operational risks and other impediments, but also help companies contribute positively to the peace dividend as illustrated in Step 5 below.

Step 2—Identify disruptions to the business cycle

For each industry identified in Step 1, and referring back to Table 3, assess the value chain's ability to function at each stage of the business cycle and for each

segment of the value chain, given the condition of the market system. Build your assessment on available information and risk mitigation strategies.

Business Cycle Stages

- 1 Identify market demand/opportunity.
- 2 Source capital via internal resources, access to finance or other means of funding.
- 3 Source inputs (raw materials, labour, equipment).
- 4 Carry out the production process.
- 5 Deliver to market.
- 6 Conclude sale.

Step 3—Identify root causes of market failure and other entry points for private sector recovery and development

Before proposing solutions, ensure you have identified the root causes of constraints/issues noted in Step 2. Keep asking yourself, “Why?” until you have got to the bottom of the issue. Make sure you have identified key market failures that inhibit poor people from benefiting from the market.

Identify entry points in form of opportunities the crisis created and build on these.

²⁶ For more insights on due diligence processes please refer to: Heightened Human Rights Due Diligence for Business in Conflict-Affected Contexts: A guide available here: <https://www.undp.org/publications/heightened-human-rights-due-diligence-business-conflict-affected-contexts-guide>.

Step 4—Co-create a new vision for the market system that is more inclusive, equitable, green, resilient, and sustainable

Engage with the local actors and the ecosystem to develop a new vision for the market systems that addresses disruptions to the business cycle and stimulates transformational change. Dedicated support may be required for stakeholders to be able to visualise the transformed market systems. This could be in form of a study. In jointly developing a vision:

- Ensure proposed solutions ultimately solve problems that inhibit businesses' ability to function.
- Make sure the solutions address the root causes rather than symptoms and consider the entire market system, including the ecosystem.
- Ensure that the proposed solutions are not piecemeal approaches but provide a pathway towards building a more inclusive, green, diverse and resilient private sector that builds on collective action that does not harm, and ideally addresses conflict drivers and is peace responsive.

At this stage, it is also important to identify the narratives for business models to pitch the opportunities private sector actors can have based on the national recovery strategies. Such private sector actors can be existing market system actors, or encourage others to enter the market system.

Step 5—Identify partners, ideally from the private sector, to jointly improve the market system

Based on your market systems analysis, identify market actors who may be willing and capable to collaborate with you in the endeavour to transform

the private sector to become more inclusive, equitable, green, resilient and sustainable. Make sure power dynamics are understood and act in a conflict-sensitive manner. Developing a business case demonstrating a solution to one of the root causes you identified in Step 3 can help in convincing market actors to collaborate. Remember, they need to have a commercial interest in changing the market system sustainably. For example, using green energy for the production may turn out to be a more reliable and in the medium term a more economical option for businesses. Furthermore, in contexts of communal tensions or conflict, a company's pledge to diversity and gender equality can make a positive contribution to social cohesion in and beyond the firm and contribute positively to the peace dividend.

Step 6—Ensure programming is aligned to the UNDP Private Sector Strategy

Measure new programming to solve identified issues against the UNDP Private Sector Strategy to determine it meets the strategic objectives to:

- 1 Reshape markets to be **inclusive, equitable, green, resilient, and sustainable** while generating profits, innovation and growth.
- 2 Make markets work for the SDGs by driving progress on 3 strategic priorities:
 - Unlock private finance for the SDGs.
 - Align business strategies and operations within the SDGs.
 - Promote policies that foster inclusive and green economy.

Programming that meets these strategic objectives supports inclusive, equitable growth that builds social cohesion, while reducing the incidences of crises caused by natural or fabricated disaster or conflict.

3.5 Checklist to ensure private sector development programming is inclusive, transformative, sustainable, and greener

Through your market systems analysis you have identified constraints in the market system (market failures) and their root causes that need to be addressed to make the market systems more inclusive, greener, and more resilient.

You have identified disruptions to the business cycle caused by the crisis and propose solutions that address these in a systemic way.

You ensured conflict sensitivity and the proposed solutions do no harm.

Your proposed solutions include gender transformative actions towards women's economic empowerment and collect data in a disaggregated fashion.

Youth will be included in and benefit from the market systems you propose to target.

You ensured the inclusion of displaced persons and other people on the move (if relevant).

Your proposed solutions contribute to mitigating and adapting to climate change, e.g. greening value chains.

Your new vision for the market system addresses the root causes of constraints.

You identified (existing or future) market actors, ideally from the private sector, as potential partners, including in supporting digital transformation in the market system.

You developed business cases highlighting your potential partners' commercial interest around your changed vision for the market system, where possible building on forecast and risk mitigation strategies.

You identified opportunities to strengthen linkages between market actors, to strengthen the system as a whole.

New programming is aligned to the UNDP Private Sector Strategy.

You built your implementation plan on adaptive management to be able to swiftly react if circumstances change in a volatile environment.

You ensured continuous monitoring and evaluation based on a monitoring plan and adapted to learn the lessons ((key performance indicators) (KPIs).

Glossary

Adaptive management

Adaptive management refers to an approach that factors in context specificity to plan and implement flexible interventions in a crisis setting. These interventions are not rigid to the current context and may be adjusted as needed to address the particular issue at hand, whether before, during, or after the crisis.

Business associations

Business associations are membership organizations engaged in promoting the business interests of their members. They may be at an international, regional, national or subnational level, covering all sectors, or be limited to specific economic sectors. Member companies combine their voice under one banner to promote and protect their shared interests through lobbying, information gathering, research and setting industry standards. Business associations often also provide services to their members.

Crises

Crises (natural or fabricated, disease or conflict) are events or series of events that threaten the health, safety, security and well-being of a community or a large group of people.²⁷ They can be caused by natural hazards including epidemics, man-made emergencies such as armed conflicts or industrial accidents, and

complex emergencies, which often have a combination of natural and man-made causes, including food insecurity, armed conflicts and displacement.

Conflict-affected settings

Conflict-affected settings include places that have experienced or are experiencing ongoing conflict or an insurgency that impacts the normal functioning of government, the economy and everyday life.

Post-crisis

Post-crisis is the phase in which the precipitating issue has ended, and recovery is underway. The process of recovery, rebuilding and restoring institutions, systems and infrastructure, can begin while a crisis is ongoing and continue into the post-crisis phase.

Fragile setting

A fragile setting is defined by the OECD as one where there is “the combination of exposure to risk and insufficient coping capacity of the state, systems and/or communities to manage, absorb or mitigate those risks.”²⁸ The OECD measures fragility by examining six dimensions: economic, environmental, human, political, security and societal.

²⁷ Humanitarian Coalition. <https://www.humanitariancoalition.ca/what-is-a-humanitarian-emergency>.

²⁸ OECD (2022), *States of Fragility 2022*, OECD Publishing, Paris.

Conflict prevention

Conflict prevention is underpinned by the recognition that efforts to sustain peace are necessary not only once conflict has broken out but also long beforehand, through the prevention of conflict and addressing its root causes.²⁹

Cooperatives

Cooperatives can be defined as “people-centred enterprises owned, controlled and run by and for their members to realize their common economic, social, and cultural needs and aspirations.”³⁰ Cooperatives put fairness, equality and social justice at the heart of the enterprise. There are production, insurance, purchasing and marketing cooperatives, or those combining a range of purposes.

Disasters

Disasters are serious disruptions of the functioning of a community or a society due to hazardous events that exceed its capacity to cope with existing resources.³¹ Disasters can be caused by natural, man-made and technological hazards as well as other conditions that influence exposure, vulnerability and capacity. Disasters lead to one or more of the following: human, material, economic and environmental losses and impacts.

Hazards

Hazards can be natural, man-made or technological. Natural hazards are naturally occurring physical phenomena that can be geophysical (e.g. earthquake), hydrological (e.g. flood), climatological (e.g. drought), meteorological (e.g. cyclone) or biological (e.g. epidemic). Man-made and technological hazards are events caused by humans and occur in or close to human settlements. They include complex emergencies, conflicts, industrial accidents, transport accidents, environmental degradation, and pollution.³²

Private sector

The private sector is a basic organizing principle of economic activity in a market-based economy where private ownership is an important factor, where markets and competition drive production, and private initiative and risk-taking set activities in motion. The private sector includes a wide range of market actors that may operate either in the informal or formal economy comprising companies, intermediary institutions such as chambers of commerce and industry, investors, mutual organization (credit unions or cooperative banks) and state-owned enterprises.³³

29 The United Nations Secretary-General's Report on sustaining peace (A/72/707-S/2018/43) (2018).

30 International Cooperative Alliance.

31 UNDRR and IFRC terminology.

32 IFRC terminology.

33 UNDP's Private Sector Strategy (2018–2022), Annex 1 UNDP's definition of the Private Sector.

Micro, small and medium-sized enterprises (MSMEs)

The definition of what constitutes an MSME varies widely and is relative to the country. They can be classified based on number of employees, revenues, capitalization and other characteristics. One benchmark commonly used is:

- Microenterprises: fewer than 10 employees.
- Small Enterprises: between 10 and 50 employees.
- Medium Enterprises: between 51 and 250 employees.³⁴

In fragile, crisis and post-crisis settings most micro and small enterprises are informal, meaning they are not registered or licensed.³⁵

Informal economy

Informal economy refers to all economic activities by workers and economic units that are—in law or in practice—not covered or insufficiently covered by formal arrangements. Activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs.³⁶

Recovery

Recovery as per UNDP's definition focuses on how best to restore the capacity of the government and communities to rebuild and recover from disasters, including conflict, and to prevent relapses. Recovery should be considered an integral part of ongoing developmental process at all levels: national, regional and local. Recovery is inextricably intertwined with poverty and the vulnerability of the affected states and communities before, during and after disasters.³⁷

Economic recovery

Economic recovery is the process of stimulating the growth of an area's (local) economy during and after a crisis. The focus is on transformational change towards a more resilient, green and inclusive local economy, taking advantage of opportunities through market systems development, strengthening new and existing enterprises as well as job and livelihoods creation in the private sector. It's a dynamics improvement trend of multiple economic parameters through catalytic interventions, both in the ecosystem and the economic drivers (infrastructure, skills, opportunities, services, institutions, governance, rule of law, etc.)³⁸

34 Noggle E., Foelster J. and Johnson T. (2020): A Framework for Understanding the Financial Health of MSME Entrepreneurs.

35 In conflict or post-conflict decent informality aggravated, increasing the already severe decent work deficits that are associated with informality. The ILO estimates that in conflict or post-conflict situations informality accounts for 84.3 percent of employment. (ILO (2018): *Women and men in the informal economy: A statistical picture*. Third edition).

36 ILO (2015): Transition from the Informal to the Formal Economy. Recommendation No. 204.

37 Gender and Recovery Toolkit, UNDP 2020.

38 Livelihoods and Economic Recovery for Fragile and (post)Crisis/Transition Settings, UNDP guidance note, 2021.

Peacebuilding

Peacebuilding is an inherently political process aimed at preventing the outbreak, escalation, recurrence or continuation of conflict. Peacebuilding encompasses a wide range of political, development, and human rights programmes and mechanisms. The importance of national ownership and leadership is critical in peacebuilding, whereby the responsibility for sustaining peace is broadly shared by the government and all other national stakeholders, and underlines the importance, in this regard, of inclusivity in order to ensure that the needs of all segments of society are considered.³⁹

Stabilization projects

Stabilization projects are missions established by the Security Council to support political processes and carry out several security-related stabilization tasks, with a focus on major population centres and lines of communication, protecting civilians, human rights monitoring, the creation of conditions for the provision of humanitarian assistance and the return of displaced persons, among other things.⁴⁰

Resilience

Resilience is “[t]he ability of individuals, households, communities, cities, institutions, systems, and societies to prevent, resist, absorb, adapt, respond, and recover positively, efficiently, and effectively when faced with a wide

range of risks, while maintaining an acceptable level of functioning without compromising long-term prospects for sustainable development, peace and security, human rights and well-being for all.”⁴¹

Transformative capacity

Transformative capacity is the ability to enhance governance and enable the conditions that make market systems and local economies more resilient, inclusive, green, equitable, diverse and thriving. This term emphasizes the ability to make structural changes, reconfigure after disaster, and radically thrive. Applied to private sector recovery and development, improving transformative capacity refers to system-level changes that enable local economies to be effective and maximize a business enabling environment. This highlights the idea of **transformational change** so that the private sector and market systems can function better and deliver towards the SDGs, rather than supporting the private sector to merely recover and operate in the same way as before the crisis.

Value chain

Value chain “describes the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production and delivery to final consumers, and final disposal after use”.⁴²

39 United Nations GA 70/262 (2016) and SC 2282 (2016) resolutions.

40 MINUSMA Fact Sheet and MINUSTAH Fact Sheet, UN Peacekeeping.

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<https://www.pactworld.org/our-expertise/mining/projects>.

Annex A. Resources

UNDP’s primary resources on private sector development and engagement can be found at:

- <https://www.undp.org/partners/private-sector>
- <https://www.businesscalltoaction.org/>
- <https://www.undp.org/partners/private-sector/istanbul-international-center>
- <https://static1.squarespace.com/static/6049e33a3512a120620cfe14/t/632c5486ac6d00332db35133/1663849621406.pdf>

Resources relevant to private sector recovery and development in crisis and post-conflict settings

Minimum Standards on Economic and Private Sector Recovery	Minimum Economic Recovery Standards (SEEP Network)	The MERS offer tools for crisis responders to enhance the effectiveness and quality of the economic assistance offered and provide guidance on good programming.
Pre- and Post-Crisis Market Analysis	Minimum Standards for Market Analysis (CaLP) Emergency Market Mapping and Analysis (Oxfam, IRC, Practical Action) Pre-Crisis Market Analysis (IRC)	Provides guidance on emergency market analysis valid for every sector. The EMMA is a widely used market analysis approach in rapid emergency contexts to get an understanding of how the crisis disrupted markets. A pre-crisis market analysis provides a benchmark on the functionality of several critical market systems from ‘reference’ to ‘post-shock’ times, feeding into preparedness and contingency planning.
Market Systems Development	Market Systems Development in Fragile Contexts (Sida) ILO and UNHCR’s guide to market-based livelihood interventions for refugees	Describes how market systems approaches need to be adapted to fragile contexts to allow response to immediate needs. This guide uses a market systems approach to fairly integrating refugees and other displaced populations into market systems.

Business- Enabling Environment Reforms	Operational Experience of Business Environment Reform Programming in Fragile and Conflict-Affected States (Business Environment Reform Facility)	This report highlights evidence of what works and what does not work in reforming the business environment in fragile and conflict-affected states.
	Business Environment Reforms in Fragile and Conflict-Affected Situations (DCED)	This discussion paper shows how private sector development programmes build on humanitarian assistance activities and introduce business environment reforms.
Access to Finance	Savings Groups for Refugees: 10 Tips for Development and Humanitarian Actors (SEEP Network and FSD Africa)	Provides useful tips when implementing savings groups in refugee contexts.
	Financing the Frontier: Inclusive Financial Sector Development in Fragility-Affected States in Africa (Mercy Corps and FSD Africa)	This document offers guidance on how to use a market systems approach to inclusive financial sector development.
Private Sector Engagement	Guidance Note: Conflict Sensitivity in Private Sector Disaster Management (Connecting Business Initiative)	This guidance note provides an overview of the concept and lists recommended actions for business networks to consider as they design and implement various interventions before, during and after crises.
	Engaging companies in manmade disasters—a guidance toolkit for private sector networks (Connecting Business Initiative)	This toolkit provides a framework and practical tips for private sector networks to translate manmade disaster contexts into an engagement strategy that fits the capabilities of network participants, efficiently channels private sector capabilities and supports governments and the humanitarian community.
	Private Sector Engagement Map (USAID, the University of Notre Dame, and Purdue University)	This online tool provides a mapping of the evidence available on what works for private sector engagement in humanitarian assistance and in different technical sectors such as economic growth, health, and education and social services.
Private Sector Investment	Generating Private Investment in Fragile and Conflict-Affected Areas (IFC)	This document describes how investors in conflict-affected markets must make deliberate efforts to identify how their investees can operate with positive intent, and to understand the business benefits of operating in ways that benefit all groups in society.

Adaptive Management, Monitoring and Evaluation

[Measuring Achievements of Private Sector Development in Conflict-Affected Environments. Practical Guidelines for Implementing the DCED Standard](#)

[Supporting adaptive management: monitoring and evaluation tools and approaches \(ODI\)](#)

[Adaptive programme management in fragile and complex settings \(The Broker\)](#)

Guidelines to adapt the DCED Standards to conflict-affected environments using quality results measurement systems to understand progress towards results; manage risks; and make decisions to benefit poor, conflict-affected people.

Offers M&E tools to be used with adaptive management in volatile contexts.

Offers a way to manage programmes by integrating continuous feedback loops to take advantage of emerging opportunities and take systematic and structured action during uncertainties and change.

Business continuity guidelines for MSMEs

Detailed guidance for MSMEs

[Responding to the COVID-19 Crisis. Pathway to Business Continuity & Recovery. Guidance for Micro, Small and Medium Enterprises \(MSMEs\) \(UNIDO\)](#)

[Multi-hazard Business Continuity Management. Guide for small and medium enterprises \(ILO\)](#)

[Guidebook on SME Business Continuity Planning \(APEC\)](#)

[The six-step COVID-19 business continuity plan for SMEs \(ILO\)](#)

[Disaster Proof Your Business \(PIPSO\)](#)

Case studies

- [Private Sector Development in fragile and conflict-affected states. Lessons learned from the DFID Private Sector Development Programme in the Democratic Republic of the Congo \(DFID DRC PSD Programme\).](#)
- [Market systems resilience mitigates COVID-19 impact on smallholder farmers. Lessons learned from InovAgro in Northern Mozambique \(DAI\).](#)
- [MSD in disrupted markets: important lessons from Nepal \(Itad and OPM\).](#)
- [Promoting inclusive markets in Somalia \(DAI\).](#)
- [Evaluation of market systems development interventions for refugee and host communities in Jijiga, Ethiopia \(ILO\).](#)

- [Facing up to the challenges. Blending market and humanitarian support for refugees in Uganda](#) (Mercy Corps).
- [Disruptive technologies for private sector development in the Democratic Republic of the Congo](#) (DFID DRC Private Sector Development Programme).
- [Gender Equality and Social Inclusion \(GESI\) mainstreaming in DFID's PSD programme in the DRC. A description of the programme's approach and lessons learnt.](#)
- [The last frontier for energy access. The renewable energy opportunity in the Democratic Republic of Congo](#) (ELAN RDC).
- [Adapting Market Systems Development in conflict-affected areas](#) (ELAN RDC).
- [Doing more business and less aid: The journey of a market system development project in Afghanistan](#) (ILO).
- [Challenge funds in fragile states: experience from the Afghanistan Business Innovation Fund](#) (Landell Mills).

External complementary resources

The following resources are examples of resources to be used by private sector recovery and development practitioners to keep informed about technology and innovative practices in developing programming. One of the most interesting aspects of working in private sector recovery and development is the opportunity to access resources, technology and ideas from the private sector in our work. This requires staying on top of new ideas and technologies, using a variety of sources. Obviously, the UNDP has their own resources, noted below, that can help in bringing many of these ideas to the organization, but it

is worthwhile subscribing to relevant newsletters, groups, such as the LinkedIn Financing the Frontier, the SEEP Markets in Crisis group, or Business Fights Poverty below, or finding other ways to stay informed about resources, methods and technologies to continue to push the effectiveness of our work. As noted, the items on this list are just suggestions.

- <https://seepnetwork.org/Markets-in-Crises>
The SEEP Network's Markets in Crisis Community of Practice aims at improving market-based programming in emergency and recovery contexts.
- <https://businessfightspovetry.org>
Business Fights Poverty is a private sector-led collaboration network focused on private sector engagement in creating social impact.
- <https://forkast.news/blockchain-trust-building-technology-post-covid-world-needs/>
Why blockchain is the trust-building technology our post-Covid world needs, Dr. Geoff Jiang, President, Intelligent Technology Business Group and of Alibaba DAMO Academy's FinTech Labs, Ant Group.
- <https://impactmoney.net/impact-investing/what-is-blended-finance-and-is-it-needed/>
"What is Blended Finance and Is It Needed?", September 21, 2019 [Anthony Randazzo, CFA](#).
- <http://odscadenasvalor.org/efuture>
Practical guides to help businesses re-tool and discover new ways to reach customers.
- <https://www.womensworldbanking.org/>
- <https://blogs.worldbank.org/psd>
World Bank Private Sector Development Blog.

Annex B. Additional Resources for Private Sector Development

Growth diagnostic

[Growth Diagnostics](#) (Ricardo Hausmann, Dani Rodrik, Andrés Velasco)

Competition Assessment Framework

[Competition Assessment Framework](#), an operational guide for identifying barriers to competition in developing countries (DFID)

Making Markets Work for the Poor (M4P)

How to create inclusive market systems

[Introduction to Market Systems Development](#) (BEAM Exchange)

Provides definitions, videos and an introduction to market systems development.

[A Systemic Approach to Creating More and Better Jobs](#) (ILO)

A brief that lays out the steps to understand why and how a systemic approach is used. It provides concrete examples, guidance and practitioner tools that demonstrate the versatility of the approach and provide an understanding of how to use the approach to address key decent work challenges in a range of contexts.

[The Operational Guide for the Making Markets Work for the Poor \(M4P\) Approach](#) (Springfield Centre)

A guide that provides a substantial operational resource on how to implement markets that work for the poor.

[Seizing opportunity—a practitioner’s guide to supporting market systems change toward inclusion and equity using the Market System Innovation \(MSI\) approach](#) (FSG)

A report that provides guidance for philanthropic actors seeking to be more effective in supporting such changes in market systems. It shares lessons from work in supporting partners across the globe in applying MSI in a range of real-world scenarios and offers practical suggestions for others involved in similar work.

[A framework for inclusive market system development and Practical analytical framework for inclusive entrepreneurial market systems. Assessing the underlying factors enabling inclusive economic growth](#) (USAID)

This document describes the USAID inclusive market system development (IEMS) framework that identifies and documents a comprehensive set of underlying systemic variables that influence new business formation, growth, and inclusive gains in market systems.

How to create inclusive market systems	Disability Inclusion in Market Systems Development and Disability Inclusion Framework and Guidance (Adam Smith)	This framework and guidance draw from the lessons learned from the modest body of existing literature and examples of disability inclusion in market systems development and good practice from the private sector.
	Systems, power, and agency in market-based approaches to poverty (Oxfam)	A report that reviews some shortcomings of Market-based approaches (MBAs) and the search for more holistic, systemic approaches to poverty.
	The ILO and UNHCR's guide to market-based livelihood interventions for refugees	This guide provides a framework for assessment to help practitioners determine the right combination of interventions to arrive at a holistic approach that is well adapted to the local context and labour market.
Market system analysis and implementation	Market Systems Analysis for Decent Work: A User-friendly Guide (ILO)	This short guide focuses on the practical aspects of the MSA process, including how to manage its component parts, such as finding a good consultant or understanding how to orient your research questions.
	BEAM Exchange guidance on implementing the market systems approach	Guidance and resources to help put the market systems approach into practice.
Facilitating change and improving markets	Market Failures and what may be done about them (Nathan Associates)	Lists the different consequences of market failures and possible solutions to fix them.
	Strengthening Markets through Collaboration (Business Fights Poverty and Endeava)	This report offers guidance on how stakeholders can combine their strengths in a systematic way to magnify their impact and tackle MSME barriers more effectively.
	Bending the rules: How to use a systemic approach to improve the rules of the game (ILO guidelines and case studies)	This brief document summarizes some experiences to help projects understand why it is essential to work on rules and regulations and how to productively do it. Provides recommended pathways and can be used as reference for market systems or private sector development project looking to work more effectively in the policy realm.
	Market systems facilitation, how good are you? (ILO)	This short note summarises learning on the use of facilitation tactics by ILO market systems projects, examining what worked, what did not, and why.
Green market systems development	Market Systems Development and the Environment (ILO Strategic and Operational Guidance Note)	This guidance note synthesises the findings of five MSD projects that have contributed to both environmental and socio-economic objectives into practical guidance to help better integrate and achieve environmental objectives in MSD programmes.
Market systems development for youth employment	A rough guide to using the MSD approach for youth employment in sub-saharan Africa (BEAM Exchange and DCED Operational Guidance)	This rough guide provides additional tools and resources to use the market systems development approach for youth employment initiatives. The guidance note aims to contribute by helping funders and implementers think systemically about the youth employment challenge and support sustainable, inclusive, and scalable solutions.

Inclusive Business Ecosystems

Toolkits	In Motion toolkit (UNDP)	Tool to revamp the business model of micro and small enterprises through comprehensive business support to improve their productive capacity and their links with the market.
	Green and inclusive business toolbox (GIZ)	Helps with supporting companies at all different stages of business development. Presents 21 tools to support green and inclusive business models in development cooperation.
Detailed guidance for inclusive business models	Brokering Inclusive Business Models (UNDP)	Provides essential information and tools to build inclusive business models with companies and other partners.
	Realizing Africa's Wealth: Building Inclusive Businesses for Shared Prosperity (UNDP)	This report is the first UNDP study to look specifically at inclusive businesses in sub-Saharan Africa and the region's inclusive business support systems. Provides initial insights into the different players and roles required to make inclusive business a widespread reality in Africa.

Value Chain Development

Guidelines on value chain development	Sustainable Commodities: ensuring smallholder benefits, better environmental management, and durable growth. A Guide for Practitioners Based on Country Experience (UNDP)	The note focuses on UNDP's experience addressing the environmental, social and economic aspects of sustainable commodities in different country contexts. Draws on lessons learned from global, regional and national programmes led by UNDP and partners.
	Guidelines for Value Chain Selection (GIZ and ILO)	These guidelines offer a holistic and structured approach to value chain selection. They combine four different dimensions of value chains/sustainable development: economic, environmental, social and institutional.
	Value chain Development for Decent Work (ILO)	This guide provides an overview of how to take a systems approach to value chain development with the objective of creating more and better jobs with a focus on decent work.

Guidelines on value chain development	Operational guidelines on IFAD's engagement in pro-poor value chain development	These guidelines address recommendations on ensuring that IFAD's pro-poor value chain development projects reach out to women and the very poor, promote an inclusive value chain governance, work with the appropriate expertise and partners, and build capacity for implementation.
	Growing together. Strengthening micro-enterprises in value chains (Care and Business Fights Poverty)	The guide demonstrates how collaborative action to strengthen micro-enterprises in value chains can achieve improved business performance and positive social impact.
	Developing gender-sensitive value chains. A guiding framework (FAO)	This framework focuses on the systematic integration of gender equality dimensions into value chain development programmes and projects. Discusses gender inequalities and the importance of addressing these dimensions in value chain development.
	Environmental Sustainability in Value Chain and Market System Development for Decent Work: A Short Guide for Analysis and Intervention Design (ILO)	This guide provides some advice on how to incorporate environmental objectives in VCD/MSD analysis and intervention design. It suggests ways to frame environmental goals and their relation to other objectives.
Toolkits, videos, and manuals	Agribusiness Supplier Development Programme (UNDP)	Provides essential information and tools for the development of successful agribusiness supplier development programmes based on different country experiences.
	SDG Value Chains (UNDP)	Tools and methodologies to engage in the development of entrepreneurial skills to support market inclusion.
	Value chain development explained (ILO video)	Video that explains ILO's approach to value chain development.
	Sector Selection for Decent Work: Tips, Tricks and Tools (ILO)	This brief note summarises practical lessons and tools from sector selection exercises in Afghanistan and Peru. Shares strategies to maximize the impact of market systems development interventions on decent work.
	ValueLinks 2.0—Manual on Sustainable Value Chain Development (ValueLinks)	Manual that addresses the sustainability issues in value chain analysis, strategy formation and programme implementation.
	A Handbook for Value Chain Research (IDRC)	This handbook provides detailed information about different aspects of value chains.

Business-Enabling Environment Reform

Business reform guidelines	Creating Better Business Environments for Micro and Small Enterprises Summary and detailed Technical Report (DCED) Technical Report (DCED)	This brief summarises short, relevant guidance on specific topics related to donor and development agency support for better business environments in developing economies.
	Supporting Business Environment Reforms. Practical Guidance for Development Agencies (DCED)	This document provides practical guidance to development agencies to improve their support for business environment reforms in developing and transition countries, which aim at economic growth, job creation, poverty reduction and gender equality.
	Business Environment Reform Guidelines (EC)	This document offers up-to-date guidance on business environment reform and how to prioritise, design and implement BER interventions with an inclusive approach.
	The Business Environment Reform Diagnostic (BERD) Process: Guidance for Consultants (Business Environment Reform Facility)	This guidance includes approaches for both economy-wide and sector-specific BER. It describes specific diagnostic tools, indexes and approaches and identifies key resources across numerous technical areas.
Inclusive business and reform in fragile and conflict-affected States	Primer on the Role of Government in Inclusive Business. How the Public Sector can collaborate with the Private Sector to achieve sustainable development objectives (UNDP)	A short brief on how the public sector can collaborate with the private sector to achieve sustainable development objectives.
	What Works in Business Environment Reform in Sub-Saharan Africa and South Asia (Business Environment Reform Facility)	The first part of this report provides a snapshot of current programming, and the second describes important lessons learned by these programmes, drawing on 19 interviews with Country Offices and implementing agencies.
	Operational Experience of Business Environment Reform Programming in Fragile and Conflict-Affected States (Business Environment Reform Facility)	This report provides expert advice, analysis of lessons learned, policy research about what works and what does not, and develops innovative new approaches to involving businesses and consumers in investment climate reform.
	Gender-Sensitive Business Environment Reform: Why does it matter?—A policy guide (DCED)	This policy guide highlights the importance of considering gender in business environment reform interventions; the relationship of gender-sensitive BER to women's economic empowerment; and how donors can implement gender-sensitive BER interventions.

Digital technologies and businesses	Use of New Technologies in Regulatory Delivery (DCED)	This study contributes new knowledge including progress being made in the Government to Business (G2B) applications of emerging technologies.
	Policy and Regulatory Issues with Digital Businesses (World Bank)	This study describes the characteristics of digital platform firms, as well as their impacts on traditional firms. It also focuses on a few key regulatory and policy areas, including competition, taxation, data privacy, and infrastructure.
Toolkit and resources	Digital Economy Kit—Harnessing Digital Technologies for Inclusive Growth (Pathways for Prosperity Commission)	This kit is designed specifically for the policymakers, strategic businesses and civil society leaders who are shaping the country. The kit is not just an analytical exercise; it must have senior-level engagement across government and different parts of society.
	Enabling Environment for Sustainable Enterprises Toolkit (ILO)	This toolkit contains information related to policy development, development tools for EOs and how to strengthen partnerships.
	Practical resources on key areas of business environment	Business environment resources on business registration and licensing, tax policies, enabling access to finance, labour laws, land titles and registers, access to commercial courts, and public-private dialogue.

Private Sector Engagement

Engaging and working with the private sector	UNDP Private Sector Strategy 2018–2022	This strategy aims to assist countries to align private sector activities and investments with the 2030 Agenda by: influencing investors and businesses of all sizes; embedding the SDGs into their decision-making and practices; and supporting governments to establish enabling policy and regulatory environments.
	Kampala Principles on Effective Private Sector Engagement in Development Co-operation (Global Partnership for Effective Development Co-operation)	These principles focus on realising sustainable development results and serve as a basis for inclusive dialogue and more effective partnerships.
	Minimising the Risk of Negative Market Distortions in Private Sector Engagement: A Practical Framework (DCED)	This report reviews how PSE interventions may give rise to negative market distortions in three areas.

Engaging and working with the private sector	A categorisation of private sector engagement strategies and comparison with other approaches for working with and through the private sector. Operational Framework (DCED)	This working document aims to narrow down the most relevant PSE strategies. It also seeks to draw dividing lines between PSE and other approaches covered by DCED working groups.
	Private Sector Engagement for Sustainable Development. Lessons from the DAC (OECD)	This document examines the politics, policies and institutions behind private sector engagement, the focus and delivery of private sector engagements, private sector engagement portfolios, effective partnership and thematic issues including risk, leverage and ensuring results.
	Forming partnerships with the Private Sector. A summary of lessons learned by Market Systems Development Practitioners (SDC)	This document aims to capture some lessons and tips on how to form and manage partnerships with private sector actors.
Finance	Demonstrating Additionality in Private Sector Development Initiatives. A Practical Exploration of Good Practice for Challenge Funds and other Cost-Sharing Mechanisms (OECD)	These guidelines provide a synthesis of the key elements (assessment criteria and principles) that can form the basis of good practice in demonstrating additionality.
	Donor engagement in Innovative Finance: Opportunities and Obstacles (DCED)	This paper focuses on four concepts that frequently feature in current discussions: innovative finance, blended finance, impact investing, and results-based finance.
	A How-To Guide for Blended Finance. A practical guide for Development Finance and Philanthropic Funders to integrate Blended Finance best practices into their organizations (OECD)	This guide explains the blended finance opportunity and offers a framework for starting or scaling up activities for a range of development funder audiences.
Inclusive business models	NGO and company partnerships for inclusive business (Endeva)	This guide aims to give NGOs and companies guidance in conducting more productive IB partnerships as equal partners.
	Brokering Inclusive Business Models (UNDP)	This report aims to provide the essential information and tools to build inclusive business models with companies and other partners.
Toolkits	The Inclusive Business Management Practices Tool (UNDP)	A tool and report for inclusive businesses to improve management practices and maximize SDG impact.
	P.ACT Partnership Co-design Toolkit (SEED and MIT D-Lab)	The P.A.C.T. toolkit introduces partners to four stages of co-design, each building on the one before it, to bring partners closer to developing a complete partnership model and get ready to commit.

Toolkits	Private Sector Engagement Toolkit (Mercy Corps)	This toolkit is a resource for effectively building and sustaining programme partnerships with the private sector. It outlines Mercy Corps' strategy for engagement.
	The sustainable development goals (SDGs) and inclusive business maturity toolkit (UNDP)	This toolkit was designed as a practical reference for business leaders as they seek to best position their companies for future success in the context of the SDGs. The toolkit is tailored to each company's level of experience with inclusive business.

Digital Transformation

Detailed guidance on digital transformations	Digital In Motion (UNDP guides on digital transformation for MSMEs)	A practical guide to help businesses re-tool and discover new ways to reach customers.
	The use of IT solutions in inclusive value chains (Endeva)	This paper presents an overview of key IT solutions that can aid MSMEs to become more effective and efficient. The analysis includes specific considerations of how IT solutions can help to better integrate MSMEs into the value chains of large companies for mutual benefit.
	Super Platforms: Connecting Farmers to Markets in Africa (Mercy Corps, Mastercard Foundation, CGAP)	Research on Mercy Corps' AgriFin Accelerate programme that explored the digital transformative potential of digital markets in Africa.

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