

## RVO RESEARCH AGENDA – RESEARCH LINE 3: Entrepreneurship in Fragile Contexts<sup>1</sup>

### Key points

- \* Research in RVO Orange Corners (OC) programmes and in the target environment can offer key insights into considerations, opportunities and risks for youth entrepreneurship in fragile contexts related to the context, entrepreneurs and the local entrepreneurial ecosystem for OC and beyond.
- \* **Fragile contexts shape the scope of enterprise and inclusion. Entrepreneurship can flourish in these contexts but markets tend to be more exclusive, uncertain and risky. Climate change and crisis warrant attention.** In more volatile OC contexts such as Sudan and DRC, it may be critical for development agencies such as RVO to support *gradual business development*, appreciating when SMEs and entrepreneurs pursue coping rather than pro-growth strategies in the face of risk and insecurity. *Gaps for research include understanding how youth entrepreneurs navigate fragility in their local context, and cope and manage in situations of crisis. Further gaps include understanding the impact of entrepreneurship training programmes on youth empowerment on social inclusion and resilience. Another key gap is understanding how entrepreneurship programmes can be adapted in times of sudden shocks such as conflict or hyperinflation.*
- \* **Entrepreneurs may struggle to access key services/resources and be more risk-averse with short-term planning due to volatility and uncertainty. Women and youth may struggle to participate due to social norms, a lack of networks and insecurity.** This may influence the type of entrepreneurship, and aspirations and prospects of entrepreneurs. *Gaps for research include appreciating youth enterprise types and formalization, and entrepreneur motivations, aspirations, networks & leadership.*
- \* **Entrepreneurial-ecosystems tend to be undeveloped and disconnected due to weak institutional structures, a lack of private sector capacity/support and socio-cultural dynamics.** *Gaps for research include understanding the influence of entrepreneurial ecosystem interventions on government policy/structures, partnerships, private sector support (e.g. accelerators/hubs/incubators) and (youth/female) enterprise culture. Further gaps include understanding the effect of (absence of) institutional structures on the potential to grow enterprises as well as the role of diaspora groups in youth enterprise.*
- \* **Innovation and technology shape entrepreneurship. Emerging social, frugal and digital innovations may be critical in exclusive and low-resource environments.** Potential gamechangers for youth and female enterprise in fragile contexts include *digital platforms*. *Gaps for research include understanding youth (and gender) innovation (trends), impact of innovation, and opportunities/risks of digital innovation.*

### Introduction

This research line highlights core dimensions of entrepreneurship in fragile contexts and gaps for research in the Orange Corners (OC) Programme.<sup>2</sup> The research line draws attention to fragility (Part 1) and the institutional landscape (Part 2), and entrepreneurs and their characteristics in these contexts (Part 3). In particular, the evolving role of *innovation and technology* in shaping entrepreneurship is emphasized (Part 4). The research line summarizes key barriers to youth enterprise and innovation in fragile contexts (Part 5), and the impact of gender on entrepreneurial barriers (Part 6). Tentative ‘solutions’ are presented (indicating actors and interventions) (Part 7). Potential questions for research within RVO Orange Corners programme are suggested throughout (with some overlap).

### Part I: What are fragile contexts? State to local contexts

Approximately two billion people are indicated to reside in fragile contexts globally, with over 50 to 60 per cent of the world’s populations estimated to live in fragile states by 2030 (Saraf & Speakman, 2018). From an OECD perspective, fragility is the combination of **a state, community or system’s exposure to risk, and insufficient coping capacities to absorb, respond and manage such risks** (OECD, 2022). The OECD views fragility as **multidimensional and complex**, and argues that fragility occurs at a situational level and thus cannot be confined to a single terminology, with varying patterns observed across different countries.

### (a) State fragility

Fragile states may include 'strong' countries with authoritarian governments (e.g., North Korea) and weak states with failing government and inequality levels (e.g., Sudan). In general, however **fragility at state level relates to the robustness of the state** and/or the quality of formal governance and institutions, influencing state stability, and the state's capacity to support inclusion and socio-economic development. Fragility may be influenced by regional geopolitics, conflict, natural disasters and climate change. The World Bank has provided two broad categories that seek to capture the differentiated contexts of states' fragility (World Bank Group, 2023). This typology includes:

*State fragility may refer to robustness of the state and/or the quality of formal governance and institutions.*

- **Countries experiencing high levels of institutional and social fragility.** These countries grapple with ailing policies and institutions which account for their manifestations of fragility.
- **Countries impacted by violent conflicts.** These countries register high fatalities caused by conflicts relative to population.

### (b) Local fragility

Going beyond a state-level focus, '**fragility**' may also refer to **sub regions within countries where the state 'cannot or will not shoulder responsibility to protect the lives and well-being of the population within its borders'** (Christoplos & Hilhorst, 2009). In these environments, including marginalized or remote areas, or city slum settings, the state does not, or cannot, provide their citizens with 'basic services and security, or equally, ensure access to safe and productive work (Rijper, 2013).

*Local fragility may refer to contexts where the state does not, or cannot, provide their citizens with basic services and security, or access to safe and productive work*

Fragile contexts shape the nature of the local economy or micro economies, and the scope of enterprise and inclusion. In addition to insecurity, there may be a lack of appropriate institutions, regulations and support. Vulnerable groups in such settings include women and young people that tend to be disproportionately affected by volatility, poor working conditions and unemployment (World Bank Group, 2013). Entrepreneurship is argued to offer an alternative to the lack of wage employment and can create job opportunities for excluded groups

#### **What does this mean for the OC Programme?**

\* Several target OC countries may be considered fragile at a state level including DRC, Sudan, South-Sudan, Mali, the Palestinian Territories, Iraq, Burundi and Mozambique. These states typically rank very high on the Fragile States Index. Moderately-high fragile states in the OC programme include Nigeria, Bangladesh and Angola.

\* In terms of local fragility, poor, marginalized and volatile subregions are present within all of the target OC countries, underscoring the importance of appreciating the regional context of entrepreneurs and (regional) ecosystems!

#### **1.1 Youth, fragility and work in the African context**

Sub-Saharan Africa remains the most fragile region in the world. The literature indicates that crises, conflicts and fragility affect African countries with varying degrees of intensity, but youth<sup>3</sup>, and especially young women, may be particularly vulnerable due to their *limited skills and qualifications*, especially those in rural areas with poor infrastructure (Puttin, 2021). This can lead to their adoption of risky or dangerous survival strategies. Fragility and uncertainty may be embedded in prolonged structural and chronic crises and tensions such as civil war, poverty and climate change. Yet sudden shocks, such as pandemics, natural disasters, political crises and economic turbulence can also influence fragility, and cause an '*intertwining of crises*'. Such shocks may particularly affect youth that typically work in the informal sector and struggle with finding decent work. Crises can further affect young people's future *job prospects* by disrupting their education and causing delays in their professional integration. In the

*Youth and especially young women may be particularly affected by fragility influencing participation in education and access to decent and safe work*

case of pandemics and other health crises, young women may suffer additional vulnerability, as they tend to provide unpaid care to their family members.

The economic, political and institutional ecosystems may respond differently depending on the causative factors and the nature of institutional readiness in dealing with crisis. For households and communities, the combination of poverty, unemployment, and corruption contribute to dynamics of fragility, and facilitating *employment opportunities* through entrepreneurship can have a mitigating effect in such contexts. Yet drawing attention to vulnerability and short-term fixes, youth may seek more than just jobs but socio-economic inclusion (Ritchie, 2014).

#### Research questions for the OC programmes:

- How do youth entrepreneurs *navigate fragility* in their local context?
- How do youth entrepreneurs *cope, and manage their businesses during times of crisis*?
- How can entrepreneurship programmes *better support* entrepreneurs during crisis? Including attention to mental health and stress.
- How can the *importance and role of the informal sector and informal institutions* be better understood and included during design and implementation of entrepreneurship programs?

## Part II: Appreciating the institutional landscape in fragile contexts

**Towards a deeper appreciation of local socio-cultural dynamics, the *institutional landscape* requires prime** consideration. The institutional landscape refers to both *formal institutions*, i.e., laws, constitutions and regulations, and *informal institutions*, i.e., unwritten norms, customs, conventions and moral codes of conduct (North, 1990). In less developed contexts with weak (or absent) formal institutions, informal or social institutions tend to dominate in shaping socio-economic inclusion. The influence of social institutions and social relations, and the role of social regulation, as a result of gender, ethnicity and caste, are cited to be critical factors to assessing economic participation (Kabeer, 2000). Social institutions may be the most critical factor determining women's freedom of choice in economic activities outside the household, directly and indirectly influencing women's access to markets and resources, and economic inclusion (Morrisson & Jutting, 2004).

*Informal institutions, including social norms and customs, tend to dominate in developing environments, especially fragile contexts, shaping socio-economic inclusion*

**In fragile contexts, traditional cultural practices, social networks, as well as uncertainty and volatility** drive market functioning, actor behaviour, and the scope of business development, especially in conflict-ridden contexts (Ritchie, 2016a). Such environments may be described as '*institutionally complex*', with conflict or contradiction in different (informal) spheres (e.g., political, community, and religious), resulting in the market exclusion of non-elite groups, as well as the uncertain participation of youth and women (Mair et al., 2012).

*Fragile environments should be understood as 'institutionally complex', with social and political dynamics influencing market inclusion and participation*

### 2.1 From inclusion to agency and resilience

**Youth are a demographic majority in many developing countries and their diversity necessitates systematic analysis** (Turolla et al., 2022). Youth in more volatile environments continue to struggle with inclusion in the labour market with limited skills and challenging contextual/structural conditions - including local insecurity, discriminatory social norms, low social trust and social divisions, and a lack of legal frameworks. In boosting the 'agency' of youth themselves, it is evident that fostering creative, innovative and entrepreneurial mindsets alongside skills development can allow young people to explore different options, opportunities and career pathways, although situational fragility may influence the scope of choices and prospects (Part 3), particularly for more marginalized groups such as women. Appreciating the impact of youth economic empowerment on youth social inclusion and resilience (ability to withstand shocks) remains a gap. The participation of the diaspora (and the transnational community) in processes of 'youth empowerment' also warrants special attention by development partners (Part 8).

### Research questions for the OC programmes:

→ How does entrepreneurship training influence youth social inclusion and resilience in the local context? How does this differ across gender and in urban/rural areas?

→ What is the role of diaspora in creating an enabling environment for youth entrepreneurs?

→ How does the type of disturbance (long-lasting structural and chronic crises or sudden shock) affect individual entrepreneurs and the entrepreneurial ecosystem?

## Part III: Entrepreneurs in fragile contexts

**In fragile contexts, entrepreneurs may struggle to access necessary resources, and be more *risk-averse with short-term perspectives, due to volatility and uncertainty*.** This may be particularly the case for youth entrepreneurs with little experience and networks, influencing the strategy of entrepreneurs, and business prospects. In particular, innovative-oriented entrepreneurs outside of the elite may face resistance in forging new business ideas. Women and minorities may struggle to participate due to social norms, a lack of family and social acceptance, and poor networks (see Part 6 and 7).

*Entrepreneurs may lack resources, be more risk-averse with short-term perspectives, due to volatility and uncertainty, influencing the strategy of entrepreneurs, and business prospects*

Towards a deeper appreciation of entrepreneurs in such contexts, it is worth considering both the nature of entrepreneurship as well as the motivations of entrepreneurs, in facilitating **productive, inclusive and sustainable enterprise**.

### 3.1 Productive, unproductive and destructive entrepreneurship

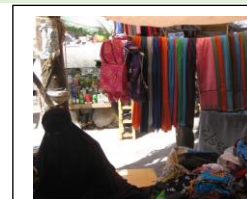
**In a more nuanced approach to entrepreneurship, the literature highlights *productive, unproductive and destructive entrepreneurship*,** going beyond the purely constructive and innovative entrepreneur. This underscores the importance of the nature of entrepreneurship itself, and potentially negative and ‘parasitical’ activities such as organized crime and rent seeking which can damage the economy (Baumol, 1990). The strategies of the entrepreneur - and quality and scope of resulting entrepreneurship - can have varied outcomes for economic development, particularly in less regulated and uncertain environments. There is a need for particular caution in fragile states with little formal institutions, which may perpetuate negative (informal) institutions and foster unproductive and destructive enterprise (Naudé, 2007). Fragility (and conflict) and its effects may vary geographically however, with equally diverse impacts on entrepreneurs and firms across a country or region. (Brück et al., 2013). In such settings though, the phenomenon of destructive entrepreneurship (‘wealth destroying’) may in fact ‘coexist alongside productive entrepreneurship’ (Desai et al., 2013). Research highlights the role of exceptional ‘trailblazer’ female entrepreneurs in fragile Islamic settings promoting productive and inclusive business and pathways of social change (Ritchie, 2016a) (see also Box 1 and Part 5).

### 3.2 ‘Survivalist’ and ‘growth’ oriented entrepreneurs

**Taking a closer look at scale and the business itself, in developing contexts, the majority of poor entrepreneurs have been described as often innovating ‘to survive’** (Lazonick, 2007). Others have gone further and differentiated between ‘*survivalist*’ and ‘*growth*’ oriented entrepreneurs with different objectives, motivations and outcomes (Berner et al., 2012). Many petty traders may fall into the former category where they engage in small ventures to make ends meet but are not business-oriented. High-risk environments are described to also impact upon the choice of entrepreneurial strategies, in particular this can constrain longer-term perspectives. In such contexts, the *gaining of trust* may be a concern inhibiting the growth of enterprise outside of their social networks (Lyon, 2000). Further, dynamics of risk and uncertainty inhibit formalisation and expansion. Conservative environments (e.g. strict Islamic contexts such as Afghanistan and Sudan) can exacerbate these dynamics, excluding certain groups from participating in enterprise (or restricted participation), or in certain sectors. Refugee ‘entrepreneurs’ may face additional challenges around their legal status, social acceptance, access to resources and local hostility (Box 1). Group structures for refugee women can foster exchange and cooperation, and collective business (Ritchie, 2018). This can provide critical solidarity for women in fragile and conservative contexts. It can even spur social activism.

### Box 1: Refugee entrepreneurship: Somali women refugees in Kenya

With their limited refugee status, Somalis refugees in Kenya face major economic constraints in access to (formal) employment and business legality, as well as pervasive xenophobia (linked to regional terrorist activity). In their (petty) trading endeavours in the volatile context of Eastleigh on the outskirts of Nairobi, Somali women 'entrepreneurs' face challenges from a lack of economies of scale, appropriate knowledge/skills and access to services/resources inhibiting their potential business development. Research findings indicate that Somali women entrepreneurs also struggle with local insecurity and harassment, and uncertain *socio-cultural dynamics* (embedded in social norms of *purdah* and tradition). Yet research highlights new and important social trends with the recent emergence of women's business associations that provide crucial solidarity, business support and exchange (encouraging women into business), in addition to facilitating access to services such as NGO courses and credit. And beyond the group/business, charismatic group leaders may be further galvanized to act as 'social entrepreneurs', through engagement in community problem-solving and social activism (Ritchie, 2018).



#### Research questions for the OC programmes:

- What types of businesses do youth entrepreneurs in fragile contexts engage in and why? Are there gender differences?
- How do OC interventions influence OC youth entrepreneurs' business networks and trust?
- To what extent are youth enterprises formalized in fragile contexts? And why? What are barriers towards formalization and how do these differ from other more stable contexts?
- How does enterprise participation influence youth's engagement in leadership and activism?

## Part IV: The role of innovation and technology

**Innovations (technological and non-technological) are a key tool of entrepreneurs, and are the means by which entrepreneurs may utilize change as an opportunity for a new business or service.** While existing innovations in the context may aid in unleashing entrepreneurship, emerging innovations by entrepreneurs themselves may also permit the development of new businesses.

### 5.1 Innovations in entrepreneurship in fragile contexts

Exploring innovation and technology's role in fostering entrepreneurship in fragile contexts is crucial. Innovations, particularly **social, frugal, and digital**, play a significant role in promoting inclusive business with social and environmental benefits in challenging settings.

#### (a) Social innovation

**Social innovations, rooted in social motivations, impact entrepreneurial efforts and local development.** This is often associated with 'social entrepreneurship,' a business approach tackling societal challenges like poverty, migration, injustice, and climate change (Naimi, 2021). In fragile contexts, social entrepreneurship aids in meeting social welfare needs amid the state's limitations in addressing environmental and social issues. <sup>4</sup> Recent discussions on institutions in Africa highlight the importance of social innovation, emphasizing non-economic drivers like providing decent employment and green and digital jobs. Although socially-driven business initiatives are less common in fragile states, they are gaining traction, especially among educated youth motivated by social causes. These businesses attract interest from socially-inclined investors and facilitate access to donor funds (Bhalla, 2019).

*Social innovations may be 'novel solutions' that seek to address unmet human and social needs*

#### (b) Frugal innovation

**An important new concept for sustainable development and linked to social innovations, is 'frugal innovations' specifically relate to innovations or solutions that are low-cost, appropriate and flexible for users in resource-scarce contexts** (Bhatti & Prabhu, 2019). As

*Frugal innovations include innovations or solutions that are low-cost, appropriate and flexible for users in resource-scarce contexts*



highlighted by the International Centre for Frugal Innovation (ICFI), a Dutch research initiative, frugal innovations may be technological, related to business models or approach, or linked to institutional arrangements (as elaborated in Box 2) (International Centre for Frugal Innovation, n.d.). At the product level, innovations may be affordable, simple, low-tech, robust, compact, appropriate, and user-friendly: ‘using less to do more’. **In fragile contexts, frugal innovations can allow users to benefit from appropriate technology where services are often absent or erratic, and may be an important strategy of entrepreneurs in such environments** (Bas, 2023).

### **Box 2: Examples of Frugal Innovations**

In the energy sector, examples of frugal innovation include home solar systems, e.g. M-Kopa in Kenya – mini-grids for energy access and pre-paid electricity systems. Such systems have been innovatively used in refugee camps in the development of solar-powered freezers that enable vendors ‘affordable cooling’ for beverages and food items. In the finance sector, frugal innovations include mobile money platforms – such as M-Pesa – for personal banking and money transfer, microfinance and micro-credit solutions, and peer-to-peer lending solutions. In the health sector, frugal innovations include mobile clinics, off-grid solar powered facilities, and low-cost medical equipment. In the agricultural sector, frugal innovations may include clean cookstoves that economize on energy, fabricated milking machines for dairy farming and harvesters. Frugal innovation may be useful for local producers and consumers as well as for organisations and policy makers, and thus may not necessarily have a commercial objective.

#### **(c) Digital innovation**

**Digital innovations may refer to the introduction of new (digital) technologies into existing business systems and processes to solve business problems** (Nambisan, 2017). Such innovations may be frugal in nature (for users), and aim to increase efficiency and productivity while simultaneously reducing operational costs. Digital solutions to social concerns can bring digital and social innovation together.

*Digital innovations include new (digital) technologies that may be used in existing business systems and processes to solve business problems*

#### **5.2 The influence of digital innovation in fragile contexts: insights from Africa**

**Offering lessons for other contexts, digital innovations have been described as having the potential to disrupt African economies, encourage cross-border business, enhance access to new and existing markets, promote financial inclusion, and generate digital (economic) opportunities for youth** (Bentil & Tan, 2022). In particular, digital innovations can help more young people use social and financial assets to make more *informed economic decisions* and cope with poverty. Across the African continent, mobile technology has led to the creation of more than 1.7 million jobs and added \$144 billion to the continent's economy, approximately 8.5% of GDP (Ndung'u & Signé, 2020). Further, digital innovation may impact the functioning of the African welfare system and the job market, diversifying income generation opportunities (Steel, 2021). **Whilst digital innovation is playing an increasing role globally, including in the African context (see Box 3), there is significant variation in the levels and abilities of governments to reap the benefits of these innovations** (Duerte, 2021; Fox & Signé, 2021). The Brookings Institution warns that digital innovation in these environments may also generate risks (e.g., cybercrime) and increase inequality (e.g., unequal access to digital infrastructures and technology) (Allen, 2021). Fragile contexts may be particularly vulnerable to the abuse of technology, with weak institutions and poor governance. To yield peace and prosperity from the rapid digital revolution, it is crucial to consider risks and externalities in such contexts.

#### **5.3 Entrepreneurs as drivers of business culture**

**Some economists have drawn on the notion of ‘institutional entrepreneurs’ to characterize entrepreneurs that are actively involved in social innovations in business, as well as in the local environment, highlighting the influence of entrepreneurs on entrepreneurial ecosystems (business culture)** (Li et al., 2006). Such entrepreneurs may possess additional skills that enable them to coordinate with authority and navigate public opinion. In fragile contexts, these entrepreneurs may face more risk than traditional entrepreneurs in forging new practices, but they may permit more inclusive economies and ‘constitute a force of economic development and reform’. For example, in conservative Islamic environments, progressive entrepreneurs have introduced

more inclusive social institutions (norms) that allow women to participate in business (Ritchie, 2016a). External agencies can play a role in supporting such cases and support broader advocacy for women in business.

#### Research questions for the OC programmes:

- How does digital innovation influence youth business? What opportunities and risks does this bring?
- To what extent do OC youth entrepreneurs influence local business culture and inclusion? How can this be stimulated while mindful of the risks associated with this?
- To what extent can principles of frugal innovation be leveraged in OC programmes, especially in resource-constraint environments?

## Part VI Examining barriers to enterprise and innovation in fragile contexts

**Entrepreneurship and the development of Small and Medium Enterprises (SMEs) are considered key to economic growth and development** in both advanced economies and developing countries (Naudé et al., 2011). In developing contexts in particular, SMEs can act as core drivers of competition, growth, and job creation, and represent significant employment where up to 80 percent of economic activity takes place in the informal sector (**IFC**). The International Finance Corporation (IFC) indicates that SMEs constitute around 90 percent of businesses and more than 50 percent of employment worldwide. Yet in such environments, the majority of small-scale entrepreneurs remain ‘survivalist’ entrepreneurs, constrained by weak infrastructure, a lack of finance and a lack of capability especially in fragile contexts (Naudé et al., 2011). In addition, the limited systems of support hinder entrepreneurs and the scope of innovation.

*The majority of small-scale entrepreneurs may be ‘survivalist’, constrained by weak infrastructure, a lack of finance, a lack of capability, bureaucracy, the business climate, and political instability*

**Innovation and enterprise are considered a key solution to fragility in developing economies.** However, entrepreneurship is especially complex in fragile contexts affected by violent conflict, with entrepreneurs in this setting more likely to face infrastructural damage, security expenditures, production halts, labour relocation, and missed investment opportunity costs, depending on the type and severity of the conflict. **In more volatile OC contexts such as Sudan and DRC, it may be critical for development agencies such as RVO to support gradual business development,** appreciating when SMEs and entrepreneurs pursue coping rather than pro-growth strategies in the face of risk and insecurity (Hoffman & Lange, 2016). It is also crucial to appreciate *regional differences (and fluctuations) in the local context*. In more turbulent areas, SMEs often need to maintain strong local ties with key power holders and communities in the area that can provide necessary support and protection (Ritchie, 2016b).

*Entrepreneurship may be especially complex in conflict environments, with infrastructural damage, security expenditures, production halts, labour relocation, and missed investment opportunity costs*

Below, the **main barriers to (youth) entrepreneurship** and small business development in developing environments are elaborated, with particular attention paid to dynamics in fragile environments:

### (a) Lack of a supportive and enabling (formal) institutional environment

In developing countries, micro, small and medium enterprises may struggle with a lack of support and coordination from the government, relevant private sector stakeholders and other ecosystem actors (IFC, 2014).

In fragile situations marked by challenging physical, social, and political conditions, exacerbated by climate factors, issues such as resource pressures, conflict, insecurity, and population displacement are prevalent. **Limited institutional structures** and government support in these contexts result in complexities associated with registering various enterprises, especially outside urban centres. For instance, in Sudan, enterprises operating beyond the capital, Khartoum, face barriers like high registration costs and bureaucratic rigidity. Registering specific enterprises like venture capital firms and digital enterprises can be particularly challenging. This leads innovators to choose between registering similar traditional alternatives or remaining unregistered,

especially outside urban areas. Government regulations may also constrain entrepreneurial assistance services, and uncertainty in policy implementation poses a significant barrier to innovators. Moreover, **universities and higher education** facilities in these environments often fail to act as 'enablers' for entrepreneurship, providing little information and space for students to explore entrepreneurial options, few role models, and greater apprehension about 'risky' forms of work outside formal employment.

### **(b) Exclusive and limited markets and private sector with low trust**

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In fragile contexts, **markets remain risky, exclusive and volatile**, with low trust outside of tight networks, and barriers to entry for new players (Ritchie, 2016a). Constrained access to market opportunities affects both the development and growth of micro, small and medium enterprises and their potential profitability (IFC, 2014). In particular, poverty and other socioeconomic and political factors may impact entrepreneurs' access and participation in the market (Gangi & Mohammed, 2017). Meanwhile, a shortage of innovation-demanding markets negatively impacts the innovators' access to a viable market (Bartels et al., 2016). This affects domestic demand, negatively impacting income and profit generation (Kayanula & Quartey, 2000; Baah-Nuakoh, 2003; Yartey, 2009 ). Furthermore, the cost of innovation, limited income and socioeconomic limitations impact the development and marketability of new products and services that cost more than the traditional alternative. In these environments, there may be challenges identifying partners where OC is starting up, e.g. South Sudan and Burundi. Described as a 'crucial part of OC', OC staff have voiced concerns about establishing sustainable partnerships with relevant larger private partners, who may not see a future in the countries they currently operate (RVO, 2023).<sup>5</sup>

### **(c) Poor physical conditions**

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In fragile contexts, there may be **physical limitations** (e.g. poor infrastructure, erratic public transport, insecure routes for movement) and safety concerns, especially for women (regular occurrence of major political/social disruptions, e.g. strikes/political tensions) inhibiting daily business and preventing entrepreneurs from attending events.

### **(d) Uncertain cultural dynamics**

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**Cultural factors** may also influence entrepreneurial initiatives and decision-making. Research in Sudan indicated that a *lack of entrepreneurial risk culture* and the attraction to employment as a safety net for young entrepreneurs is also an inhibitor from within the nascent ecosystem (Elfadel, 2016). This situation is worsened by an absence of university support/curriculum to encourage an entrepreneurial culture and the media's poor portrayal of entrepreneurship. Meanwhile, the rate of entrepreneurial growth may be influenced by collectivism, uncertainty avoidance, short-term orientation and local power dynamics. Risk aversion is a common cultural and religious belief in contexts such as Sudan and is the central consideration for investment decisions which serves as a barrier to entrepreneurs' access to capital discouraging innovative entrepreneurs (Gangi & Mohammed, 2017). Female entrepreneurs may face additional cultural challenges with family resistance, restricted mobility and business discrimination (see Part 7).

### **(e) Limited access to finance**

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A **lack of access to finance** in developing contexts, particularly for young entrepreneurs, is a major challenge to develop, scale and expand emerging businesses, and is compounded by other factors such as the inefficiency of the banks, high credit risk rate, and the entrepreneur's financial illiteracy. This may inhibit innovators from obtaining investments in innovative ideas, services and products (Bartels et al., 2016). In South Asia, an estimated 37 million micro- enterprises including one million small and medium enterprises have limited or no access to finance (IFC, 2014). In fragile contexts, **access to finance may be both limited and exclusive**, with poor access for youth, women, and non-urban and marginalized (ethnic) groups.

### **(f) Patchy and inconsistent access to basic services including electricity, internet**

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In developing contexts, entrepreneurs and small businesses often **lack access to basic and crucial services such as electricity and the internet**. For example, an estimated 23 million micro-enterprises and one million small and medium enterprises lack access to reliable electricity in South Asia (IFC, 2014). Poor access to services may



be exacerbated in fragile contexts with **inconsistent and patchy service provision, particularly as a result of volatility and marginalization**. In terms of the internet, entrepreneurs face both infrastructure issues, and high tariffs and bandwidth issues. Poor and unreliable internet connections can inhibit businesses from expanding, particularly those that are digitally based. In many parts of East Africa, there is often poor access or poor technological infrastructure; incessant internet shutdown, widening the digital divide and increasing digitally underserved population (Nada et al., 2013; Gangi & Mohammed, 2017). As a contrast, in more stable contexts such as Ghana in West Africa, the government-private sector synergy allows hubs and co-working spaces to provide alternative support, contrasting to countries such as Sudan that are more 'slow-paced' due to a *lack of trust* between public and private sector actors (Manya and Altaf, 2022).

### **(g) Limited skills and low quality of workforce**

As highlighted by IFC, a limited availability of skilled labour hinders enterprise productivity and operational capabilities (IFC, 2014). In developing contexts, entrepreneurs also often lack the necessary skills to expand and grow their business, with an insufficient youth education due to outdated curriculums with little exposure to technology. In fragile environments, this may be worsened by **unequal access to education (due to gender, ethnicity, geography), the poor quality of educational facilities and disruption** (due to conflict). Meanwhile, the limited skills of employed staff raises the cost of operations, stifles creativity and lowers flexibility (Yartey, 2019). An uneven distribution of skills as well as poor access to ICT resources negatively impacts the availability of a skilled workforce that may support innovative entrepreneurs in developing economies (Dutta & Osorio, 2012).

#### **Research questions for the OC programmes:**

- Are barriers for youth entrepreneurs changing in the local context? Why?
- What services are emerging that support youth entrepreneurs?
- How do youth entrepreneurs leverage innovation and technology to overcome barriers?
- What interventions from entrepreneurship programmes can best assist youth entrepreneurs to overcome such barriers?

## **Part VII The impact of gender on entrepreneurial barriers**

### **Entrepreneurship is more challenging for women in both industrialized and underdeveloped countries (Acs et al., 2010).**

In developing contexts, women tend to work primarily in the informal sector often as producers, petty traders and small service providers. The IFC indicates that the majority of barriers (financial and non-financial) that female SMEs face are at the *start-up stage of the business life cycle* (IFC, 2014). Yet the most significant barriers are notably *non-financial* i.e. social norms and relations, affecting in particular women SMEs access to financial products and services influencing the growth and development of their businesses.

*Core barriers to women's enterprise in developing and fragile contexts are typically **non-financial** and related to culture, religion and insecurity*

**In fragile contexts, religion, culture, and volatility tend to shape the scope of enterprise and entrepreneurship, especially for women in both the start-up and operational phases of the business.** Women in conservative settings confront particularly difficult challenges, including prejudiced culture and narrow religious ideas regarding gender roles, social misperceptions, as well as insecurity (Kappinga & Montero, 2017). This influences female entrepreneurship, participation in business (as employees), and business prospects (Ritchie, 2016a,b; 2018). In such contexts, a lack of access to funds and resources, gender-based discrimination, and an absence of professional business help are common issues (Kumar, 2019). Cultural ideas about education, raising children, and growth have influenced attitudes toward working women across cultures (Gough & Yankson, 2011). Due to religious and cultural expectations of women as 'homemakers', men may dominate in enterprise, particularly in fragile environments, and women struggle to set up businesses and access necessary resources.<sup>6</sup> New trends are emerging however with the proliferation of women's savings groups for example, Self Help Groups (SHGs) and new micro finance institutions (MFIs) in both Asia and Africa that specifically target women/youth and support women's access to finance and individual and collective enterprise.

### Digital inclusion and gender

A key area of attention for women's enterprise is the growing influence of **Information Communication Technologies (ICTs)**<sup>7</sup> such as mobile devices and apps and digital inclusion. In fragile urban contexts, with social constraints and gender biases influencing women's mobility and networking, entrepreneurial women are increasingly drawing on *digital technology*, especially smartphones to engage in the market and do business, including through mobile money and trading online. Yet whilst potentially transformative for society, both access and the use of ICTs may be complex especially in more fragile contexts, and moderated by education levels and e-skills, geographic location and age (See Box 4). In these settings in particular, concerns lie both in the physical 'digital divide' as well as the multi-layers of 'asymmetry' in ICT design, access, usage and adoption, leading to the exclusion of marginalized groups such as older women, and the potential reproduction of existing structural biases. Such exclusion and bias risks aggravating social inequalities that will hinder human security, integration and the achievement of the SDGs (The Earth Institute & Ericsson, 2016). Sustainable Development Goal 5b explicitly highlights the vulnerability of groups such as women. Globally, there is need to increase the 'frequency' of evidence-based research related to the gender digital divide in terms of access to and use of ICTs (BMZ, 2017).

#### Box 4: Understanding digital inclusion: from physical access to social inequities and e-skills

Globally, 12 percent fewer women than men have access to the Internet, a figure that has increased over recent years (ITU, 2016b). This stood at 16.8 percent in developing countries, with the largest gender gap in the world's Least Developed Countries (LDCs) - at 31 percent. The highest regional gender gap is found in Africa (23 percent). Across poorer areas in major cities in the developing world or 'fragile contexts', research has shown that women were reported to be 50 percent less likely than men to be online, and were 30-50 percent less likely to use the Internet for 'economic and political empowerment' (World Wide Web Foundation 2017). Reasons given were high costs, lack of digital literacy, lack of relevant content, and obstacles to 'speaking freely and privately' online. There is also a concerning trend of 'cyber-bullying' of young women (Sow, 2014). The term 'digital divide' has been coined to describe the gap between those who have access to and use of digital technology, and those who do not have access (van Dijk, 2005). In recent years, the notion of digital divide has been elaborated to differentiate between physical access and practical use (Alam and Imran, 2015). ICT participation is influenced by various factors from access and affordability, to less tangible social barriers and the ability to use ICTs ('e-skills'). Specific groups such as **women, older people and those that are less educated** may be especially disadvantaged.

Source: Derived from Ritchie, 2018, 2022

**Gender-related barriers for women** in business in fragile contexts are summarised below, including women's (constrained) engagement in technology and digital innovation:

**Insecurity and volatility:** A turbulent and insecure physical context can present particular challenges for women in access and personal security (for example, with uncertain public transport). There may also be increased family 'nervousness', with concerns that the place of work for women employees is convenient and safe, and the office/employment arrangements are transparent (and culturally acceptable); and restrictions on women's time (and flexibility).

**Conservative culture and low-trust in women's businesses:** Discriminatory cultural and religious norms, and a lack of supportive bureaucratic practices hinder female entrepreneurs and innovators in less structured contexts. This leads to family social pressures and uncertain support, restricted mobility, a lack of social acceptance, and sector/market prejudice and bias.

**Lack of regulations/policies/services to support women in business:** A poor 'regulatory context' is described as another barrier for women in business, with little protection of women in the market/workplace including harassment and intimidation. There may also be fear on registration and formality, with uncertain tax processes and local corruption (particularly those without family support and high-level networks). An absence of childcare support may also hinder women entrepreneurs (in participation in training and in business).

**Limited social networks and spaces:** Women may suffer limited social networks constraining both starting a business, and getting a business going. Women struggle with obtaining relevant support and advice through

their social circles in trouble-shooting and business growth and development. In conservative OC contexts such as Sudan, outside of the elite, women’s networks (scale and diversity) remain constrained due to social norms and their (limited) social mobility. This influences access to information as well as access to buyers, service providers and new technology. Business development and marketing is particularly inhibited by women’s exclusion from male-dominated public spaces.

**Limited literacy, skills, confidence and business experience:** In more fragile and conservative contexts, as well as lower levels of education and literacy, women may *lack business knowledge and skills*, and have low levels of confidence and motivation. Business skills and knowledge may be related to women’s limited social networks but also their social conditioning. In particular, young women are not encouraged by their families to pursue business or to be entrepreneurial.

**Restricted Access to finance:** Women may have *restricted access to funding*, or poor access to appropriate credit and services constraining growth and development. Yet local savings structures (see Part 8) can facilitate access to informal credit. Digital Financial Services, defined as financial services accessed through digital devices and delivered through digital channels, are also growing and require attention. DFS can aid in saving, borrowing and receiving remittances although low-income women may be challenged in accessing banking services or more exposed to risk due to low digital financial literacy

**Limited access to technology and low levels of digital skills:** Due to social norms and discrimination, women may have *limited access and exposure to technology* especially in fragile and conservative environments. This influences women’s digital inclusion, particularly older women and those outside of urban areas, and their access and use of digital devices for social and economic life.

**Research questions for the OC programmes:**

- Are gender related barriers for OC female entrepreneurs changing in the local context? Why?
- What new services are emerging that support female entrepreneurs?
- How does digital technology influence the participation of female entrepreneurs in business?
- How can entrepreneurship programmes better support female entrepreneurs navigating gender-specific barriers in fragile contexts?

## Part VIII From barriers to ‘solutions’ for youth entrepreneurship & innovation

In supporting young entrepreneurs within the OC programme, it is crucial to look closer at **entrepreneurial ecosystems, and opportunities for innovation and enterprise development**. In fragile settings, there may be multiple gaps from limited institutional structures/support, erratic basic services, uncertain private sector partners and a lack of entrepreneurial support facilities. Donors may play a major role in jumpstarting and boosting institutional and non-institutional support (see Box 5). Beyond their immediate context, innovators/entrepreneurs may also benefit from international private sector actors and diaspora in market participation, expansion and credit.

Table 1 draws together the **core barriers to youth entrepreneurship** in fragile contexts and highlights **emerging solutions drawing on empirical research and lessons learnt** from such environments (Ritchie, 2022).

**Table 1: Core Challenges and Emerging Solutions for youth entrepreneurs in fragile contexts**

BARRIER	Solution	Actors
POOR PHYSICAL CONTEXT / INSECURITY AND VOLATILITY	<p><u>Entrepreneur level</u></p> <ul style="list-style-type: none"> <li>• Consider location of business and safety of staff, especially for <b>women</b></li> </ul> <p><u>Aid support</u></p> <ul style="list-style-type: none"> <li>• In support for entrepreneurs, appreciate risk-averse behaviour in business in terms of investment, infrastructure development and long-term planning</li> </ul>	<p>Entrepreneur</p> <p>Aid actors</p>

BARRIER	Solution	Actors
LACK OF SUPPORTIVE ECOSYSTEMS AND CULTURE	<u>Aid support/Government</u> <ul style="list-style-type: none"> <li>Support establishment, relevant training/support and entrepreneur participation in commercial accelerators, incubators and hubs</li> </ul> To support <b>female entrepreneurs</b> : <ul style="list-style-type: none"> <li>Explore incentives/pre-incubation training</li> <li>Draw on female ‘influencers’ and role models in campaigns</li> <li>Assign female mentors to female entrepreneurs</li> <li>Advocacy on youth enterprise, and <b>women in business</b></li> </ul> <u>Family/local level</u> <ul style="list-style-type: none"> <li>Outreach with family (for female entrepreneurs) and invitation to networking events</li> </ul>	Aid actors Government Private sector
LACK OF ACCESS TO FINANCE	<u>Ecosystem</u> <ul style="list-style-type: none"> <li>Explore bank loan packages for entrepreneurs</li> <li>Development of youth / women enterprise fund with local banks</li> </ul> <u>Aid level</u> <ul style="list-style-type: none"> <li>Support youth funding programmes</li> <li>Facilitate good business plan and funding strategy of entrepreneurs</li> <li>Support relevant entrepreneur networking events</li> <li>Facilitate entrepreneur participation in business competitions</li> </ul> <u>Family/local level</u> <ul style="list-style-type: none"> <li>Encourage sourcing funding through family members, networks</li> <li>Participation in local savings/loans groups and associations (especially <b>women</b>) including ROSCAs, VSLAs, SHGs</li> </ul>	Private sector Entrepreneur Aid actors
LACK OF ACCESS TO BASIC SERVICES INCLUDING ELECTRICITY, INTERNET	<u>Aid level</u> <ul style="list-style-type: none"> <li>Support participation in co-working spaces and hubs, and opportunities for office collaboration</li> </ul> <u>Ecosystem</u> <ul style="list-style-type: none"> <li>Support establishment of co-working spaces and hubs for youth entrepreneurs</li> </ul>	Private sector Entrepreneur Aid actors
LIMITED SKILLS AND LOW QUALITY OF WORKFORCE	<u>Entrepreneur</u> <ul style="list-style-type: none"> <li>Encourage formal study/education</li> <li>Facilitate access to business courses/workshops/boot camps</li> <li>Encourage self-study (e.g. books, online courses/ MOOC)</li> <li>Facilitate expert consultation</li> </ul> <u>Aid level/ Ecosystem</u> <ul style="list-style-type: none"> <li>Facilitate participation in business incubator programmes</li> <li>Support links to potential business mentors</li> <li>Support formulation of robust business plan for management and strategy, and discuss with mentors – make a step by step plan</li> </ul>	Entrepreneur Aid actors
POOR ACCESS TO MARKETS	<u>Entrepreneur/Aid level</u> <ul style="list-style-type: none"> <li>Draw on social media for outreach and marketing - explore e-commerce, especially for female entrepreneurs in conservative settings</li> </ul> Note: the <b>use of mobile applications</b> is a popular tool for innovators although local online markets with spending power may be limited	Entrepreneur Aid actors
LIMITED SOCIAL NETWORKS AND SPACES (ESPECIALLY WOMEN)	<u>Entrepreneur/Aid level</u> <ul style="list-style-type: none"> <li>Facilitate participation in business networking events</li> <li>Facilitate participation in business, youth and women’s networking groups – or development of own networks / associations</li> <li>Facilitate participation in local and regional exhibitions</li> </ul>	Entrepreneur Aid actors

Source: Derived from Ritchie (2012, 2016a,b, 2019, 2022)

### Research questions for the OC programmes:

- To what extent do OC partners influence the digital skills and capacities of female entrepreneurs, and permit robust online business opportunities in the local context?
- To what extent are digital platforms supporting youth entrepreneurs in the local context? Are there gender differences?
- How do entrepreneurship programmes support collaboration/partnerships in the ecosystem in the local context to facilitate youth innovation and entrepreneurship?
- Which emerging ‘solutions’ are proving most effective for youth business participation from the perspective of OC youth entrepreneurs? And why?

→ What are the risks of youth entrepreneurs' reliance on digital platforms in such settings? How can risks be reduced or minimised?

## Concluding remarks and recommendations

Lessons learnt from entrepreneurship in fragile contexts (including within states) indicate that entrepreneurship and business can flourish in these environments but it is generally more constrained, exclusive and dominated by elite families and well-established businesses. This is due to a *lack of formal institutions, corruption, volatility, market bias and discrimination, low trust outside of networks, and underdeveloped entrepreneurial (and innovation) ecosystems*, although (sub)regional diversity should be appreciated. Social, economic and political instability, alongside the increasing pressures of climate change, influences socioeconomic development and entrepreneurial growth.

Entrepreneurs may be more *risk-adverse* influencing the establishment of new initiatives and innovation, or business scaling/expansion, particularly youth with little experience and networks. In culturally conservative and traditional settings, women and minorities may struggle to both participate due to a *lack of family and social acceptance* (and social conditioning), and to access necessary services and resources, in particular start-up funding and loans to support business growth and development. In the ecosystem, accelerators, incubators and business hubs can support youth and women's inclusion in business, but may be weak and donor dependent. Women can also benefit from participation in *savings groups, associations and networking events*. 'Trailblazing' female entrepreneurs can promote social innovation and change in challenging environments

Some major gaps for OC research include firstly, understanding fragility and crisis for youth entrepreneurs, particularly with (increasing) *climate-related dynamics*, including pressures on resources, volatility and conflict, and physical risks for women. Secondly, the nature of OC entrepreneur businesses, prospects and influence is crucial for appreciating both productive enterprise and community dynamics. Thirdly, the fast-moving space of digital technology and innovation require attention, especially for traditionally excluded groups such as women in conservative contexts. Digital opportunities through social media may be gamechangers for entrepreneurship in these environments. Yet youth outside of urban hubs may suffer intermittent internet access, influencing the scope of their participation, as well as (for women) discriminatory social norms (access to smart phones, control of devices and digital skills). Meanwhile risk factors from online business are less understood. Fourthly, with a global business shift towards social and environmental concerns, and potential interest by outside investors (including diaspora), youth participation in social and frugal innovation in entrepreneurship warrants a closer spotlight, and how this may impact productive, inclusive and sustainable enterprise.

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## Endnotes

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<sup>1</sup> This brief was drafted by Dr Holly Ritchie, RVO gender and enterprise advisor with a few sections derived partially from Many and Altaf with RVO (2022) *A Tale of Two States: Observing the process and impact of (social/digital) innovation by youth entrepreneurs in Ghana and Sudan*

<sup>2</sup> This includes the incubation and acceleration of startups, and 'ecosystem strengthening' activities such as policy advocacy, female empowerment, knowledge-to-knowledge programs, training-of-trainers, student design challenges, access to finance, community events.

<sup>3</sup> Orange Corners defines youth as an age bracket between 18 and 35: <https://www.orangecorners.com/news/orange-corners-in-the-top-five-of-the-2022-wtpo-awards/>

<sup>4</sup> Note: social entrepreneurship is elaborated in a separate briefing note.

<sup>5</sup> Comments from RVO OC staff in the first draft of this brief (May 2023).

<sup>6</sup> Family men may also attempt to take over women's businesses that are successful (and no longer small).

<sup>7</sup> The term is generally described to refer to 'all devices, networking components, applications and systems that combined allow people and organizations (i.e., businesses, non-profit agencies, governments and criminal enterprises) to interact in the digital world'. This may include smartphones as well as computers and other digital devices. <http://searchcio.techtarget.com/definition/ICT-information-and-communications-technology-or-technologies>