Executive Summary

Small Businesses in Fragility: From Survival to Growth
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Small Businesses in Fragility: From Survival to Growth
About the Report

This SME Competitiveness Outlook assesses the impact of conflict and fragility on business performance. It unveils a Fragility Exposure Index, and shows that fragility, as experienced by firms, can be reduced by 25% if they take actions to reinforce competitiveness. These include engaging with business support organizations, improving financial management and retaining skilled staff.

The report finds that direct support to firms is helpful and must be complemented by reforms to promote peace and stability and improve the business environment. Humanitarian partners, development agencies and capable state institutions must collaborate, coordinate and have a deep understanding of the context to avoid reinforcing the drivers of fragility, and maximize positive outcomes.
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Over the past few years, the international landscape has shifted dramatically: more and more, conflicts are breaking out within and across countries, amid rising geopolitical tensions and intense economic upheaval. These conflicts are putting lives and livelihoods at risk, at a time when the world is still working to recover from the painful toll of the COVID-19 pandemic, while grappling with rising costs of living and a greater incidence of climate-related natural disasters.

These crises are changing the entire fabric of communities and regions: they lead to greater fragility, and therefore risk the achievement of the Sustainable Development Goals, such as ending hunger, improving food security, transitioning to more sustainable modes of consumption and production, enabling decent work and economic growth, and ending gender inequality, to name a few. One person out of every eight currently lives in a fragile situation, and that number includes most of the world’s poorest.

For smaller businesses, trying to survive—and thrive—in fragile and conflict-affected settings is exceedingly difficult. For these businesses, fragility means facing far greater start-up costs and limited capacity and resources for innovation. It means facing a greater risk of failing outright. It means facing an even greater likelihood of the surrounding community experiencing poverty, and of people turning to self-employment to provide for themselves and their families. These businesses are the International Trade Centre’s core constituency, and the most important lesson we have learned over nearly 60 years of serving them is that we cannot achieve sustainable, inclusive development unless these small businesses are able to thrive in the global economy.

Fragility manifests in different ways, while businesses also experience fragility differently. For instance, findings from our ITC Small Business in Fragility Survey, which we present in this report, affirm that small, informal, youth, and women-led firms often experience harsher repercussions from fragility than their larger, formal, older, and men-led counterparts, respectively. These nuances matter: what works well in one context can backfire when tried somewhere else. We cannot have a one-size-fits-all approach, but that does not mean that we cannot identify some best practices that can help.

Fragility requires a two-pronged approach, one where both firms and governments have critical roles to play. The states in which these entrepreneurs live and work can help by creating an environment where these enterprises have the infrastructure they need, are not burdened by excessive red tape, and are in an economy with clear and consistent rules and modes of operating. In parallel, small businesses can learn to adapt to changing circumstances, forge deeper relationships with partners, and adopt new ways of working that make them more competitive both locally and internationally.

These are efforts that need to happen in tandem: collaboration between everyone involved, from local governments and the private sector to international agencies and development partners, is critical to making sure that this two-pronged approach leads to lasting, positive change. To make a real difference, and in the right direction, also means developing a clear understanding of the repercussions that different
actions have in fragile and conflict-affected settings. We must all, always, proceed based on that time-honoured injunction: ‘first do no harm.’

Increasingly, our own work at ITC takes place in fragile settings, as the micro, small, and medium-sized enterprises that we collaborate with are often in areas affected directly or indirectly by conflict and other crises. That is why we have dedicated this year’s edition of our flagship publication, the SME Competitiveness Outlook, to what fragility means for small businesses, along with the role that businesses and states can play in mitigating fragility. It is also why we are adapting our own mode of working to make sure that our efforts on the ground and in policy circles can help small businesses and states address the root causes of this fragility, rather than allowing fragility to flourish.

As we approach our own 60th anniversary as an institution, and with precious time remaining to achieve the Sustainable Development Goals, we are facing a critical juncture in our efforts to avert the worst of climate change’s impacts, to achieve a gender-equitable world, and to make poverty and hunger a thing of the past.

This year marked the halfway point of the 2030 Agenda for Sustainable Development, and in December 2023 the first Global Stocktake under the Paris Agreement on climate change will conclude at the United Nations climate conference in Dubai. What we have already heard at this year’s SDG Summit and from synthesis reports circulated under the Global Stocktake have affirmed that we have far more work to do to achieve a more sustainable, inclusive, and fairer world, both for current generations and those yet to come. Moreover, our research shows that fragility and conflict-affected states are among those struggling the most to deliver on the SDGs—meaning that the only way to realize this ambitious development agenda globally is by devoting far greater efforts to these settings.

The International Trade Centre stands ready to scale up our own efforts, ambition and commitment to closing the gap between the present we have and the future we need. This report aims to help us deliver on that commitment, and we hope it provides our partners with a better understanding of what fragility and conflict mean for small businesses, states, and sustainable development.

Pamela Coke-Hamilton
Executive Director
International Trade Centre
Fragility is the failure of the state to perform basic functions.

Fragility is **multilevel** and **multidimensional**.

Fragility varies across levels and along three dimensions.

- **National**
- **Regional**
- **Individuals and businesses**
- **Security pillar**
- **Economic pillar**
- **Social pillar**

Fragility is **persistent** and **increasing**, hampering the Sustainable Development Goals.

Fragility varies across levels and along three dimensions.

- **20 countries**: Remained fragile and conflict-affected
- **19 new countries**: Fell into fragility
- **15 countries**: Escaped fragility

<table>
<thead>
<tr>
<th>Year</th>
<th>Fragile</th>
<th>Conflict-Affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>2006</td>
<td>20</td>
<td>15</td>
</tr>
</tbody>
</table>

Number of countries classified as Fragile and Conflict-affected Situations (FCS) by the World Bank.

Major challenges to meet SDG 1: No poverty.

- **80%** - FCS
- **20%** - non-FCS

**Firms’ characteristics matter**

More small, informal, women-led and youth-led companies experience high fragility.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Large MSMEs</th>
<th>MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>18%</td>
<td>34%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Formal</th>
<th>Informal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formality</td>
<td>32%</td>
<td>41%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Men-Owned</th>
<th>Women-Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>31%</td>
<td>36%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Non-Youth-Led</th>
<th>Youth-Led</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>31%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Share of firms experiencing high fragility.

**Location matters**

Violent, poor and unequal regions have more companies experiencing high fragility.

<table>
<thead>
<tr>
<th>Region</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political Violence</td>
<td>31%</td>
<td>34%</td>
</tr>
<tr>
<td>Income</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Inequality</td>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>
Higher competitiveness is associated with lower experienced fragility

**COMPETITIVENESS**

What firms do matters
Competitiveness helps firms cope with fragility

Perceived fragility can be reduced 25% by putting in place internal measures to raise firm competitiveness score by 40 points

Competitiveness is not a silver bullet
As fragility worsens, firm-level actions no longer protect firms from state-level fragility.

There is a window of opportunity in which firm-level support can yield positive outcomes, before fragility and violence engulf firms and their business ecosystem entirely.

Reduce experienced fragility with actions to support business growth:

- Engaged with Business Support Organizations (BSOs)
  - yes 35%
  - no 14%

- With strong hiring practices
  - yes 41%
  - no 31%

- Keeping financial records
  - yes 42%
  - no 21%

Small Businesses: From survival to growth

Secure peace as a basis for reforms. Rebuild institutional capacity for economic reforms.

Strengthen ability to operate, build networks and adapt to sudden market changes.

Stakeholders must:
- coordinate to lessen risks
- collaborate to tackle multiple challenges
- understand the context to do no harm

**STATE CAPACITY**

**FIRM CAPACITY**
Small business in a more fragile world

The world is grappling with unprecedented crises. The quadruple shock of COVID-19, conflict, climate change and higher cost of living threatens to push countries into greater insecurity, economic instability and social upheaval. As many places struggle to cope with these shocks, the world risks becoming more fragile.

As the types of crises that trigger fragility hit new places, others have found themselves trapped for years. The World Bank currently classifies 39 countries and territories as fragile or conflict-affected, up from 35 in 2006. A look behind the figures is telling – of the 35 countries affected by fragility or conflict in 2006, only 15 have since managed to break out of fragility, while 19 others have fallen into it.

Rising fragility hampers people’s ability to lead peaceful and prosperous lives. In 2021, nearly a billion people lived in fragile settings, with more than 300 million in extreme poverty. As crises push more places into fragility, 86% of the world’s poor could be living in countries classified as fragile by 2030.

Also, instability increasingly spills across borders. In 1991, only 4% of civil wars involved foreign forces. By 2021, the number had risen twelffold to 48%. Moreover, the number of people forced to flee their homes, some to neighbouring countries and beyond, has doubled in the past decade, to roughly 100 million.

Breaking the cycle of fragility requires addressing the factors that drive it. Because it often coexists with and is reinforced by factors such as poverty and conflict,
isolating the drivers and outcomes is a challenge. Various definitions and measurements have been proposed, with the most common ones portraying fragility as a macro-level phenomenon that hampers the state’s ability to fulfill basic functions and cope with shocks.

The impacts of fragility nonetheless trickle down. Fragility damages the business ecosystem and jeopardizes the ability of firms to compete, connect and change. By looking at fragility from a business perspective, this SME Competitiveness Outlook aims to promote actions that support enterprises to survive and grow, helping lay the foundations for long-lasting stability and sustainable, inclusive development.

All firms hurt by fragility

Stability requires strong foundations. This includes an active civil society and a vibrant private sector that provides the decent jobs, goods and services needed to increase incomes and meet societal needs, today and tomorrow.

In fragile and conflict-affected places, small and medium-sized enterprises (SMEs) often play this critical role. In fragile settings, micro, small and medium-sized enterprises comprise 90% of all businesses, with a stronger presence of smaller firms. With proper support, they have greater chances of coping with fragility, helping sustain the livelihoods of millions. If they are set on a growth trajectory, they are more likely to take off once stability starts taking hold and the business environment begins to improve. In fact, many have observed a so-called Phoenix effect – or a sharp upturn in entrepreneurial rates – as surviving firms rebound after peace and stability are secured.

Making small business survival a priority in fragile situations, while laying the foundations for firm growth, is essential in leveraging economic opportunities during peaceful times. Providing a secure environment for legitimate businesses to operate, while deterring companies from exploiting fragile situations, can support the transition from conflict and help sustain long-term stability.

The business life cycle: Opportunities and challenges

<table>
<thead>
<tr>
<th>Business Phase:</th>
<th>Conceptualization</th>
<th>Start-up</th>
<th>Growth</th>
<th>Internationalization</th>
<th>Exit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenge</td>
<td>Misallocation of entrepreneurial talent</td>
<td>More firms created out of necessity Lower formalization</td>
<td>Constrained or regressive innovation Stunted growth</td>
<td>Lower exports Brain drain and firm flight</td>
<td>Higher failure rates</td>
</tr>
<tr>
<td>Opportunity</td>
<td>Large pool of latent entrepreneurs</td>
<td>Higher creation rates, though informal</td>
<td>Benefits for connected or protected firms</td>
<td>Diaspora remittances and investment</td>
<td>Serial entrepreneurship</td>
</tr>
</tbody>
</table>

Source: ITC, adapted from Brück et al., 2013.
Fragility constrains business in ways that are fundamentally distinct from non-fragile settings. Production and consumption become distorted, investment goes down and growth is stunted. This trickles down to the business ecosystem, depressing business dynamics across all stages of a firm’s life cycle. Despite business opportunities at each stage, challenges abound. Consequently, the net impact of fragility and conflict on entrepreneurship – particularly the kind that promotes growth and stability – tends to be negative.

For emerging entrepreneurs, starting a formal business is difficult and costly. In fragile contexts uncertainty heightens costs, and institutions responsible for basic start-up procedures, such as property registration and contract enforcement, are undermined or inefficient. **Starting a business in fragile settings costs twice the world average and more than 15 times than in high-income countries.**

Pervasive market failures in fragile settings make it harder to start a business and make it grow. **Firms hoping to formalize and grow are deterred by the excessive cost and time.** This is exacerbated by the fact that firms in fragile settings tend to invest little in innovation. Firms innovate to simplify business processes, such as by shortening supply chains or finding customers closer to home. While such actions help them adapt to the circumstances and survive, they often do not lead to firm growth.

Survivalist entrepreneurship is also evident in the form of self-employment. Because informality is prevalent and salaried occupations are rare, **self-employment becomes a coping mechanism.** Between 2006 and 2020, around 70% of all employment in fragile and conflict-affected situations was self-employment, compared with a world average slightly below 50%.

Aspiring exporters face significant hurdles. Unstable or subpar infrastructure access; limited access to finance, exchange rate fluctuations and currency controls; and other deterrents reduce export opportunities. Unsurprisingly, ITC analysis shows that **the number of exporters decreases substantially** as areas become more fragile.

**Business failure is also more common** than in settings that are not fragile and affected by conflict. Smaller and newer ventures have less experience and fewer resources than established firms, leading to higher exit rates as fragility grows. Yet **firms that survive tend to see a rebound in economic opportunities once peace starts to take hold,** highlighting the need to maintain business support during fragility and conflict.

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**Fragility Exposure Index: Measuring the business impact**

While much attention has been given to measuring and addressing fragility at the macro (state) level, exposure and impacts differ at the micro (business) level. To assess how different businesses experience the same overarching level of fragility, **ITC constructed a Fragility Exposure Index based on survey data from firms in eight countries.** The index shows that firms are exposed to different dimensions of fragility, and are affected to different degrees depending on business characteristics such as location, size and type of ownership, as well as the firms’ own capabilities and actions.

**Fragility can reach firms through security, economic and social channels.** For example, if fragility is characterized by higher criminality, a larger firm that can afford private security is likely to be less affected than smaller businesses without such resources – though this may come at the expense of other, more productive investments. To reflect these nuances, the index was built around three pillars:

- **Security:** measures the impact of insecurity and violence on businesses
- **Economic:** measures the impact on firms’ economic performance and opportunities
- **Social:** measures the impact on company relationships, reflected in trust in people, networks, business support organizations (BSOs) and local and national institutions

In addition to the structure of fragility, **business location matters. Firms in conflict hotbeds, in poorer areas, and regions where inequality is more marked often experience fragility more intensively.**

**Businesses in violent, poor and unequal regions more affected**

<table>
<thead>
<tr>
<th>Regions with:</th>
<th>Political violence</th>
</tr>
</thead>
<tbody>
<tr>
<td>low</td>
<td>31%</td>
</tr>
<tr>
<td>high</td>
<td>34%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income</th>
<th>low</th>
<th>high</th>
</tr>
</thead>
<tbody>
<tr>
<td>low</td>
<td>38%</td>
<td></td>
</tr>
<tr>
<td>high</td>
<td>29%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inequality</th>
<th>low</th>
<th>high</th>
</tr>
</thead>
<tbody>
<tr>
<td>low</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>high</td>
<td>35%</td>
<td></td>
</tr>
</tbody>
</table>

Share of firms experiencing high fragility (%)

Source: ITC, based on ITC Small Business in Fragility Survey and Subnational Human Development Index Database of the Global Data Lab.
Small, informal, women-owned and youth-led firms intensively affected by fragility

<table>
<thead>
<tr>
<th>Size</th>
<th></th>
<th>MSMEs</th>
<th>34%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formality</td>
<td></td>
<td>formal</td>
<td>41%</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td>men-owned</td>
<td>36%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td>non-youth led</td>
<td>41%</td>
</tr>
</tbody>
</table>

Share of firms experiencing high fragility (%)

Source: ITC, based on ITC Small Business in Fragility Survey.

Firms with certain characteristics are also more exposed and affected. Among those surveyed by ITC, smaller firms were more likely to report more intense experiences of fragility. 34% of micro, small and medium-sized companies reported experiencing high levels of fragility, compared with 18% of large firms.

Formality further exacerbates the effects of fragility. Informal firms were almost 10 percentage points more likely to report experiencing fragility intensively than formally registered ones. This partly because informal firms tend to have little or no recourse to formalized credit and are largely excluded from institutions that can provide the services they need to survive.

Women-led firms tend to be at a disadvantage even in non-fragile settings. Businesses owned and led by women generally have less access to public infrastructure services, finance and social protection. In fragile settings, additional factors such as women’s increased exposure to violence and unsupportive social norms make them even more vulnerable.

Youth-led companies also report experiencing higher levels of fragility than non-youth-led companies. In fragile settings, youth-led enterprises are more likely to tread cautiously, focusing on consolidating operations and avoiding risk-taking.

Identifying which firms are likely to be more exposed to the security, economic and social challenges related to fragility is useful to design tailored support programmes. However, it is necessary to go beyond what and where firms are and identify what they can do to increase their ability to cope with fragility.

Businesses can act to curb impact of fragility

Building competitiveness can serve as a buffer to the impacts of fragility. When firms act to improve their competitiveness, they are likely to lower their exposure. For instance, by putting in place internal measures to raise its competitiveness score from 20 points (at the low end of the competitiveness distribution) to the average of 60 points, a firm’s experienced fragility can drop by more than 25%, with no other changes taking place at the business ecosystem or national level.

At the micro level, competitiveness is based on a firm’s business processes (ability to compete); internal and external connections (ability to connect); and responsiveness (ability to change). These capabilities provide a solid foundation for business resilience. Firms with critical competitiveness characteristics tend to fare better during crises.

ITC has pinpointed three firm-level actions that partially compensate for what is lacking in the environment of fragile and conflict-affected areas:

- **Build trustworthy connections**
- **Improve financial management**
- **Identify and retain skilled staff**

Competitiveness is associated with lower experienced fragility

Source: ITC calculations, based on ITC SME Competitiveness and Fragility Surveys of 1,095 firms in Burkina Faso, Colombia, Iraq, Kenya, Myanmar and South Sudan. See Annex I for detail.
First, companies engaged with business support organizations – as well as peers, buyers and suppliers – were more likely to report no revenue losses, compared with companies not engaged. What is more promising, firms engaged with BSOs were more than 20 percentage points more likely to hire employees – a positive sign of growth – than companies without such connections.

In fragile contexts, BSOs can act as a bridge among businesses and between firms and official institutions. They can enable businesses to create connections and share information to help them cope. Unfortunately, access to such institutions may be restricted for many businesses, and the quality of the services provided may also suffer due to limited funding and skewed priorities.

Second, businesses that manage resources well are stronger candidates for funding. Even if external funding is limited, companies with a good grip on their finances are better suited to identify internal buffers and continue operating in periods of disruption.

Firms with strong internal financial management mechanisms were less likely to experience fragility intensively, according to ITC surveys. Companies that keep full economic records were 21 percentage points less likely to have lost revenue and twice as likely to report employee growth.

Finally, companies that rely on professional hiring processes to identify talent were more likely to weather the economic impacts of fragility. Forty-eight percent of enterprises with an established hiring process reported no drop in revenues, compared with 36% of those with a weak hiring process.

These businesses were also more likely to expand their labour force. A strong hiring process increases the likelihood of finding employees with the right set of skills. This matters, as skilled workers are more efficient at adapting operations to new contexts, allowing firms to continue operating in periods of instability. Significantly, skilled employees are also more apt to innovate. In fragile settings, even innovation that is survival-driven and well behind the technology frontier, or frugal, is critical to ensure survival and power subsequent growth.

Unfortunately, the analysis also shows that firms’ own actions can only help up to a certain level of fragility, and do not protect them from all manifestations of fragility. In fact, as fragility becomes worse or more widespread, firm-level actions no longer protect firms to the same extent – or at all.

**Competitiveness is not a silver bullet**, of course. In less fragile countries, higher competitiveness is correlated with lower experienced fragility. This means that actions to increase competitiveness can lessen the exposure of companies to fragility. As the environment becomes more fragile, the relationship disappears. While firms’ actions do matter, factors in the national environment, over which individual companies have little influence, are as or more important in determining their competitiveness – and experiences of fragility.

Similarly, firm-level action appears to have little impact on how companies experience the security aspects of fragility. In other words, all enterprises seem to be exposed to the harm caused by fragility through security channels, regardless of how much they try to improve their

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**Work with business bodies to support growth**

<table>
<thead>
<tr>
<th>Engaged with business support organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>14% no</td>
</tr>
</tbody>
</table>

**Keep financial records to fuel expansion**

<table>
<thead>
<tr>
<th>Keep full records</th>
</tr>
</thead>
<tbody>
<tr>
<td>21% no</td>
</tr>
</tbody>
</table>

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**Formal hiring practices underpin firm growth**

<table>
<thead>
<tr>
<th>Established hiring process</th>
</tr>
</thead>
<tbody>
<tr>
<td>31% weak</td>
</tr>
</tbody>
</table>

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**Source:** ITC calculations, based on ITC SME Competitiveness and Fragility Surveys of 1,095 firms in Burkina Faso, Colombia, Iraq, Kenya, Myanmar and South Sudan. See Annex I for detail.
competitive position. In fact, there are situations in which more competitive and profitable firms become targets of extortion, corruption and other acts of violence.

**Two implications emerge from this analysis.**

First, **there is a window of opportunity in which firm-level actions and support yield positive outcomes.** This tends to be before fragility and violence completely engulf firms and their business ecosystem. It is thus necessary to deal directly with the overarching situation of fragility, strive to consolidate peace and rebuild the capacity of the state to sustain a supportive and stable environment.

Second, **interventions at firm level alone, even at lower levels of fragility, may not be sufficient to secure firms’ survival and growth**, and can even have negative effects if the underlying factors that drive fragility and conflict are not well understood and taken into account by those providing support.

### Addressing fragility:

**A two-pronged approach**

![Diagram](image)

Where crises are increasingly protracted and fragility tends to persist, interventions at the macro and micro levels must go together. It is fundamental to address the factors that drive fragility and restore the ability of the state and business ecosystem to perform their functions and cope with risks. But it is also critical to strengthen the capacity of firms to cope with the prevailing state of fragility and provide them with the right environment to move beyond survival, laying stronger foundations for growth and a more stable future.

Building state capacity includes reforms involving the business environment that remove barriers to entry and operation – reliable infrastructure and related services, fewer procedural complexities and better economic governance. Here, the goal should be to create a supportive business environment, in which entrepreneurs can thrive and grow in both size and number.

Building firm capacity or increasing firm competitiveness requires enhancing their ability to operate in the day-to-day environment, build strong connections with actors in the business ecosystem and adapt to sudden market changes. This allows them to become more resilient to the many shocks that fragility engenders.

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**Less fragile countries**

<table>
<thead>
<tr>
<th>ITC Fragility Exposure Index</th>
<th>ITC Competitiveness Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>20</td>
</tr>
<tr>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td>34</td>
<td>60</td>
</tr>
<tr>
<td>32</td>
<td>80</td>
</tr>
<tr>
<td>30</td>
<td>100</td>
</tr>
</tbody>
</table>

**More fragile countries**

<table>
<thead>
<tr>
<th>ITC Fragility Exposure Index</th>
<th>ITC Competitiveness Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>-193</td>
</tr>
<tr>
<td>36</td>
<td>-195</td>
</tr>
<tr>
<td>34</td>
<td>-197</td>
</tr>
<tr>
<td>32</td>
<td>-199</td>
</tr>
<tr>
<td>30</td>
<td>-201</td>
</tr>
</tbody>
</table>

**Source:** ITC calculations, based on ITC SME Competitiveness and Fragility Surveys of 1,095 firms in Burkina Faso, Colombia, Iraq, Kenya, Myanmar and South Sudan. See Annex I for detail.
Addressing both state and firm capacity in tandem is the key to promoting growth, in addition to avoiding some risks. If support is only to firms, interventions may have little to no impact, depending on the overarching level of fragility. Additionally, powerful firms in weak states may deliberately engage in destructive or unproductive activities. Similarly, enhancing state capacity in the absence of a strong private sector is likely to be short-lived, as exemplified by the numerous countries cycling through periods of fragility and stability.

Overcoming fragility is a multistakeholder process. By working collaboratively through strategic partnerships where the value added by each stakeholder is clear, it is possible to address a broad range of macro, meso and micro issues that hinder the growth of small businesses. Still, a one-size-fits-all approach is not the answer. SMEs have both the ability to foster peace and to enhance conflict. In many post-conflict contexts, private-sector actors contribute to greater rather than lower fragility, exacerbating inequality and inter-group resentment. Any intervention must be grounded in a deep understanding of the environment, and the firms operating within it, to minimize negative outcomes and maximize the chances of success.
Thought leaders

Ouided Bouchamaoui
Nobel Peace Prize co-Laureate
Business leadership in a time of transition

Sanda Ojiambo
Executive Director and Chief Executive Officer
United Nations Global Compact
Good governance: Breaking the cycle of fragility

Per L. Saxegaard
Executive Chair
Business for Peace Foundation
Fostering resilience, hope and global collaboration for SMEs in fragile contexts

Gilles Carbonnier
Vice-President
International Committee of the Red Cross
Generating livelihood opportunities in conflict and violent settings

Business voices

Segundo Ordóñez
Former legal representative, La Cooperativa Nueva Esperanza del Pacífico, Colombia
Social inclusion through market linkages

Daryna Voitanishek
Sales Manager, UApple (Sadyl Dnepra LLC), Ukraine
In search of alternative export routes

Aung Khaing Htwe
Managing Director, Smile Happy Company, Myanmar
Back to basics: transport, electricity and regulations

Nimo Ibrahim Hassan
Digital Freelancer and Secretary, Dadaab Collective Freelancing Agency, Kenya
The power of collectives

Ahmed A. Khalaf
Director General, Beirut Erbil for Potato Products, Iraq
Navigating partnerships in stormy business waters