

DEVEX REPORTS:

# Focus on Fragility

Implementer Opportunities  
in 10 Fragile States



## Approximately one and half billion of the world's poorest people live in fragile states.

These countries and territories made limited progress on the Millennium Development Goals and are lagging behind on the post-2015 agenda. They are often inflicted by violence, political instability and dysfunctional government institutions which exacerbate a range of other socio-economic and environmental problems and can lead to the mass displacement and migration the world is struggling to cope with today.

Guided by the 2011 [New Deal for Engagement in Fragile States](#), donors are channeling more money than ever to fragile states. The United Nations-World Bank Fragility and Conflict Partnership Trust Fund, currently funded by Switzerland and Norway, seeks to promote a more effective and sustainable international response to fragile states. The European Union is spending about half of its development assistance on fragile states and the United Kingdom has pledged to do the same. Approximately 60 percent of USAID priority countries are fragile. Even [emerging donors](#), such as China, the United Arab Emirates, and Turkey, are increasing their engagement in fragile situations around the world.

As fast-growing and middle-income countries find ways to fund their own development, it is logical to expect that development assistance will continue to flow to the states that need it the most.

**“The world needs to shore up the development assistance it gives to those countries that have not collapsed but are racked by conflict, corruption, and weak governance. These countries may yet spiral into anarchy. But it is less expensive to invest in stability than confront instability.”**

— Bono, lead singer of the band U2 and founder of the advocacy group ONE and the AIDS organization (RED), in an appeal to the United States Congress



The U.N. has called for bridging the humanitarian-development divide and “emergency development” solutions, but fragile states pose problems for implementing companies and NGOs. Despite a willingness to adapt development approaches and accept high risks, some fragile states are too violent and chaotic for implementers to operate effectively. Furthermore, contracts and grants can be difficult to access as foreign aid remains concentrated in the humanitarian sector and channeled through multi-donor funds and other pooled mechanisms administered primarily by the U.N.

But there are fragile states currently conducive to implementer engagement. Each year, OECD produces an [extensive fragile states analysis](#) and identified 50 fragile states in 2015.<sup>1</sup> It is a

diverse list representing various levels of fragility. For instance, while it is unsurprising to see war-torn countries such as Syria and Afghanistan and desperately poor and vulnerable countries like Somalia and South Sudan on the list, better known developing countries like Kenya, Ethiopia, and Egypt are also assessed as fragile by OECD.

**“All of these countries have either weak institutions or, in some cases, strong but abusive institutions. They may be unable to meet the aspirations of their citizens for equitable and inclusive development, and also face heightened risk of experiencing crisis. Historical, political and social factors, often including a weak social contract and a lack of capacity to respond to shocks and stresses, can mean that the chances of a future political, social or humanitarian failure are high.”**

— States of Fragility 2015: Meeting Post-2015 Ambitions by the Organization for Economic Cooperation and Development



Using the OECD list as a reference, this Devex special report identifies and assesses 10 fragile states that we believe are primed for implementer engagement. Five are located in Asia; three are in Africa, one is in Eastern Europe and one is in Latin America and the Caribbean. These 10 countries are emerging from conflict or crisis and face serious development challenges, but based on our analysis of the operating environment and donor funding and procurement activity, offer realistic opportunities for companies, NGOs, and other implementers willing to work in fragile contexts.

Accessing funding in these markets is not easy. So for implementers looking to support development in the Devex 10 fragile states, the report links directly to updated business opportunities – tenders, grants and exclusive subcontracts – from over 150 funding agencies available on [Devex.com](#).

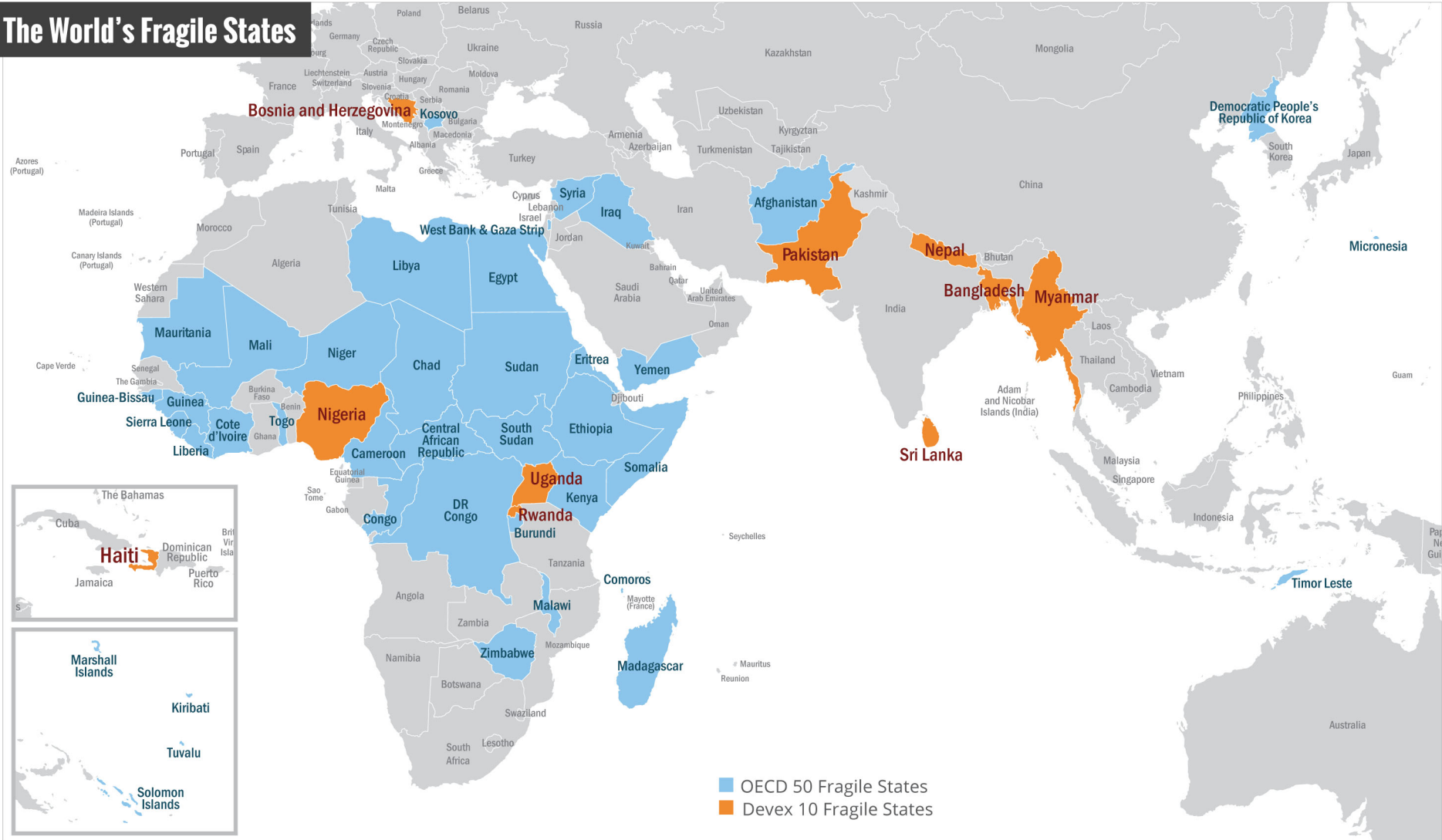
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<sup>1</sup> Based on a [Harmonized List of Fragile Situations](#) produced by the world's multilateral development banks and countries scoring 90 or above on the [Fragile States Index of The Fund for Peace](#)

# The World's Fragile States



■ OECD 50 Fragile States  
■ Devex 10 Fragile States

- |                             |   |                      |                     |                              |
|-----------------------------|---|----------------------|---------------------|------------------------------|
| 1. Afghanistan              | 11. Democratic People's Republic of Korea | 21. Kiribati         | 31. Myanmar         | 41. Sri Lanka                |
| 2. Bangladesh               | 12. Democratic Republic of the Congo      | 22. Kosovo           | 32. Nepal           | 42. Sudan                    |
| 3. Bosnia and Herzegovina   | 13. Egypt                                 | 23. Liberia          | 33. Niger           | 43. Syrian Arab Republic     |
| 4. Burundi                  | 14. Eritrea                               | 24. Libya            | 34. Nigeria         | 44. Timor-Leste              |
| 5. Cameroon                 | 15. Ethiopia                              | 25. Madagascar       | 35. Pakistan        | 45. Togo                     |
| 6. Central African Republic | 16. Guinea                                | 26. Malawi           | 36. Rwanda          | 46. Tuvalu                   |
| 7. Chad                     | 17. Guinea-Bissau                         | 27. Mali             | 37. Sierra Leone    | 47. Uganda                   |
| 8. Comoros                  | 18. Haiti                                 | 28. Marshall Islands | 38. Solomon Islands | 48. West Bank and Gaza Strip |
| 9. Congo                    | 19. Iraq                                  | 29. Mauritania       | 39. Somalia         | 49. Yemen                    |
| 10. Côte d'Ivoire           | 20. Kenya                                 | 30. Micronesia       | 40. South Sudan     | 50. Zimbabwe                 |



A man drives a rickshaw in Jamalpur, Bangladesh, where villagers have lost their homes to river erosion and shifting coastlines. Photo by: [Amir Jina](#) / [CC BY-NC-ND](#)

## Bangladesh



**\$5.57 B**  
ODA Flows

**735**

Tenders & Grants  
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### STATE OF FRAGILITY

Since gaining independence in 1971, Bangladesh has established a liberal democracy and open market economy. Many key social indicators, such as women empowerment, have improved. Challenges to the country's investment climate remain, including poor infrastructure, political violence, corruption and instability. The main opposition party boycotted the 2014 election.

### TOP DONORS & TRENDS

**ADB** ASIAN DEVELOPMENT BANK

World Bank • Japan • Korea • U.S.

Once an aid orphan, Bangladesh receives the second most ODA, behind Afghanistan. Japan recently pledged a \$1.64 billion loan for six projects, its largest ODA package to date, while ADB is increasing lending to over \$2.8 billion between 2016 and 2018. Donor infrastructure spending is targeting projects that link Bangladesh to India, Nepal and Bhutan. Donors are supportive of the country's goal to reach middle-income status by 2021.

### PRIORITY SECTORS

- Transportation Infrastructure
- Disaster Management
- Energy
- Economic Development
- Health

## Bosnia & Herzegovina



**\$.75 B**  
ODA Flows

**730**

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### STATE OF FRAGILITY

A little more than ten years ago, Bosnia-Herzegovina was reeling from war and struggling to build an economy. While the country achieved some progress against the MDGs and is a candidate for EU accession, the European Commission has been critical of the pace and depth of socio-economic reform. A complicated political system and difficult legal and business environment continue to hinder the country's development prospects.

### TOP DONORS & TRENDS

**EU** European Union

Germany • World Bank • Council of Europe Development Bank • U.S.

EU institutions, including the European Commission, European Bank for Reconstruction and Development (EBRD) and European Investment Bank (EIB), are the largest donors to Bosnia-Herzegovina and a significant portion of aid is channeled through the Instrument for Pre-accession Assistance (IPA). Democracy, governance, peace and security are prominent themes for all donors. Germany and the World Bank focus largely on energy infrastructure and efficiency.

### PRIORITY SECTORS

- Energy
- Economic Infrastructure
- Social Infrastructure
- Government & Civil Society
- WASH

## Haiti



**\$0.9 B**  
ODA Flows

**602**

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### STATE OF FRAGILITY

Six years after a 7.0 magnitude earthquake struck Haiti, the island nation continues to face a multitude of severe development and humanitarian challenges. Recovery efforts have already suffered many setbacks due to poor donor coordination, political turmoil and natural disasters. Amid growing concerns over the latest political impasses, major donors, including the U.S., have refused to provide any electoral assistance for the re-run of the presidential election in October 2016. Haiti is a “high alert” country according to The Fund for Peace Fragile States Index.



### TOP DONORS & TRENDS



U.S. • World Bank • Canada • EU

Continued international donor engagement will be critical to advancing Haiti toward a more stable and prosperous future. Following several high-profile reports of botched aid delivery, the donor community has signaled its intention to increase support of local organizations. The World Bank consistently awards most of its contract funding to Haitian partners. Other major donor agencies, such as USAID and EuropeAid, report progress in development localization, although international implementing partners are also playing a key role. In 2014, donors channeled nearly a fifth of total funding (\$132.9 million) to sexually transmitted disease and HIV/AIDS control.



### PRIORITY SECTORS

- Energy
- Economic Infrastructure
- Social Infrastructure
- Government & Civil Society
- WASH

## Myanmar



**\$2.7 B**  
ODA Flows

**389**

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### STATE OF FRAGILITY

Since 2011 when Myanmar embarked on its historic democratic transition, the country has experienced incremental social, political and economic progress. Aung San Suu Kyi's National League for Democracy dominated elections in late 2015 which will likely accelerate the democratization process and open up opportunities for development.



### TOP DONORS & TRENDS



ADB • World Bank • United Kingdom • U.S.

Encouraged by Myanmar's transition to democracy, foreign aid donors across the board have been increasing both the scale and scope of their assistance to the Southeast Asian country. The E.U., U.K, U.S. and Australia are expected to expand their bilateral aid programs. A U.S. Economic Support Fund is expected to grow by \$21 million to \$82.7 million in 2017. Japan is Myanmar's biggest donor spending upwards of \$1 billion per year, mostly on infrastructure.



### PRIORITY SECTORS

- Infrastructure & Energy
- Health
- WASH
- Education
- Agriculture

## Nepal



**\$1.39 B**  
ODA Flows

**444**

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### STATE OF FRAGILITY

Nepal is striving to maintain its relatively peaceful condition since signing the Comprehensive Peace Agreement in 2006. The Government has doubled down on peace-building and human rights as a key part of its national development plan. Nepal is extremely prone to natural calamities such as floods, landslides and earthquakes which set it back year after year.



### TOP DONORS & TRENDS



ADB • World Bank • U.S. • Switzerland

Despite already receiving a large aid package from international donors, the 7.8 earthquake that struck Nepal in 2015 brought in a wave of bilateral and private sector giving which largely comprised humanitarian and post disaster response. The World Bank and ADB are two of Nepal's biggest multilateral donors, both channeling a bulk of their loans towards supporting projects in infrastructure and inclusive growth. The U.S. has signaled its intention to increase aid to Nepal in the medium-term.



### PRIORITY SECTORS

- Infrastructure
- WASH
- Governance
- Agriculture
- Social Services

## Nigeria



**\$3.45 B**  
ODA Flows

**372**

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### STATE OF FRAGILITY

With a population of 182 million, Nigeria is both sub-Saharan Africa's most populous country and its largest economy. Despite abundant natural resources, two-thirds of the population lives in poverty and the average life expectancy is one of the lowest in the world at 52 years. Religious, political, and ethnic differences continue to sow tensions and have hampered the country's development. Designated a "high alert" country on The Fund for Peace Fragile States Index, Nigeria is also battling a major terrorist threat in the Boko Haram group.

### TOP DONORS & TRENDS

Germany

World Bank • U.S. • Gates Foundation • France

Foreign aid is a major supplement to government expenditure as it fills a critical gap in development financing and bolsters funding for public services, especially health and energy. Most of the major international institutions and national donors support renewable energy as a cornerstone of sustainable development. Since 2003, aid flows to Nigeria has increased more than tenfold from US\$388 million in 2003 to US\$3.45 billion in 2015. Nigeria is consistently among the top recipients of development assistance in health, with the U.S., Germany and even the Gates Foundation providing significant support. Nigeria could receive about \$350 million in 2017 PEPFAR funding.

### PRIORITY SECTORS

- Energy
- Economic Infrastructure
- Social Infrastructure
- Government & Civil Society
- WASH

## Pakistan



**\$4.08 B**  
ODA Flows

**518**

Tenders & Grants  
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### STATE OF FRAGILITY

Pakistan remains a "high alert" state according to The Fund for Peace Fragile States Index. While the country has experienced relative peace and fewer terror incidents over the past two years, ongoing political tensions pose a threat to Pakistan's fragile condition as well as its relationship with the U.S. and Afghanistan. Pakistan continues to face periodic instances of sectarian violence and bombings caused by political and militant factions.

### TOP DONORS & TRENDS

United Kingdom

World Bank • U.S. • ADB • EU Institutions

The World Bank and the U.S. are Pakistan's largest donors, while commitments from the ADB and U.K. are expected to increase in the medium-term. Pakistan's largest bilateral donors, particularly the U.S. and E.U., are currently channeling their support towards efforts to improve peace and security, strengthen government institutions, and bolster economic development.

### PRIORITY SECTORS

- Peace & Security
- Economic Development
- Infrastructure
- Social Services
- Rural Development

## Rwanda



**\$0.9 B**  
ODA Flows

**225**

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### STATE OF FRAGILITY

As one of the few African countries to have met most of the MDGs, Rwanda has made major development progress since the infamous 1994 genocide. The government, led by President Paul Kagame, has been recognized for effectively aligning domestic and foreign resources to nationally-defined goals. While there are accusations of government authoritarianism and apprehension over future power transitions, the small nation has also made significant progress in fostering national reconciliation and establishing the foundations for durable peace and security.

### TOP DONORS & TRENDS

Belgium

World Bank • U.S. • AfDB • Netherlands

Encouraged by Rwanda's rapid economic transformation, donors are expected to maintain high levels of development assistance in an effort to help the country maintain and expand its poverty reduction gains. As the country continues to progress, the Rwandan government will be increasingly expected to mobilize greater domestic revenues. Donor funding and interventions in Rwanda are focused on rural development and energy — two sectors that have proven to be instrumental in lifting millions of Rwandans out of poverty. Through Feed the Future, USAID will provide nearly \$25 million to support food security, reduce hunger and, increase economic growth through market-led agricultural development.

### PRIORITY SECTORS

- Democracy & Governance
- Agriculture
- Energy
- Health
- Public & Social Services



A health worker in Uganda. Uganda faces widespread health worker shortages. Photo by: [IICD](#) / [CC BY](#)

## Sri Lanka



**\$4.08 B**  
ODA Flows

**254**

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### STATE OF FRAGILITY

The most improved country in the Fund for Peace Fragile States Index 2016, Sri Lanka has experienced significant economic development and political stability since the end of its decades-long civil war that resulted in the deaths of tens of thousands. While Sri Lanka made major progress in achieving the MDGs, social tension among ethnic groups and disparities across regions persist, emphasizing the need for sub-national development.

### TOP DONORS & TRENDS



Japan • ADB • EU Institutions • France

The World Bank and ADB, Sri Lanka's largest multilateral funders, have committed support to the country's steady growth trajectory. To augment existing support to Sri Lanka, the World Bank increased its financing in 2012 through the IBRD and is committed to assisting the country towards more sustainable and inclusive growth. The country's top donors are currently investing to modernize Sri Lanka's rural and urban infrastructure, including water and transport systems.

### PRIORITY SECTORS

- Agricultural & Rural Development
- Infrastructure
- Private Sector Development
- Governance
- Social Services

## Uganda



**\$1.89 B**  
ODA Flows

**471**

Tenders & Grants  
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### STATE OF FRAGILITY

After a long and bloody history marked by mass killings and civil unrest, Uganda has experienced relative stability and strong economic growth since 1986 when president Yoweri Museveni assumed power. The country has even met the MDG target on halving poverty by 2015. Recent corruption allegations, human rights concerns, high population growth, recurrence of HIV/AIDS, and the persistence of rebel army factions and war in some areas pose challenges to the government's efforts at reform.

### TOP DONORS & TRENDS



United States  
World Bank • Germany • United Kingdom • Denmark

While ODA levels have stayed relatively stable in recent years, the amount of aid given as budget support has decreased. Some major donors cut their aid budgets over allegations of aid embezzlement and the recent revival of an anti-homosexuality bill. The World Bank and the U.S. have kept their standing as the largest donors to Uganda, allocating a total of \$1.17 billion in 2015. While President Obama condemned the anti-LGBT bill, Uganda remains a focus country for the administration's global development programs including the President's Malaria Initiative, PEPFAR, and Feed the Future. Programs addressing the HIV/AIDS epidemic continue to receive the most amount of aid, with the U.S. allocating \$350.18 million in 2015, or 69 percent of its total budget to Uganda.

### PRIORITY SECTORS

- Health
- Energy
- WASH
- Agriculture
- Governance

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