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HUMANITARIAN INNOVATIVE FINANCE

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\$14M DEVELOPMENT IMPACT BOND FOR REFUGEES LAUNCHES IN THE MIDDLE EAST

Public and private institutions join forces
to catalyse a paradigm shift in livelihood responses to refugee crises.

The IKEA Foundation, Novo Nordisk Foundation, Norad, the U.S. Development Finance Corporation (DFC), Ferd, and KOIS today announced the first tranche of a new *Development Impact Bond (DIB)* for refugees in Jordan and Lebanon. This will fund a micro-enterprise creation programme, delivered by the Near East Foundation UK (NEF), to help refugees and vulnerable host communities recover their livelihoods and build their resilience.

Worldwide, conflict and climate crises are forcing more people than ever from their homes, with displacement and its impacts lasting years beyond the crisis. The Syrian conflict has driven 6.6 million people to flee Syria with 80% settling in neighbouring countries. Lebanon has the largest refugee population per capita in the world and Jordan the fifth largest. This puts a strain on local economies and infrastructure. It also leaves refugees and their host communities struggling to access safe and dignified work, basic services, and affordable housing.

Refugees and conflict-affected communities need to be able to develop skills, earn an income, and become self-reliant once again. As well as improving their well-being, this can transform a host country's demographic expansion into an economic opportunity. It can also support refugees' economic inclusion in their home country, or a third country, in case of return or resettlement.

To be effective, job creation programmes in humanitarian settings must be tailored to diverse community needs and adaptable to local contexts. This means accepting a level of risk often too high for traditional development funders, especially when addressing the needs of the most fragile. The DIB offers a solution through multi-year, outcome-driven funding that shares performance risk between investors and donors.

DFC, through its *Portfolio for Impact and Innovation (PI2) Initiative*, and Ferd will provide a four-year results-based risk investment to fund a vocational, entrepreneurship and resilience-building programme. This will support 4,380 refugee and host population trainees and provide 3,400 business start-up grants in Jordan. Communities with large refugee populations will be selected based on higher than national average rates of food insecurity, poverty, indebtedness, and unemployment. Women and youth, who are disproportionately impacted by crises, will take priority.

The programme aims to improve business survival and the ability of households to meet their basic needs. An independent evaluator will rigorously assess these outcomes. Maximum success will generate a 5.1% annualized return for investors. NEF is also incentivized through outcome payments tied to the level of success achieved.

In case of failure to achieve the desired results, the IKEA Foundation, Novo Nordisk Foundation and Norad will support 80% of programme costs. NEF and its local delivery partners will have the flexibility to adapt programming and innovate to maximise results.

Per Heggenes, CEO of the IKEA Foundation expressed his support saying, 'We are supporting the development impact bond as an outcome funder because we can see its huge potential to attract new social investors to support refugee livelihoods programmes. We believe this innovative finance model can secure long-term funding to help refugees find pathways towards self-reliance and boost the economies of their host countries. By paying for success, we can attract more funding to improve refugee livelihoods and encourage programmes that have the biggest impact.'

Algene Sajery, VP of External Affairs and Head of Global Gender Equity Initiatives at DFC said, 'Refugees, especially women and youth, face extraordinary challenges accessing economic opportunity, but investments in displaced populations and their host communities can yield transformative results in those societies. Through DFC's support for the Refugees DIB, NEF will mobilize private sector investment to help support economic inclusion and resilience for vulnerable refugee populations in Jordan and Lebanon.'

Fundraising for the second tranche of the DIB, focused on Lebanon, is underway with an expected launch in the near future.

By focusing on lasting outcomes, empowering NEF and sharing learnings, the partners expect the '*Refugee Impact Bond*' to deliver cost-effective and transformative impact. They hope it will become a template to help humanitarian actors and impacted communities better respond to the impacts of forced displacement and protracted crises.

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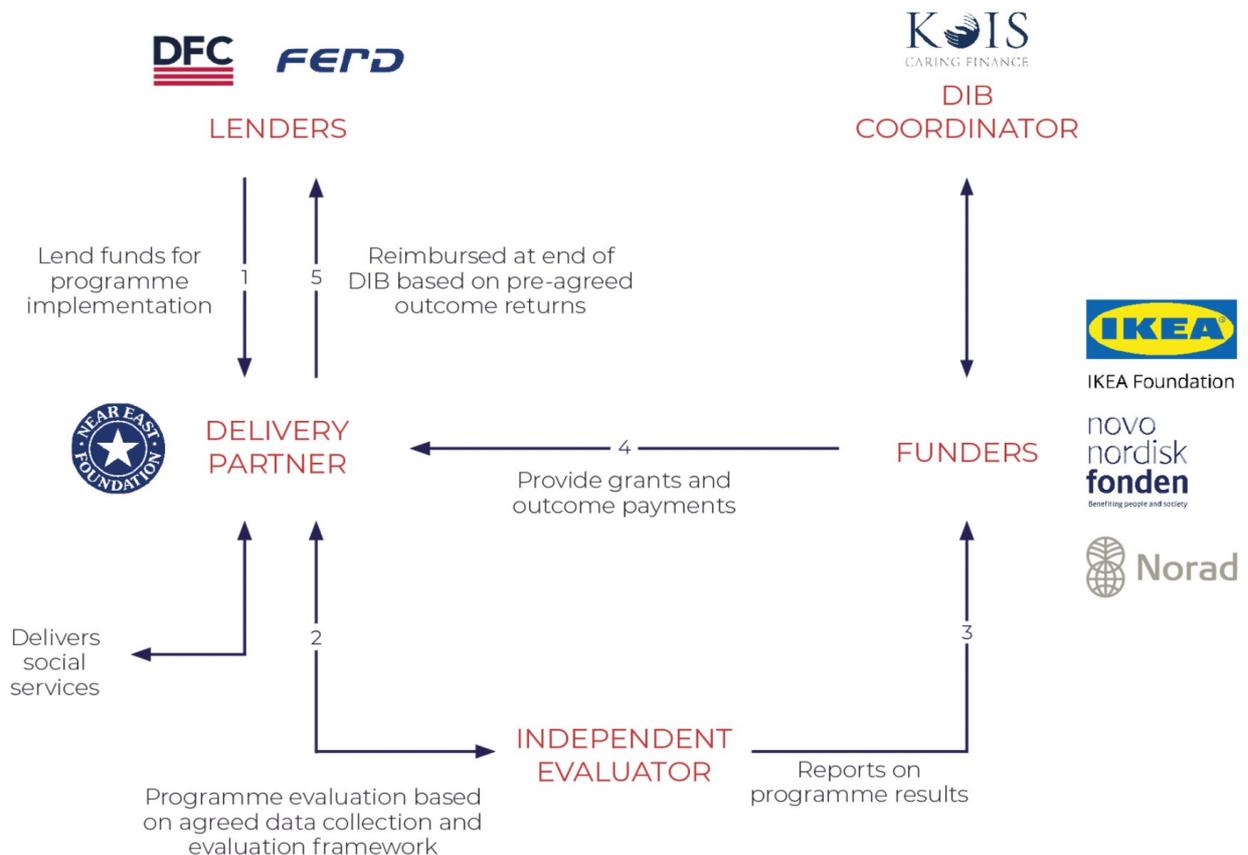
For further information email info@neareast.org with subject line: Media or General Inquiry.

www.RefugeeImpactBond.org

REFUGEE IMPACT BOND | OVERVIEW

Project launch:	1 October 2021
Duration:	4 years
Target population:	Vulnerable refugees and host communities (75% women and 30% youth)
Impact targets	
<i>Payment metrics</i>	Business (or job) survival rate, household spending on basic needs,
<i>Non-payment metrics</i>	Women's agency, bargaining power, self-confidence, and household savings
Jordan Investment size:	\$9.8m
Maximum capital loss:	20%
Maximum investor return:	5.1% annualized
Donor commitments:	\$13.5 m towards the funding of outcomes, evaluation costs, project management and currency risk
Funders:	IKEA Foundation, Novo Nordisk Foundation and Norad
Investors:	DFC and Ferd
Implementer:	Near East Foundation UK
Intermediary:	KOIS
Sponsors:	Convergence & IKEA Foundation (feasibility and design grants) and DLA Piper (pro-bono legal advice)

High-level funding mechanism:



NOVO NORDISK FOUNDATION

'The humanitarian and development sectors are heavily underfinanced globally. There is a great need for additional, more efficient and more dependable financing. By supporting this project, we want to contribute to attracting new types of investors and financial competencies to the sectors. This will challenge habitual thinking, enhance innovation and ultimately contribute to developing stronger projects. Specifically, we hope this project can contribute to significantly improve social and economic empowerment and inclusion of Syrian refugees in Jordan, thereby improving their quality of life and future prospects.'

Mette Ide Davidsen, Interim Head of Department, Social & Humanitarian

NORAD

'The Refugee Livelihoods Development Impact Bond is a great example of how a new innovative approach involves private sector in financing development activities. This mechanism will mobilize resources to an underfunded context, and will create livelihood opportunities and jobs in communities often overlooked. These activities, specifically focusing on women and youth, are critical in order to bring stability, equality and prosperity to an already fragile region. The Norwegian Agency for Development Cooperation is excited to be participating as a donor in the world's first impact bond focusing on refugees.'

Bard Vegar Solhjell, Director General

FERD

'Ferd is elated to take part in this venture. We have a vision to create enduring values and leave clear footprints. One of the ways we try to do this is to take initiatives or support pioneering methods that aim for increased inclusion. We focus on those initiatives which give people new possibilities to realize their potential, especially if they can change the system. We like to work with partners who share our values and we are happy to encourage governments to search for more effect from their funding. This DIB encompasses all this and is hopefully the start of a series of similar initiatives.'

Johan H. Andresen, Owner and Chair of the Board

NEAR EAST FOUNDATION UK

'Through its outcome-driven approach, multi-year funding, and independently evaluated outcomes, the DIB fills a critical gap in livelihoods programming – especially in crisis contexts.' He continued, 'We're very excited to build onto our long commitment in Jordan and Lebanon in collaboration with a unique group of like-minded partners. Together we will leverage new perspectives and resources to strengthen and scale programmes that mitigate the dangerous impacts of protracted displacement on refugees and their host communities, while ensuring a focus on long-term resilience and self-sufficiency.'

Charlie Benjamin, President & CEO

'The NEF UK board is thrilled to have this opportunity to participate in such an innovative funding structure to scale NEF's livelihoods programmes in Jordan and Lebanon. We look forward to continuing work with our funding and local partners, cementing our collective aim to offer sustainable, impactful solutions to support those most affected by the refugee crisis.'

Anthony R. Williams, Chair of NEF UK Board

KOIS

'We are extremely happy and proud to have reached this significant milestone on KOIS's journey to support effective livelihood responses in humanitarian contexts through blended finance. We hope the leverage of the existing DIB framework and of uncalled investor commitments will enable the launch of a second tranche in the near future to fund NEF's programme in Lebanon. Beyond that, our dream is to grow the Refugee Impact Bond from the ground up by drawing on our research, evaluation and design work to enable faster deployment of funds to other refugee livelihood programmes in other contexts in need.'

Béatrice Delperdange, Project Lead & Serena Guarnaschelli, Head of Advisory

DFC, Social Investor

U.S. International Development Finance Corporation (DFC) is America's development bank. DFC partners with the private sector to finance solutions to the most critical challenges facing the developing world today. DFC invests across sectors including energy, healthcare, critical infrastructure, and technology. DFC also provides financing for small businesses and women entrepreneurs in order to create jobs in emerging markets. DFC investments adhere to high standards and respect the environment, human rights, and worker rights.

Through the DIB, DFC will reach refugee populations that are significantly underserved by traditional lenders, and the partnership will advance DFC's work to support inclusive growth by investing in marginalized communities.

Ferd, Social Investor

Ferd is a family-owned investment company owned by the fifth and sixth generations of the Andresen family. Our wide-ranging activities encompass active ownership and corporate development at private and listed companies, investment in financial assets, real estate development, investment via external managers, impact investing and social entrepreneurship.

IKEA Foundation, Outcome Funder

The IKEA Foundation is an independent philanthropy focused on creating brighter lives on a liveable planet through its grant giving efforts. We are funded by INGKA Foundation, owner of Ingka Group.

As part of our commitment to helping families afford a better everyday life, we want to empower refugees to find pathways towards economic self-reliance. We work with partners who help refugees and their host communities in East Africa and the Middle East to achieve sustainable livelihoods. Our partners work in both urban and rural settings, in the context of a changing climate, COVID-19 and other challenges. Our mission is to generate and share evidence of what works so governments, humanitarian organizations and businesses can scale up the most effective programmes.

We are supporting the DIB because we believe it is an innovative way to attract more funding to programmes that enable refugees to become self-reliant and integrate into their host communities.

KOIS, DIB Coordinator

KOIS is an international impact investment and innovative finance advisory firm recognized for its expertise in the field of social and development impact bonds. We offer advisory services to design, structure, and place a diverse range of innovative financing instruments, as well as to help organizations shape strategies to enhance their societal impact. We also support the deployment of return-seeking capital in social enterprises and impact investment funds with the objective of having a meaningful and positive effect on society and the environment.

The Refugee Impact Bond arose out of our team's will to contribute to the resolution of the Syrian refugee crisis. It was brought to fruition thanks to the steady support of Convergence and IKEA Foundation towards that purpose.

Near East Foundation UK, Implementer

The Near East Foundation (NEF) has supported livelihoods recovery and social and economic development programmes in the Middle East, Africa, and Caucasus since 1915. Drawing on local teams, experience, and partnerships in these regions, NEF creates community-led solutions to meaningfully improve the lives of people affected by conflict and crises, with an eye towards building resilience. We maintain neutrality and ensure inclusivity in our approach, prioritizing the empowerment of vulnerable and marginalized groups.

The program will be implemented by NEF UK, an entity of the Near East Foundation. Through the DIB, NEF UK will expand and strengthen its tested livelihoods programs and local partnerships in Jordan and Lebanon. With outcome-driven, multi-year funding from a collective of impact-driven funding partners, we will deliver meaningful impact, at scale, for thousands of refugees and their host communities while developing robust learning for effective livelihoods recovery and resilience programs amid protracted crises.

Norad, Donor

Norad is the Norwegian Agency for Development Cooperation. We do the quality-assurance of Norwegian Development Cooperation. The Agency is a directorate under the Norwegian Ministry of Foreign Affairs. In matters regarding Norway's International Climate and Forest Initiative (NICFI), Norad reports to the Norwegian Ministry of Climate and Environment. Norad's functions are laid down in the agency's terms of references and annual letters of allocation issued by the Ministry of Foreign Affairs and the Ministry of Climate and Environment.

Our main purpose is to ensure that Norwegian development aid funds are spent in the best possible way, and to report on what works and what does not work.

Novo Nordisk Foundation, Outcome Funder

The Novo Nordisk Foundation is an independent Danish foundation with corporate interests. It has two objectives:

1. to provide a stable basis for the commercial and research activities of the companies in the Novo Group;
2. and to support scientific, humanitarian and social causes.

The vision of the Foundation is to contribute significantly to research and development that improves the lives of people and the sustainability of society. Since 2010, the Foundation has donated more than DKK 30 billion (€4 billion), primarily for research at public institutions and hospitals in Denmark and the other Nordic countries.