Overview

The Near East Foundation is one of the service providers in a multi-country, multimillion dollar Development Impact Bond (DIB), designed to improve the livelihoods of Syrian refugees and vulnerable host populations in the Middle East. KOIS, an impact investing firm, is leading the development and structuring of the DIB, and together we are actively seeking outcome funders and investors.

The Need

Over the past seven years, five million people have fled Syria, desperate to escape violence. Three neighboring countries—Jordan, Lebanon, and Turkey—host more than 80 percent of all Syrian refugees’ worldwide. While the prospect of mass returns is unlikely in the near to medium term, the strain of an expanding refugee population in neighboring urban communities is impacting all aspects of societal, economic, and political norms.

The majority (90 percent) of Syrian refugees live in urban and often impoverished communities where competition for jobs and housing has driven wages down and the cost of living up. As a result of these circumstances, refugees and their host communities often find themselves forced to adopt increasingly risky coping strategies (e.g., debt, withdrawal of children from school, child labor, early marriage, reduced food consumption, engagement in exploitative work). These coping strategies amplify their vulnerability and render it even more difficult to rise above their current situation.

Without livelihood opportunities for refugee and host populations, the crisis will continue to create civil tensions and put downward pressure on host countries already-fragile economies, furthering conditions for potential unrest, local conflicts, and continued reliance on humanitarian assistance.

Development Impact Bonds

A Development Impact Bond (DIB) is a variation of an Impact Bond that provides new sources of financing to achieve improved social outcomes in developing country contexts. DIBs focused on livelihoods and job integration offer a solution to shift from emergency relief to long-term, large-scale resilience programs.
A DIB does this by channeling multi-year funding from traditional and non-traditional funders committed to alleviating the refugee crisis to highly effective implementing partners to deliver pre-agreed livelihoods outcomes—while only paying out if and when those outcomes are achieved (i.e. a pay for success funding model).

KOIS, in partnership with the Near East Foundation (NEF), are in the final stages of structuring a DIB that will support market-driven, evidence-based labor market interventions that provide refugees and vulnerable local communities with the hard and soft skills, market linkage, and entrepreneurship support they need to access self-reliant livelihoods.

NEF will achieve this by:

1. supporting small business creation, MSME expansion, and formal employment;
2. soft and life skills training, expanded social/economic networks, and support activities to address specific barriers to economic participation; and,
3. building capacities of local structures/civil society to deliver social and economic inclusion programming through training, support and participation in multi-actor public-private dialogue.

The development and design of NEF’s program for the DIB is underpinned by two concepts:

1. The best way to build resilience and empower individuals and communities—particularly vulnerable refugees and host communities—is by facilitating access to expanded social and economic resources, competencies, networks, skills, and tools in a sustainable way. This enables them to take control of their economic situation and feel empowered to improve it.

Development & Design

The DIB builds on evidence and primary data generated through NEF’s ongoing work in Jordan and Lebanon where it has employed a comparable model since 2013. NEF’s primary objective in the DIB is to improve Syrian refugees’ and host communities’ access to quality livelihoods opportunities in Jordan and Lebanon.
2. The critical role civil society organizations play in making a sustainable impact. Through partnerships with local community organizations to establish livelihoods hubs in targeted areas, the DIB supports the advanced role of civil society by creating an enabling environment for refugees and vulnerable host community members to develop their competencies and confidence for economic participation and self-sufficiency.

Through the DIB, NEF will target urban and peri-urban regions that are among the most vulnerable cadasters, located in regions in Jordan and Lebanon that experience higher than national average rates of food insecurity, poverty, indebtedness, seasonal employment, unemployment, and prevalence of single-headed households in addition to hosting a large number of the most vulnerable refugees. NEF’s program prioritizes women, female-headed households, and young females and males who are most impacted by identity-related protection risks.

Stakeholders and Financial Model

Social investors pre-finance DIB activities to be implemented by NEF. Outcome funders pay social investors contingent on NEF’s capacity to achieve improvements in two outcome metrics: (1) the percentage of businesses that are active 10 months after receiving a cash grant; and, (2) the level of increase in household basic consumption two years after receiving a cash grant.

Outcome payments to investors start to kick in after NEF is able to achieve a minimum threshold for business creation and grow progressively as better results are achieved (up to a maximum internal rate of return (IRR)). Similarly, if NEF’s program delivers a minimum improvement in household consumption, investors will receive a bonus payment (also capped). Should the minimum targets not be reached, a capital guarantee may be triggered, up to 50 percent of the principal.

Success will be evaluated using post-treatment surveys, supplemented by in-person audits of a representative sample and consumption and individual income metrics will be evaluated using quasi-experimental methods. Evaluation will be conducted by an independent third-party evaluator.

Why We Need Your Help

In 2016, international actors came together and responded with concrete commitments that recognized the centrality of supporting livelihoods of both refugees and host populations. However, such commitments have not translated into sufficient changes on the ground. There is a critical need for refugee livelihoods programs that address this gap and contribute to the creation of a robust impact metrics framework, all of which the DIB will support. At this time, NEF and KOIS are actively seeking outcome funders and investors to support operationalizing the DiB.

*Final terms to be agreed upon by outcome funders and investors
Near East Foundation

Since 1915, the Near East Foundation has pioneered innovative solutions to social and economic development challenges impacting communities throughout the Middle East and Africa, helping improve the lives of people affected by conflict and providing them with the tools to play an active role in the development of their communities. In Jordan and Lebanon, strong ties with government and local partners have allowed NEF to effectively support populations that often go unreached by other organizations. NEF’s commitment to these relationships and its all-local staff have contributed greatly to our long-standing presence in the region (www.neareast.org).

KOIS

KOIS is an international impact investment firm that works on structuring innovative financing instruments to address societal problems. KOIS has structured the second social impact bond in continental Europe (to improve the employment rate of migrant youth through mentoring in Belgium), and worked with the ICRC on structuring the first and largest humanitarian impact bond for building and managing physical rehabilitation centres in conflict and post-conflict zones (www.koisinvest.com).

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