Refugee Impact Bond
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Executive Summary

Since 2011, over 13 million people have been displaced by the Syrian civil war, with little signs of abatement. Many of these refugees have been displaced to neighbouring countries, causing significant pressure on the host governments’ economic and social infrastructure. Consequently, the international community is increasingly supportive of resilience strategies to promote sustainable living for refugees in neighbouring countries.

To shift to longer-term and sustainable outcomes for refugees, KOIS initiated a feasibility study to investigate the creation of a Refugee Impact Bond. Following positive findings from feasibility work in 2017, KOIS developed the DIB in partnership with the Near East Foundation UK (NEF UK).

The development impact bond (DIB) finances a 4-year microenterprise training and grants program focused on businesses for refugees and host communities in Jordan and Lebanon. The program is implemented by NEF. The DIB investors, US Development Finance Corporation (US DFC) and Ferd, have committed $12 million in upfront financing to NEF. The IKEA Foundation, Novo Nordisk Foundation, and Norwegian Agency for Development Cooperation (Norad) will provide $13.5 million in outcome payments for Jordan based on the DIB meeting specified business sustainability and household consumption targets over its 4-year term. The Refugee Impact Bond launched in Jordan with $13.5 million of outcome funding in October 2021, and is currently fundraising for a Lebanon tranche close of approximately $10 million.

This case study presents several insights for other practitioners considering structuring DIBs, including:

• Achieving scale while reducing complexity must be managed when structuring DIBs
• Identifying a fitting and flexible service provider is crucial to the success of DIBs
• DIBs are resource intensive; standardizing processes should be prioritized as best possible
• Service providers in DIBs should be provided a degree of freedom to adapt and implement programming as needed to deliver outcomes.

SYNOPSIS

<table>
<thead>
<tr>
<th>OUTCOME FUNDING</th>
<th>First Close: $13.5 million</th>
<th>Target Final Close: $20 million</th>
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<tr>
<td>FUNDER COMMITMENTS (JORDAN)</td>
<td>• IKEA Foundation ($7.6 million)</td>
<td>• Norad (NOK 25 million)</td>
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<td>INVESTOR COMMITMENTS</td>
<td>US DFC: $10 million (Jordan &amp; Lebanon)</td>
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<td>Jordan: $9.8 million investment</td>
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<td>INVESTMENT TERMS</td>
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<td>• 80% principal guarantee</td>
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<td>BENEFICIARIES</td>
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<td>4 Years (Jordan Tranche)</td>
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<td>OUTCOME METRICS</td>
<td>• Business (or job) survival rate</td>
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<td>EXPECTED IMPACT (JORDAN)</td>
<td>• 5037 people supported</td>
<td>• +17% increase in household consumption</td>
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Introduction

Given the protracted nature of refugee crises, there is a need for innovative financing to support longer-term resilience programs. To identify such mechanisms, KOIS, a specialist impact finance advisory and asset management firm, explored the possibility of launching a development impact bond (DIB) to support livelihood and employment programs for refugees in the Middle East.

DIBs provide upfront funding for development programs by private investors, who are remunerated by donors and earn a return if these programs achieve pre-agreed social outcomes. KOIS took a unique approach to originating and structuring a DIB. While traditionally, DIBs are commissioned by outcome funders from the outset, KOIS was motivated to explore the applicability of innovative financing towards the refugee crisis and initiated the work with the intent of securing investors and outcome funders further down the line while structuring work was underway.

In 2016, Convergence awarded KOIS a design grant to perform a feasibility study on a multi-country DIB to improve the welfare of Syrian refugees and vulnerable populations in neighbouring host countries through vocational training and job creation. During the seven-month feasibility study (detailed in a 2017 Convergence case study), KOIS confirmed positive findings on the “investability” of host countries, service providers and interventions, and initial interest from investors and outcome funders. Specifically, KOIS identified a shortlist of potential host countries (Jordan, Turkey, and Lebanon), service providers and interventions. A key innovation of the Refugee Impact Bond was the scale offered by the involvement of multiple service providers across different countries. KOIS initially envisioned the DIB to be delivered by two to three service providers across two to three countries; however, after a long process of due diligence and a high level of support from prospective lenders and investors, they ultimately decided to use one service provider, NEF, to deliver all programming across Jordan and Lebanon.

In June 2017, Convergence and the IKEA Foundation provided KOIS with further grants to design, structure, and fundraise for the DIB, as outlined below. The DIB reached its first financial close in October 2021, raising $12 million from US Development Finance Corporation (US DFC) and Ferd to finance the upfront costs of the program. Investors will be reimbursed and earn a return based on the achievement of agreed development outcomes by IKEA Foundation, Novo Nordisk Foundation, and the Norwegian Agency for Development Cooperation (Norad).
Design & Structuring

Following the positive feasibility study, KOIS sought to:

1. finalize the selection of service providers,
2. complete the structuring of the impact bond, including finalizing the financial terms and legal and operational structure, while fundraising with outcome funders and investors, and
3. complete the legal agreements and launch the DIB.

The DIB was initially scheduled to launch in mid-2018, but faced delays due to fundraising holdups and other complications posed by the COVID-19 pandemic. It achieved its first transaction in October 2021.

| Feasibility          | · Landscape analysis  
|                     | · Selection of countries, delivery partners & country short-list |
| Foundational structuring | · Service provider due diligence & selection  
|                     | · Legal assessment  
|                     | · Programme strengthening  
|                     | · Evaluation framework  
|                     | · Financial model & terms |
| Fundraising & final structuring | · Fundraising  
|                     | · Evaluator selection  
|                     | · Negotiations of terms  
|                     | · Model adjustments  
|                     | · Agreement drafting |
| Contracts & launch | · Final term sheets  
|                     | · Agreement drafting  
|                     | · Signatures  
|                     | · Programme launch |

Table 1: DIB structuring and workstream summary

**SELECTION OF SERVICE PROVIDERS**

The initial intention was to create a structure that supported multiple service providers across multiple countries. KOIS’s ambition to finance multiple interventions differed from the approach of most DIBs, which typically focus on one intervention in one region. KOIS’s rationale to structure a multi-country, multi-program DIB was informed by the following benefits:

1. an ability to appeal to more investors and outcome funders by expanding the DIB’s impact potential and alignment with funder mandates,
2. reducing risks associated with just one intervention by diversifying the DIB across multiple programs, and
3. amortizing structuring costs over a larger programmatic amount.

KOIS’s early-2017 feasibility study involved a lengthy due diligence process for service providers. KOIS ultimately shortlisted two service providers at the start of the structuring phase from an initial group of 40 organizations operating across Jordan and Lebanon (for more details on the selection process of service providers, see case study here). While Turkey was an initial country of focus, heightened political uncertainty coupled with a robust pipeline of service providers elsewhere made the addition of a third country untenable.

Identifying service providers for the DIB was challenging, given the limited experience and track record of most providers. KOIS originally considered a wide scope of employment interventions with scale potential in the region, seeking interventions based on the core expertise of the service provider.
Ultimately, KOIS selected NEF as its sole service provider to support business creations in Jordan and Lebanon. NEF was an attractive provider for a number of reasons; the organization possessed a long track record of delivering economic empowerment to refugees through its skills training programs and had existing operations in both Jordan and Lebanon. Moreover, NEF's participation in the DIB was a key incentive for both investors and outcome funders during fundraising and due diligence, who appreciated the organization's strong leadership role in the space.

This opportunity was timely for NEF, who were looking to expand their activities beyond traditional grant funding and identified blended finance as an opportunity to scale their work in target countries as well as tap into new funders. During the structuring phase, the organization worked with a consultant to identify ways to improve its programming. NEF subsequently went through multiple rounds of due diligence, both with KOIS and with various potential investors and outcome funders who each had their own respective due diligence processes, significantly extending NEF’s processes.

Social Impact, a Monitoring and Evaluation (M&E) specialist, was later contracted to assist in determining appropriate payment triggers and intervention outcomes for the DIB. During this time, several regulatory and environmental changes occurred, requiring programmatic and budget updates. For example, the Jordanian government introduced an updated Jordan Response Plan for the Syria Crisis, with new targets for refugee programming across specific sub-sectors. The Plan, first initiated in 2014, constitutes a strategic partnership with international partners for resilience-strengthening and development response to the Syria crisis in Jordan. As a result, the DIB's programming was updated to reflect these objectives.

**FUNDRAISING**

KOIS ran fundraising efforts in parallel with structuring work, in partnership with NEF. It was hypothesized that this would enable more flexibility to shape the financial and contractual terms with both prospective investors and outcome funders. KOIS initially targeted donor governments for outcome funding, particularly bilateral European donors, who expressed interest in supporting Syrian refugees. However, translating donor interest into hard financial commitments was challenging, partly due to donors’ inexperience funding DIBs and the fact that some donor governments experienced budget reforms during this time, namely a reduction in overseas development assistance (ODA) funding. As a result of these hurdles, KOIS pivoted to engage with philanthropic foundations based in Europe, the UK, the US, and locally in the Middle East.

A major milestone came when KOIS found an aligned outcome funder in the IKEA Foundation. IKEA Foundation was looking for innovative financing opportunities that fit well with their philanthropic mission and saw an opportunity to provide added value, recognizing the greater flexibility they could offer when funding DIBs vis-à-vis traditional donor governments.

IKEA Foundation’s conditional commitment was instrumental in furthering the DIB team’s fundraising efforts with investors and other outcome funders. In addition to its name recognition and strong track record, IKEA Foundation actively supported fundraising efforts, including holding a roundtable event at the World Economic Forum in Davos. The event proved to be an important opportunity for advocacy and fundraising; the meeting triggered the interest of Ferd, one of the investors of the DIB. The support offered by IKEA Foundation was particularly useful given the ecosystem for fundraising for DIBs is not well developed, without much connectivity in place to convene the wide range of stakeholders needed to launch DIBs, including investors, outcome funders, and service providers. Norad and the Novo Nordisk Foundation, a Danish foundation, later joined IKEA Foundation as the other funders.

KOIS and NEF also needed to identify lenders who could provide upfront funding to the DIB. Here, the DIB team found an aligned lender in Ferd, a Norwegian family-owned investment firm with an interest in social entrepreneurship. The firm was highly motivated to support refugee economic inclusion and was appreciative of the DIB’s potential to improve program efficacy. Later US DFC also joined as a lender through the Pi² (Portfolio for Impact and Innovation) program, which focuses on high-impact, innovative transactions. US DFC had previously participated in the Cameroon Cataract Bond and recognized the development potential of DIBs to support high-impact interventions, particularly the potential they offered to reach new beneficiaries outside the general scope of their investment activity. Moreover, while US DFC had previously worked with refugees, including through supporting the Kiva Refugee Fund, the development finance institution (DFI) was looking to increase its work in the refugee space and appreciated the potential for scale that a multi-country DIB could offer. Novo Nordisk Foundation and Norad committed to join as funders in the spring and autumn of 2020 respectively, paving the way for drafting the legal agreements and final negotiations among all parties. Each investor and funder organization conducted due diligence on NEF to vet the intervention and governance according to their own respective organization guidelines.
**SELECTION OF PAYMENT METRICS**

The payment metrics of the DIB were selected based on data that was already being gathered by NEF and devised in partnership with KOIS. Based off these metrics, Social Impact devised specific methodology for measurement and optimization of the metrics. Social Impact conducted on-site visits in 2018 to establish benchmarks of existing data that could inform the DIB’s measurement framework and evaluation methodology. Multiple outcome metrics were considered, including household income, business survival, and aggregate consumption.

**Ultimately two metrics were selected:**

1. Business (or job) survival rate
2. Household spending on basic needs

Household consumption, which measures the ability of a household to meet basic needs, was initially prioritized as the primary metric for the DIB. This metric was backed by strong empirical evidence and is particularly useful in a context where formal employment is less common. It was also seen as having less bias compared to other measures, such as household income, which are more sensitive to independent household decisions. However, some concerns were raised that NEF’s historical data linked to this metric were not comparable; also, changes in aggregate consumption may not be captured fully within the short timeline of the DIB. As a result, the primary metric was determined to be “business survival”, which measures active income-generating activities. Moreover, based on funder input, a more holistic social and environmental framework was embedded into beneficiary businesses.

**More details on the metrics are provided below:**

**First Metric: Business Survival**

The primary metric, the “business metric”, measures active income-generating activities (IGA), whereby active refers to an IGA that has conducted at least one relevant business transaction in connection with the grant received from NEF in a short reference period before the data audit. The minimum threshold for full principal repayment for investors is 55% active IGAs. The weighted average of IGAs will be used to determine the amount of interest. IGA will be calculated around ten months after the final disbursement of each cohort.

**Second Metric: Consumption**

The secondary metric, the “consumption metric”, measures the ability of households to meet basic needs. Impact here will be assessed by measuring the aggregated value of the household’s consumed food items, housing, and consumer durables. The consumption metric will be measured once, 24 months after final grant disbursements of the first cohort. Overall household consumption will be based on expenditures on four main components of consumption and debt repayments:

1. Food items
2. Non-food items
3. Durable goods
4. Housing
5. Debt repayments

In order to isolate the impact of the programme from external factors that may influence consumption levels, the metric will be calculated using an effect size of the first cohort’s results compared with the results of an in-programme comparison group. Achieving at least a 55% success rate on the business metric – the threshold for full principal repayment – is a precondition for payments being made towards the consumption metric.

**Success payments to the service provider:**

If the maximum result has been reached on the consumption metric, i.e. a 90% success rate, the IKEA Foundation and Novo Nordisk Foundation will make outcome payments to NEF for each % point increase in the business metric success rate between 90% and 100% - a potential total “bonus” payment commitment of 3% of programme budget if maximum results have been achieved on the consumption metric.

**INTERVENTION**

The livelihoods program that NEF is implementing focuses on supporting participants to create sustainable, mostly home-based businesses, in Jordan over 42 months. The Lebanon intervention will take place once fundraising for its tranche is complete. The program was designed by NEF and will build on similar programs run in the past, including in Jordan in 2013 and in Lebanon in 2016.

The Programme will be rolled out across three annual cohorts. The first trainings commenced in April 2022. The implementation budget is $9.55 million.
The interventions are delivered through Siraj livelihood centres hosted by community-based organizations (CBOs). Siraj centres are physical hubs managed by CBOs, where vulnerable individuals can access training, financial resources, and advisory services to support their livelihoods or find referrals for other services. As a result of the COVID-19 pandemic, the programmatic approach was adjusted to expand its digital training offering while providing greater support to beneficiaries in business digitisation.

Each training will be preceded by a three-month inception phase, which will be focused on recruiting participants. Here, potential participants will be screened using a vulnerability assessment tool to identify those who need livelihoods support to meet their basic needs and are willing to commit to the program.

This framework includes metrics relating to:

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Metric</th>
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<tbody>
<tr>
<td>25%</td>
<td>Household finances</td>
</tr>
<tr>
<td>24%</td>
<td>Household composition</td>
</tr>
<tr>
<td>10%</td>
<td>Crisis impact</td>
</tr>
<tr>
<td>12%</td>
<td>Shelter</td>
</tr>
<tr>
<td>18%</td>
<td>Adolescent risk factors</td>
</tr>
<tr>
<td>6%</td>
<td>Safety nets</td>
</tr>
<tr>
<td>5%</td>
<td>Qualitative assessment of household vulnerability from the surveyor</td>
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</table>

Once all participants are selected, business skills and vocational trainings will occur on a rolling basis over a six-month period, with final cash disbursements scheduled nine months from the date of inception. After training and cash disbursements are complete, the programme will focus the remaining five months on the provision of supplementary services, including networking groups, coaching services, and participant monitoring. All participants can access CBO-embedded Siraj services after graduation.
Funding Commitments

**INVESTORS**

1. Lend funds for programme implementation
2. Reimbursed at end of DIB based on pre-agreed outcome returns

**SERVICE PROVIDER AND IMPLEMENTATION LEAD**

Delivers social services

**INDEPENDENT EVALUATOR**

Programme evaluation based on agreed data collection and evaluation framework

**DIB CONVENOR**

**FUNDERS**

Norad, the Novo Foundation, and IKEA Foundation will serve as the three funders for the DIB. In addition to reimbursing funds, IKEA Foundation and the Novo Nordisk Foundation will reward NEF for meeting outcome targets. Norad will pay towards the agreed 80% of program costs, i.e. principal, that is guaranteed to be paid back to investors regardless of performance, but they will not pay towards investor payments above that threshold.

**UPFRONT FUNDING**

Together, the DIB received $12 million in upfront loan commitments from US DFC and Ferd, of which $9.825 million will be allocated to the intervention in Jordan. Specifically, US DFC has committed $10 million, of which $7.825 million will be allocated to Jordan, with the balance being reserved for the intervention in Lebanon. Meanwhile, Ferd has committed $2 million, allocated solely to the programme in Jordan. Both lenders are ranked pari passu.

**OUTCOME PAYMENTS**

Norad, the Novo Foundation, and IKEA Foundation will serve as the three funders for the DIB. In addition to reimbursing funds, IKEA Foundation and the Novo Nordisk Foundation will reward NEF for meeting outcome targets. Norad will pay towards the agreed 80% of program costs, i.e. principal, that is guaranteed to be paid back to investors regardless of performance, but they will not pay towards investor payments above that threshold.

**RETURNS**

The DIB will generate the following maximum returns: an IRR of 6%, ROI of 22%, annualized RR of 5.1%, with an 80% principal guarantee. Up to 4% IRR is realizable based on NEF successfully meeting its maximum business target. The remaining 2% IRR is linked to increased household consumption and paid based on NEF demonstrating an average monthly consumption improvement for program beneficiaries of between 0.22 and 0.38 standard deviation vs a comparison group. In case of failure to achieve the minimum desired business survival threshold, IKEA Foundation, Novo Nordisk Foundation and Norad will support 80% of program costs.
KOIS initially considered setting up a Special Purpose Vehicle (SPV) as a conduit for funds. However, to effectively structure the DIB, and with NEF’s support, the legal framework was tailored to the needs of the relationships between the Parties. As a result, NEF agreed to undertake its role under the premises of a direct bond structure and entered into separate contracts with the lenders and the funders. NEF receives the needed upfront capital directly from the lenders while the scheduled funders’ payments are deposited into two escrow accounts (one per each lender) and will be released at the end of the project once the final evaluation is completed.

The final drafting of the legal agreements and DIB took a year to complete, requiring a large amount of capacity from all parties. Factors that impacted the process were:

1. a multiplicity of parties around the table, each with their own perspectives and regulatory and governance constraints,
2. the COVID crisis,
3. management and legal team changes within some of the parties.

Importantly, NEF was provisioned a high degree of flexibility to adapt program components and implementation as needed to maximize impact objectives. This allows NEF to revise and amend programming, if needed, based on the experience and learnings of its cohorts.

A steering committee comprised of representatives of the lenders and funders monitors the progress of the program and advises in relation to the program. The committee is also mandated to approve disbursement requests made by NEF and will eventually authorize the lenders’ payments at the end of the contract.
Impact Measurement & Reporting

IMPACT MEASUREMENT

Mathematica was contracted to act as the evaluator of the DIB. The organization will conduct an independent evaluation to measure metrics that determine payments to investors, as well as to generate broader learning about the program’s impacts to support future adaptation and scale-up. All DIB parties have agreed that the evaluation results will be made publicly available.

Mathematica follows the below program logic, which illustrates how the program’s activities lead to output and short-, medium-, and long-term outcomes. The short-term impact revolves around participants developing viable business plans. In the medium term, these short-term outcomes are expected to translate to increased income from self-employment or wage employment. In the longer term, these changes are expected to contribute to transformations at the household and community level.

Mathematica will conduct the validation in mid-2023 for the first cohort, early 2024 for the second cohort, and mid-2025 for the third cohort.

NEF also measures the two primary and secondary metrics to inform effective and timely management and learning, as well as other metrics such as women empowerment and agency, coping strategies, self-confidence and well-being, contribution to social and environmental measures, and youth empowerment.

**ACTIVITIES**
- Vulnerable & willing recipients identified
- Life & business skills training
- Technical & vocational skills training
- Microenterprise & vocational training
- Supplementary services
  - Small group coaching
  - Peer business networks
  - Advanced training & support for high-growth businesses
- Cash grants to help support businesses
- Cash grants disbursed & utilized
- Life & business skills training
- Technical & vocational skills training

**OUTPUTS**
- Trainings completed & successful
- Beneficiaries understand training content & finding it useful
- Businesses supported in overcoming early obstacles
- Businesses survive & grow
- Grantees learn from coaches & one another
- Grantees develop strong business networks
- Beneficiaries develop business plans aligning skills & market needs
- Beneficiaries understand training content & finding it useful
- Funds spent on businesses
- Businesses survive at 10 months or grantees find formal employment

**SHORT-TERM OUTCOMES 0-1 years post-grant**
- Increased skills, knowledge & self confidence
- Improved technical skills
- Increased knowledge of business practices (budgeting, risk management, etc.)
- Increased knowledge of legal requirements of businesses
- Increased knowledge of social & other support services & how to access them
- Increased self-confidence
- Increased income from self-employment, employment, or other sources
- Businesses survive & grow
- Increased access to markets & suppliers
- Businesses survive at 10 months or grantees find formal employment

**MEDIUM-TERM OUTCOMES 1-2 years post-grant**
- Reduced poverty of participant households
- Increased ability of refugees to rebuild assets
- Increased household consumption levels at 24 months
- Increased household savings
- Reduced household debt levels
- Increased women’s social & economic empowerment
- Increased mobility & independence
- Increased female bargaining power in the household

**LONG-TERM OUTCOMES 1-3+ years post-grant**
- Increased household ability to meet basic needs
- Increased resilience against shocks
- Reduced use of harmful coping strategies
- Improved food security
- Improved sense of well being
- Improved welfare of refugees & host community
- Increased ability of host community to sustainability absorb demographic boost
- Improved living conditions
- Increased social cohesion in host communities

**IMPACT TARGETS**

To date, NEF has completed intensive training for over 1235 beneficiaries as part of the first cohort. Following its review of their business plans, NEF disbursed business grants to 823 grantees.

In October 2022, the Steering Committee validated the commencement of the inception phase for the second cohort.

The Refugee Impact Bond has the following impact goals:
- 5037 people supported with tools to lift themselves from poverty
- +17% expected increase in household consumption
- 2560 small businesses created and supported
- 75% women and 30% youth supported
Key Insights

To shorten lead times for DIBs, implementers should ideally secure the outcome funders ahead of structuring and investor fundraising activities:

The approach taken for structuring the Refugee Impact Bond was different from most other Social Impact Bonds (SIBs) and DIBs, in that the DIB was not contracted by outcome funders from the outset. Rather, KOIS identified the need for more efficient refugee livelihood programs and set out to demonstrate the validity of longer-term and flexible funding for such programs through a DIB. This required sourcing an investible intervention, as well as harnessing significant outcome funder and investor commitments from scratch. This generated complex multi-party engagement for the firm. Moreover, not having an outcome funder made it harder to achieve investor buy-in to provide up-front commitments. Securing the IKEA Foundation and Ferd was instrumental in galvanizing support from other funders and prospective investors. Not only did the strong track record of the IKEA Foundation instill confidence, but currently IKEA Foundation also actively played a role in fundraising efforts by holding roundtable events with potential funders and investors. This was particularly useful given that the ecosystem for fundraising for DIBs is not well developed, with not much connectivity in place to convene the wide range of stakeholders needed to launch DIBs, including investors, outcome funders, and service providers. Given the complexities around structuring DIBs and the difficulties when sequencing engagement amongst many stakeholders, harnessing the full outcome funding amount early will simplify the process.

Achieving scale while reducing complexity must be managed when structuring DIBs:

Given the high transaction costs associated with DIBs, the addition of two service providers and two interventions was seen as a way to add scale to the DIB by increasing the size of the structure as well as diversifying risk across multiple countries and interventions. The addition of scale was also an appealing aspect to funders, who were also looking for larger ticket sizes. However, while portfolio approaches can bring added scale and reduce risks in investment vehicles like funds, this can add unnecessary complexity in DIBs, where risk is harder to assess and due diligence processes are less standardized. The benefits of additional programs and countries should be carefully weighed when managing the structuring process of DIBs.

Identifying a fitting and flexible service provider is crucial to the success of DIBs:

The livelihoods program supported by the DIB is based on the successful pilots run by NEF since 2013. The intervention aligned well with the goals of the DIB and resonated with investors and outcome funders. Moreover, NEF’s strong reporting practices were instrumental when determining meaningful and evidence-based outcome metrics and payment triggers. Indeed, a significant challenge faced by the KOIS team and Social Impact was identifying appropriate service providers due to the lack of data and evidence being captured by most organizations. NEF’s strong data collection practices were therefore critical when structuring outcomes for the DIB. NEF also demonstrated flexibility to adjust its programming to meet funder preferences and the structure of a DIB. In this way, NEF went through onerous due diligence processes during the fundraising process and worked alongside Social Impact and KOIS to ensure its programs aligned with the desired outcome metrics. Ultimately, the success of the DIB is tied closely to the service provider and underlying programming.

DIBs are resource intensive – standardizing processes should be prioritized as best as possible:

This includes developing template agreements for all funders and developing singular due diligence processes for service providers. This will reduce complexities and onerous efforts on DIB implementers.

Service providers in DIBs should be provided a degree of freedom to adapt and implement programming as needed to deliver outcomes:

The multi-stakeholder nature of DIBs often leads to a period of complex negotiations, as all parties must come together and ensure the intended outcomes align with their various impact mandates. At the same time, the programming of the DIB is ultimately carried out by the service providers, who possess deep knowledge of end beneficiaries and the local context of the interventions. As such, it is critical that service providers have some level of autonomy over the implementation of the program and the ability to adapt their interventions if necessary to meet desired outcomes. KOIS, investors, and funders responded to this need by codifying a level of flexibility within the loan and funding agreements, which stipulate that NEF has such authority.
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**BLENDED FINANCE** uses catalytic capital from public or philanthropic sources to scale up private sector investment in emerging markets to realize the SDGs.

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