WORLD ECONOMIC FORUM

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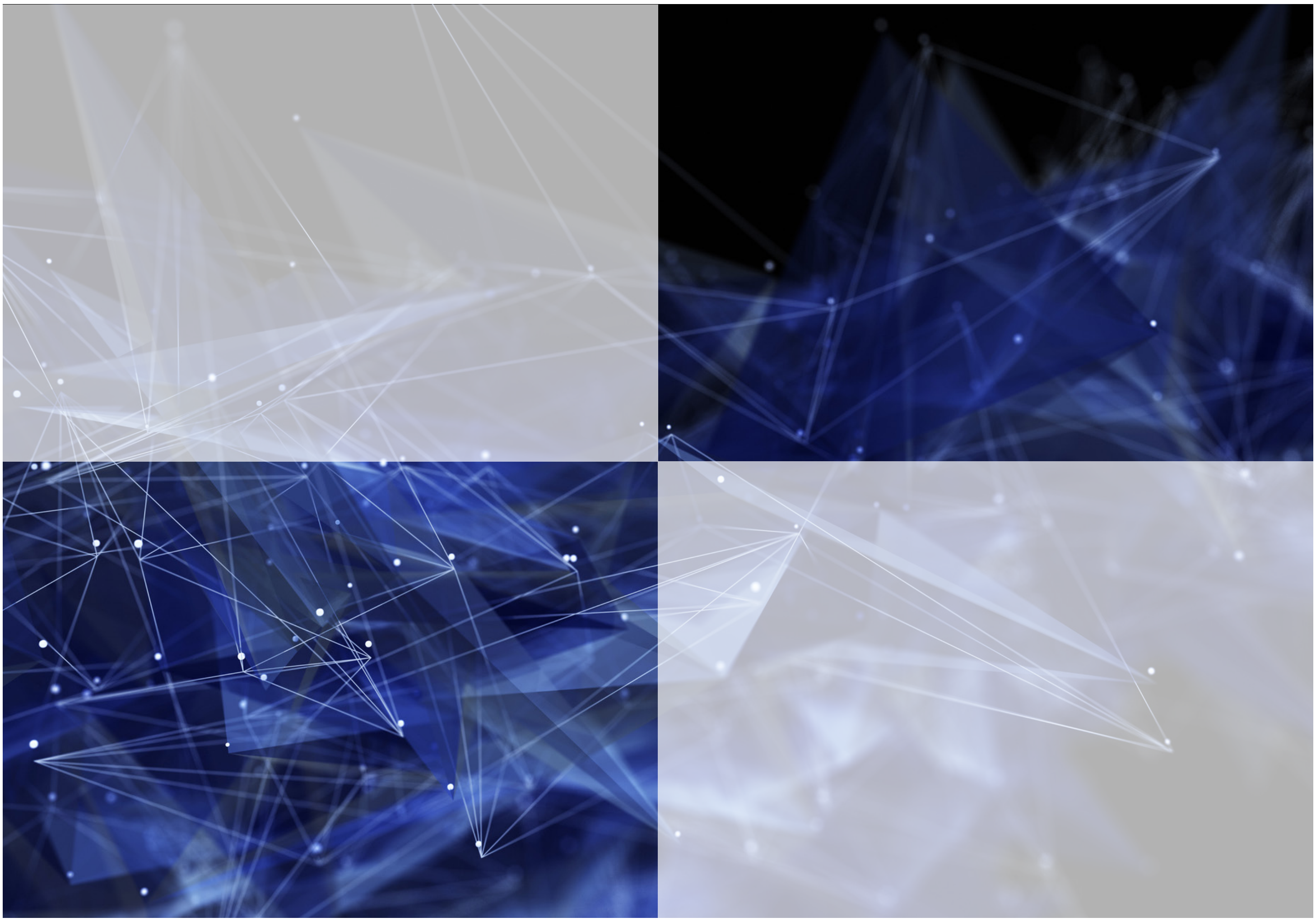
Workshop Summary

Market-Based Solutions and Innovative Finance
New Approaches to Addressing Humanitarian Needs

Overseas Development Institute, London, United Kingdom 28 November 2017

March 2018



World Economic Forum®

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Introduction

On 28 November 2017, 33 representatives from humanitarian donors and agencies, development organizations, private-sector implementers and social-impact investors gathered in London, under the Chatham House Rule, to brainstorm ways to deliver innovative financing for humanitarian action with three key objectives:

1. Achieve a better understanding of the opportunities and challenges related to innovative finance as a tool to prevent, mitigate and increase resilience in humanitarian settings
2. Explore a draft spectrum illustrating the intersection of humanitarian needs and investment opportunities
3. Kick-start/deepen forward thinking across sectors by identifying solutions and potential partnerships for impact

Context

Today's humanitarian crises are more protracted and affect more people than ever before. Traditional funding sources cannot keep pace with the need – can public-private collaboration deliver new solutions?

In 2016, over 164 million people in crises across 47 countries were in need of humanitarian assistance. Of these, 60 million have been forcibly displaced from their homes – the highest figure since the Second World War. Apart from the sheer numbers, conflicts are dragging on for twice as long as in the 1990s. Two-thirds of humanitarian aid is spent in places that have needed it for eight years or more, while 23 refugee situations have lasted over 20 years.

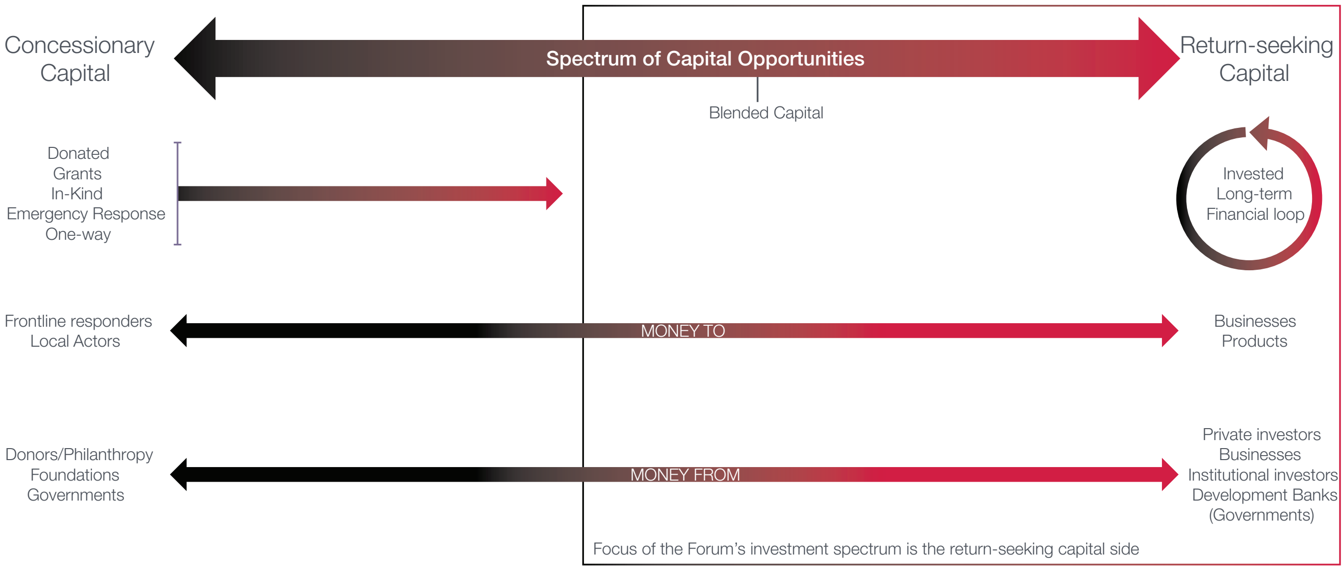
The effects of climate change are likely to make this bad situation worse. Meanwhile, humanitarian financing is both thinly spread and inconsistent. In 2016, just four countries – Syria, Yemen, Iraq and South Sudan – consumed over half the available funding, leaving many "forgotten crises" struggling with less than 20% of the money requested.

However, the absolute sums required are not enormous. The consolidated humanitarian appeals of the United Nations amount to approximately $25 billion per year. The private sector may be able to help in several areas, for example:

- Crowding in new finance to fill the funding gap
- Providing "open funding" not earmarked for particular purposes
- Delivering more consistent and multi-year resourcing than the 6-12 month grant funding offered by most donor governments
- Leveraging existing resources for maximum impact
- Amplifying impact through multistakeholder partnerships, tapping expertise not otherwise available to the humanitarian sector

Innovative financing solutions can include blended finance, risk insurance and impact investing. The advantages of more open, long-term money are that aid agencies can get beyond response mode, bridge the humanitarian/ development divide and work to mitigate or prevent future crises.

Spectrum of opportunities



Source: Overseas Development Institute (ODI)

Participants debated the spectrum of capital opportunities under consideration, represented in the image above. Rather than focusing on "concessionary capital" – such as philanthropic donations, cash grants or in-kind donations – they concentrated on "return-seeking capital", which could be sourced from private investors, businesses, institutional investors or development banks and, by definition, implies the possibility of a financial return.

As anticipated in such a multistakeholder group peppered with investors, one key question emerged early on: should the return expectations within this theme be targeted at market-rate or below market-rate? Equally, how can we ensure that "return" is defined as it is within investment approaches such as impact investing – as both financial return AND in terms of social impact? Is "value for money" defined as a short-term gain or a longer-term sustainable solution?

One participant argued that the challenge is not lack of capital but a lack of "investible opportunities" – a pipeline of projects into which the private sector can commit resources with confidence of getting a return. For example – unpalatable as it may sound to pure humanitarians – Syrian refugees fleeing to Europe offer multiple opportunities for business. Their journey to Europe costs 3,000 to 5,000 euros per person, which means a family may be 20,000 euros in debt by the time they reach Greece. This debt may have doubled by the time they reach northern Europe.

Debt relief securitized through future earnings may be a viable financial instrument. Germany has started apprenticeship programmes to help refugees reskill and settle. Austria recently announced its hospitality sector would need an additional 50,000 to 100,000 new workers. Senior care and construction sectors also need human resources. Companies are waking up to the fact that refugees are highly resilient and valuable assets as a group of people. After all, "a refugee is only a refugee until they get a job."

One recent success story in Sweden saw an NGO connect the online job-hunting app LinkedIn with the government, so that every time an asylum seeker registered with the authorities, they were helped to build a LinkedIn profile to apply for private-sector work.

This is all very well, said a participant from a leading humanitarian agency. But while everyone focuses on refugees, they are only a small part of the enormous humanitarian caseload. How "investible" are the opportunities in the world's most underserved crises?

The participants were asked to break into smaller groups to discuss a number of key questions in more depth. The insights derived from their conversations are reflected here in an attempt to remain true to their original delivery and intent:

Breakout 1: Understanding needs and perspectives

For this first breakout, participants divided into four stakeholder groups (donors, frontline responders, affected communities and investors) and debated the questions below from the perspective of their assigned group.

Donors

What are your most pressing needs?
- Achieving value for money and measurable results
- Demonstrating value and results to key constituencies, e.g. the public, Congress, etc.
- Telling stories and how to get funding for needs that don't tell a story
- Finding a balance between popular and political pressures, national interests – e.g. doing what's right vs what's "fashionable"
- Balancing pressure of short-term results vs long-term investment in what you know you need to invest in
- Difficulty investing in advocacy groups and research
- Compliance – balancing short and long-term fundraising needs
- Internal and peer earmarking and accountability
- "Resource wars" and increasing pressure between competing interests – diplomatic vs vested interests vs aid

What are the greatest risks to you?
- Media/public opinion/"fake news" – a lack of public understanding of why what we do is important
- Compliance issues and risk to reputation from fraud and corruption
- Budget shifts and restrictions
- Need to show results and a risk of these not translating to the targeted audience
- Operational risks to staff and suppliers from protestors and material threats – duty of care
- Reputational risks, managing expectations, loss of credibility
- "HQ syndrome" – losing connection with the real issues, making politically correct choices that don't focus on the real issues
- Timescales – limitation of investing outside of budget cycles
- Balancing short- vs long-term results and expectations
- Pressure to spend money fast (0.7% ODA)
- Difficult political issues – e.g. refugees as a politically sensitive topic
- Lack of instruments to fill the gap between humanitarian and development interventions
- Failure to address underlying issues, leading to recurring risk patterns
- Decreased capacity of international community to solve issues

What does success look like for you?
- Lives saved, results achieved, "stories", attributable credit
- No headlines, media happy, public happy
- Proven value for money, with evidence
- Putting ourselves out of business
- Short-term results to satisfy naysayers early on
- Being perceived as innovative
- Reduced aid dependency
- Working with the private sector, leveraging private capital
- International collaboration with global partners
- Boosting international profile – being seen as a leader, but also as collaborative
- Creating an ecosystem of good suppliers, implementing partners and local networks

Frontline responders

What are your most pressing needs?

- Contributions for all needs rather than only emergencies
- Water, shelter, food, energy, connectivity, cash, education, psychosocial support
- Humanitarian access – being able to be where we are needed most
- Updated information from reliable sources, and thorough needs assessment
- Relevant response and networking to find solutions for needs
- Collaboration and coordination
- Security of our teams, resources, etc.
- Local capacity to respond
- Engaging private sector from the start to avoid bottlenecks
- Measure and clarify appetite for risk

What are the greatest risks to you?

- Underfunded, forgotten crises – out of the headlines
- Mission creep – a gradual shift in objectives often resulting in unplanned long-term commitments
- Mismatch between the need and the response/actors
- Understanding rule-of-law framework and ability to scale
- Prohibitive regulatory environment and compliance
- Bribery, fraud, corruption, terrorism, sanctions
- Moving funds, delays in bureaucracy, procurement and logistics
- Uncoordinated chaos and duplication
- Conflict insensitivity, creating harm vs Do No Harm

What does success look like for you?

- Economic empowerment of beneficiaries
- Capacity-building of local actors to reduce humanitarian dependency and boost self-reliance of beneficiaries
- Efficient and early response at scale, and trust among stakeholders to amplify this
- Connectivity
- Risk mitigation
- Sustainable multi-year financing and programming
- Leveraging the private sector
- Keeping basic services flowing
- Holistic approach to resolving problems

Affected communities

What are your most pressing needs?

- Education for children
- Jobs and reliable income sources
- Access to cash and remittances
- Access to food markets
- Access to social safety nets (to mitigate short-term needs)
- Housing
- Access to healthcare
- Safety and protection
- Access to information
- Protection of personal information

What are the greatest risks to you?

– Poor understanding of the complexity of risk that forces unimaginable trade-offs
– Protection of information and identity
– Over-indebtedness because of poor short-term coping mechanisms
– Children dropping out of school
– Reduction of self-reliance due to policies (e.g. inability to work)
– Personal safety
– Family and community breakdown
– Lack of agency in decision-making
– Lack of trust in the system and abuse of power
– Entrapment, slavery through limited options for jobs

What does success look like for you?

– Being an active contributor to society
– Not so much personal success but success of a system that builds self-reliance
– Agency for decision-makers (technology channel for communication)
– Access to products needed in all stages of displacement
– Community resilience-building
– Control over identity and everything attached to it
– A reactive system that responds to individual needs
– Ability to pursue aspirations beyond immediate needs
– Choices that speak to dignity, not patronizing hand-outs

Investors

What are your most pressing needs?

– Need to differentiate between the wide variety of investors, from retail investors and high-net-worth individuals to pension funds, businesses and institutions
– Short-term needs, which investors must satisfy before they will engage, include:
  - Fiduciary duties – ensuring the risk-return balance is optimal for clients, with sufficient compensation for the risk of losing capital
  - Enough opportunities to compare – a pipeline of deals with enough data and track record to be able to assess the risk being taken
  - Sufficient volume – finding investment opportunities where enough money can be deployed to justify the time spent analysing it. For pension funds, the minimum ticket would be $10-50 million.
  - Liquidity – ability to get the money out or sell the investment to someone else
– Long-term, there is a need for investors to sustain the world in which they operate, by investing in sectors that strengthen resilience, e.g. to climate change while divesting from sectors such as oil and gas
– Building resilience to create an insurable asset
  - Ensuring impact investment risks are not correlated with other risks in the portfolio
  - Resolving mismatch with ODA, which needs to be spent within one year and cannot have a return
  - Understanding the risk mitigants in manmade disasters and building predictability of natural disasters through probability models
  - How to serve new millennial clients seeking to make the world a better place? This is a huge change and challenge for banks

What are the greatest risks to you?

- Reputational risk to the brand through operating in conflicts, being seen as a war profiteer, unintended consequences, corruption
- Lack of data on the track record and predictability of investment opportunities
- Lack of liquidity
- Performance failure by partners
- Ensuring a sustainable transition out of the crisis
- Accounting issues related to guarantees being called
- Are we really reaching the poorest or only those a level up with better access to capital?
- Long-term asset risk – if the investment goes badly, the money is lost; if it goes well, the government might nationalize it

What does success look like for you?

- Short-term: getting our money back, with a market-rate return – plus some social impact
- Longer-term: contributing to the sustainability of the planet and therefore of the business – no point being a business in a desert
- Opportunities for future investment and future clients
- Diversification of the portfolio, e.g. humanitarian bonds are not exposed to volatile financial markets
- Mitigating risk by pooling and attracting a different set of investors
- Attracting investments from millennials with a more socially-responsible mindset
- Adding value by serving clients through human advisers, at a time of growing passive investment through "robo-advisers"

Key observations from Breakout 1 group discussion
The presentation by the group assigned to Affected People provoked a very lively discussion as participants projected themselves into the position of those who are most vulnerable in this debate. The view was that, whatever the situation, they must have control over the choices they want to make – and that comes by having money. Affected people, both women and men, have skills – we should invite them to co-design programmes rather than viewing them as passive recipients. In refugee and internally-displaced (IDP) situations, we must consider host communities as well as those forced to flee. Mental health services can also be neglected but are vital for healing.

In terms of what humanitarians should seek from the private sector – it's not just about asking for money. The private sector can empower people, enhancing financial inclusion through access to the internet or cash transfers.

Another group that stirred debate was the Investors, who focused on the many challenges and opportunities surrounding private-sector involvement in humanitarian crises. There is a role for investors, such as the European Investment Bank, to catalyse the entry of private investors into the humanitarian sector.

While non-traditional investors may be happier with higher risks than traditional investors, in this group the jury is still out on whether private money will deliver better outcomes than public money. The Humanitarian Impact Bond championed by the ICRC was cited as one example: It was harder to find "outcome funders" (the donors willing to return the principal and interest) than it was to find investors.

Many donors said that it is simpler for them to give money directly to agencies. Donors still struggle, conceptually and politically, with the idea of allowing a profit on the back of humanitarian suffering. One participant pointed out that funding a bond that is potentially return-bearing is no worse, morally, than leasing a fleet of 4WD vehicles to deploy in a disaster zone from a private company that charges interest on the lease.

As mentioned by a participant, "The great advantage of allowing private investment in humanitarian bonds is that it can deliver the kind of multi-year funding that programmes need to invest in capacity-building and prevention. Apparently not all politicians understand this." Another participant pointed out, "we've crossed that Rubicon": the Grand Bargain, struck at the World Humanitarian Summit in 2016, called on donors to commit to multi-year funding. However, it seems that the Humanitarian Impact Bond still has to prove it can deliver a better impact than traditional funding approaches.

Breakout 2: Attracting capital – challenges and opportunities with impact or sustainable investing

The next exercise, remaining in the same groups but this time brainstorming as stakeholders, focused on the following questions for which insights have been aggregated:

What capital needs are not being met?

- Long-term investment to rebuild societies and systems
- Refugees as entrepreneurs and consumers underserved by the market
- Companies want to help but opportunities are lacking
- Missing sectors include mental health, education, infrastructure, social protection, energy, water and sanitation, communications (hardware and software), preventable child deaths
- Enabling market mechanisms and access to financial services
- Access to employment
- Investment in community leadership to rebuild their country
- Investment in preventing crises and disaster preparedness
- New business models to challenge the top-down approach
- Joining up humanitarian, development and private-sector approaches
- Lifting restrictions on how money is spent, based on evidence of what works
- The most vulnerable and host communities
- Microfinance
- Large-scale infrastructure
- Chronic funding gap between what the humanitarian system needs to provide and what's available – WFP's last $9 billion appeal was only 30% funded
- Protection of victims of violence – especially gender-based violence – is systematically underfunded; it's hard to measure outcomes because the proof of success is counterfactual
- Tertiary education for people in protracted displacement is ad hoc
- Investment in innovation and R&D doesn't exist in the humanitarian sector

(One group interpreted capital needs as those of the capital provider vs their own capital needs)

- A new "pay for performance" model is needed where the partners' missions are aligned
- A business model that can scale up
- Perception that development and humanitarian interventions are not "allowed" to fail
- Capital not available until disaster hits – even in the case of famines, which can be predicted
- No political incentives to invest in prevention

What are the major risks to receiving or deploying capital?

- Reputational risks (perceived)
- Accountability
- Humanitarian system is very set in its ways – vested interests
- Models are needed to create demand
- Privacy risks – protection of information and rights
- Association with the "wrong" counterparts or lending to "shady characters"
- Creating local tensions and making things worse
- Perceived risk of corruption and fraud, especially in conflict settings and disincentive to highlight corruption
- Risk of money falling into the wrong hands – e.g. US anti-terrorism legislation is an impediment to investing in Somalia
- Political risk

- Drowned-out by development financing
- Lack of deal flow beyond pilot projects
- NGOs need to shift from service provider mind-set to delivery platforms
- Western donors much more cautious than Gulf, Chinese and non-Western donors
- Fiduciary duty to protect the capital of clients
- Need to protect unsophisticated investors from risky investment opportunities – this would exclude retail investors from the humanitarian space
- Risk of infrastructure investments in conflict zones being blown up

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Other challenges in receiving or deploying capital?

- Lack of supply of investible projects and deal flow – all very nascent
- No long-term systems for growing investible projects – all short-term staff rotation – or investment in developing pipeline or evidence base
- Internal incentives and performance indicators
- Restrictive governance environment and policies
- Uncertainty of the situation
- Political alliances that work against transparency and fairness
- Lack of development tools to be used in humanitarian situations and siloed approach
- Data collection and data quality
- Transparency around use and impact of capital
- Appetite for risk
- Ex-ante financing to mobilize capital
- Technical assistance is needed to develop the right instruments and mechanisms to enable partners with different risk-return appetites to enter the market
- It remains hard to create a convincing narrative to invest in humanitarian response – far more challenging than the case for Green Bonds

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Key observations from Breakout 2

The question of what a financial instrument designed to prevent disaster or conflict would look like gave rise to a wide-ranging discussion within the group that initially represented investors in the first breakout. One idea could be to use a combination of insurance and capital at-risk bonds, using the IPC1-5 food insecurity index to trigger selling those bonds. The question is – who measures the trigger point?

Another option may be to monetize the benefits of prevention – e.g. from donors or beneficiaries – through “delinkage”, whereby one invests in one thing (e.g. antimicrobial resistance) and gets a return from something else, but what?

Instead of “delinking”, what about “relinking” – what are the positive externalities associated with investment in intervention? For example, investing in an impact bond to provide better malaria treatment and control could also reduce employee absenteeism. Could the savings generated by eliminating absenteeism pay for the original intervention, or could the investment be connected to increased tax revenues?

Could the balance sheets of reputable outfits such as the World Bank, Royal Philips in DRC or Shell in Nigeria be leveraged to guarantee bonds issued for long-term interventions?

One recent positive development is Canada’s Convergence project, an online platform to enable crowdfunding of deals with a minimum value of $5 million. The platform facilitates knowledge-sharing with an inventory of past examples showing how to structure a deal. It also provides an investor network for collaboration.

In Afghanistan, the example of the Aga Khan Development Network’s investment in Serena hotels and the telecoms network shows how development agencies committed to long-term infrastructure development could cover the “first loss” if infrastructure is destroyed due to conflict.

Breakout 3: Moving forward – opportunities and solutions along the spectrum

For the last breakout, the same groups were asked to envisage a way forward based on the insights captured by answering with the following questions:

What challenges most need addressing?

- Better evidence – and better communication and internalization of it
- The "leadership vacuum"; identifying a high-level champion or group of high-level champions
- Building a network, help finding the right partners to create a community of practice (e.g. GAVI Alliance model)
- Capacity of humanitarian agencies to support project implementation
- Matching private-sector capacities with needs
- How to attract people to the sector and get them to explore new business models
- Competition and silos – e.g. development vs humanitarian
- No effective mechanisms for partnerships between humanitarian and private sectors – e.g. in procurement
- Lack of (political) incentives for investing in prevention or other cost-effective solutions
- Fragmented ecosystem; difficult to combine strengths and work together
- Change the narrative on fiduciary duty, so that investment managers (pension funds, wealth managers, etc.) look at social risk as well as at environmental risk; the narrative is changing in the divest/invest campaign for investments related to oil and gas
- Structuring innovative finance deals to ensure deal flow, bankability, evidence, intermediation between actors, etc.
- Innovative finance is not relevant for all situations in the humanitarian realm; some situations are too risky and there is no room to offer a relevant high return in exchange for that high risk; some situations cannot command the volume that would be required to justify the effort to create a consortium, etc.

What collective solutions should be explored further?

- Understanding the risk on a number of levels
- Attracting outcome funders
- Cash transfers
- Building a community of practice (challenge and solution)
- Start something practical; find an area to focus on a given disruption, e.g. energy, and make it work there
- Pre-plan and put systems in place to identify beneficiaries
- Cash and Islamic financing as a model to explore
- Insurance to meet some of the security needs addressed
- Crowdsourcing as a capital infusion
- Technology and ways the Fourth Industrial Revolution can solve these challenges
- World Economic Forum to convene a Centre for Humanitarian Finance – e.g. a virtual design space
- Focus on Comprehensive Refugee Response Framework (CRRF) pilot countries
- Revive the High Level Panel of Humanitarian Financing
- Document and learn from existing innovations like the Humanitarian Impact Bond
- Develop a "black book" of issues that need to be addressed to create effective mechanisms between humanitarian and private sectors
- Exchange of staff for deeper levels of understanding
- Set up an investment bank for structuring deals (on a proprietary basis or on an open architecture basis like Convergence)
- Change the narrative on the fiduciary duty of investment managers – at the regulatory level
- Describe and measure the market to show it is a worthwhile endeavour in terms of volume to create a consortium of parties to work on complex structures combining money, first loss, policy change, etc.

Key observations from Breakout 3 group discussion
A lively floor debate ensued on the key challenges and solutions. The idea of reviving the High Level Panel met with a mixed response. The problem with a panel, said one participant, is that we'll just argue about who should be on it. More useful would be an alliance of humanitarian and private-sector leaders making a personal commitment to work on solutions. The idea of focusing on a single, non-competitive sector, such as energy, attracted some support.

We need to identify one to three key problems and then line up three things – the money, the channel and the champion – to tackle those problems. But what is the "It"? Participants then suggested myriad "Its".

One way to organize them could be as follows:
- "Bottom-up Its" – e.g. how we build market-based solutions, how we bring the private sector into a crisis
- "Top-down Its" – e.g. big financing flows aren't working, lack of funding for preparedness

Employment emerged as a key concern. A change in the policy environment, which would allow refugees to work and even to own assets in their host countries, would transform their lives. If and when the situation in Syria "stabilizes", an enormous amount of money will be required to rebuild water, health and education systems. With the current regime, are Western governments likely to commit the cash? As this was considered by the group to be unlikely, new funding and employment models will be needed.

Existing solutions and opportunities – Presentations from the group

After high-energy breakouts and discussion, the group turned their attention to an "open-mic" for participants to present various solutions already in play and the lessons learned so far.

Lessons learned from ICRC's Humanitarian Impact Bond (HIB)
It was a difficult process to get the HIB off the ground. The following ingredients are needed to pull it off:
- Organizational capacity – including the legal expertise
- Outcome funders – you need to co-create with them from the start
- Clarity about the objective – what is the No. 1 thing to solve?
- The right people to team up with
- The right financial instrument – with the right risk-transfer equation
- The right scale – to ensure the right cost-benefit for the organization

Lessons learned from the World Bank's Global Concessional Financing Facility
- Defining the problem: How can a middle-income country, such as Lebanon or Jordan, be incentivized to invest in a public good – in this case, keeping large numbers of refugees in their neighbourhoods?
- Defining the solution: Acknowledge that what these countries are doing is a global public good and mobilize grant resources to make larger amounts of concessional finance available.
- Partnerships: The World Bank could not do this alone; part of the design was to create an open platform to allow other banks and UN agencies to participate in decision-making and mobilizing and channelling the funds.
- Speed: the Bank had to act quickly. The conversation started in October 2015 and the project was completed within one year.
- Results: so far, $400 million in funds has leveraged $1billion – the overall aim is to leverage $2 billion.

Lessons learned from Mastercard's cash initiative in Lebanon
In the context of Syrian refugee camps in Lebanon, Mastercard's aim was to sustain livelihoods for both refugees and host communities. This initiative helped to promote access to food and healthcare, as well as to create a market for energy and telecoms companies.

Two lessons stand out:
- Start by tackling a common problem, and you will end up solving a lot of other problems
- Engaging the government as a partner will help normalize things

Lessons learned from NewRe's risk-transfer facilities
NewRe, a Swiss reinsurance company, is engaged in a number of schemes to facilitate emergency relief, for example, the Caribbean Risk Insurance Facility (CRIF) and a similar facility in the Pacific Islands, set up with the World Bank in 2013, which paid out after Cyclone Pam. A similar drought insurance scheme in Africa set up in 2014 paid out in the aftermath of crop failure to prevent the crisis from escalating. The World Bank is now working with NewRe to develop a pandemic risk-transfer facility triggered by the early stages of an infectious disease outbreak. In the view of NewRe, all these schemes add value if they can make an impact on mitigating crises.

Lessons learned from Kiva and crowd-lending
Kiva does not fit in the box of either donation-based or return-seeking investor. Kiva is a crowdsourced funder of debt. Most microfinance institutions (MFIs) do not serve refugees as it's too risky. But with Kiva, the crowd takes the risk, which enables MFIs to get involved by leveraging Kiva funding. The target now is to get the private sector to match the amounts raised through crowdfunding. The goal is to prove that refugees are a viable market for larger-scale investment.

Lessons learned from the Open Society Foundation
The main focus has been on Syrian refugees in Jordan, Lebanon and Turkey. The foundation worked with the Soros Economic Development Fund to map the region and find the best investment opportunities. One example is an SME lending facility in Jordan: local SMEs account for 80% of the outreach but Syrian refugees account for the remaining 20%. The foundation started with a grant of $500,000 to see what is possible. The aim is to invest at the start-up stage, by understanding what the beneficiaries need and what the risks are in delivering maximum impact.

Towards an action agenda – summary of outcomes from the Power Hour

In their final hour together, participants were asked to reflect on all that they had discussed and learned throughout the day, and then to select the one idea, challenge or solution that struck them as a potential “game-changer” for this group to focus on. They committed this one idea to a Post-It, and these Post-its were then clustered to identify key themes and priorities.

After the clustering exercise, participants discussed the themes that represented each cluster, as well as those **who** must be involved to take this work forward and **where and when** this ongoing discussion should be presented.

What emerged, in brief and in order of prioritization, was the need for:
- A **core community of practice** to define, prioritize and develop focus areas within humanitarian financing
- A **design space** to incubate innovative models, methods and mechanisms
- A focused effort on the theme of building an **evidence base** for humanitarian financing
- Public-private collaboration to solve challenges of **regulation**

When asked where and when this discussion should continue, the participants gave three main suggestions:
1. Mention this workshop and its outcomes at World Economic Forum Annual Meeting 2018 to initiate the core community of practice
2. Build momentum throughout the year via industry events such as the GIIN annual investors meeting and World Bank meetings
3. Launch an official community of practice and action plan at the Annual Meeting 2019

The priorities in more detail
All comments have been reflected accurately as expressed by the participants themselves.

1. **Core community of practice**

The largest cluster of ideas coalesced on the need for a core multistakeholder group of organizations to define, prioritize and develop focus areas within humanitarian financing:
- Create a consortium, or a high-level community of practice – a virtual group made up of doers, champions, policy-types – from multilateral donors, bilateral donors, private sector, civil society organizations and think tanks
- Have a group of committed senior executives for leadership and entrepreneurial staff from the public, private and humanitarian sectors
- Strong leaders need to stand up and drive the doers
- Leadership to overcome competition in the humanitarian world and embrace disruptive change

This core community would serve to:
- Break down silos between different actors and improve collaboration by focusing on actionable solutions
- Address lack of collaboration and evidence on what works – among donors, investors, corporates and NGOs
- Serve a mandate to exchange ideas, provide evidence, match needs and offers, and problem-solve collectively
- Develop a “black book” of issues that need to be addressed to create effective mechanisms between humanitarian and private sectors
- Agree on a common definition of success to incentivize early action and coordination among all stakeholders
- Come up with a common language and share information – what we are talking about is not innovative, it’s a translation exercise
- Establish a consortium or alliance approach for deal flow – to help turn boutique efforts into more mainstream investments and collaborations
- Incentivize early action for capital to find pathways into particularly urgent crises like food and displacement
- Provide staff secondments to increase capacity and benefit from different perspectives
- Catalyse a network within a core community of investors across the spectrum, to actively engage with each other – to share deals, best practices, information, advice, research, co-investment, etc.
- Develop outcome funder support
- Pilot models and mechanisms, perhaps via a “grant challenge” or “investment challenge”

2. **Design space**

Following from the core community point, the next cluster describes both the creation of a co-design element to foster innovative practices and also ideas for models, methods, and mechanisms for this design space to focus on:

- Create multiskilled and multisectoral humanitarian design spaces and teams focused on solutions to problems
- Create a virtual, central design space – translation, not innovation
- Integrate solutions from the finance sector into the humanitarian sector and mind-set
- Understand the added value, expertise and risk appetite, and then collaborate to evolve investment models
- Set up a worldwide group of structures tasked to develop large-scale products for the humanitarian space, benefitting from the learning of the past – either proprietary (e.g. JP Morgan) or “open architecture” (e.g. Convergence)
- Further test financial models like blended finance, Islamic finance and cash models, especially in conflict and fragile contexts
- Create a platform to pool blended finance across the investment spectrum for humanitarian initiatives
- Transfer lessons from development finance to structure new blended finance for market-based solutions in humanitarian contexts – e.g. financial inclusion, building on CDC, IFC, FSDA, etc.
- Explore models to lend to SMEs in countries with

refugees to unlock employment opportunities
- Design a new instrument or set of concessional financing to address the lack of innovative financing to support preparedness and early action, in order to prevent shocks becoming crises – it should link to long-term development financing to address the underpinning drivers
- Design disruptive innovations that create market opportunities
- Ideas on financing are supply-driven – how do we spur demand and create a pipeline?
- Innovative methods are needed to promote financial inclusion – enabling persons of concern to access resources – and strengthen local responders, e.g. organizations, communities, businesses
- Explore how to mitigate reputational risk and corruption: Every breakout group cited these as the most significant risks

Potential solutions raised earlier in the day are listed below for consideration in this cluster:
- Insurance models to meet some of the security needs
- Crowdsourcing as a capital infusion and to allow access to retail investors
- Monetize the benefits of prevention – e.g. from donors or beneficiaries – through "delinkage" whereby one invests in one thing (e.g. antimicrobial resistance) and gets a return from something else
- Instead of "delinking", change the focus on "relinking" – what are the positive externalities associated with investment in intervention? For example, investing in an impact bond to provide better malaria treatment and control could also reduce employee absenteeism. Could the savings generated by eliminating absenteeism pay for the original intervention, or could the investment be connected to increased tax revenues?
- Explore ways to leverage reputable balance sheets of outfits such as the World Bank, Royal Philips in DRC or Shell in Nigeria to guarantee bonds issued for long-term interventions
- Create a rate card or outcomes tariff for humanitarian initiatives

3. **Evidence base**

The third largest cluster represented the theme of building an evidence base for humanitarian financing and linking it to best practice in measurement and tracking:

- Measure and track the market to show it is a worthwhile endeavour in terms of volume to create a consortium of parties to work on complex structures combining money, first loss, policy change, etc.
- Integrate efforts on impact measurement and innovative financing – because impact creation "justifies" payments of premiums and returns, and mobilizes donors and outcome funders for innovative finance
- Pool the network on evidence to learn, share experience (what works, what doesn't), fill evidence gaps and share risk
- Document a track record of returns, both social and financial, and identify where investments can achieve scale
- Bring existing initiatives to scale and communicate their impact to shift boundaries for both humanitarian agencies and private investors
- Document and learn from innovative financing examples (e.g. SIBs, leasing facilities) to build the evidence to show to private-sector investors
- Products need to have marketing – why do people invest in oil in high-risk countries, but not in other activities or infrastructure? We need the evidence to show inconsistencies

4. **Regulation**

Another important theme emerged: that of issues surrounding regulatory environments and outdated rules and definitions on procurement and fiduciary duty:

- Review procurement, contracting and funding mechanisms for public-private partnerships
- Develop public-private partnership funding and contracting tools
- Unlock employment for refugees at the policy level
- Change the narrative on fiduciary duty for investment managers to include the social impact of investments (and how it affects the "state of the world")
- Highlight issues tied to fiduciary risk vs duty alone

Organizations discussed as key drivers of success for achieving these objectives, and proposals to initiate the core community include:

- **International organizations and institutions**: World Economic Forum, OECD
- **Investors**: Rockefeller Foundation, Ford Foundation, Soros Economic Development Fund, Capricorn Investments, Family Business Community, leaders in Islamic finance, leading institutional investors, banks
- **Corporates**: Mastercard, Unilever
- **Industry associations**: Global Impact Investing Network (GIIN), Global Steering Group (GSG)
- **Humanitarian actors**: ICRC, UNHCR, OCHA, WFP, UNCDF
- **Development finance organizations**: World Bank, IFC
- **Public sector**: UK Department for International Development (DFID)

Wrapping up the day

The workshop ended with notes of optimism. One comment in particular articulated the mood of the group: "There is far more willingness in private financial businesses to invest in humanitarian action than I expected – the problems are not insurmountable!" Another participant commented that their main takeaway was that "there is not a lack of money or interest, but rather a mutual lack of understanding of what the possible options for collaboration are between humanitarian and private-sector actors." This workshop was intended as a step towards enhanced collaboration, and the sentiment upon departing was that this journey is now under way.

A high-level multilateral meeting at the Annual Meeting 2018

Immediately responding to the participants suggestions to bring the key messages from this workshop to the main stage of the Annual Meeting in Davos, the World Economic Forum organized a multilateral meeting on Rethinking Humanitarian Financing. Participants included the World Bank, ICRC, WFP, UNHCR, the Governments of Jordan, the Netherlands and Belgium, USAID, Mastercard, ODI, Crescent Enterprises and Standard Chartered.

Next steps

Following feedback provided by the workshop participants after distribution of this summary, and outcomes of the multilateral meeting in Davos, the World Economic Forum will circulate planned next steps in March 2018.

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Vital-Capital Fund
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World Food Programme (WFP)

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