

Building Inclusive Economies

Applications of
Refugee Lens
Investing





**3 Acknowledgements
& Authors**

**4 Background – The Need
for Impact Investment in
Forced Displacement
Solutions**

**6 Refugee Lens &
Investment Strategies**

**9 Current Applications
of the Refugee Lens**

9 The Role of Catalytic Capital

13 Investments in Refugee-Led &
Refugee-Supporting Ventures:
Micro & Small and Growing
Businesses (SGB)

18 Outcomes and Incentive-Based
Investing

19 Alternative Investment
Structures

22 Divestment

23 Public Markets

**24 Refugee & Migration
Lens Investing: The Path
Forward**

25 Final Reflections

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Background – The Need for Impact Investment in Forced Displacement Solutions

Worldwide nearly 80 million people have been forced from their homes due to violence, conflict, and instability.¹ These forcibly displaced populations face a range of short-term and long-term challenges—including homelessness, poverty, a lack of protection, limited access to basic services (e.g., health, education), restrictive social and legal rules, and lack of access to economic opportunities. What's more, host communities already struggle with their own challenges—and supporting displaced people can exacerbate existing issues and spark new tensions.

Globally, the gap between humanitarian needs and funding made available is increasing. The United Nations (UN) estimates that 168 million people will need humanitarian aid in 2020.² The impact of the COVID-19 pandemic and related economic shocks are already taking a crippling toll on humanitarian funding. By June of 2019, the UN Refugee Agency (UNHCR) had raised 55% of its annual \$8.6B budget; as of June 2020, UNHCR had raised only \$2.3B, less than 25% of the \$9.1B estimated that will be needed for its global programs.³ Moreover, these humanitarian efforts—while critical—often do not address the longer-term, systemic challenges around employment, economic opportunity, and self-reliance. As the world confronts compounding health and economic crises, traditional, mostly publicly funded humanitarian aid is being redirected to address crises within donor governments' own borders, while what funding that is maintained is allocated to the most urgent emergency

needs, further reducing resources to address long-term systemic displacement and aid dependency at exactly the moment when those resources are needed more than ever.

Durable solutions to the current refugee crisis are needed that catalyze investment. Despite negative perceptions surrounding migration, data show that forcibly displaced people are hard-working, entrepreneurial, employable, and creditworthy.⁴ For example, in the US, refugees have the highest rate of entrepreneurship as a percentage of their population (13%) and immigrant-owned businesses employ 8 million Americans. Indeed, forty-five percent of Fortune 500 companies, as of 2019, were founded by immigrants, refugees, or their children.⁵ Investing in refugees can therefore generate returns that extend far beyond social and economic benefits to refugees themselves. Refugees and migrants are incredible contributors and partners to their new host communities if given the opportunity to engage in their new economies.

Moreover, investors are interested in putting capital to work for and with refugees. However, our convenings and interviews with hundreds of investors, humanitarians, development finance professionals, entrepreneurs, and displaced people have made it clear that concerns remain—both around risk and finding a pipeline of viable investments—which limit investment in private sector solutions to the displacement crisis.

¹ UNHCR 2020. Data and Statistics. <https://www.unhcr.org/refugee-statistics/>

² UNFPA, "Humanitarian Action 2020 Overview," 2020

³ UNHCR 2020. Biennial Program Budget & Financials. http://reporting.unhcr.org/financial#_ga=2.178769383.258470679.1593011253-2044927872.1593011253

⁴ Refugee Investment Network. October 2018. Kluge, John, Tim Docking and Joanne Ke Edelman "Paradigm Shift: How investment can unlock the potential of refugees" <https://refugeeinvestments.org/resources/paradigm-shift/>

⁵ <https://data.newamericaneconomy.org/en/fortune500-2019/>

Several challenges are currently inhibiting investment in refugee founded and refugee supporting enterprises and funds. On the supply-side, investors and financiers often face challenges with identifying, assessing, and structuring deals in new and frontier markets, including identifying appropriate risk mitigation strategies. On the demand-side, refugee entrepreneurs often face barriers such as perceived higher risks, negative biases from financial and lending institutions, language and cultural hurdles, and lack of trust from host communities. Despite a significant pipeline of early stage ventures as well as nearly \$300B in development projects,⁶ many opportunities struggle to attract the right financing due to challenges with investment readiness. Development and humanitarian actors are more focused on short-term needs than generating deal flow or attracting investors. Lastly, all of these actors—investors, investees, and supporting partners—rarely speak the same (figurative) language or fully understand each other’s interests or motives.

To build a bridge between these stakeholders, and to help accelerate the intentional deployment of impact investing and blended finance capital for solutions to global forced displacement, we designed and launched the Refugee Investment Network (RIN). As a specialized intermediary, RIN matches investors with refugee-led and refugee-supporting ventures, builds the field and community of refugee investment, and leverages its community of capital to advocate for more inclusive refugee policies. RIN’s ultimate goal is to create quality jobs, inclusive and equitable economic growth, and measurable improvements to the livelihoods of millions of refugees and host communities.

⁶ As part of the World Economic Forum’s Humanitarian Investing Initiative, the Boston Consulting Group (BCG) conducted surveys and interviews with development agencies and international organizations like the World Bank, IFC, etc, which identified numerous projects representing over \$300B in economic value relating to humanitarian or post-conflict environments. While RIN has yet to review these projects in detail, it is likely that many would qualify as refugee lens investments.

I Refugee Lens & Investment Strategies

With the support of RIN's Founding Partners—the Rockefeller Foundation, USA for UNHCR, the McGovern Foundation, Landry Family Foundation, and Open Society Foundation—RIN developed the concept of “refugee lens investing.” This type of investing—similar in concept to “gender lens investing,” which has gained momentum in recent years—offers untapped potential to generate positive social, cultural, and economic returns. An important foundation for developing a practical framework for investors is to create a shared understanding of terms and definitions.

The term “refugee” has a specific meaning under international law, which, under the 1951 Geneva Convention and later the 1967 Protocol, gives specific rights and protections to those who are forced to flee their country due to violence, persecution, or war. Internally Displaced People (IDPs), are people who have been forced to flee their countries but as they have not crossed an international border, are not afforded the same legal rights and protections. For the purposes of the refugee lens investor framework, and with consultation with refugee, internally displaced, immigrant, humanitarian, government, and investment representatives, RIN defines “refugee” broadly, as an inclusive group of people who are externally or internally forcibly displaced, whether through armed or political conflict, ethnic tension, systemic discrimination, climate change or natural disaster, or the displacement of indigenous communities. This includes those legally recognized as refugees, asylum seekers, internally displaced people (IDPs), as well as stateless people.

The framework also includes a critical shared focus on the communities and ventures that support and welcome displaced people, defined as “host communities.” Incorporating host communities into refugee lens strategies can lead to tangible improvements in social

cohesion and shared prosperity, whereas exclusion of host communities can in fact create further tensions between local and ‘newcomer’ communities and exacerbate xenophobia.

In our initial landscape report [Paradigm Shift](#) (2018), we showed that increasing private sector investment in the global displacement crisis requires creating a clear pathway for investment in businesses among displaced communities—one that deploys impact investing capital at the scope and scale demanded by the enormity of the challenge.⁷ Some investors already understand this pathway is necessary. In the year following the World Humanitarian Summit in 2016, over \$1B in private investment capital was pledged—some publicly, some privately—towards durable solutions to the crisis. But only a tiny handful of deals were actually capitalized. With an upside that captures simultaneous financial, social, and often environmental returns, investors and funders understand the “why” of taking on the global refugee crisis, but the “how” is often less clear.

The most direct way to support the forcibly displaced is to invest in the companies and funds that the displaced start, lead or which measurably improve their lives. To facilitate these investments, specialized intermediaries, like RIN, are needed to leverage that capital for more inclusive refugee policies that create long-term economic pathways for displaced people and incentivize foreign investment.

The refugee lens designates six different types of refugee investments, each with specific baseline criteria for qualifying as a refugee lens investment: Refugee-Owned; Refugee-Led; Refugee-Supporting; Refugee-Supporting and Host-weighted; Lending Facilities and; Refugee Funds.

⁷ Refugee Investment Network, October 2018, Ibid.

A Framework for Qualifying "Refugee Investments"

An investment must meet the criteria of at least one of the following categories to be included as a Refugee Investment:	
Refugee-OWNED: Enterprise is at least:	 A. 51% Refugee-Owned; OR B. 20% Refugee-Owned and have at least one refugee listed as a "key person" in operating documents.
Refugee-LED: Enterprise has:	 A. At least one refugee in senior management (e.g., CEO, CFO or COO); OR B. A board with at least 33% refugee representation.
Refugee-SUPPORTING:	 A project that provides or has the potential to provide a good or service that supports humanitarian efforts; or, an enterprise or investment that intentionally supports refugees through the development of infrastructure and services that buttress stability in disproportionately large displacement hosting cities/communities by providing infrastructure, jobs (a commitment of at least 20% of workforce), ³¹ skills, products, or services to refugees that demonstrably improve the quality of refugee self-reliance, resiliency, health, education, or inclusion in financial markets. ³²
Projects can also qualify as...	
Refugee-SUPPORTING, Host-weighted:	 If they support host community businesses and the sponsor commits to adopt a policy to source at least 10% of all sub-contracting for the project from refugee-owned businesses. Deals must demonstrate either a minimum current percentage of refugee jobs or a commitment to increase their hiring within a reasonable timeframe to that level.
A Refugee LENDING FACILITY:	 A debt instrument will be considered a Refugee Investment if refugee-owned/-led enterprises, refugee-supporting enterprises, or refugee borrowers will be the recipients of at least 25% of the loan proceeds.
Refugee FUNDS:	 Private, alternative investment vehicles (e.g., private equity, venture capital, or portfolio structures deploying debt and/or equity) with investment strategies such as late-stage venture, growth equity, or expansion financing that have: A. A fund manager or general partner that is at least 20% Refugee-Owned or controlled; or B. Portfolio companies that are Refugee-Owned, Refugee-Led, or Refugee-Supporting (each term as described above) making up at least 33% of the vehicle's portfolio.
ALL Refugee Investments must take refugee protections into account including across the supply chain, identity protection, and other exploitative practices including working conditions. The above thresholds should not be absolute, and should not exclude Refugee Investments that have the potential to create sustainable or catalytic opportunities.	

With at least six different types of refugee deals, impact investors are developing a range of investment strategies to use capital to tackle the global displacement crisis. These investments can be deployed at three different stages of displacement and movement⁸:

1. **Resilience:** "preventive" investments that reduce the risk of displacement or address root causes;
2. **Response:** investments that improve humanitarian response capacity and innovation during emergencies and crisis;
3. **Recovery:** investments that support economic inclusion and integration

Broadly speaking, refugee lens investing is an investment approach that seeks to turn the abstract idea of investing for the benefit of refugees into an intentional and

functional investment strategy. The refugee lens is an intersectional impact thematic which investors can use to improve the lives of the displaced while also advancing thirteen of the Sustainable Development Goals such as gender equality (goal 5), reduced inequalities (goal 10), or sustainable cities and communities (goal 11), while simultaneously enhancing risk-adjusted returns.

There are a range of more focused investment theses that interested investors can pursue, including:

⁸ Earth Security Group, "Financing Durable Solutions for Refugees and Forcibly Displaced People," Earth Security Partnerships. London, September 2020. <https://earthsecuritygroup.com/news/strategy-briefs/financing-durable-solutions-for-refugees-and-forcibly-displaced-people>

1. Deploying a combination of agricultural crop-insurance, direct investment in value-add agricultural exports, infrastructure (like water and sanitation) for smallholder farmers, and support of micro and SME diversification in emerging markets to improve community resilience and reduce risk of community displacement (The US DFC, Catholic Relief Services, Acumen have all participated in deals that fit under this model);
2. Investing in sustainable fisheries and eco-tourism to support host country economic development while creating pathways for refugee labor integration (currently being assessed by several Mexico and Central American focused investors);
3. Financing the social determinants of work in emerging markets: By providing investment and non-predatory financing to existing small and growing businesses (SGBs) within the housing, financial services, transportation, and childcare sectors, investors can help local SGBs expand the targeting of their products and services to displaced communities (a RIN suggested thesis) radically improving the feasibility of pursuing formal employment and/or entrepreneurship.
4. Investing in early-stage ventures that have high potential to improve humanitarian capacity or innovation. Examples include Needslist, a virtual marketplace software designed to match relief organizations responding to crisis and disaster with resources which closed on a \$1M seed round in 2019, Swedish social enterprise Better Shelter, which spun out of a partnership incubated by IKEA and UNHCR and to date has provided >30,000 modular emergency and transitional shelters to more than 40 countries, and software developer training and outsourcing company Andela, which closed a \$100M Series D round last year led by Generation Investment Management.

I Current Applications of the Refugee Lens

In addition to investing at different stages of migration, and at different stages of company growth and maturity, impact investors are also deploying capital across the capital continuum, using venture philanthropy to test new models and off-set risk in emerging or post conflict markets, deploying impact-first, concessionary capital to support the self-reliance of vulnerable communities in post-conflict markets, and using larger pools of more traditional, market rate seeking capital to scale access to affordable housing, healthcare, and mobile banking. Investors, funders, and entrepreneurs are applying the refugee lens in a number of ways, which are exemplified by several cases that have emerged in the two years since RIN's initial landscape report. These are by no means comprehensive, but give insight into some emerging trends, theses, successes, and lessons from the field.

The Role of Catalytic Capital

Unguided market forces alone do not guarantee healthy and inclusive economies. Extractive industries and wealth consolidation have contributed to widening income gaps and resource depletion in many markets across the globe, with inequality in OECD countries is at its highest level for the past half century.⁹ As the OECD points out, even in countries like India and China which have realized rising economic growth, the benefits of growth have not been evenly distributed. This is true in the United States as well. Intentionality, sound policy, and systemic changes to who has power, holds capital, deploys resources, and who can access the fundamental knowledge and networks that create upward mobility all play a role in building and growing an inclusive economy.

⁹ "The average income of the richest 10% of the population is about nine times that of the poorest 10% across the OECD, up from seven times 25 years ago. Only in Turkey, Chile, and Mexico has inequality fallen, but in the latter two countries the incomes of the richest are still more than 25 times those of the poorest." <http://www.oecd.org/social/inequality.htm>

As we know from gender lens investing—which, as an intentional community of practice, has been growing for nearly twenty years—changing deeply flawed systems and correcting the entrenched biases within the capital community is difficult, particularly when the holders of power (in this case, predominately older, white, western males) are unwilling to surrender their power to achieve a more equitable world. The refugee lens requires no less commitment, intention, and courage than correcting the imbalances we see in disproportionate capital allocations to white, male-led companies vs. women-led or black, indigenous, and people of color (BIPOC)-led companies. As mentioned earlier, most displaced people fall into one if not more of these demographics. If intentionality, commitment, and accountability are the pre-requisites to building the field of refugee lens investment, courage and catalytic capital are the necessity.

The MacArthur Foundation defines catalytic capital as “investment capital that is patient, risk-tolerant, concessionary, and flexible in ways that differ from conventional investment—[it] is an essential tool to bridge capital gaps and achieve breadth and depth of impact, while complementing conventional investing.” In other words, without catalytic capital, certain investments, and by consequence of these investments, certain social and environmental goals essential to human flourishing, would not come to be. The MacArthur Foundation, Rockefeller Foundation, and Omidyar Network have joined together as strategic partners to build the Catalytic Capital Consortium, “an investment, learning, and market development initiative bringing together leading impact investors who believe that greater, more effective use of catalytic capital is essential to realizing the full potential of the impact investing field, including its role in achieving the Sustainable Development Goals (SDGs).”¹⁰ For its part, MacArthur is investing \$150M on a matching basis in funds or intermediaries that demonstrate a powerful use of catalytic capital across diverse sectors and geographies,

incentivizing additional investment and helping to build track records and scale for enterprises, fund managers, and markets.

Together the three foundations have committed to provide an initial \$10M in grants to “fuel learning and market development related to catalytic capital, helping to answer critical questions about the scope of the need for catalytic capital, when and how catalytic capital can be most effective, and what additional tools and practices are needed.” This is precisely the kind of investment RIN sees as necessary to growing the field and practice of refugee lens investment and in leveling the playing field for displaced communities everywhere.

Catalytic capital, in this sense, is already being deployed to support displaced communities. In the U.S., there are at least three thousand refugee-led small and growing businesses (SGBs), with an untold number of earlier stage refugee-led enterprises as well as recently resettled refugees who want to **become** entrepreneurs. Yet most of these entrepreneurs will face enormous challenges accessing the tools and resources they need to grow their ventures for the many reasons already articulated in this report, despite having the same legal rights, resources and opportunities afforded to American citizens. Most of the resettlement agencies in the U.S. are also not incentivized under their current revenue model to provide diversified and long-term support to these communities, beyond helping them to stabilize in their first six to eighteen months of living in their new country.

Some though, have developed innovative responses to meet the needs of refugees seeking entrepreneurial paths in the U.S. This includes the International Rescue Committee (IRC)'s Center for Economic Opportunity (CEO). The IRC has been lending to refugee entrepreneur clients since 2003 through their two field offices—San

Diego and Phoenix—which combined to make over 2,500 loans totaling just under \$3M with 94% repayment rate from 2004-2014. These lending assets have been transferred to CEO, an independent subsidiary and CDFI of the IRC which has since expanded the program to eight additional IRC locations.

Key to CEO's model is that eligibility to apply for a loan is predicated on engagement with at minimum local IRC financial inclusion programming; most clients are engaged in multiple economic empowerment programs such as microenterprise, technical assistance, workforce, etc. This screens out a great deal of risk and situates their loans more as 'tools' that can be deployed within a traditional social service setting, and as just one option among many other services applicants may be receiving. While CEO is a subsidiary of the IRC, it has a surprising degree of independence and self-governance (including its own Board of Directors) which allows it to access capital markets and partnerships outside of traditional IRC grant structures.

While CEO has been growing over the years, it needed a significant capital injection to help scale its lending services to refugee entrepreneurs. Over the last twelve months, RIN and CEO partnered to create the RIN-CEO-Social Impact Fund,¹¹ which was designed to offer refugee borrowers capital to build credit, start businesses, buy cars, pay for workforce training, and support financial health. CEO offered investors returns up to 2% for this first round of funding, the intent of which was to prove CEO's ability to expand and to deliver a modest return to investors, all of which would be essential for raising a follow-on, much larger round to scale their refugee lending in the U.S. A 2% return is not exactly the most compelling rate of return (though perhaps with looming negative interest rates, that may change), so CEO needed a unique match of capital. Working together with RIN, CEO was able to raise an initial

¹⁰ MacArthur Foundation. Programs. C3. 2020 <https://www.macfound.org/programs/catalytic-capital-consortium/>

¹¹ <https://refugeeinvestments.org/social-impact-fund/>

\$1.5 M from six investors: Cabrini Social Impact Investing, The Dunn Family Charitable Foundation, the Shapiro Foundation, Mercy Investment Services, World Education Services, and the Baltimore Community Foundation.

The initial scheduled close for this round was in April of 2020. As COVID-19 accelerated its spread across the U.S., it became clear to CEO and RIN that providing additional

debt to entrepreneurs already on the margins, even at highly concessional rates, would be an undue burden. CEO's investors have been extraordinarily responsive and adaptive—fulfilling their investment commitment but suspending the capital call until the economy stabilizes.

Refugee entrepreneurs have been disproportionately affected by the pandemic and resulting economic shutdowns, with up to 50% facing immediate cash flow shortages and crippling impacts to their businesses. For most of these entrepreneurs, their businesses are the primary source of income for their families. Responding to this, RIN launched the Refugee Entrepreneurs in COVID-19 Resilience Fund (RECOVER Fund), a campaign to support hundreds of refugee-led ventures with emergency cash grants through partnerships with four refugee-supporting accelerators, including the IRC's CEO. Ed Shapiro, principle of the Shapiro Foundation, made an anchor commitment to provide \$250k in grant funding, earmarked to CEO, to help launch RECOVER, in addition to the investment commitment he made to the loan pool.

The flexibility of being able to deploy both investment and grant capital, and the ability (and willingness) to adapt to rapidly changing market conditions, enabled CEO's investors to maintain their initial investment commitment—which in itself was catalytic—and in the case of Shapiro, to further empower CEO to serve its clients during an otherwise prohibitive economic environment, likely saving countless businesses from going under.



Manar al-Najjar - Iraqi refugee and business owner, San Diego, CA.
Credit: Ariana Drehsler.

One of the key roles that catalytic capital [grants] can play is rapid and adaptive response. Responding to similar needs in the market due to COVID-19, World Education Services (WES) announced in June 2020 \$1.35M in new grants across three organizations to advance career pathways for refugees and immigrants amid the pandemic:

1. Building Skills Partnership to develop and scale a new industry-recognized Infectious Disease Certification training program for building service workers;
2. EdTech Center and World Education to launch a new initiative, Equity in mLearning, to build tools and networks that improve access to digital learning, training, and skill development programs for immigrant workers and immigrant-serving organizations;
3. The IRC to support and expand successful place-based career pathways programs for refugees and immigrants.¹²

RIN has seen two significant trends in the funding environment as a result of the pandemic. The first is a retraction of resources from a geographic perspective. Some foundations and investors have re-focused their strategies so much that they are now only funding or investing in projects and ventures within the municipality they are based, as is the case with the Pershing Square Foundation. Others are responding by funding only emergency related programs—food, water, shelter, personal protective equipment, and legal aid. The problem with this is that it often means longer-term, systems change work gets put on hold. WES has demonstrated a commitment to funding durable, long-term solutions in spite of an emergency. These programs will in fact enable future investment in and with refugee-led and supporting

ventures. While the impact tail of these grants enabling future investment may be longer than a direct catalytic investment structured as a guarantee or as part of a capital stack, RIN considers these to be catalytic, nonetheless.

A third example of a recent catalytic capital application of the refugee lens is Kiva's refugee focus on their crowdfunding platform. Kiva is a well-known non-profit organization that allows people to lend money via the Internet to low-income entrepreneurs in 77 countries through partner microfinance organizations. Kiva's mission is "to expand financial access to help underserved communities thrive." Kiva's refugee work is an example of the importance of brave philanthropic capital moving first to develop proof points which can unlock concessionary and market rate investing down the line.

Kiva started out as a person-to-person microfinance platform where individuals could lend as little as \$25 dollars to micro-entrepreneurs across the world through Kiva's network of microfinance partners. In 2016, Kiva started lending specifically and proactively to refugees through their traditional crowdfunding platform. At first their microfinance partners on the ground were hesitant to lend to the displaced, fearing that they would flee and be at greater risk of default. However, Kiva.org raised refugee-targeted capital for local microfinance institutions at 0% with individual "internet lenders" taking on the risk of default. Because of its uniquely low-cost and risk tolerant nature, Kiva funding—which included matching grant capital provided by a handful of family offices, private foundations and the USA for UNHCR—allowed local MFIs to pilot refugee lending programs despite their risk concerns. That experiment showed that refugee borrowers are just as reliable as traditional microentrepreneurs. With more than \$17 million lent to over 20,000 refugees since the start of 2016, Kiva has found that repayment rates for refugee loans are the same as those of non-refugees.

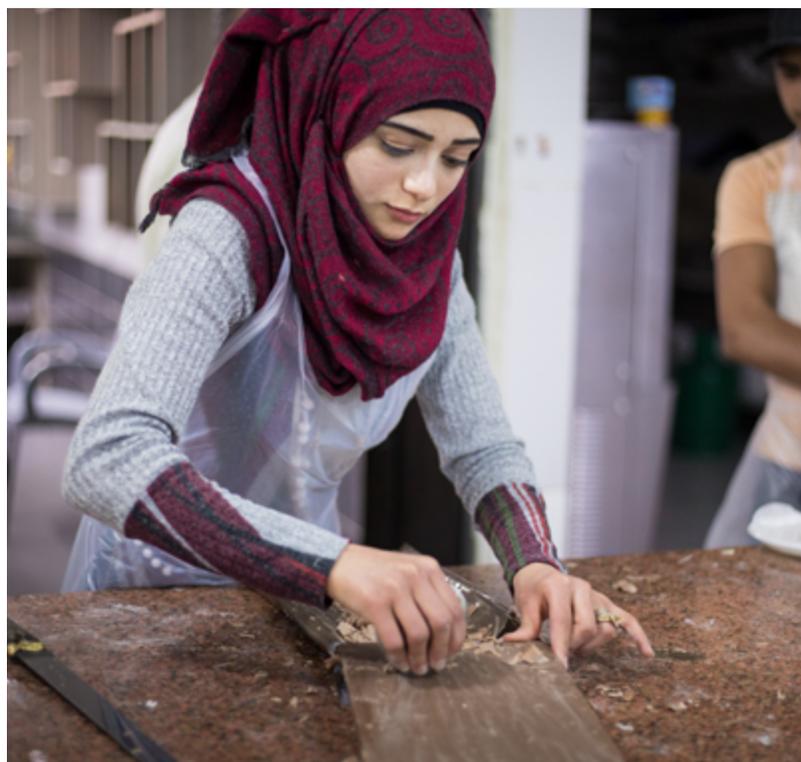
¹² <https://www.globenewswire.com/news-release/2020/06/18/2050236/0/en/WES-Mariam-Assefa-Fund-Awards-1-35-Million-in-Grants-to-Support-Career-Pathways-for-Immigrants-and-Refugees-Amid-Pandemic.html>

Investments in Refugee-Led & Refugee-Supporting Ventures: Micro & Small and Growing Businesses (SGBs)

Regional and Global Funds: Having demonstrated the viability of refugee lending, Kiva has developed a new, for-profit investment fund (their first of any kind), to scale their proven refugee lending programs around the world. The Kiva Refugee Investment Fund (KRIF) will be a \$30 million, 5-year closed-end fund consisting of \$20 million in debt with an expected fixed coupon of 2.5%–3% and \$10 million in equity and a variable rate of return targeted at 5.5–6.5%.

Investors confirmed as participating in KRIF as of the end of June 2020 include family office Ceniarth, faith-based investors Missionary Sisters of the Sacred Heart and the Mercy Partnership Fund, the Soros Economic Development Fund (SEDF)—who provided an anchor investment of \$5M—and the U.S. Development Finance Corporation who will provide up to 100% of the debt facility depending on whether or not additional investors are seeking a debt placement ahead of their close. As can be the case with investments in emerging or frontier markets, a continuum of capital is needed to make this initiative truly succeed, and as such, Kiva is actively raising additional grant support to underwrite technical assistance and cutting-edge impact reporting.

Other microfinance funds are starting to follow Kiva's leadership, though there remains still some trepidation within various local markets regarding policy environments, which are in many cases openly hostile to refugee inclusion. This is not to say, however, that lending to refugees does not occur in these markets. For example, Triodos Investment Management has provided capital (alongside Kiva) to Lebanese microfinance institution Al Majmoua which is lending at a small scale to refugees. U.S.-based Developing World Markets (DWM) and Belgian impact investment firm Incofin Investment Management



Walaa, a Syrian refugee living and working in Lebanon. Credit: Kiva.

invested \$3.2M with IDP micro entrepreneurs in the Caucasus through Georgia's leading non-bank financial institution, Crystal,¹³ among other geographies.

In the summer of 2019, DWM began developing a new private equity fund strategy and concept, the Global Displacement Fund (GDF), with the objective of enhancing self-reliance and financial resilience among displaced communities including with 1) refugees in protracted displacement; 2) internally displaced persons; 3) vulnerable host communities; 4) at-risk source communities; and 5) vulnerable host communities. The intent of DWM's GDF is to make private equity investments in inclusive financial institutions ("IFINs") and businesses currently serving or committing to serve displaced communities alongside host populations. These investments will be enhanced by a technical assistance facility of up to 20% the fund size to address readiness gaps in focus countries and support investment

¹³ IncoFin. Press Release March 2019. <http://www.incofin.com/crystal-raises-equity-investment-of-10-million-gel-from-dwm-and-agrif/>

preparedness as well as refugee lens adaptations to build displacement-inclusive products, services, business practices and client financial literacy skills. The GDF concept is still in its design stage—when it launches, it should offer investors an opportunity to put larger tranches of capital to work supporting displaced communities with returns comparative to DWM's track record of >\$2B invested to date.¹⁴

In other markets, lending to refugees has been slow to expand not as a result of hostile policies, but due to a high cost of capital and the lack of local financial intermediaries willing to lend at non-predatory rates. This has been the case in Mexico, for example. If impact investors seek to deploy microfinance capital in markets where there are almost no financial intermediaries willing to lend at reasonable rates, investors have a choice. They can either invest in building new institutions in those markets—likely something that would require both patient and concessionary (note highly catalytic)—or place that capital in more favorable markets. As we know though, microfinance is but one layer of a market ecosystem. For an economy that is inclusive of refugees and migrants to be healthy, all layers of the market must be activated—microenterprises, small and medium enterprises (SMEs)/ SGBs, large firms, funds, lending instruments, and so forth—just as all forms of capital across the risk/return/ impact spectrum must too be activated.

With this in mind, as part of its Initiative for Inclusive Investment in Mexico, RIN recently secured a \$2.5M commitment from the Baja California state government to anchor a new regional blended-finance Fund for Inclusion, with further private investment being raised from Mexican and US investors. The Fund for Inclusion is being designed in partnership with RIN and will focus on 'social determinants of work' (housing, financial

services, education, and childcare) as well as workforce development and entrepreneurship opportunities for displaced and local entrepreneurs. This is still in very early design stages, but RIN expects to pursue investment from NAFIN, Mexico's internal development agency. This fund could become a pilot for a fund-of-funds approach to investing with a refugee lens across Mexico, given that migration and economic context varies greatly across each state and that emerging local fund managers should be supported as part of this effort. The Mayan Capital Fund is a venture model focused on the Yucatan and southern Mexico which could potentially be part of this effort.

It is worth noting that the very idea for the Baja California Fund for Inclusion, never mind the state government's anchor commitment, would not have been possible if the Dunn Family Charitable Foundation had not made an early grant investment in RIN to conduct its market assessment on inclusive investment in Mexico. While government, civil society, and the private sector recognize both a humanitarian urgency and a business case for creating long-term solutions to forced migration in Mexico (the "why"), stakeholders are seeking guidance for strategy and implementation (the "what" and the "how"). The Dunn's grant has been instrumental in understanding how the nexus of migration, investment, policy and enterprise fit together in this market, which in turn allowed RIN to attract this initial public investment. Yet another example of catalytic capital at work and the importance of supporting specialized intermediaries.

Over the last year, RIN has also been advising the Small Enterprise Assistance Fund (SEAF) in the design of its Global Displaced Persons Fund (SGDPF), the first global equity and quasi-equity impact investment fund focused on creating value through SGB entrepreneurs focused on providing jobs, products and services to the forcibly displaced and their host communities. SEAF is one of the most experienced global impact managers in the world with a strong track record of investing in emerging and frontier market SMEs, several of which are historical

¹⁴ International Trade Forum, Issue 2, Refugees and Trade. "Anticipating the Humanitarian Crisis with Innovative Financial Mean," June 2020. Aleem Remtula, Suma Swaminathan, & Justin Sykes. http://www.tradeforum.org/uploadedFiles/Common/Content/TradeForum/Trade_Forum_22020.pdf

refugee lens cases. The SGDPF is a multi-regional-fund focusing on five main regions with shared forced displacement dynamics: (1) Central America, Colombia and the Caribbean (2) Maghreb and West Africa (3) East Africa (4) The Balkans, Levant and Caucasus (5) ASEAN and Bangladesh. An interesting feature of the fund is that investors have the option to opt out of specific regions.

The five themes that the fund will focus on include:

1. Forcibly displaced led businesses with significant ownership and/or representation in senior management;
2. Companies in sectors with high prevalence of forcibly displaced people, especially in the labor force;
3. Businesses that provide vital products and services that cater disproportionately to the unmet needs of the forcibly displaced;
4. Companies that promote host community support via local supplier participation and job creation;
5. Companies demonstrating a commitment to forcibly displaced people integration and empowerment.

SEAF believes that a significant improvement in the livelihoods of at least 100,000 forced migrants globally will set the example for millions more, which is part of their impact thesis for creating a more sustainable shift in the reception of the forcibly displaced around the world—critical, considering that RIN projections forecast 300M people on the move in the next decade. To support and improve SGDPF's investment activity, SEAF created a proprietary lens rating tool inspired by RIN to identify investment candidates, track progress across nine vectors relating to displacement (including pay and

labor protection, host community support or benefits, and diaspora connectedness and involvement, to name a few), develop an actionable best practices framework, and leverage data to incentivize pro-refugee policy reforms.

SEAF is aiming for a first close of \$30M with a larger expected total fund size. Average deals are expected to be \$1-10M and they are targeting an IRR of >12% p.a. net.

Single-Market Blended Funds: In the MENA region, GroFin's Nomou Jordan Fund (NJF) is working to prove the single-geography model, though performance has struggled under the combined pressures of a stagnant GDP, drops in Jordan's stock market, consumer confidence and purchasing power, and a complicated and constricting right-to-work environment for refugees. NJF is a blended finance development fund supporting SMEs in Jordan, prioritizing women-owned, employment intensive businesses as well as those that employ or are owned by refugees. The fund is a mix of equity (89%) and debt (11%) with 47% coming from public capital and 53% private. By Q3 of 2019 the fund had raised \$26.8M, including an early \$8M investment from the Open Society Foundation's Economic Justice program as well as an additional \$400k grant from OSF for technical assistance. Other investors include DFID, Norfund, KfW, DGGF, Anthos Capital, and the Lundin Foundation.

While NJF has a clear mission to support refugee-owned ventures and ventures supporting refugees, the \$4.4M in disbursements to refugee and non-Jordanian owned businesses represent only 20% of the total investment dispersed to SMEs.¹⁵ Given the difficult policy environment that limits refugee labor integration and entrepreneurship opportunities in Jordan, this is not that surprising. While RIN would like to see a higher percentage of capital going to refugee-owned businesses, it is encouraging to see that 45% of the total portfolio of businesses provide employment opportunities to the displaced.

¹⁵ GroFin. Nomou Jordan Fund. Q3 2019 Report. <https://grofin.com/wp-content/uploads/2020/08/Nomou-Jordan-Fund-Report-Q3-2019.pdf>

The Ascend Venture Fund (AVF) unfortunately did not have as much success. In 2018 AVF showed promise as a single-market debt fund with a ride-along technical assistance vehicle (the Ascend Collaborative) providing concessionary capital to small and medium sized Greek-owned enterprises that would create jobs for refugees, migrants, and vulnerable Greeks. With management from CNL Capital, Greece's leading SME debt fund, early philanthropic support from the Ikea Foundation, Coca-Cola Foundation, Libra Group, and the Radcliffe Foundation, and an anchor investment from Radcliffe's principle Frank Giustra, AVF generated buzz amidst early refugee lens investors as a potential model for country-focused refugee supporting funds, but it struggled to complete its capital raise. Funds taking on the still nascent thematic of refugee lens investing should be mindful of targeting their fund to a single geography, particularly when investors are already skeptical of a given market.

One of the other challenges we identified with Ascend's raise was that their fund manager, who was based in Greece, was seldom available in person for investor presentations and discussions (which largely occurred in the U.S. and Canada). Building trust and confidence with investors is essential, particularly when trying to do something new, innovative, and unproven. As brilliant and committed as a sponsoring foundation and technical assistance team might be, fund managers must be active and fully present during the raise process. Having a fund's anchor investor fully engaged the process as well would be beneficial. Impact investors who are interested in refugee lens investing but who have not yet participated in their first refugee lens deal tend to be willing to try out either a new geography, a new sector, or a new thematic, but never all three and rarely two of the three. This dynamic is exacerbated when interested investors are constrained in their access to fund managers and anchor investors.

Enabling Livelihoods, Banking, and Education Through Technology Investments: Several enterprises and funds are using technology either to expand access to refugee employment or enable it through secure

payments, transactions, and savings. Even in the most remote parts of the world in regions affected by conflict, technology can help people on the move gain access to the global marketplace. Large multinational companies seek to engage what is often considered an overlooked workforce, wherever they may be. One fund in particular, Amplio Ventures, is focused on increasing remote refugee employment by investing in U.S. and European companies with high growth potential that are:

- Refugee-founded and operated businesses (classified as R1 Refugee Lens ventures)
- Enterprises utilizing a refugee workforce
- Enterprises committed to using their resources to support refugees
- Enterprises whose product or service benefits refugees

Amplio's stated interest derives from their co-founders' experience building and operating a successful and highly profitable talent and recruiting firm, Amplio Recruiting, which placed thousands of resettled refugees into U.S. manufacturing and hospitality jobs. As stated by their pitch documents, "businesses founded by refugees are materially more likely to succeed; refugee employees add tangible value to the companies they serve and; as a market, the refugee community is growing year over year."

One such company that has garnered interest from Amplio is Valiu, a fintech start-up providing unbanked migrants in Latin America same-day money transfers to their relatives back home for 1/10th of the current cost using cryptocurrency. Valiu's products were designed with an understanding of the unique financial challenges experienced by the forcibly displaced, in particular, the over 5M Venezuelans seeking refuge across Latin America. Displaced Venezuelans are charged an average of 15-30% in fees every time they send money to provide for their families. "They live day-to-day and send home

an average of \$20/week. In a given month, they would send \$80 home, but their families would only receive around \$60.”¹⁶ Valiu hopes to capitalize on the Latin American remittances market, which sends and receives about 2x more money than China (roughly \$55B per year). Remittances to Venezuela from displaced family members in Colombia and Ecuador total around \$6M per year.¹⁷

Here’s how Valiu works: a customer adds a recipient bank, enters the amount to send and chooses their payment methods (debit, credit, or cash tellers). Valiu receives fiat money and uses it to buy crypto assets in local markets. They then sell the crypto in the destination country in exchange for local fiat, which is then transferred from the crypto buyer to the recipient bank account. It’s safe, efficient, and cost effective, which is more than can be said for most options currently available to those on the move. Amplio, while still working on their capital raise as of July 2020, recently hired a new chief investment officer and has secured early funding from the Walton Family.

They are not the only investors who see potential in building safe and affordable financial transactions for refugees and migrants. Mercy Corps Ventures (MCV) recently signed a term sheet with Leaf Global Fintech, a global virtual bank helping refugees and migrants safely store and transport their money across borders. Leaf is based in the U.S. but has focused their product across five countries in Africa. By using Leaf, customers can avoid the risks of carrying their life’s savings in cash, receive money conveniently and affordably from friends and family, and retain more of their wealth when crossing borders—drastically improving their ability to re-establish themselves in new communities. In their first two years of operations, Leaf has received awards from SXSW, the

National Science Foundation, the United Nations, and The Vatican, received a \$225k SBIR grant and a \$250k matching grant from the Colorado Office of Economic Development, and is now securing their first major investment capital from MCV, ParticleX, and the Berkeley Impact Fund.

Tim Rann, a Partner at MCV, said “We admire Leaf’s proximity to its target customer segments, carefully aligning its product / tech design with local levels of digital and financial literacy. They remain one of the very few companies we are aware of that have linked USSD payments to the blockchain, which we believe could be a key innovation that broadens its application for inherently challenging segments of users (refugees, migrants, cross border traders).” Leaf’s management team, Nat Robinson and Tori Samples, are both repeat founders with a good balance between developing a blockchain-based backend solution and building out customer acquisition and marketing channels. They’ve shown a proven magnetism for resources, and critically, are strong at building partnerships (pivotal for their tech and regulatory compliance). MCV sees a lot of synergies with other companies in their portfolio (they are an investor in Valiu) as well as an array of partnership opportunities with Mercy Corps’ global field office network and partnerships (Celo, Libra, Ripple, Mastercard). The refugee lens overlaid with MCV’s existing financial technology portfolio is exactly the kind of intersectionality that other investors should consider when developing their own approach to refugee lens investing.

Another great example of a refugee-supporting enterprise attracting PE investment is Holacode. Co-Founded by serial entrepreneur Marcela Torres, and now led by Co-CEOs Diana Izquierdo and Aida Chavez, Holacode was designed as an EdTech venture to create high-paying employment opportunities for refugees, migrants, and deportees by filling a major hole in the Mexican tech sector labor market. Their training program and contracting services have provided their graduates with

¹⁶ Valiu. Investor Deck 2019.

¹⁷ World Bank. Press Release: “Record high remittances to low- and middle-income countries in 2017.” <https://www.worldbank.org/en/news/press-release/2018/04/23/record-high-remittances-to-low-and-middle-income-countries-in-2017>

starting salaries that place them in Mexico's top 1% of wage earners. This is an economic sea-change for their trainees, many of whom would otherwise not have a clear path into the formal economy as new arrivals in Mexico. Holacode has attracted investment from several of Mexico's most well-known impact investors—including Promotora Social & Tania Rodriguez of Co_Capital and Mexican human resources advisory firm GIN Group, as well as financing from the U.S. DFC—and continues to be a promising model for ventures designed from day one to serve and support displaced communities while simultaneously seeking to provide investors with non-concessionary financial returns. Where Andela is a successful EdTech company exploring refugee lens applications, Holacode is an EdTech succeeding because they are a refugee lens venture.

Housing, Real Estate, Home & Land Financing:

Almost every refugee resettlement agency in the United States struggles to find enough affordable and quality housing stock for their resettled refugee clients. As new arrivals in the U.S., refugees often face barriers to securing rental apartments or homes (never mind securing loans for home ownership) as result of not having any credit history, significant assets for collateral, or an established network. Local resettlement agencies depend on long-standing relationships with local property managers to assist in providing their clients with their first housing opportunities. As national real estate firms and investors increasingly acquire and consolidate properties, they often seek to reduce their risk and improve efficiencies across their real estate portfolio. This can translate to changes in who local property managers may or may not lease to, and enforcement of regional or national policies which have the effect of shrinking the pool of available housing for newly arrived refugees and migrants.

Over the last year, RIN has been advising Launch Capital Partners (LCP), an impact investing private equity group that has developed a multi-family affordable housing solution for refugees. LCP leases what they consider Class

C properties to Class A tenants, and in doing so, have been able to strengthen refugee communities while increasing LCP properties' overall investment value. Remarkably, LCP is able to provide investors with the unique opportunity to earn market-rate returns while creating transformative social impact. There is nothing concessional about their offering—LCP has over a decade of experience in acquisitions and property management, currently owning and operating 800 units in Louisville, Kentucky, their first major property site.

Since 2015, LCP has invested \$1.7M of its own capital and netted over 12% annual returns before property appreciation. In 2019, LCP closed their \$2.3M Caspian Fund to invest in immigrant and refugee housing. In just over 1 year, Caspian increased investors equity by 2x and is now positioned to invest \$1M in Launch's new Aegean Fund, a \$7-10M fund with a scheduled 2020 close. According to LCP, their new fund's net levered IRR is estimated to be 23%. LCP is able to keep their risk low while supporting their refugee tenants by working closely with their NGO partners at Refuge International, who mobilize local church members to create intentional and transformative relationships between refugees and Louisville residents. They combine these efforts with one of LCP's subsidiaries that supports their tenants with job creation. The recipe of a relational property management strategy seems to be working.

LCP CEO Jimmy Wright says "Tenants become close to the resident managers, and this really strengthens the community as well as our operations. Rent payments were not affected at all by COVID-19 and we're at 100% capacity. If managers are looking at two clients, one who has a five-year work history with decent credit, and another who has no work history and no credit, but who is vouched for by a resettlement agency, we'll take the latter every time. **Refugees are the most vetted people who immigrate here.**"¹⁸

¹⁸ Interview with RIN, June 2020.

In a way, LCP is similar to Holacode, where the business model is designed from the ground up to meet the specific needs of displaced clients. Again, this is what makes the venture so successful and what enables LCP to offer investors such competitive returns. LCP is currently evaluating expansion to other refugee resettlement cities across the U.S., as well as the potential to combine their model with Opportunity Zones. Wright mentioned Clarkston, Georgia (“the most diverse square mile in the United States”) and Central Virginia as potential expansion sites. Many of LCP’s investors are seasoned private equity professionals. For some of them 8-12% debt is seen as concessionary, but “they do this for mission alignment. Others have invested with us for the return and the debt on the front end, which hasn’t been concessionary. The industry would call it a hard-money loan,” says Wright. Most notably, LCP continues to have a high rate of re-investment because their investors find they can achieve an impact with non-concessionary returns.

The supply of housing that is affordable and designed with the nuances of meeting refugee and migrant needs has not kept pace with the enormous volume of demand. We need more firms like LCP in the market. Ideally these would be led by former refugees or immigrants themselves. In the meantime, impact investors in the housing sector, particularly those with exposure to large regional or national property management companies, should consider using their equity or debt positions to incentivize their portfolio companies to develop and enforce more inclusive housing policies for refugees.

Further, following LCP’s leadership, they should suggest local developers and management companies work closely with the nine resettlement agencies to attract clients, design lease arrangements that are supportive to their needs, and ensure that adequate wrap-around services like those offered by LCP are put in place. Not only could this expand the housing market for refugees and migrants in the U.S., but it would simultaneously expand the pool of clients for affordable housing

developers while delivering competitive risk-adjusted returns for investors.

Outcomes and Incentive-Based Investing

Further opportunities in the real estate and housing market include rent-to-own interventions (to support wealth and asset building among refugee and migrant communities), non-predatory home and land financing or trusts (the latter is especially critical in emerging markets with large agriculture-dependent displaced communities), and companies building solutions to guarantor or credit requirements. In Mexico, for example, all immigrants (not just refugees and migrants), are required to have a guarantor to secure an apartment lease. Often for ‘expats,’ their employer or corporation will sponsor their apartment, though even this has limits, given the requirement that guarantees are backed by hard (often land-based) assets.

Last year, the Mexico City-based property rental platform Homie raised \$7M from private VC fund Equity International and Angel Ventures Pacific Alliance II. Homie acts as a guarantor for expats, circumventing the complicated bureaucratic process and difficulties of finding a guarantor for foreign renters. Homie has not started targeting their services to the over 45 distinct nationalities and cultures represented by refugees and migrants seeking a new home in Mexico, but clearly, their product would provide a valuable service. This is where refugee lens investors can play an instrumental role in incentivizing their portfolio companies to become refugee-supporting ventures. As part of the Initiative for Inclusive Investment in Mexico, RIN evaluated over 120 high performing SMEs in Mexico, including Homie. While as of June 2020 none of these ventures were directly serving refugees and migrant clients, RIN found that over 66% had a clear value and opportunity to do so. Providing these companies with working capital conditional on the

venture retargeting their services to support refugees and migrants is another, relatively direct way investors can help expand this field.

Public and philanthropic funders, impact investors, and social enterprises are already working together in innovative ways to do exactly this. In recent years, the Swiss Development Agency (SDA), working together with Roots of Impact (Roots) has pioneered the use of Social Impact Incentives, or SIINCs. Roots defines a SIINC as “a funding instrument that rewards high-impact enterprises with time-limited premium payments for achieving social impact. The additional revenues enable them to improve profitability and attract investment to scale. Thus SIINC can effectively leverage public or philanthropic funds to catalyze private investment in underserved markets with high potential for positive impact.”¹⁹ In essence, the SIINC aligns three different and essential stakeholders within a specific transaction: social enterprises, who with access to incentive-based financing are able to scale operations and impact; public and philanthropic funders who seek to achieve positive impact outcomes; and impact investors seeking to enhance their social and financial returns on their investments.

A good example of this is SDA’s inaugural SIINC with Clínicas del Azúcar (CdA), a social enterprise in Mexico specializing in low-cost diabetes treatments. SDA found significant promise in the CdA model—in its first six years of operation it had become the largest private provider of specialized diabetes care in Mexico with nine clinics, reaching more than 50,000 patients, with 95% experiencing access to specialized treatment for the first time in their lives. In addition, CdA offers its services at approximately 40% of the average price for private treatment.

Yet, despite its success, CdA was not offering its life saving services to clients at the base of the pyramid;

the management team struggled to balance their commitment to serve everyone who needed their treatment (maintaining affordability) while attracting capital that would allow them to expand, which was also essential to reduce the cost of their treatment. “By providing payments for real impact achieved at the base of the pyramid, CdA was empowered to position itself as an innovator in diabetes care and a pioneer in prevention techniques. At the same time, CdA was able to achieve solid economic returns... while crowding in the right type of investors who supported their bold move into lower socio-economic groups.”²⁰ As the number one cause of mortality in Mexico, diabetes affects everyone—including refugees, migrants, indigenous communities, and Mexican citizens deported from the U.S. The CdA was not a refugee lens transaction itself, largely due to the lack of intentionality with regards to deploying these services to refugees and migrations, but the SIINC model and process is something that RIN finds has significant potential for refugee lens applications.

Alternative Investment Structures

As many impact investors across the world have found, sometimes social enterprises, especially those working with the most vulnerable communities, can benefit from alternative investment structures like cooperatives and revenue shares. An example of an investment into a creative business model that is targeted at the prevention of displacement and also fulfills environmental sustainability interests of investors is the case of Root Capital’s investment into Ejido Verde. Ejido Verde is a sustainable pine resin company that builds income and wealth among the indigenous communities of Michoacán. With deep, industry-specific knowledge of the B2B pine resin market, Ejido Verde is positioned to become a lead supplier in the \$10B global pine chemicals industry. In

¹⁹ Roots of Impact. SIINC Definitions and Applications, 2020. <https://www.roots-of-impact.org/siinc/>

²⁰ Roots of Impact. SIINC Case Studies. “CdA” 2017-2018. <https://www.roots-of-impact.org/wp-content/uploads/2019/09/SIINC-Case-Studies-CdA-Update-Results-2019.pdf>

addition to developing a stable supply chain of a critically important ingredient in products ranging from shoes to makeup, the company has also created good paying jobs for over 2,000 people, created a process that builds long-term wealth and connection-to-place for hundreds of families, and has sequestered 133,000 tons of carbon. The business model involves lending zero-interest loans to rural and indigenous, autonomous, land-owning communities (known as ejidos) and the communities pay back that loan in pine resin. This allows the indigenous communities of Michoacán to maintain ownership of their land and invest in the long-term sustainable productivity of their land.

This case is also an example of the use of different types of capital at different stages of growth. The project began with philanthropic capital from the Pinosa Group to run a number of experimental social reforestation projects. After piloting and testing a number of different models, Ejido Verde was transformed into an independent for-profit business with a long-term strategy to advance economic, social, and environmental prosperity for rural and indigenous communities. Most recently, after participating in RIN's migration programming and panel at the Foro Latinoamericano de Inversión de Impacto (FLII) in Merida, Mexico in February 2020, Ejido Verde secured a \$5M USD investment from IDB Labs, the innovation laboratory of the InterAmerican Development Bank Group, which Ejido Verde hopes to match.

Another case study that represents a cooperative model, an example of catalytic capital, and has potential as a refugee lens investment is the Post Road Foundation (PRF). The lack of high-speed internet in most rural communities limits access to healthcare, education, 21st century entrepreneurship, and high-paying jobs—a digital gap made even more acute by the COVID-19 crisis. Rural communities without high-speed internet are less healthy, have lower household incomes, and are losing young people to out-migration. Seth Hoedl, the Co-Founder and Chief Operating & Science Officer of PRF shared that “the

majority of rural America without high-speed internet gets its electricity from local electric cooperatives, established in the early 20th century. Today, 834 non-profit electric co-ops provide at-cost electric service to their member-owners. These co-ops own their own national support institutions, including CFC, a highly-rated, non-profit finance cooperative providing over \$26B in low-cost loans to member co-ops.” These electric co-ops cannot directly finance the broadband internet service because of their insufficient debt capacity and inability to raise equity capital.

That's where PRF comes in. Over its first year, PRF conducted a series of five pilot studies of rural communities in the United States (two of which were indigenous communities), to assess the market, demand, potential vendors, labor estimates, and potential feasibility of working with each cooperative community—all of which have informed the design of a financing model for high-speed, fiber-optic internet infrastructure through joint ventures with rural electric co-ops. In partnership with the communities they hope to serve, PRF is now developing a blended finance fund which uses subordinated first loss equity from philanthropies and electric cooperatives to decrease risk and boost returns for senior equity investors. The Fund's end goal is \$200M in total equity, including first-loss capital, which catalyzes \$800M in joint venture project debt from co-op and other lenders. Average ticket sizes will be \$15-20M, over a 30-year term with commercial returns expected by year ten. Though PRF intends to start smaller, likely at \$10-20M, or, Hoedl shared, “ideally \$60M—enough to do 2-3 cooperatives in the first round.”

All of the work to date has been made possible through a catalytic grant from the Rockefeller Foundation's Innovative Finance team, as part of their Zero Gap Initiative which aims to tap into mainstream markets and investors, scaling up investments into promising new finance vehicles that help to close the SDG funding gap. The Rockefeller Foundation's investment to-date has been close to \$1M, which for a deal of this size, will be a

profound return on their investment in terms of the capital that PRF hopes to mobilize and the positive economic, social, and environmental impact this could have on the cooperative communities. RF's investment has also allowed PRF to develop a financial analysis tool that will help them work with the cooperatives.

Hoedl shared that many of the areas redlined for housing are also redlined for digital access. Redlining is defined as the refusal of services by state, local, or federal government, as well as the private business, either directly or through the selective raising of prices, based on race or ethnicity.²¹ Many indigenous communities across the U.S. have been targeted by this practice since the founding of the country.

The success of this investment is predicated on trust and partnership between PRF and the cooperatives, and the cooperatives' own agency in the project. They own and operate the asset and have a strong community focus and participation. The cooperatives contribute part of the subordinated equity, which also plays into how the investment is community-led: "they're making a contribution, even if it is small," Hoedl says. Lastly, there are synergies between the communications of fiber and electricity of the cooperative which helps to advance returns (e.g. extra revenue) and as well as a marketing resource to speak to different audiences. Given the scale of PRF's offering and the impact and the returns it promises, this should be a compelling opportunity—particularly for larger institutional and faith-based investors. Again, without the early investment from the Rockefeller Fund, none of critical studies and relationship building that enabled PRF to design the fund concept would have been possible. This is a great example of a catalytic investment and one that could be beneficial to many indigenous communities across the country.

Divestment

We have thus far focused primarily on proactive investment in companies, funds and instruments that are measurably improving the lives of the displaced or those at risk of forcible displacement. There is another critically important tool that some sophisticated investors are also deploying to support those fleeing for their lives: divestment. Impact investing expert Morgan Simon, founder of the Candide Group, teamed up with NFL Linebacker Derrick Morgan to use a divestment campaign to take on the detention of migrant families. They created the Real Money Moves financial activism campaign to align money and justice. Real Money Moves strategically partnered with over 30 prominent athletes, activists, and actors to advocate against big banks financing private prisons and family detention centers.

Alongside the grassroots activism by the #FamiliesBelong-Together coalition and the #BackersOfHate campaign, Real Money Moves leadership helped influence JPMorgan Chase, Wells Fargo, Bank of America, SunTrust, BNP Paribas, Barclays, Fifth Third Bank and PNC to publicly commit to ending their financial ties to private prisons and detention centers. Thanks to their work, by the third quarter of 2019, private prison and detention companies lost \$2.34B in future credit and loans, or 87.4% of their entire known pool of private financing.²² As co-founder Simon puts it, "We want everyone to reclaim power over their money and be able to say, 'if I'm depositing my money in the bank, I have a right to know where it spends the night and that it's supporting my values. I don't want to be building wealth for my family by locking up someone else's.'"²³

As evidenced by the success of Real Money Moves, the importance and value of targeted divestment approaches

²¹ <https://www.investopedia.com/terms/r/redlining.asp>

²² <https://www.forbes.com/sites/morgansimon/2019/09/30/geo-group-runs-out-of-banks-as-100-of-banking-partners-say-no-to-the-private-prison-sector/#1990a07c3298>

²³ Morgan Simon. <http://morgansimon.com/>

cannot be understated and should be considered by every refugee and migration lens investor—or anyone, for that matter, who does not want to profit off of the exploitation of marginalized communities. Understanding what is in our existing portfolios is a critical first step for any investor, asset manager, or foundation to consider in developing a refugee and migration lens strategy. It is relatively straightforward for investors to screen their index funds or shareholdings for direct financing of private prisons and detention centers like the GeoGroup or CoreCivic, comparative to diligencing other public companies or holdings where there are still major information asymmetries particularly around supply chains. When this data is not self-evident, investors should seek answers from their asset managers directly or from their portfolio companies through shareholder meetings and proxies. Shareholder demand can be powerful impact tool, but only if it is exercised as such.

Public Markets

Refugee lens investing is still relatively nascent as an intentional impact investing thematic. As such, investment products and instruments have concentrated in these early years either within private offerings or within larger, multi-lateral institutions. Public markets and commercial investment offerings have yet to take root, though this will hopefully change in the coming year. As a signal of what might be coming, one can look to the Kellogg-Morgan Stanley Sustainable Investing Challenge, a competition of over 300 students representing 74 graduate schools and 56 countries to challenge future leaders to develop innovative financial vehicles to help address environmental, social and governance (ESG) challenges.

This year's winning team from New York University's Stern School of Business and Wagner School of Public Service proposed the Refugee ETF: an "exchange-traded fund as the first retail investment product designed to help drive economic integration of refugees. The ETF aims to achieve



RIN hosted a roundtable discussion on impact investing and blended finance solutions to forced displacement in partnership with the U.S. Development Finance Corporation (formerly OPIC). RIN photo, 2019.

its social and financial goals through investments in a global index comprised of listed companies with robust refugee-focused policies and initiatives.”²⁴ RIN advised the team throughout the competition and continues to work closely with them to help take the concept and its initial designs to market.

²⁴ https://www.csrwire.com/press_releases/44877-Refugee-ETF-Wins-2020-Kellogg-Morgan-Stanley-Sustainable-Investing-Challenge

Refugee & Migration Lens Investing: The Path Forward

Investors interested in refugee and migration lens investing are highly varied in their risk, return, and impact profiles, the geographies and sectors they're interested in, preference for deal size, stage, and maturity, and comfort participating in a new thematic. Taking into consideration the developments over the last two years within the refugee lens investing field, as well as the lessons from the last two decades of gender lens investing, it is clear that we need to double down on our collective efforts to support demand side (investors and capital), supply side (entrepreneurs, projects, and deals), and to support a variety of intermediaries and public goods programs. This includes expanding and strengthening pathways for new **prospective** refugee investors to become **active** investors, whether that means conducting their first refugee lens deal, or making their first **intentional** refugee lens investment.

1. Activate giving and investment circles to increase learning, collaboration, and investment participation: Many networks and convening organizations already have giving circles for refugees and immigrants while also offering members more generic impact investing learning or practice circles. Networks and conveners should create investment circles focused on refugee and migration lens investing, or embed this thematic within existing investment communities focused on topics deeply intersectional with forced displacement such as gender equality, diversity and inclusion, children, climate change, peace and justice, or humanitarian response.

2. Assess existing deal exposure: Assess your existing investment and/or grant portfolio exposure to refugee and migration lens deals and projects. What have you invested in or funded to date that fits within the refugee lens? What programs have you funded whose outcomes could be augmented by a complimentary investment

strategy? What displaced demographics do you work with who might be seeking longer-term services, opportunities, or financing? Do you have equity positions in portfolio companies that could be incentivized to expand their services or products to displaced communities or the humanitarian sector? Assessments like these can help investors and funders alike gain familiarity with the thematic, build on what they're already doing, and illuminate dormant investment opportunities that could be transformational for millions of people seeking a fresh start.

3. Deploy catalytic capital: While we need capital from across the risk, return, and impact continuum to help build a vibrant and functional refugee lens investment ecosystem, impact investors and private foundations can play the most catalytic role in accelerating the growth of this investment thematic due to the fact that many of these investors have access to both philanthropic and investment capital, tolerance for risk tends to be greater than more commercial or institutional investors, ticket sizes are more flexible, and holding periods can be longer. There are thousands of early stage refugee-led and refugee-supporting ventures in need of less than \$1M in financing, hundreds of medium-scale humanitarian projects that could become investment-ready with financial structuring and blended finance, and many deals that would be attractive to institutional capital, if only they could secure their first money in. While this is a story familiar with many marginalized communities, it is especially acute in refugee and migration lens investing.

4. Build out the pipeline and expand market-enabling research: The preponderance of research currently available relating to the private sector and refugees tends to focus on business (largely skewed to multinational companies) and labor market economics.

These are enormously important but offer little insights to activating private capital applications of the refugee lens. Investors and development partners alike require a deeper understanding of the intersectionality of the refugee lens and the U.N. Sustainable Development Goals, financial performance, asset classes and sectors (e.g. climate, gender, energy, or SMEs), as well as accessible deal pipelines, policy remediation recommendations specific to local markets and demographics, and relating to our earlier recommendation, specific guidance on where to concentrate catalytic capital allocations.

5. Invest in the capacity and diversification of refugee lens intermediaries: Field-building, investor education, and specialized research takes time and money to create. To accelerate the growth and adoption of refugee lens investing, intermediaries need to build in-house teams specifically dedicated to producing the research that enables both investor interest and participation, convening refugee lens investors and entrepreneurs together, and structuring the appropriate financial instruments. Much of this work is public good. All of it requires training, hiring, and funding. Multi-year and unrestricted funding would provide much-needed stability for intermediaries fully dedicated to the field, while the recruitment and training of personnel with both lived displacement backgrounds and exposure to investment or financial expertise would reduce bias and increase expertise within these organizations.

6. Develop more rigorous metrics, transparency, and independent validation systems: The initial development of the refugee lens framework was designed as a baseline for investors to begin exploring this work. As with all impact investment, we need to develop much more rigorous tools focused on improving outcomes—particularly around self-reliance and quality of life—for and with displaced communities. There is currently little transparency or accountability for public commitments for funding, investments, provisions of products and services to refugees, or significant hiring pledges and without

transparency and accountability, which creates a real risk of ‘refugee-washing,’ similar to ‘green-washing’ or ‘gender-washing.’ A handful of large, public refugee-related investment commitments from 2016-2019 contributed to misperceptions of available capital and funding in the field, largely due to a lack of public transparency on the restrictions of this capital and details on capital deployed vs. committed. Commitments are important for generating interest and excitement for an emerging impact thematic but can be harmful if they are not transparent or backed up with capital deployment.

Final Reflections

The main goal of this work is to consider some of the more promising market-based refugee-focused and potential refugee-supporting investment opportunities in development since 2018, and to reflect on where the field of refugee and migration lens investing goes from here. This is not meant to be a comprehensive account of all products, funds, and developments in the sector—that would require a much lengthier report given how quickly this field is expanding and maturing.

Just as the global displacement crisis continues to grow and the plight of displaced populations becomes more dire, refugee lens investors are getting more sophisticated. We now see capital being actively deployed at all stages of human movement: in companies and funds aimed at preventing future displacement, in those seeking to support the displaced in the early stages of a crisis, and those focused on the long-term economic inclusion and integration into formal economies for refugees that cannot return home.

Resilience: The mixed migration flows to the Mexican borders throughout 2019 highlighted the role of climate change and related crop failures in forcing hundreds of thousands from their homes. High levels of generalized violence were driving people to flee, but failed coffee

crops and leaf rust were also creating economic conditions that left families no choice but to move further north. Investments into companies that are in the areas of climate adaptation and agriculture resilience would help farmers maintain their livelihoods and prevent migration. Similarly, while violence was driving large numbers of Venezuelans from their homes in 2019, economic collapse also was forcing millions to seek a better life across Venezuela's border. Economic development, microfinance and non-predatory SME-lending, when targeting at at-risk-of-migration populations, can be an effective displacement prevention strategy when coupled with proven, smart policy interventions and diplomacy.

Response & Humanitarian Innovation: When violence or vulnerability leave people no choice but to flee, the first weeks and months in a new location can be traumatic. Language barriers, lack of local knowledge, lack of social networks, lack of shelter, lack of access to banking and lack of identification all leave the displaced in incredibly vulnerable situations. Displaced people often find themselves victims of crime due to these vulnerabilities. Investments in innovations in safety, security, and shelter can dramatically improve outcomes for the displaced, allowing them to get a stable footing while applying for asylum. Investments into technology and innovative financing mechanisms that creatively expand emergency response capacity are also new strategies to use capital to improve the humanitarian response stage of the displacement cycle.

Recovery & Economic Inclusion: Return home is not, and likely will not be, an option for millions of the world's displaced. Resettlement in a third country, the term used for resettlement in countries like the United States, Australia or France, is also highly unlikely—and in the age of COVID-19, nearly impossible. The vast majority of the world's displaced are residing in developing countries and will likely remain there for decades. Investments in companies and funds that help the displaced find a

“durable solution” to their plight are critical. When an individual has lost everything, suffered trauma, lost loved ones and is starting from scratch, often in a new language, economic inclusion does not happen easily or organically. Investments in companies that are proactively working to provide the displaced with access to banking, access to housing, access to health care, access to child care, and access to transportation hold some of the greatest promise in refugee lens investing. RIN refers to these as the “Social Determinants of Work.”

The displaced must have access to these key services before they can fully join their new communities and participate in the formal economy. While venture capitalists may not worry much about these types of social infrastructure when backing start-up entrepreneurs in Silicon Valley, for impact investors seeking to invest in entrepreneurs and employees that have been forced to flee their homes, it is critical. Take for example the tens of thousands that have fled unspeakable violence in the Northern Triangle (Honduras, Guatemala, Nicaragua). The UNHCR in partnership with private sector companies in Mexico have worked together to place these refugees into formal sector jobs, and have ensured their success by securing them housing, health care and child care. The success rates of these families is remarkable; parents are employed, children are in school, and families are finding safe, solid footing for the first time in years.²⁵

There is a persistent horse and cart problem in this field—lots of bad government policies which disincentivize investment (e.g. refugee right-to-work, right-to-bank, right-to-entrepreneur rules) but without private capital at the negotiating table, there is little economic leverage to incentivize policy change. Hence, another reason

²⁵ In RIN interviews with Mark Manley, Director of UNHCR Mexico for RIN's report on Inclusive Investment in Mexico (Anticipated, September 2020), Manley shared results of ACNUR's Programa de Integración. A UNHCR assessment of nearly 5000 refugees participating in their economic integration program found that 86% or refugees permanently re-settled into their new communities, with another 10% relocating to another Mexican city, and after twelve months, over 60% escaped poverty.

for investors to become active in this space. And while national policies may be challenging, as a macro trend we see municipal and state government leaders much more willing to set inclusive policies for refugees and migrants. This is true in Kalobeyei and Kakuma, Kenya, Gaziantep, Turkey, and Tijuana and Merida, Mexico, with some exceptions in national leadership like Colombia and Ethiopia, which offer hopeful, if strained models for other countries to follow.

As for “private sector partnerships” in the humanitarian context, these still too often depend on the CSR interventions of large multinational companies, while foundations and nonprofit organizations often focus on various forms of short-term aid rather than durable, long-term solutions.²⁶ While goodwill within business and allyship with displaced communities is helpful, it is not a strong enough vehicle to create systemic change. The impact of COVID-19 on donor government commitments to international development and in particular, durable solutions to forced displacement, remains to be fully understood. What is clear is that we, as a global community, cannot afford a further retreat into nationalism and xenophobia. While private capital should take direction first from displaced people, it first needs to make its offer of support heard and felt. This can best be done by executing on investments and demonstrating commitment, not making more pledges or serving on panels. There has been far too much talk in the last two years by a limited pool of stakeholders. Some have honored their commitments, while others have run perpetual cycles of reshuffling, consulting, and re-strategizing, all while the numbers of people forcibly displaced continue to grow and entrepreneurs are starved of capital.

As a result, there remains a sizable gap between capital committed and capital deployed. Funds are still early in

their development, and, where they are deploying capital, it is still too early to assess rigorously the efficacy of their impact on displaced communities. But this will come in time.

Developing a standard baseline of effective investment impact measurement for the field, building off some existing frameworks and tools, will be an important next step for the sector. Equally important, particularly given the urgency of advancing equity and justice within capital and communities, is the unconditional support, training, and elevation of refugee and displaced fund managers, board members, and executives. We must also consider how to accelerate the work of building and growing this field, supporting intermediaries, advisory firms, and the ecosystem of incubators and accelerators that are creating the future refugee lens pipeline.

As RIN articulated in our [Paradigm Shift](#) report, the first step for any prospective refugee lens stakeholder is to make refugee lens investing a priority and set this intention out clearly within an organization’s operating mandates. The RIN is already working with a major development agency, a market-leading impact investing fund, and a global humanitarian agency to bake this work into their respective mandates and strategies, and we expect many more to follow in the years ahead—including more local, place-based foundations and investors. For foundations that already have a mandate to support refugees, immigrants and displaced people, the next steps are to 1) expand grant programs beyond just emergency support or legal aid. As important as that is, it is highly limited in both scope and effectiveness under nationalistic political environments; and 2) extend the mandate beyond grants to include investment instruments as well.

While the world may be facing compounding traumas of an unrelenting pandemic, economic inequality and racial injustice, **it is in the resilience, generosity, and spirit of displaced people that we may find our deepest reserve of hope.**

²⁶ [“Policies & Partnerships Supporting Refugees: World Refugee Day Summary Report”](#) Concordia



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