



Creating a Refugee Lens Investment Roadmap in Jordan & Uganda

The current trend of forced displacement is the defining social crisis of our era. Today, there are more than 90 million people forcibly-displaced worldwide – the highest number in history. If this pace continues, the total number of forcibly-displaced people will increase to over 300 million by 2030.¹ These troubling figures are compounded by the growing length of time people are being displaced: The average duration a person is stuck in a protracted displacement situation is 17 years.²

Moreover, budget shortfalls, made worse by the Covid-19 pandemic, have plagued the UN Refugee Agency (UNHCR).³ Indeed, the underfunding of refugee-supporting programs is impacting all areas of UNHCR's response, leaving vital programs like education and livelihood training short of resources. Notwithstanding funding challenges, humanitarian efforts – while critical – most often fail to address the longer-term, systemic challenges facing refugees, like access to jobs and self-reliance, referred to in this report as “durable solutions.”⁴

The global refugee response system has generally been thought of as state-centric.⁵ However, over the past decade, there has been a growing interest among governments and international organizations, like the Japan International Cooperation Agency (JICA) in the private sector's role as an alternative source of refugee assistance and self-reliance.

Accordingly, last year JICA commissioned RIN to conduct an in-depth study and market analysis to determine the viability of impact investing in refugees in Jordan and Uganda. The work that follows maintains that efforts to respond to market and policy barriers that impinge on refugee rights to social

¹ Refugee Investment Network, “Paradigm Shift,” 2018. <https://refugeeinvestments.org/resources/paradigm-shift/>

² Elizabeth Ferris, The Brookings Institute, *Brookings Report*, “Order from Chaos.” June 19, 2018. <https://www.brookings.edu/blog/order-from-chaos/2018/06/19/when-refugee-displacement-drags-on-is-self-reliance-the-answer/>. Also see: World Bank blog that describes the many caveats affecting the calculation of this figure: <https://blogs.worldbank.org/dev4peace/how-many-years-do-refugees-stay-exile>

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

⁴ In line with the IASC (Inter-Agency Standing Committee) Framework on Durable Solutions, this report defines *durable solutions* as those that mean forcibly displaced people (FDPs) no longer need specific protection related to their displacement and can exercise their rights to security and human rights, as well as access to basic services, on the same basis as host communities.

⁵ Alexander Betts, Louise Bloom, Josiah Kaplan, Naohiko Omata. “Refugee Economies: Forced Displacement and Development.” New York: Oxford University Press. 2017.

and economic inclusion and/or integration are best organized around high-impact models of investing in refugees.

Ideally, investors can seek to address identified barriers to investing in refugee-supporting ventures by designing targeted investment vehicles that respond to key refugee and host community pain points and policy shortcomings. These vehicles should be built around existing models of business and investment into displaced and hosting communities, that is, where interventions can leverage ongoing socio-economic development efforts and partnerships.

Business models that are already well-positioned to have impact on refugees are structured around an impact investing approach. “Refugee Lens Investing” (RLI) as defined by RIN, presents the best framework and entry point for refugee impact investment. RLI can be represented by a simple 6-part taxonomy:

R1 Investments: Refugee-owned businesses, with at least 51% ownership or with at least 1 refugee playing a key operational role;

R2 Investments: Refugee-led enterprises having at least 1 refugee in senior management or with refugee representation on the board;

R3 Investments: Refugee-supporting ventures that intentionally provide goods, services or employ refugees;

R4 Investments: Refugee-supporting, Host-weighted activities that intentionally provide goods, services or employ host community members;

R5 Investments: Refugee lending facilities that provide debt or alternative financing to R1 - R4 enterprises;

R6 Investments: Refugee funds that provide equity to R1 - R4 enterprises.

RLI further approaches capital across a continuum of returns (from grants to commercial rate investments), deployed at any level (from micro-enterprise to SMEs to large firms or infrastructure projects), related to any of 3 phases of forced displacement:

1. **Resilience:** Investments addressing the root causes of displacement;
2. **Response:** Investments that improve humanitarian response during crises, and;
3. **Recovery:** Investments supporting economic inclusion or integration following crises.⁶

⁶ Earth Security Group, “Financing Durable Solutions for Refugees and Forcibly Displaced People,” Earth Security Partnerships. London, September 2020.

Taken together, **the study illustrates how the application of a Refugee Investing Lens provides a helpful, high-impact tool for investors looking for more than financial returns**, and aims to help mobilize capital into refugee and host-supporting investments.⁷

Impact Investing

Impact Investing is a term used to describe investments that are made to create measurable and beneficial social impact alongside a financial return on the investment. According to the Global Impact Investing Network (GIIN), the global market size for impact investing was estimated at \$715 billion at the end of 2019.⁸

A report by the U.K. Department for International Development, the GIIN and Open Capital Advisors in 2015 revealed that nearly \$10 billion in impact-investment funds had flowed into East Africa at that time.⁹ And while Kenya may be the primary focus for impact investing in the region, there has been a growing number of impact investment deals in Uganda.¹⁰ Natasha Watts and Ivan R. Scales argue that the rapid growth in impact investing in the region is largely driven by a shift toward more private-sector-led growth.¹¹ This is good news for investors and proponents of refugee self-reliance.

Meanwhile, the MENA region has not attracted as much interest from impact investing capital: Less than 5% of impact investing capital globally is allocated to MENA countries. This is largely due to the perception that needs are more acute in lower-income countries in the global south. While investment remains a challenge across the region, particularly when countries are facing large-scale youth unemployment and escalating water and energy constraints, increasing interest through RLI in markets affected by significant displacement crises offers a promising pathway to unlock impact-focused capital to help MENA countries address economic challenges and make progress on the Sustainable Development Goals.

Objectives of Study

By focusing on Jordan and Uganda, JICA and RIN set out to:

1. Identify the critical enablers of refugee-related business and investment in two highly-affected, refugee-hosting states;

⁷ For the purposes of this document, we will employ the RIN definition of “Refugee”: Inclusive of those forcibly displaced across international borders, asylum seekers and people internally displaced (IDPs) by violence, persecution, climate change, and natural disaster. See: RIN, “Paradigm Shift.” 2018.

⁸ Global Impact Investing Network’s (GIIN), “Annual Impact Investor Surveys.” 2020.

⁹ The Global Impact Investing Network and Open Capital Advisors, “The Landscape for Impact Investing in East Africa.” 2015.

¹⁰ Jamie Van Leeuwen and Michael Feinberg. “Impact Investing in Africa: A Case Study on East Africa.” 2018.

¹¹ Natasha Watts and Ivan R. Scales, “Social impact investing, agriculture, and the financialization of development: Insights from sub-Saharan Africa.” 2020.

2. Highlight the necessary platforms and/or support that would be essential for refugee-related businesses and investments to attain sustainability, impact and scale, and;
3. Develop and share investment information for the private sector interested in refugee-related businesses and RLI in the targeted countries.

Report Overview

Uganda and Jordan were selected for this study based on a comparative review of RLI dynamics, including: large refugee populations; long histories of welcoming refugees; capacity for commerce and impact investing; and, relative national stability. Uganda is also one of a handful of countries worldwide that provides refugees with a constitutional right to work and own land. Jordan presents the most balanced refugee policy environment in the Middle East, and also plays a fundamentally important role in regional stability. Although Jordan lacks the requisite refugee right-to-work policies, there are signs that a new, innovative approach to refugee inclusion – one that directly supports the Jordanian economy – could be received locally and internationally with interest. However, in both countries, opportunities for refugee economic inclusion would be difficult to attain absent a clear roadmap for RLI – one that RIN's work was designed to complete.

Local teams and partners in both countries, with deep experience and networks in the related fields, were used to collect salient information from key sources and stakeholders on the ground.

In Uganda, management consultant Open Capital Advisors (OCA), provided RIN with the local knowledge and expertise to help with the collection and analysis of data. Together, RIN and OCA conducted extensive research including both primary and secondary data collection involving a robust review of literature, dozens of background and focused interviews across key identified groups, field visits, meetings and workshops. Systems-of-systems methods were employed to assess Uganda's *de jure* vs. *de facto* policy environment as well as its market and social conditions. Accordingly, the team completed a thorough "inclusive investing" market assessment identifying both social and economic barriers, as well as an exhaustive analysis of the manifold refugee self-reliance initiatives underway in Uganda. Ultimately, this approach proved to be extremely flexible and well-suited to comprehensively address the complex and dynamic subject matter, and to overcome the data collection challenges presented by the Covid-19 pandemic.

In Jordan, RIN deployed an interdisciplinary team with global expertise in refugee policy, international impact investing, and a deep understanding of local market issues, communities, and ongoing regulatory reform efforts. RIN partnered with an Amman-based development consultancy, Expectation State. Similar to the Uganda effort, RIN conducted a thorough literature review placing the survey in the context of Jordan and the region. Primary and secondary data collection and analysis was conducted using a snowball sampling method and utilized a system-of-systems approach, mapping the needs and experiences of displaced communities within Jordan, the policy environment related to economic inclusion, and the RLI entrepreneurial and investment ecosystem including over

200 potential RLI enterprises and funds. In sum, RIN's team conducted over 100 interviews across distinct stakeholder groups across the ecosystem and developed several research products for JICA over the course of an eight-month study.

About RIN

The Refugee Investment Network (RIN) is the first impact investing and blended finance collaborative dedicated to creating long-term solutions to global forced migration. RIN is a specialized investment intermediary that facilitates the movement of capital from commitment to active investment by sourcing, structuring, and supporting the financing of projects and companies that benefit forcibly-displaced people and their host communities.

As a builder in the field of Refugee Lens Investing (RLI), RIN works closely with the private sector, the humanitarian and development communities, and has supported projects for major actors like: Inter-American Development Bank; UNHCR; Global Steering Group on Impact Investing; Acumen; Swiss Development Corporation; The Ikea Foundation; Fundación Santo Domingo; and numerous NGOs and locally-based members from civil society. RIN's recent ecosystem-building activities and research have focused on mapping the RLI context and building impact investing pipeline in the US, Mexico, Colombia, Uganda, Kenya, Ethiopia, and Jordan. RIN is a not-for-profit, US-based 501 C(3).