The GIFT aims to “Develop a portfolio of innovative finance experiments to improve understanding and accelerate capacity across National Societies to embed innovative finance into their operations through a “learning by doing” approach.”

The GIFT Team

• Two staff were hired this year to complement the IFRC Team; Simon Meldrum joined in June through British Red Cross and Adam Bornstein in August through Danish Red Cross, both have substantial experience in Innovative Financing mechanisms. A new project officer will be recruited by Kenyan Red Cross to join the team in the first half of 2019.

• Australian Red Cross will join the GIFT as a core member in Q1 2019. A staff member will be recruited to be based in Australia and to support GIFT activities with a focus on the Pacific.

• By mid-2019 it is expected that GIFT will have 6 staff members working on the initiative across the priorities of 4 National Societies

• Norwegian Red Cross contributed financing of approximately 35,000 CHF to support the activities of the GIFT. Swedish Red Cross is also exploring joining the Innovative Financing space.
01
Asset Management for National Societies

What this means: Better use of property or other fixed assets may support National Societies becoming more financially self-sustaining. One method is to use underutilised and illiquid assets (such as land or property) to raise financing. Another way is raising financing against trading income or revenue generating activity, as these (future) cashflows can be used to raise financing to support investment or core activities. An example of this approach is in Kenya where the Kenyan Red Cross own and operate 3 hotels to fund (some of) their humanitarian activities.

Progress so far: GIFT identified the financing of these hotels as instruments that could be reviewed to ensure they are efficient, appropriate and optimised. Working with the Kenya Red Cross and the hotel’s management team, GIFT articulated the issue, agreed aims and project timelines at meetings in Nairobi in Oct.

Next Steps: Developing investment case, build financial model during week of 14th Jan and subsequently give presentations to existing and new lenders in Q1 2019.

02
Sukuk (Islamic bond) for Global One WASH program for 28 priority countries with Islamic Development Bank (IsDB)

What this means: An Islamic bond ensures shariah compliancy in ensuring a real asset underpins the bond and there is no interest charged, however profit is permissible. The sukuk will be underpinned by a blended finance facility including outcomes based funding mechanisms (also known as a social impact bond, pay for success financing, a pay for success bond, a social benefit bond, or simply a social bond), is a contract in which a commitment is made to pay for improved social outcomes that result in savings and is an opportunity to raise capital from private sources.

Progress so far: An MoU was signed with IsDB earlier this year. Under the terms of this MoU, our GIFT and WASH teams have been working with IsDB on a sukuk model for WASH programmes globally. For the last 6 months the teams have been developing milestones, timeline, sukuk structures, and WASH
start up plans. IsDB visited Geneva in December to construct a potential solution, finalise sukuk structure, align with organization policies, obtain agreement on the best way forward and define the timeline to finalising concrete agreements. IsDB confirmed that they will act as guarantor for the Sukuk Bond model. The meetings concluded successfully with significant progress made in the above. The IFRC SG and all 3 USGs participated in the meeting as well confirming our commitment. We have also received offer of pro-bono legal support from White & Case to support the development of the product.

**Next Steps:** We have set a target to jointly launch the One WASH Sukuk Trust Fund and Sukuk Issuance with IsDB in November 2019 (with an announcement at their annual forum in April) to raise USD150 million. A few activities are agreed to be to be completed over the next few months, a priority for Jan 2019 is to convene the PNSs for initial pledges towards the fund that will be leveraged at incremental value.

03

**CAT Bond**

**What this means:** Transfer of risk from donors to capital markets through capital stack blending, accelerating the release of disaster funding from weeks/months to days, leveraging transparency and cost savings attributed to distributed ledger, activating new pools of capital (e.g. capital markets, pension funds, private placements) previously inaccessible to RCRC, and developing a scalable, reusable transactional platform that could mobilize billions in humanitarian assistance.

**Progress so far:** In early November, a clutch of investors, volcanologists, climatologists, and Red Cross colleagues from Danish Red Cross, British Red Cross, and IFRC gathered in Zurich, Switzerland to draft an early framework for what will later be known as the Volcano Catastrophe Bond. At the conclusion of the Zurich meeting, the team has a loose working model and general understanding of the deal terms. Much progress has been achieved over the past several weeks, including: (1) identification of addressable volcanoes in Latin/South America, Oceania, and Asia; (2) US$15M in soft commitments from investors; (3) agreement on investment terms and what triggers release of investor funding; (4) development of the long-term determinist payout model; (5) peer reviewed and validated by World Bank, etc; and (6) written expression of interest from Sec Gen and presidents of National Societies. [See article](#).

**Next Steps:** Developing investment case, build financial model during week of 14th Jan and subsequently give presentations to existing and new lenders in Q1 2019 to propose the refinancing of the hotel debt.
Blockchain for ISF

**What this means:** In researching challenges within the Islamic Social Finance space, it was clear that there is an opportunity to integrate digital ledger concept into mechanisms that allows for transparency and traceability of charitable donations. Further as an opportunity to engage millennials and reassure the growing distrust with public institutions.

**Progress so far:** Based on this, a concept was developed and submitted to a call for ideas from the IE Business School and IsDB on using fintech for Islamic finance. Since winning the Global Islamic Fintech award earlier this year we have been progressing on this project in close partnership with British RC and Pakistan RC. In August, we hosted a roundtable in London convening key Islamic Financing players in the UK who pledged their support and committed to helping us advance this agenda and meet targets. This included an offer of scale from Islamic Markets.com (single largest network for Islamic Finance) to channel all social financing towards our projects if the demonstrative pilot is successful. Necessary agreements and risk assessments are complete and await sign off.

**Next Steps:** IFRC following ICRC have called a temporary legal moratorium on blockchain projects. While it doesn’t apply to NSs, Federation legal would like to fully understand the risks of the technology before allowing progress. While we wait for the legal review, we are simultaneously attempting to raise funds and consider building out the platform via an NS. The goal is to launch by Eid next year.

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**Workshops**

**A. Fundraising skills share**

Beirut - GIFT ran an innovative finance session at this event - more dedicated time and design for such sessions is warranted to take National Societies through the journey and expose them to the opportunities of innovative financing. Potential NSs to follow up with in MENA based on interest and engagement are Lebanon, Egypt, Bahrain, Qatar.

London - A innovative finance session jointly hosted with ICRC is planned for Skill share in March 2019 in London.
B. Europe & Americas

• Berlin - Half-day workshop presentation to German Red Cross on Innovative finance in Feb 2019
• Zurich - Workshop with Swiss Re, hosted by Swiss RC & IFRC is planned for Feb.
• Oslo – Session facilitated with NS Innovation teams in September 2018
• New York – Session lead presenter at Fordham University Humanitarian Blockchain Summit
• Social Investment Workshop at BRC in June

C. Islamic fintech working group co-hosted by British Consul, UK City Council and Borsa Istanbul

Invited to share our work and be a member of the working group to consider opportunities for exploring fintech applications beyond the private sector. Our presentation received significant attention, interest and positioning as well as offers to partner / finance to advance the agenda.

D. Islamic Social Finance dialogues (upcoming)

IsDB confirmed their support and funding to run an Islamic financing event for Africa in Nigeria in June 2019. We have also negotiated 2 other events with IsDB to be held in 2019 across MENA (potentially Morocco in April) and Europe (Turkey or London in October). The events will be aimed at educating on the particulars and potential in Islamic Financing, regulations at play, developing financial products and linking potential projects with potential investors.
Pipeline projects/events to be explored further in 2019

Potential topline explorations

- Social Impact Bonds for international projects (e.g. early education in Rwanda) and domestic priorities (e.g. Post hospital recovery for disadvantaged communities)
- Exploring use of social investment to support the re-organization and development of new business lines (at BRC projects include Mobility Aid Services, Events First Aid and Refugee Services)
- Red Cross NS Insurance solution – question to answer: can we insure all NS and then transfer risk to reinsurance providers, thus earning additional premiums to further reduce human suffering

Other initiatives/projects

- Water Credit Facility working group for Ethiopia has been formed with Water.org, USAID, Ethiopia Rainwater harvesting Association, Austria Red Cross, and private investors from U.S. and Ethiopia. Funding from a facility would support Ethiopian MFIs to provide commercially priced loans to farmers to build out harvesting facilities in rural settings. Furthermore, the platform is seeking to train returnees how to build the WASH systems, as part of DRC’s migrant portfolio. Separately, we are working on mapping out an implementation of an urban rainfall harvesting solution, in conjunction with Ministry of Technology and Austrian Red Cross (WASH Movement lead).
- EDC Ethiopia and Danish Red Cross have submitted a MoFA grant to jointly develop entrepreneurship programs for returnees as part of DRC’s migrant portfolio.
- African Growth and Sustainability Fund – two consulting groups are bidding on scoping work to perform due diligence on the for-profit portfolios (e.g. medical waste management) of PNS to scale and inject private capital to generate dividends through an investment vehicle that would support PNS drive toward financial independence.
- Collaborating with Georgetown University’s Institute for the Study of International Migration professor Elizabeth Ferris, to design a field study that examines the dynamics of displacement in countries with high displacement due to conflict and disasters.