Part 1: **Ice Breaker - Fears & Excitement**

1. Spend 2 minutes, writing down (1) what excites you about innovative (non traditional) finance; and (2) what are you sceptical of.
2. Find someone you haven’t met and discuss what you wrote for 2 minutes
3. Repeat 2 times
4. Report back – 4 or 5 people share their fears and excitement
What we do

Local innovation
Futures and foresight
Culture and capacity
Innovative finance
“If the rate of change on the outside exceeds the rate of change on the inside, the end is near.”

- Jack Welch
THE ERA OF DEVELOPMENT MUTANTS?
World Bank: Crowdfunding Investment Market to Hit $93 Billion by 2025
Figure 13. Alternative Finance Volume by Model in the Middle East, 2013-2015
SUPPORT STRUGGLING LEBANESE COMMUNITIES

READ MORE

WATCH VIDEO
Did You Know?
Since 2014, Healthcare startups have received a total of $41M in funding.
• Global Impact Investing:
  > US$228B of assets under management

• Combined net worth of the ultra high net worth (UHNW) population increased by 16.3% to $US31.5T in 2017
Impact Investing in the Middle East: What Next?

Impact investment opportunities could arise across the MENA region with the proper incentives and regulatory framework.

By Jamil Wyne & Yehia Houry | Jun. 6, 2013

The Middle East and North Africa (MENA) has made recent gains in supporting entrepreneurship at a strategic level, but a considerable opportunity for impact remains largely untapped.
European supertankers of finance chart a course to a different future

Dutch and Nordic pension funds take the lead in ‘SDG investing’

at 4th Impact Summit Europe
All Hands on Deck: Foundations start to “go big” in impact investing
CSR in the MENA Region: Looking Beyond Corporate Philanthropy

By: Arab Business Review

- The good news first: the adoption of – and the awareness about – CSR is on an upswing in the MENA region. The Importance
As of November 2018, at least 121 Impact Bonds had been launched worldwide across 10 sectors in over 20 countries, and US$400m.
DIB’s focus was the financing and delivery of a program aimed at increasing girls’ school enrollment and achievement began in Rajasthan, India.

**THE EDUCATE GIRLS DIB STRUCTURE**

- **Investor:** UBS Optimus Foundation (US$270,000 up-front)
- **Service Provider:** Educate Girls (Indian NGO) identified and encouraged enrollment for out-of-school girls
- **Outcome funder:** Children’s Investment Fund Foundation (CIFF), will repay UBS their principal + 15%
The first metric, which accounts for just 20% of the outcome payment, measured the percentage of out-of-school girls aged 7-14 enrolled in school over the course of three years, against a target of 79%.

Figure 1: Out-of-school girls that enroll in school

As a proportion of all out of school girls aged 7-14 identified over the course of the three-year program

Source: The Brookings Institution
Student learning outcomes, which make up 80% of the outcome payment, were measured for girls and boys using the ASER test for English, Hindi, and Math, in which students receive a grade between A-E for each subject.
businesses. In 2014, we partnered with the International Finance Corporation (IFC), a sister organization of the World Bank, to create the first global finance facility dedicated to women entrepreneurs — the Women Entrepreneurs Opportunity Fund (WEOF). The facility is built to help address the growing credit gap for female business owners. WEOF has reached $1 billion in commitments and will continue to grow, surpassing an initial target of $600 million.

50,000 women entrepreneurs reached
26 emerging markets
$1B in committed investments
The prospects for green bonds and green sukuk in the Middle East, Part One

Channels: Green Bonds
People: Darko Hajdukovic, Gus Scheelekens, Hani Ibrahim, Karim Nassif, Lee Irvine, Michael Grifferty, Mohammed Awad Al-Duwallah, Rohit Sinha, Sam Mirza

21 July 2017

Following the region’s inaugural green bond this year, what is the potential for further green-labelled bonds or sukuk from the region? This round table, sponsored
Arabs give billions to charity. It might be better spent

by Zahraa Alkhalisi
@CNNMoney

May 25, 2017, 12:08 PM ET
ANA"YSIS

Arab Giving Survey offers key snapshot of philanthropic trends in the GCC

ANALYSIS

DONORS SEEK TRANSPARENCY
GCC donors would be more likely to give if charities were transparent about impact

PERSONAL TOUCH IMPORTANT
AGS respondents favour personalised ways to give to - and hear from - charities
WHY ISLAMIC SOCIAL FINANCE?

"Every year, between US$200 billion and $1 trillion are spent in "mandatory" alms and voluntary charity across the Muslim world. Islamic financial analysts estimate.

Islamic Finance facts within the last 10 years

- 22% of world’s population is Muslim
- $2 trillion of Islamic Finance estimated value in 2015
- 15 times more than the global humanitarian aid in 2011
- 10-12 percent of growth annually
- $1 trillion potential for Zakat alone per year
- $3.5 trillion projected to growth by 2021.

International Federation of Red Cross and Red Crescent Societies

INCEIF
THE GLOBAL UNIVERSITY OF ISLAMIC FINANCE
My Zakat for Refugees
Why do refugees need my Zakat this winter?

UNHCR: a Trusted Agent to Fulfil Your Zakat Obligations
Five Reliable Fatwas

100% Zakat Policy
Read More
INDONESIAN ZAKAT AUTHORITY BAZNAS SIGNS ITS FIRST EVER AGREEMENT IN SUPPORT OF UNRWA

17 October 2018

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) has signed the first multi-year agreement with Indonesia’s national Zakat agency, BAZNAS.
Figure 16b. Total Online Alternative Finance Volumes by Country for the Middle East (excl. Israel), 2013-2015
The future is already here — it's just not very evenly distributed.

- William Gibson
Global Innovative Finance Team
How have we progressed?

Milestones
I. Exploring new instruments

Red Cross aims to sponsor first pure volcano cat bond
by ARTEMIS on NOVEMBER 20, 2018

International humanitarian movement the Red Cross is looking to the capital markets and the potential issuance of a parametric catastrophe bond to protect against volcanic risks, according to Adam Bornstein.

Adam Bornstein is an innovation finance specialist working in the Global Innovative Finance Team, a new unit of the International Federation of Red Cross and Red Crescent Societies and the Danish Red Cross.

A former private equity manager in Hong Kong with a pan-Asia private equity fund and set to be a speaker at our next
Delighted @Federation joins @IsDB_Group to design, fund, implement innovative development work programmes. MoU signed with President #BandarHajjar, Tunis today. We’ll use community data to guide our work, build ‘resilience’ into projects, share ‘future foresight’ approaches.
III. First International Zakat Financing
Malaysia to Kenya

- **Forecast-based Financing**: helped identify the best crop for local conditions.
- **Building Trust and Partnerships**: Dignity of communities, trust of financiers, government and aid agencies.
- **Investment Returns and Social Impact**: $1.1 million grant yielded $1.6 million in total, impacting 1.2 million people.

- **Paying it Forward**: The Kitui farmers who received seeds in turn became contributors for communities in Garissa county.
- **Beyond Charity**: Zakat can support long-term, sustainable and shared prosperity.
- **Rewriting the Narrative**: Islamic Social Finance can catalyze development not only for Muslims but people around the world.
IV. Winner IslamicFintech
Formidable judges @Nyra_Mah @ShakeebSaqlain inspiring peers @teektaka @MyFinB global contest #fintech 4 #IslamicFinance @isdb_group @IEbusiness 100+ ideas, 5 finalists, grueling pitch sessions later @federation emerges winner! Big thx to partners @aidtechnology @INCEIF lots to do!

Delighted to share this news from @Federation media.ifrc.org/ ifrc/press-rel... @aidtechnology @INCEIF @r_gopalan @Ishaunhaze @As_SylIFRC @Francescorocca @drkerem @Abbas_Gullet @KGeorgieva
V. Refugee Catastrophe Bonds

Red Cross looks to ILS structure for refugee &
migration financing

Artemis recently spoke with Adam Bornstein, Global Financial Innovation Specialist, International Federation of the Red Cross and Red Crescent, about the use of catastrophe bonds to finance refugee and migration response, a funding gap currently not addressed through normal humanitarian assistance.

As Artemis reportedly recently, international humanitarian movement, the Red Cross, is looking to issue the world’s first pure volcanic risk-focused catastrophe bond.

The discussion with the movement’s Adam Bornstein (who is a speaker at our upcoming New York ILS conference) also revealed that the Red Cross and Red Crescent Movement is exploring a broader use of ILS structures, exploring how the
What does this really mean?
<table>
<thead>
<tr>
<th>Categories of Innovative Financing Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Financial Products</strong></td>
</tr>
<tr>
<td>Products meant to mobilise and raise funds from capital markets</td>
</tr>
<tr>
<td><strong>2. Risk Mitigation Mechanisms</strong></td>
</tr>
<tr>
<td>Mechanisms aimed at reducing (perceived) risks</td>
</tr>
<tr>
<td><strong>3. Results-Based Financing</strong></td>
</tr>
<tr>
<td>Payments are linked to certain outcomes being met</td>
</tr>
<tr>
<td><strong>4. Technology-Enabled Solutions</strong></td>
</tr>
<tr>
<td>Financing mechanisms that leverage technology</td>
</tr>
<tr>
<td><strong>5. Taxes &amp; Obligatory Charges</strong></td>
</tr>
<tr>
<td>Compulsory contributions to a state’s or country’s fiscal revenue</td>
</tr>
<tr>
<td><strong>6. Voluntary Solidarity Contributions</strong></td>
</tr>
<tr>
<td>Voluntary contributions to a social or environmental cause</td>
</tr>
<tr>
<td><strong>7. Debt Management</strong></td>
</tr>
<tr>
<td>Mechanisms that reduce or extend a country’s debt when certain outcomes are met</td>
</tr>
</tbody>
</table>
Innovative Financing: Landscape

Adapted from Savedoff, W. "Incentive Proliferation? Making Sense of a New Wave of Development Programs." Center for Global Development Essay (August 2011)
Ten Innovative Financing Structures

1. Advance Market commitments
2. Frontloading
3. Islamic Financing
4. Guarantees, Partial Risk Guarantees, & First Loss
5. Debt-swaps/Buy-downs
6. Insurance Schemes
7. Contingency Fund
8. Line of Contingency Credit
9. Catastrophe Bonds
10. Impact Bonds
11. Solidarity Taxes
12. Humanitarian Collateralized Blended Bond
Innovative Financing: *Frontloading*

- Aims to use future donor commitments to leverage funds on the capital markets and make money available today
- **International Finance Facility for Immunization** as of 2015, $2.5B
Innovative Financing: **Guarantees, Partial Risk Guarantees, & First Loss**

- Designed to help extend the reach of private financing by mitigating perceived risks such as political, regulatory, and foreign exchange uncertainties. These guarantees ensure payment if a government or other public entity fails to perform its contractual obligations with respect to a private-sector project.
Innovative Financing: *Debt-swaps/Buy-downs*

- Part of a country’s external debt is purchased by a third party and offered to the debtor for cancellation in exchange for a commitment to protect or support a particular population or outcome.
- Debt4Health as of 2015, $96M
Innovative Financing: *Catastrophe Bonds*

- An insurance-linked security in which payment of interest and/or principal is suspended or cancelled in the event of a specified risk event
- Volcano cat bond target $15M but cat bond market $40B
Innovative Financing: *Contingency Fund*

- This is a pre-funded pot of money that can be used for specific purposes, such as responding to a large natural event. Resembles a current account in a bank
- DREF, Risk Pooling Facility
Innovative Financing: *Impact Bonds*

- A social impact bond, also known as pay for success financing, a pay for success bond, a social benefit bond, or simply a social bond, is a contract with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector savings.
- **Educate Girls as of 2018, $400M**
Innovative Financing: *Solidarity Taxes*

- Raised by countries to generate revenue to be allocated to some specific cause or issue
- UNITAID airline levy as of 2015, $1.7B
**Innovative Financing:** *Humanitarian Collateralized Blended Bond*

- **Italian Rainbow Layer Cake**

<table>
<thead>
<tr>
<th>Structure: Humanitarian CDO</th>
<th>Green Layer</th>
<th>Yellow Layer</th>
<th>Red Layer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor</td>
<td>Philanthropic, NGO</td>
<td>DFI/IFI/NGO</td>
<td>Commercial Investor</td>
</tr>
<tr>
<td>Risk</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
</tr>
</tbody>
</table>
| Return                    | • First loss  
  • Principal only | • Principal + 1-2%  
  • Principal only | • Principal + Libor + ? |

- **10,000 Woman as of 2018, US$1B**
Innovative Financing: *Islamic Social Financing*

- **Islamic** banking or **Islamic finance** (or sharia-compliant finance) is banking or financing activity that complies with sharia (**Islamic** law) and its practical application through the development of **Islamic** economics. Islamic social finance relates to all forms of Islamic financing dedicated towards social causes that can contribute to shared prosperity through the principles of inclusive participation and risk sharing.
Where to from here?

Building a Pipeline
**Demographic and social change**

51m

The population of the GCC has doubled over the past 20 years to 51 million in 2015

In the UAE and Qatar just 1% of the private sector workforce is made up of nationals

The MENA region has the highest gender labour market gaps

By 2050, elderly nationals will make up 20% of the GCC population compared to only 2% today

28% Youth unemployment in MENA is among the highest in the world at 28%

In Saudi Arabia, education expenditure now accounts for almost ¼ of total budget spending

The UAE has an 8.3% higher obesity prevalence than the USA

Expats make up 89% of the population in the UAE

The region is young, with over 40% of people under 25

An initiative of
International Federation of Red Cross and Red Crescent Societies

ifrc.org/s2030
Shift in global economic power

- Intra-GCC trade has grown from $8bn to $54bn in 13 years - that's up 700%.
- The Middle East is at the centre of fast growing trade flows.
- Middle East middle classes are forecast to grow by 51% to 165.5m by 2020.
- Chinese companies in the Middle East have increased from 18 to 3,000 in less than 10 years.
- Egypt attracted $18bn greenfield foreign direct investment in 2014.
- Dubai International Airport is the world's largest for international passenger traffic, contributing 30% to Dubai GDP.
- 3 billion people - 40% of the world's population - are within a four hour flight of the UAE.
- In 2014 investment flows into the GCC were $20bn, four times lower than in 2008 at their peak.
- GCC sovereign wealth funds are among the world's biggest investors, spending US$24 billion a year.

An initiative of
International Federation of Red Cross and Red Crescent Societies

ifrc.org/s2030

solferino academy
Technological breakthroughs

The MENA region is *leapfrogging* fixed internet and moving straight to mobile

GCC smartphone penetration is among the highest in the world reaching 78% in the UAE

Twitter penetration in Saudi Arabia is one of the highest in the world with over 80% of nationals using Twitter actively compared to just 11% in the US

Around 85% of transactions that start online are closed off-line

Online sales account for just 1% of retail sales across MENA

R&D expenditure in Saudi Arabia and Abu Dhabi is still below 1% of GDP compared to the OECD average of 2.4%

85% of CEO’s in the Middle East found technological change the most transformative of the global megatrends over the next five years

90% of the data that exists today was created in the last two years

UAE has the highest Facebook penetration in the Middle East of 38% compared to only 12% in Oman

An initiative of the International Federation of Red Cross and Red Crescent Societies
Overview: Mapping out a problem statement

- What do I want to do/are my overall goals?
- Why do I want to do this?
- Who will pay and how?
- How will the funds reach the beneficiaries or service providers?
- How will this get done?
- Identify necessary human, technical, financial resources, policies, and partnerships

Identify and prioritize beneficiaries
Identify and prioritize financial impact and underlying problem driving impact
Identify source of funds
Identify delivery channels

Implementation

M&E

Sources: IRC, USAID, The Global Fund, DFID, Danish Red Cross,
Part 2a: Understanding the financing problem

Each team will assess a financing problem statement and analyse the problem statement in depth, identifying the root causes, operational implications, and constraints to generating solutions.

- Group breakout sessions – instructions
  1. Discuss and clarify the framing problem identified
  2. Identify any case studies that reflect the problem identified
  3. Discuss the underlying causes of the problem
  4. Identify the biggest barriers to solving the problem
  5. As an output, refine or qualify the problem statement

Sources: IRC, USAID, The Global Fund, DFID, Danish Red Cross
Part 2b: Financing solution

● Who is providing and who is receiving the funds?

Is it a donor or host country, or NGO or other? Which financing options might be more appropriate for which donors/recipient?

● What is the finance used for?

Is it for the basic provision of food and shelter, or is it for education or livelihoods?

● What is the quantum of the problem’s value ($)?

This is relevant since it impacts where you might turn to for the financing. For example, $20M to create a property fund to lend to host country nations to complete their house building is very different from a government borrowing US$200M to cover the cost of (enter issue)

● Over what period, is the financing provided?

How can financing support 1, 10, 20 year response when the ultimate duration of the solution won’t be known at the start?

Sources: IRC, USAID, The Global Fund, DFID, Danish Red Cross,
Part 3: *Brainstorming Solutions*

- Spend 5 mins alone, writing ideas for solutions on your cards
- Spend 10 mins to discuss your ideas with the group
- Spend 10 mins to brainstorm by thinking about two analogous financial instruments or fundraising tools
- Spend 35 mins sharing out, clustering all of the cards together, and determine which ideas you want to build out in more detail.

Sources: IRC, USAID, The Global Fund, DFID, Danish Red Cross,
Part 4: Building a Solution

- Teams will work together to structure a new financing solution to address the core financing statement being discussed
  - Concisely describe the instrument and how it works
  - Paint a picture of the current state and how the problem plays out under current financing
  - Paint a picture of the end state and how the problem plays out under future financing
  - What issues are you most skeptical about?

Sources: IRC, USAID, The Global Fund, DFID, Danish Red Cross,
Global Innovative Finance Team
THANK YOU!

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