



HUMANITARIAN AND RESILIENCE (HRI) DISCLOSURES

Final Project Report

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I. Introduction

USAID has participated in the World Economic Forum (WEF) Humanitarian and Resilience Investing Initiative (HRI) since its inception in January 2019. WEF HRI and GIB Asset Management recently published a white paper, *Unlocking Humanitarian and Resilience Investing through Better Data*, that identified the need for increased, improved, and standardized data from businesses working in Fragility, Conflict & Violence (FCV) and sudden onset contexts.

To build on this effort, a Dalberg-led consortium (in collaboration with CrossBoundary and the International Rescue Committee (IRC)) supported USAID's Bureau of Humanitarian Assistance (BHA) and a team at The World Economic Forum (WEF) to develop HRI disclosures.

Historically, one successful approach to encouraging organizations to disclose investment-level data has been to develop a set of standardized disclosures around an investment theme. For example, the CDP has been extremely successful at generating organization-level disclosure of environmental impact, including carbon emissions—in 2021, over 14,000 enterprises representing over 64% of global market capitalization disclosed emissions through CDP¹.

This HRI Disclosures activity addressed the HRI data gap by developing and piloting humanitarian investment disclosures that allow organizations focused on humanitarian and resilience impact to share standardized data on impact and risks with potential investors.

II. Overview of activities

The project was spread over 18 months, covering an inception phase and 3 activities. It was delivered by a consortium of firms, including Dalberg Advisors, CrossBoundary and the International Rescue Committee.

The inception phase focused on aligning on the objectives, workplan and responsibilities for USAID and the consortium. The phase also included interviews to develop early hypotheses on the needs, utility, deal breakers and optimal form of the disclosures.

Activity 1 focused on developing the information disclosures. It started with a feasibility assessment, using the WEF HRI white paper as a guide to take stock and assess the feasibility of existing investment disclosure initiatives in the ESG and SDG space. The feasibility assessment then informed the design of prototype disclosures, which were discussed over 3 ideation convenings. Additionally, the phase also developed criteria to identify a pilot group to generate diverse learnings.

Activity 2 focused on piloting the disclosures with 10 pilot organizations. It developed a map of potential investors and facilitated introductions to the investees, while documenting information gaps. It also provided advisory support and deal structuring support to the 10 organizations across 3 cohorts, which served as case studies to develop learnings on the information disclosures. The disclosures were adjusted accordingly, with learnings from each cohort shared over 3 webinars.

Activity 3 saw the finalization of the disclosures and development of a blended finance approach to support HRI investments. Based on the pilot learnings, the consortium designed a high-level blended

¹ CDP, [More than 680 financial institutions with USD 130+ trillion in assets call on nearly 10,400 companies to disclose environmental data through CDP](#)

finance approach, focusing on HR enterprises, to complement the disclosures. The consortium also finalized an adoption plan for the disclosures, with WEF's HRI initiative hosting the disclosures and relevant supporting guides. Activity 3 culminated in a final convening to socialize the refined disclosures and the high-level blended finance approach.

III. Methodology

Methodology overview

This project proceeded in three primary phases. During the first phase, we developed prototype disclosures based on input from potential investors and capital seekers. We then piloted the disclosures in live transactions to confirm investor interest in the actual disclosures, test actual data collection challenges, and update the disclosures as needed. Finally, we identified the most likely types of business models and private investors interested in the space, and identified blended finance approaches to help these business models become more investment ready.

Methodology to design the disclosures: The study first sought to understand what types of investment-level data investors would need. Through primary research and interviews, we then tested if capital-seeking organizations² could realistically collect these data in HRI contexts. We sought input from over 40 stakeholders across the spectrum, including private sector capital providers (both HRI-focused and general investors), private capital seekers, and humanitarian organizations. Based on this input, we drafted prototype HRI disclosures and received high-level feedback from a range of capital seekers, capital providers, and humanitarian and standard-setting organizations. As part of the effort to draft the disclosures, we also engaged with several key standard-setting organizations and disclosure bodies (GRI, MERS, UNDP, SDG impact standards) and distilled various insights/lessons on the utility of disclosures writ large.

Methodology to test the disclosures: We then tested the disclosures with 10 pilot capital-seeking organizations – all of them for-profit organizations – in a live fundraising context. We shared the disclosures with potential investors during an initial outreach, along with an investment memorandum or teaser that contained additional information about the capital-seeking organization, including financials. We split the pilot into three sequential cohorts, so that findings from one phase could be incorporated into the next. This allowed us to update the disclosures in between each cohort, and to have each subsequent cohort use an improved version of the disclosures.

Methodology to identifying business models, private investors and blended finance approaches: This study then set out to understand what the key business models within the HRI space were, and what kind of blended finance approaches might be useful to help them meet the requirements of each business model's most likely private investors.

An in-depth recap of the project methodology can be found in the 'Detailed project methodology' section.

² This can include both for-profit and nonprofit outfits.

Project timeline

The project ran from November 2021 to April 2023.

- The inception phase lasted from November to December 2021
- The initial research phase lasted from January to February 2022
- The piloting phase ran between March 2022 and January 2023
- The final activity including the final convening ran from February to April 2023

Figure 1: Project timeline for the inception phase and Activity 1

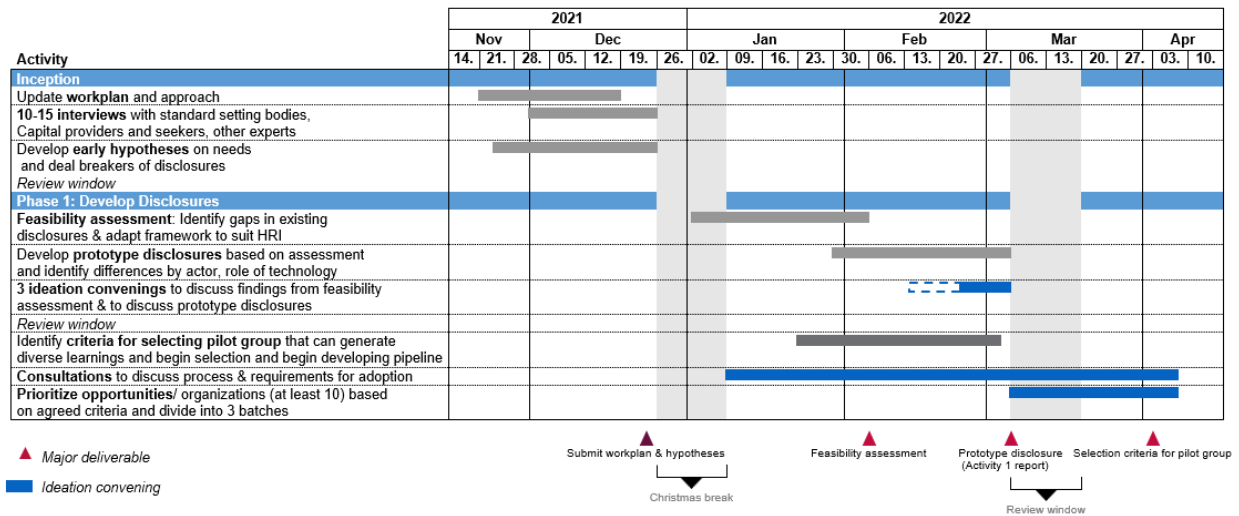
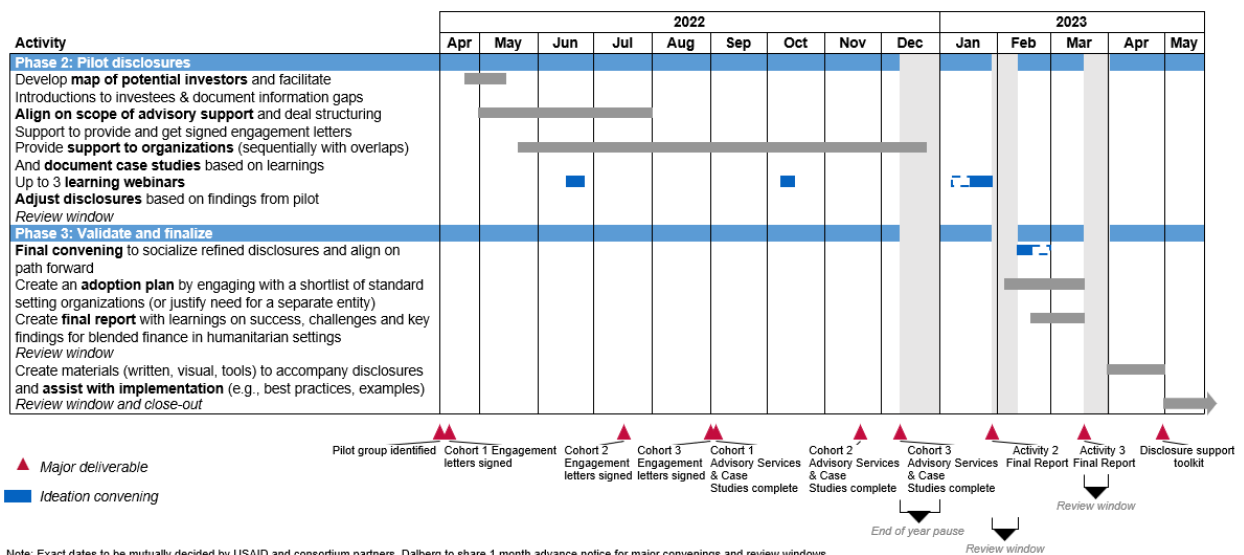


Figure 2: Project timeline for activities 2 and 3



Note: Exact dates to be mutually decided by USAID and consortium partners. Dalbera to share 1 month advance notice for major convenings and review windows

IV. Key findings

Activity 1 key findings

During the first phase, we conducted extensive consultations with private capital providers, capital seekers, and humanitarian organizations to identify 1) the data needs of capital providers, 2) the feasibility of data collection from the perspective of capital seekers, and 3) what form the prototype disclosures should take. Specifically, we focused on answering the following eight questions:

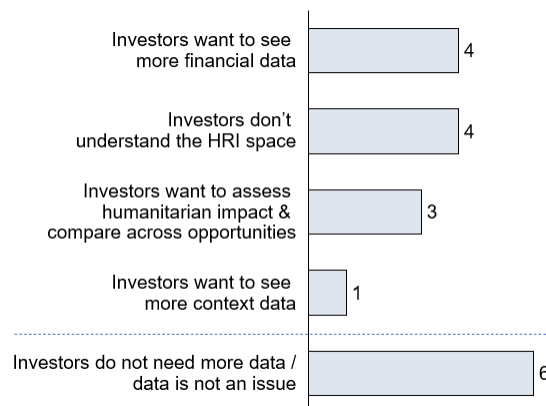
1. What is the set of questions investors need answered to inform decisions and catalyze HRI?
2. What should humanitarian and resilience disclosures look like—i.e., what do investors prioritize when looking for data?
3. What pieces of the data investors would like to see already exist, and what are the gaps?
4. How feasible is the collection and analysis of data required by investors?
5. Are private investors comfortable with the level of data availability?
6. What would it take for these disclosures to be used at scale and what are some emerging recommendations for how to create these conditions?
7. How can the HRI disclosures be mainstreamed?
8. What else besides disclosures will be required to increase private investments in HRI contexts?

The answers to questions 6 to 8 are treated in detail in the main body of this report and are not mentioned here.

1. What is the set of questions investors need answered to inform decisions and catalyze HRI?

According to stakeholder interviews (and as shown in Figure 3), private investors need more data on organizations operating in HRI contexts for a variety of reasons, including the need to better understand the HRI investment space, compare investment opportunities, and evaluate the risk-return profile. While some of that information already exists, particularly around financials, investors we interviewed believed that they needed more of this data in order to understand and act on investment opportunities.

Figure 3: Why capital providers need more data - Q: What disclosures do you look for when reviewing investment opportunities in HRI settings?



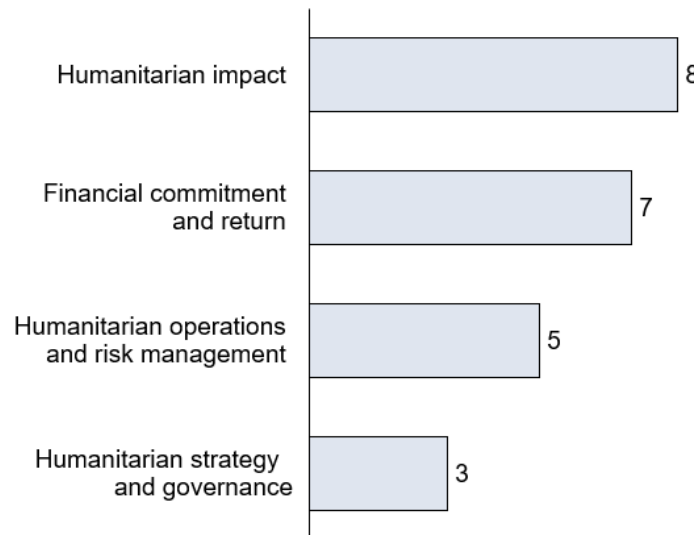
2. **What should humanitarian and resilience disclosures look like—i.e., what do investors prioritize when looking for data?**

Based on the data needs expressed by investors, four primary categories of disclosures emerged: 1) humanitarian strategy and governance, 2) humanitarian operations and risk management, 3) humanitarian impact assessment, and 4) financial commitment and return. Of these, investors most frequently cited humanitarian impact and financial data as the categories they looked for (Figure 4).

Note that this finding is not at odds with the feedback from the pilot stage, where investors shared that information on humanitarian impact doesn't affect investment-making decisions. While investors indicated interest in each of the categories of data, they did not mention that any category other than financial data would ultimately influence their decision making.

Figure 4: HRI Initiative and ongoing activities overview











Q: What disclosures do you look for when reviewing investment opportunities in HRI settings?³



Finally, when it comes to assessing HRI opportunities, investors prefer simplicity and flexibility over comprehensiveness and direct comparability (see Figure 5). Most private investors we interviewed primarily want to use the data to understand and analyze the scope and scale of an organization's impact in HR settings. Finally, investors are conscious of reporting and disclosure fatigue, and want to minimize the burden on capital seekers of filling out redundant disclosures.

³ N=8. Source: Dalberg stakeholder interview program, December – February 2022

Figure 5: Investor preferences for HRI disclosures

Disclosures can help...	Importance for investors	Implications
Investors compare impact across investment opportunities	  <p>Most of our clients just care about whether an investment fits the lens</p>	<ul style="list-style-type: none"> Investors do not see a need to compare impact across detailed and comprehensive impact frameworks
Capital seekers link activities to existing impact frameworks	  <p>The big question is how HRI impact compares with the indicators that funds report on to LPs and raise money against; these will vary depending on the strategy of the fund, but there is often a connection to SDGs</p>	<ul style="list-style-type: none"> Impact investors are interested in understanding how HRI-specific impact can tie back to their own investment framework and impact metrics; disclosures should help capital seekers tie their impact back to commonly accepted impact frameworks e.g., SDGs
Provide capital seekers a simple, easy way to report on and analyze impact	  <p>If you define success as adoption, then the only attractive thing is easy, simple disclosures</p>	<ul style="list-style-type: none"> Investors want easy disclosures both from a reporting / collection and analysis perspective
Investors assess the scale of impact of capital seekers	  <p>Even for HRI investments, what it comes down to is risk / reward and the scale of impact, though I'm not sure how I would assess that</p>	<ul style="list-style-type: none"> Investors are primarily interested in the scale of the impact in terms of investment size and revenue generated in HRI contexts
Capital seekers limit reporting effort and duplication	  <p>Corporates have disclosures fatigue; we need to keep these disclosures high level</p>	<ul style="list-style-type: none"> Investors are keen to limit the effort required to disclose and report on impact Investors are keen to minimize overlap with existing disclosures

N=8
Source: Dalberg stakeholder interview program, December- February 2022



Overall, the pilot phase largely confirmed the responses we received during the prototyping phase. As shown in Figure 6: both capital seeker and investor feedback during the pilot phase reinforced the findings from the prototyping phase.

Figure 6: Changes in answers during the pilot phase

Recall: Research phase answer on investor needs

Investors need more data for a variety of reasons

- To better understand the HRI investment space, to compare investment opportunities, to understand the risk return profile

Four primary categories of disclosures have emerged to address investors' data needs


- 1) Humanitarian strategy and governance, 2) humanitarian operations and risk management, 3) humanitarian impact assessment, and 4) financial commitment and return
- Humanitarian impact and financial data are the most important data

When it comes to assessing HRI opportunities, investors prefer simplicity and flexibility


- Comprehensiveness and direct comparability are less important

Source: Capital seeker and capital provider feedback, cohort 1


Piloting phase answer on investor needs

 **Activity 2 tested a specific use case – investors participating in early-stage fundraise – that was useful to investors**

Additional use cases may be helpful to investors and have not been tested, e.g., awareness building and pipeline generation

 **Investors confirmed the usefulness of the four primary categories – with some requests for additional detail**

- Humanitarian impact assessment remains the most useful disclosure category
- Additional data requests varied with each investor, but included customer / community feedback and compliance and standard procedures

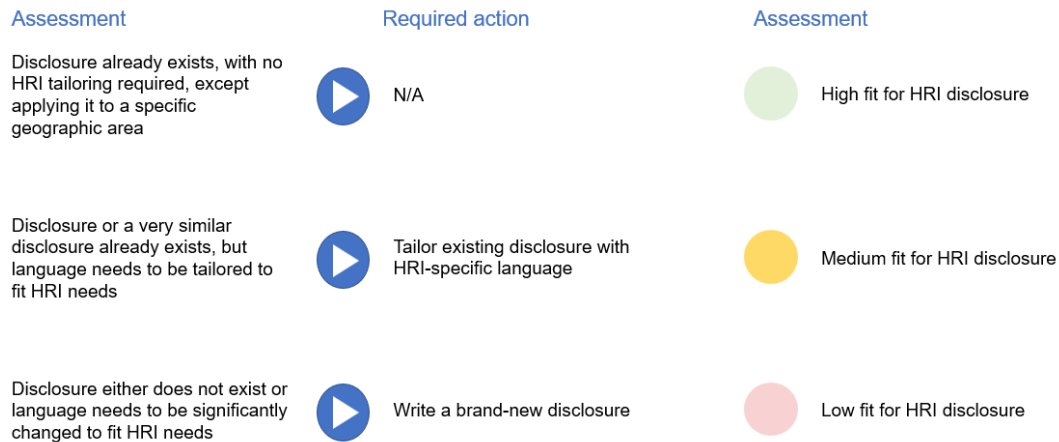
 **None of the investors that provided feedback has requested a more in-depth framework to categorize impact**

- Investors frequently have to categorize impact in their own reporting format, which varies for each individual mandate

3. **What pieces of the data investors would like to see already exist, and what are the gaps?**

We asked three primary questions to assess the adequacy of existing disclosures: 1) are data being collected, 2) are they HRI-specific, and 3) and are they what is required to inform investment decisions. Based on our assessment, some existing disclosures cover some investor data needs, but other disclosures need to be tailored to HRI contexts, and, in some cases, new disclosures are needed. Figure 7 summarizes our approach to the assessment of existing disclosures.

Figure 7: Approach to assess fit of existing disclosures for HRI purpose⁴



Overall, our analysis summarized in Figure 8 below suggests that existing disclosures cover most humanitarian components, although they need to be tailored to HRI contexts. At the same time, new questions should be added to the HRI disclosures to address the specific data needs of investors that are not touched on elsewhere, particularly around HRI risks and mitigation approaches.

To address investor data needs on strategy, operations, and risk and financial return, existing disclosures can be adapted to HRI contexts. Many disclosure standards exist on strategy and governance (including GRI Standards and WEF Measuring Stakeholder Capitalism) but are not HRI-specific. Few disclosures account for risks specific to HRI contexts—e.g., security or ensuring access to essential services for workers and target individuals in HRI contexts. However, multiple components of disclosures can be adapted to an HRI context to inform investors about how organizations / financial instruments incorporate humanitarian impact into their mandate, strategy, and operations, and how they report financial impact in those settings.

While some existing disclosures (e.g., UNDP’s SDG Impact Standards) **allow organizations to report on humanitarian and resilience impact, some HRI-specific outcomes are not captured by existing impact frameworks.** Examples of these outcomes include risk reduction or early warning activities.

In line with investors’ needs and feedback, HRI disclosures should align with the four categories of data that investors prioritize—humanitarian strategy and governance, humanitarian operations and risk management, humanitarian impact, and financial commitment and return—and provide suggestions on how to report on impact. Investors

⁴ Source: Dalberg analysis

primarily want to make sure that an investment “fits the lens” of humanitarian investments and, in order to minimize complexity, are less interested in a prescribed framework for reporting on impact. For some segments, specific impact metrics may be shared as suggestions for how best to measure impact, given that more opportunities are expected to materialize.

Finally, financial disclosures adapted to HRI exist (WEF Measuring Stakeholder Capitalism) but could be further expanded to address HRI contexts.

Figure 8: Existing disclosure gap assessment⁵

Disclosure component	Standards & disclosures assessed	A Is data collected?	B Is it HRI specific?	C Is it informative?	D Feasibility for reporting orgs?	Do existing disclosures provide adequate information?	
Humanitarian strategy and governance		Yes	No, but can be	Yes	Limited reporting burden	Partly; not tailored to HRI	
Humanitarian operations and risk management		Partially	No	Yes	Limited reporting burden		
Humanitarian impact ¹	Risk reduction ¹ 	Questions / framework but no disclosures ²	No, but can be	Yes	Significant reporting burden	Partly; frameworks exist but disclosures do not focus on violence reduction, not prevention	
	Early recovery ¹ 	(Data platforms, not standards)	Yes	No, but can be	No, but can be	Significant reporting burden	Partly; on a project-by-project basis on OCHA and HDX data platforms
	Resilience ¹ 		Yes	No, but can be	Yes	Significant reporting burden	Yes; primarily follows SDG framework
Financial return		Yes	No, but can be	Yes	Limited to significant reporting burden	Yes	

4. How feasible is the collection and analysis of data required by investors?

According to the capital seekers we interviewed, most of the data required by investors—in particular, internal qualitative data—should already be available. Organization-specific data (strategy, operations, financial impact) should be generally available, in particular for organizations that already collect and analyze impact data for donors.

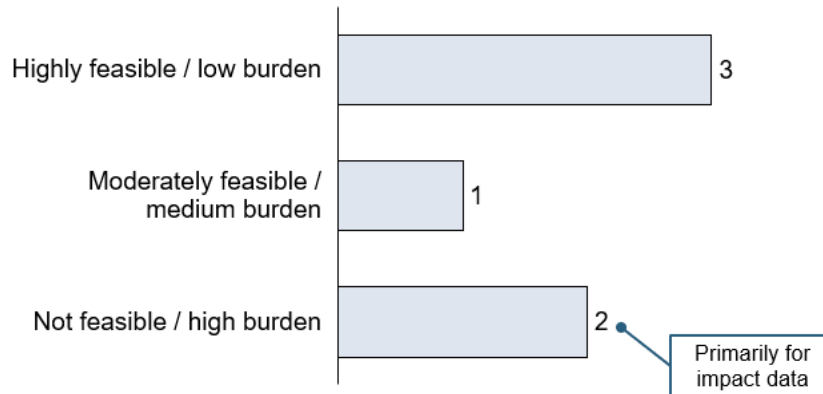
However, access to high-quality data, particularly quantitative impact data, may be a challenge due to collection and resource constraints. Data collection—and impact measurement, in particular—is a time- and resource-intensive process for reporters. In-depth impact measurement is typically costly, and often requires one or more full-time employees. Many organizations in HRI settings cannot afford this and therefore cannot provide detailed impact assessments.

Figure 9: Proposed disclosure data collection feasibility

Question: How feasible is data collection / how high is the collection burden to capital seekers?⁶

⁵ Source: Dalberg analysis

⁶ N=6 Source: Dalberg stakeholder interview program, December – February 2022

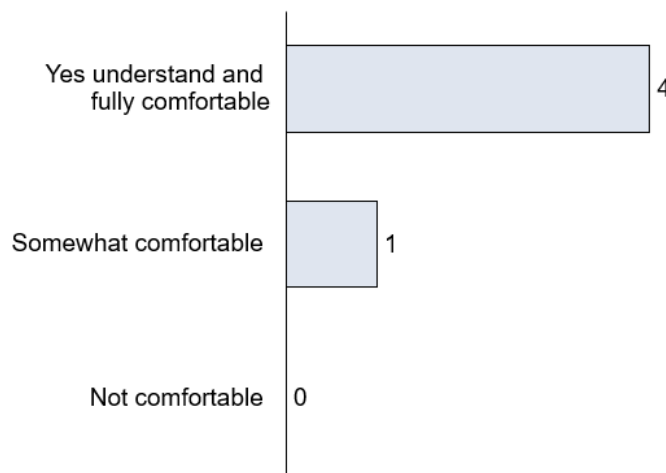


5. **Are private investors comfortable with the level of data availability?**

Investors understand the data and measurement constraints of organizations operating in HRI contexts and are comfortable with lower data availability on impact. Impact investors typically measure impact in depth, but understand the constraints of smaller organizations, and look to support the impact measurement capabilities of portfolio companies. Non-specialized investors primarily focused on financial return have lower expectations on impact measurement as well. Overall, there is a general understanding of and level of comfort with the availability of data in HRI settings.

Figure 10: Private investors' understanding and comfort with data availability in HRI contexts

Question: Do investors understand data constraints and are they willing to accept them?



6. **Is there therefore a significant additional reporting burden associated with the proposed disclosures?**

Given investor comfort with overall impact data availability, we expect the additional effort required to report on HRI disclosures to be relatively limited. Internal-facing data is generally available to organizations. The Humanitarian impact component as drafted is not prescriptive when it comes to identifying and measuring impact, allowing organizations to leverage other reporting and limit effort duplication. Given investors' impact measurement expectations, we expect the level of effort required to be manageable.

7. What would it take for these disclosures to be used at scale?

By capital seekers: Key to adoption by capital seekers will be 1) convincing them that disclosures increase investor interest, and 2) that disclosures benefit their business & support their impact measurement. HRI organizations must understand the benefits associated with these disclosures, both in terms of increased investor interest and in benefits to their business (e.g., better data-driven decision-making). Stakeholders could consider supporting these organizations with resources/funds to measure impact.

By investors: Investors will want to ensure that the disclosures make identifying investment opportunities easier, and that they are used widely by potential investees. The level of effort required from investors is relatively low – but is conditioned on reporting organization actively using the disclosures, yet investor buy-in is critical to convince HRI organizations that the disclosures are helpful.

By the donor community and particularly donors likely to fund private projects e.g., through impact bonds should also review and be comfortable with the proposed disclosures.

By standard setting organizations: A champion organization would help maximize adoption, yet no organization has expressed interest to date (see following pages).

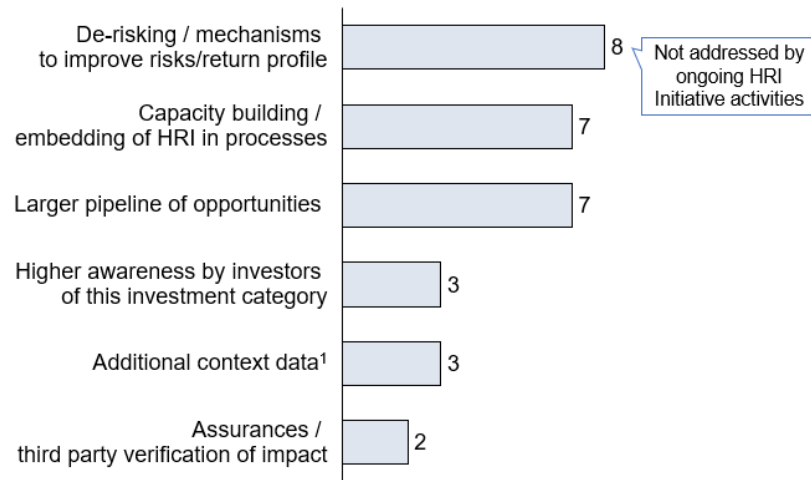
- Standard-setting organizations have significant reach and clout when it comes to raising awareness and supporting the adoption of disclosures.
- However, no standard-setting organization to date has surfaced as willing to house the disclosures, although we continue probing.

8. What else needs to be in place for HRI disclosures to be successful?

The HRI Initiative is focused on 3 concurrent activities to accelerate private HRI investments. These include 1) cultivating proof-of-concept projects that leverage investor capital to build resilience; 2) enhancing organizational readiness of humanitarian and development actors; 3) mainstreaming the Humanitarian and Resilience Investing theme.

Investors interviewed highlighted that other activities can help mobilize additional private capital in HRI enterprises. Creating a body of case studies: Investors are concerned about low returns on HRI investments; case studies demonstrating that HRI opportunities have been profitable could address this concern. De-risking HRI investments: Another opportunity to address investors' concern about low return is to develop blended finance or risk mitigation tools (e.g., guarantees) to encourage investments. Assurances: Investors are concerned about the quality of the data provided by organizations; third-party assurances of the data accuracy and completeness could address that concern. Additional context data: Beyond investment-level, additional information about potential beneficiaries (e.g., the financial health of refugee populations) could encourage investments.

Figure 11: What else will be critical to catalyze HRI investments?



Activity 2 key findings

Key findings from Activity 2

This study found that both private investors and capital seekers deemed the disclosures to be helpful—but the disclosures couldn't overcome investors' concerns about commercial viability, and therefore would have limited impact on increasing private investments in HRI settings. Capital seekers found that the disclosures helped give structure to the way they framed their impact story and described their governance structure, operations, and measuring and reporting on impact. Investors also appreciated the disclosures as a tool for better understanding the investment opportunity and streamlining the investment screening process. However, there is no indication at this stage that the disclosures are able to address the most important factors in investment decisions, which relate not to a lack of data, but more frequently to concerns about the risk-return profile of HRI opportunities and entering a novel market.






Our preliminary theory of change for the disclosures has evolved with the findings from the pilot phase. We initially theorized that having access to investment-level data would help private investors gain awareness and better understand available investment opportunities; this would encourage more investors to perform due diligence on potential opportunities and, eventually, invest in HRI settings. Taking stock of the findings of this pilot activity, the theory of change could be updated as follows: IF capital seekers can access blended finance instruments and early-stage transaction advisory support and can better articulate their HRI impact through widely distributed disclosures, and IF private investors are aware of HRI opportunities and use the disclosures as a screening tool during opportunity assessment, THEN more attractive HRI investment opportunities will be examined by private investors, which will lead to an overall increase in private HRI. Approaches to promote the adoption of the disclosures among capital seekers and private investors include enhancing the robustness of the disclosures through third-party verification, encouraging the adoption of HRI disclosures by capital seekers to apply for funding, or complementing HRI disclosures with concessionary capital and technical advisory support.

Increasing private HRI will require higher priority efforts beyond the promotion of HRI disclosures; these include providing investor education, blended finance instruments, and advisory support to both capital seekers and investors. More investor education on HRI opportunities is needed, including awareness raising on specific HRI deals to existing investors, and capital provider engagement to new investors. Third-party ecosystem platforms, such as the World Economic Forum's HRI Initiative or the Global Impact Investing Network (GIIN), should promote HRI success stories widely among diverse stakeholder groups. Creating a convening space where investors can share challenges and showcase successful investments can increase overall investor interest. Blended finance support such as investment vehicles focused on HRI opportunities—which are currently lacking in most contexts assessed through the study—may increase private sector appetite for HRI. In particular, first-loss guarantee facilities may be especially helpful to investors, as well as co-investments from catalytic capital sources. Several ongoing initiatives, sponsored by the World Economic Forum's HRI Initiative, already focus on capacity building for HRI organizations and pipeline cultivation. Yet this study has highlighted the need for additional efforts. Early-stage organizations in HRI settings require multiple types of support, such as business development to grow their customer bases and build a commercial viability track record, as well as access to funds to enable such activities. Finally, mandate constraints proved to be the major barrier to private HRI during the pilot phase; supporting existing and new investors with an explicit HRI lens through technical and financial support may help increase private HRI investments.

Pilot overview

This study tested the disclosures over the course of roughly six months with 10 organizations in live fundraising environments. We provided light-touch transaction advisory support to the organizations, including drafting the disclosures and socializing them to investors, along with pitch decks that provided additional information about the organization, including a financial forecast.

Figure 12: Overview of pilot organizations

Company	Description	Investment sought
	Needs verification platform using machine learning and advanced data science to quantify acute and systemic crises	Raising Series A for product and technology improvements, sales and marketing, and internal operations
	Sustainable and affordable cutting-edge cooling technologies in emerging markets for medical, home, and small business (HSB) ecosystems with no or limited access to power	Raising equity to scale operations and R&D, as well as working capital debt
	Medical company developing a portable operating room product that reduces the need for heavy personal protective equipment and enables safe surgeries anytime and any place, particularly serving fragile settings	Raising a SAFE ⁷ followed by a Series A round for business development, regulatory approvals (e.g., CE mark), and trials
	Manufactures, installs, and manages solar and battery systems for commercial and industrial ("C&I") as well as small and medium-sized enterprises (SMEs) and residential customers	Raising both debt and equity so it can service the rapidly-growing demand for solar power in Haiti
	South African aerial infrastructure manufacturer that builds and deploys autonomous airships that redefine the delivery of goods and services over middle-mile distances	Raising a Seed round to fund its first deployments and operationalize its network of airships

⁷ Simple agreement for future equity

	<p>End-to-end agritech company that encompasses the complete agricultural value chain of Pakistan by providing closed-loop financing, farm inputs, storage, and market linkage solutions to farmers</p>	<p>Raising a SAFE note for product development and securing regulatory license for its fintech offering</p>
	<p>Somali microfinance institution (MFI) providing financial services via a commercially viable business model that prioritizes economically active but vulnerable populations</p>	<p>Raising growth capital for regional expansion, targeting to finance 120,000 cumulative clients</p>
	<p>Water management solution company helping water utilities and farmers improve their daily operations and resource efficiency through remote monitoring and control automation</p>	<p>Raising a Seed round to kick-off expansion across North Africa and Eastern Europe</p>
	<p>For-profit social enterprise that revolutionizes energy independence through solar thermal storage in cooking and agribusiness</p>	<p>Raising a pre-Series A round to kick-start at-scale manufacturing and shipping for 60,000 units</p>
	<p>Colombian edtech company that offers and finances online post-secondary tech programs co-developed with top-tier employers such as BBVA, PayPal, and Accenture</p>	<p>Raising growth capital to fund its expansion plans in the Latin America region</p>

We selected pilot organizations to maximize geographic, sector, and ticket size coverage. The 185+ investors contacted as part of the pilot process—of which 28 provided feedback on the disclosures—represent a wide spectrum of investors, from early-stage venture capital to later-stage investment funds, as well as international financial institutions such as DFIs. Many of the investors we reached out to were impact investors, ranging from those active in fragile contexts to those not active but interested in the theme.

Pilot results

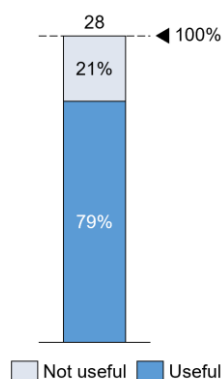
During the pilot phase, we tested the usefulness of disclosures with both investors and capital seekers. We primarily shared the disclosures with investors that we believed were strong potential matches for the pilot organizations, and secondarily with investors who were eager to provide feedback on the disclosures despite not being a fit with a specific organization in the pilot.

Usefulness to capital seekers: Capital seekers found the disclosures helpful as a tool that allows organizations to frame their impact in a way that can be easily understood by investors.

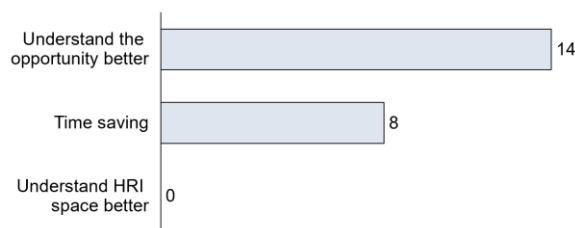
One pilot organization summed up this common finding: “It’s important to create a standard, and we needed to put a framework into the core of what we do—and the disclosures helped us do that.”

Figure 13: Perspective of investors on the usefulness of disclosures (N=28)

Did investors find the disclosures helpful?



For investors that found the disclosures helpful, why was it the case?



Usefulness to investors assessing a pilot for investment: Most investors found the disclosures to be helpful primarily as a pre-diligence screening tool—one that frames impact, reports on information useful to impact investors, and saves time. Having information such as the type of impact created, or the governance structure readily available is helpful to investors, who otherwise would have to request details from the company during the investment process. The disclosures also help investors better understand each organization’s impact; the disclosure framework provides significant clarity on organizations’ impact goals and where they stand in the process of achieving them.

Impact investors (including DFIs and their VC arms) specifically noted that the later in the investment process the disclosures are presented to them, the less value the disclosures add. The reason behind this is that impact-minded investors will assess a pipeline company’s impact during early-stage conversations. This reinforces the finding that the disclosures are most valuable as an early-stage screening tool.

Later-stage investors, particularly those seeking majority stakes, highlighted the importance of capital seekers disclosing how an organization is progressing on impact metrics over time. They shared that carefully selecting and tracking key performance indicators (KPIs) of impact is an essential activity for both capital seekers and the investors, and will be used for reporting purposes. **Not all investors found the disclosures to be helpful, however.** Particularly more traditional investors mentioned that all the information they require is already included in the standard pitch deck that organizations undertaking fundraising typically put together. Other investors did not find the disclosures useful because the information provided is secondary to these investors’ initial screening criteria—such as profitability or go-to-market strategy—or because the investors do not have capacity to consider expansion into humanitarian contexts. This suggests that the disclosures would be most useful for capital seekers that are in the process of formulating and structuring their pitch decks.

Some investors in cohorts 2 and 3 also received a two-page summary of the disclosures. The investors who found this most useful were usually VCs and impact funds and suggested the summary could be useful early in the investment screening process. Specifically, the disclosures summary provided investors with a high-level perspective on a capital seeker's impact. VCs, in particular, showed preference for incorporating the 2-page summary information of the disclosures into the pitch deck given this format is more digestible during early-stage assessment. In contrast, the longform disclosures were found to be impactful further along in the investment process, when investors conduct an impact due diligence.

Usefulness to investors outside the fundraising process: Some of the investors that reviewed the disclosures outside of a fundraising environment also found the disclosures helpful. Like other investors, they found that the disclosures to be a useful tool for screening potential opportunities. Even before the due diligence process, the disclosures can help investors identify the dimensions across which an organization performs well or poorly, as well as potential gaps in an organization's knowledge of its own operations or impact. Overall, the disclosures provide a strong sense of an organization's maturity in terms of growth and fundraising. While not actively looking for opportunities, these investors also found that the disclosures conveyed to them whether or not an organization might be a good fit for their own investment mandate.

Impact of the disclosures on HRI awareness: Investors also found the disclosures to be helpful in raising awareness of the HRI ecosystem, but not necessarily in improving investors' understanding of that ecosystem (see Figure 13). More education is needed to help investors appreciate what is required of them—and what to expect—when investing in HRI opportunities. Most investors we approached were not familiar with the term “HRI,” although some were aware of adjacent efforts such as the Refugee Investment Network. Reading the disclosures did help raise awareness of the HRI ecosystem. However, investors did not gain a better understanding of what it would take to invest in an HRI opportunity, and key requirements to successfully invest in HRI opportunities. This finding makes sense, since the purpose of the disclosures is not to increase understanding of the HRI ecosystem writ large, but rather to focus on a single investment opportunity. In contrast, the webinars and convenings we organized about the disclosures did help investors in gaining a better understanding of the ecosystem. More efforts are required on this front, as the number of investors that grasp what is required to invest in HRI settings remains very low. Continued efforts to educate interested investors should also, of course, help increase overall awareness of HRI.

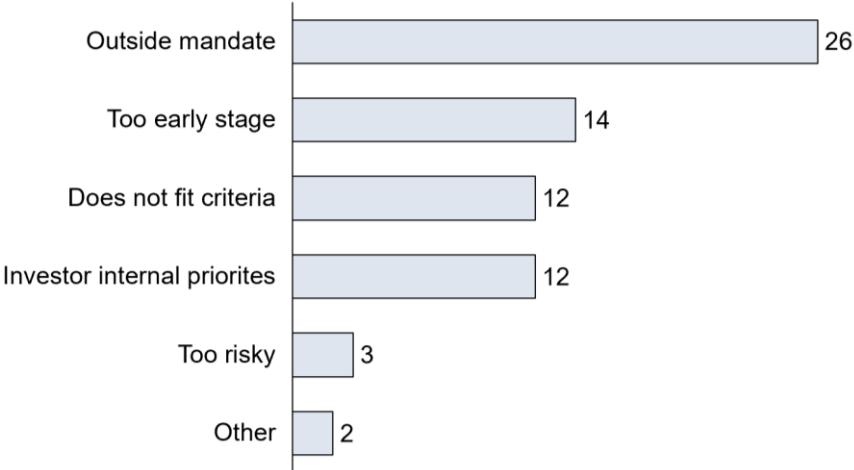
Impact of the disclosures on transaction outcomes: The disclosures have not affected transaction outcomes. Investors that had concerns about the commercial viability of organizations that provided disclosures all decided to pass on investing in those organizations. As one investor put it, “The disclosures were helpful but wouldn't sway me one way or another in my investment decision.” While some of the pilot organizations are in ongoing fundraising discussions, and some of them are very close to reaching financial close, the disclosures were not the main driver of investor interest and enthusiasm. As of December 2022, no pilot organization has successfully concluded a fundraising as part of the pilot process.

Indeed, according to investor feedback, investors' decision-making remains primarily driven by the suitability within their own mandate, which generally constrains investments to specific geographies, sectors, and stages. Multiple investors expressed concerns about the track record of these organizations or their ability to generate a profit in the future, as summarized in

Figure 14. Other reasons for investors to pass on some of the opportunities, beyond mandate fit, included organizations being too early stage, lack of sufficient traction, or heavy reliance on public funding and/or public sector clients—a business model with which commercial investors are less familiar. That many investors decided to pass on investment opportunities is not uncommon in early-stage fundraising. During the pilot phase, an overwhelming majority of the investors passed due to mandate constraints.

Interestingly, while many investors mentioned that additional support in the form of blended finance or grants could be helpful to increase private HRI, just 5 percent of investors passed on opportunities due to concerns about the business’s risk profile (see Figure 14). This may be due to benefits that blended finance or grants can provide beyond addressing the risk profile of a transaction, such as supporting the commercial development of an organization. It also may reflect the fact that opportunities can still present a high-risk profile to investors, even if the primary reason for declining an opportunity is a concern about investment mandate.

Figure 14: Drivers of investors declining pilot investment opportunities (N=69)

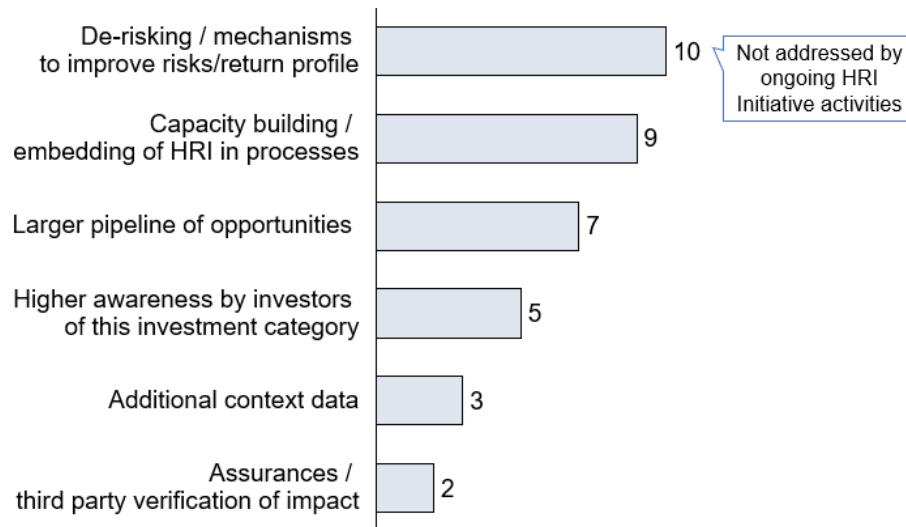


In addition to findings about the disclosures, we have identified critical insights that can further inform strategies to increase private investments in HRI settings. These are outlined in the following section.

Findings for investment in humanitarian contexts

Throughout this study, we asked stakeholders what else might be needed beyond the HRI disclosures and other ongoing efforts to increase investments in HRI settings. These perspectives are summarized in Figure 15. In addition to these perspectives, the following section incorporates some reflections from the consortium partners based on experience outside of this pilot activity.

Figure 15: What else is needed to catalyze humanitarian and resilience investments (N=22)



The general consensus among the investors we engaged during the pilot phase is that there are not enough existing tools to address the needs of investors considering HRI. While blended finance structures have been applied to HRI contexts, particularly by multilaterals and international financial institutions—such as IFC and the Dutch Entrepreneurial Development Bank (FMO)’s co-investment in Yemen’s HSA Group, de-risked through a first-loss guarantee from the World Bank’s International Development Association⁸—to our knowledge, no de-risking facility specifically focused on HRI settings that are not sovereign financing facilities currently exists⁹. Investors further suggested that no facility they are aware of could support the type of investments that were being considered during the pilot phase.

We have identified four archetypes of blended finance approaches that could encourage private HRI investments. Given the fragility of markets in which humanitarian operators, and/or the early stage of the companies identified as having an impact on humanitarian priorities, blended finance remains a critical tool for enabling further investment in these markets. The authors have therefore structured our findings for investments in HRI contexts in light of the four archetypes (or structures) of blended finance approaches¹⁰: (1) concessional capital; (2) technical assistance; (3) design-stage grants; and (4) guarantee / risk insurance. The investors engaged in this pilot study broadly agreed that disclosures alone will not catalyze investment in humanitarian settings, and that blended finance investment mechanisms may be required. Some of the key challenges identified include tools to level the playing field and de-risk or improve the risk profile of HRI transactions.

Some investors believe there is a need to develop—with all HRI stakeholders—new and creative approaches to blended finance. This may include non-traditional grant financing to help build commercial track record, or concessionary capital. For example, one investor suggested **recoverable or returnable grants** as an approach for companies with limited to no credit history. These financial instruments can prove a company’s financial discipline and ability to manage

⁸ [IFC Partners with HSA Group to Bolster Food Security in Yemen](#)

⁹ The Africa Risk Capacity Group or the World Bank’s Global Facility for Disaster Reduction and Recovery (GFDRR) do focus on HRI settings, but focus on sovereign financing.

¹⁰ Convergence, [Blended Finance](#)

cash flows efficiently, which showcases the commercial viability of businesses that have survived primarily on traditional grants. This track record inherently makes businesses more attractive to investors, particularly on the debt side. Investors have also suggested the need for concessionary capital for organizations operating in HRI contexts given unease about the prospects of companies profiting from communities in crisis or fragile situations.

Activity 3 focused on identifying tailored approaches to blended finance for innovative, small and / or medium enterprises in HRI settings.

Pilot case studies

Case study 1: Everest Effect



Everest Effect piloted disclosures as part of their Series A fundraising effort

PRELIMINARY

Scale US-focused with presence in Ukraine through AI for Good Foundation

Organization description

- Data platform using Machine Learning (ML) and data science to quantify the impact of acute and systemic crisis on individuals and communities
- Enables organizations to improve access to key services and resources while proactively tracking progress, measuring results, and protecting privacy. For example, they supported a US hunger relief network decide how to invest their resources to better service communities' needs

HRI lens fit

- Has deployed technology in crisis settings and for marginalized communities with plans to further expand in conflict settings
- Offers full set of intelligence solutions to humanitarian and social organizations including NGOs, government agencies, and enterprises to improve crisis recovery and help individuals achieve a sustainable standard of living

Context for piloting & fundraising needs

- Raising a Series A round to invest in product development and to scale their technology stack for humanitarian settings and social service programs
- Has previously raised capital from private investors in the form of equity and/or convertible notes

Geographic focus

- Present in the US with social services providers in low-income communities, and Ukraine
- In Ukraine they are working with a peer-to-peer humanitarian aid platform to enable them to provide immediate support, advice, and resources to victims of the war
- After US market penetration, it intends to have global coverage to serve governments and humanitarian organizations in crisis scenarios

Impact tracking indicators & framework

- No. of people achieving self-sustaining standard of living; No. of people matched with essential services
- Assess sustainability through local & hyper local data signals captured from partners in public & private domains
- Convert raw data into relevant information for measuring success

Outcomes

- The current is in ongoing discussions with investors



1 Both the company and investors found the disclosures helpful, however, disclosures are not enough to override concerns on commercial viability

PRELIMINARY

How the disclosures were used

Everest Effect developed the disclosures in collaboration with CrossBoundary and shared them with investors along with their investment pitch deck as part of the Series A fundraise

- The company was willing to disclose all required information
- Some questions were not applicable to the company as they do not have physical operations in HRI contexts as they are a B2B data and software provider with clients or partners on the ground. As a result, they were not able to provide information on some of the questions

The team targeted US and Europe-based VC investors with an impact lens given their geographic focus. The team engaged commercial investors given the company's use of technology and long-term potential to scale

- Investors used the disclosures in their screening process; however, most have passed due to fit, size, and limited traction
- One global VC investor also conducts ESG screenings for each company as a red flag check before considering an investment. One US VC investor uses B Corp Assessments if available which they then use post-investment to help investees achieve their impact goals. These analyses did not have a bearing on the investment decision for the company

Perspective on disclosures

Everest Effect found that the disclosures provide a unique way to market themselves and present relevant impact-related information

- The disclosures offered a new framework to think about their impact and mission

Investor reactions to the disclosures have been positive; investors think the disclosures can improve an investment case, however, they are not enough to override concerns related to commercial viability

- Investors think it is helpful to understand the mission and potential impact if the company achieves its goals but ultimately commercial viability is most important

Investors found the disclosures helpful to shed light on corporate governance, strategy, and impact metrics

- One global VC investor found disclosures particularly helpful for understanding the corporate governance and strategy, which they focus on. The investor also wants to understand the team which is explained in the governance section
- One US VC investor includes impact-related information in their internal memos and believes disclosures contain important investment considerations; they and a European VC investor believe having information already reported saves time as they would otherwise have to ask the company for the details during the process
- A US VC investor liked that the company is tracking impact metrics and why as it helps in conveying the mission

A minority (20%) of investors did not see the purpose in the disclosures

- One US VC investor thought that disclosures were not required; the pitch deck covered relevant information, and was easier to digest given familiar format and less text

Challenges and suggested changes

The disclosures can provide more examples and explanations

- Additional guidance would be helpful as there is language unfamiliar to the private sector e.g., "MEL" or the "SMART" approach to impact
- The **guidance and examples around data protection and privacy were unclear** at first and required further discussion
- Providing **more detailed examples** of key items companies should highlight for each section and clarity around length for what best-in-class responses look like would be helpful

Additional information would be helpful to investors, though may not be best placed in the disclosures

- Investors would like answers to the "why now?" question and what makes the company's solution critical today, as well as information on the company's unique advantages, progress and key learnings, and explanations of their proprietary technology. However, they acknowledged it may be better placed in the pitch deck
- Other investors would like to see a hiring strategy as they place emphasis on how founders think about talent and team building
- Other helpful data points include information on shareholders, Net Promoter Score, and other KPIs the company plans to track as they scale

Blended finance learnings

Technical assistance services can be an effective form of blended finance

- Technical assistance such as investment advisory has been well received by the company
- The team supported in the re-design of the pitch deck and in identifying relevant investors

Other support mechanisms

Business development support for the company to expand customer pipeline and secure more contracts

- Investors generally want to see more traction and proof points before considering investing

Support in developing case study material

- An investor also mentioned wanting to see case studies that showcase traction and the solution in practice

Case study 2: SureChill

2 SureChill. SureChill piloted disclosures as part of their fundraising efforts to secure both debt and equity capital

PRELIMINARY

<p>Scale Emerging-markets focused refrigeration technology company</p>		
<p>Organization description</p> <ul style="list-style-type: none"> Refrigeration technology company developing fridges for households and small businesses (HSB) in off- and weak-grid areas, and medical refrigerators for the storage of temperature-sensitive medicines and vaccines in fragile settings Plan to launch “cooling-as-a-service” to provide SMEs with cooling at a low rate 	<p>HRI lens fit</p> <ul style="list-style-type: none"> Provides cooling services using sustainable energy and enables large-scale distribution of critical medicines Offers a complete solution to improve the livelihoods of vulnerable communities by ensuring better health, increasing income generation potential, reducing inequalities, and protecting the environment 	<p>Context for piloting & fundraising needs</p> <ul style="list-style-type: none"> Raising debt and equity to accelerate a continuous growth strategy These resources will be deployed toward scaling up the commercial strategy, furthering R&D efforts to roll out new projects such as cooling-as-a-service, and working capital financing
<p>Geographic focus</p> <ul style="list-style-type: none"> Medical fridges installed in over 60 countries over the world including in fragile settings in West and East Africa For HSB, focus of operations will be in Sub-Saharan Africa Direct presence in the UK, Kenya, Hong Kong, and planning to open a hub in Senegal by Q4 2022 and Nigeria by 2023 	<p>Impact tracking indicators & framework</p> <ul style="list-style-type: none"> Key impact indicators include no. of safe vaccine doses delivered and applied through their fridges, no. of countries reached, no. of lives impacted through access to cooling in HSB segment which can enhance income generating opportunities Will be starting a longitudinal study with Shell Foundation to assess impact on individuals’ lives from refrigerators 	<p>Outcomes</p> <ul style="list-style-type: none"> Has previously raised in convertible notes and secured grants The company is currently in investment discussions with frontier markets focused investors

2 SureChill. Both capital seekers and investors found the disclosures helpful although impact investors will likely seek more information to meet their criteria

PRELIMINARY

How the disclosures were used

SureChill developed the disclosures in collaboration with CrossBoundary as part of their fundraise in 2022

- The company was eager to develop the disclosures and include it in their overall data room for investor engagement
- They have had interest from investors in the past who want to understand the impact; explaining *humanitarian* impact is unique and not something that the company had focused on as much in the past
- The company was willing to disclose information for all questions

SureChill then used the disclosures to approach investors and shared them along with their investment materials as part of their data room

The team targeted outreach to global impact investors and commercial investors focused on frontier markets, particularly East and West Africa

- While some investors passed on the opportunity due to mandate fit or investment size requirements, the company is in ongoing discussions with six investors who have reviewed the disclosures as part of their process
- Since most of the investors have an impact lens, they are also assessing the company's impact potential. Some of these investors have their own impact assessment criteria as well and they can draw on information from the disclosures

Perspective on disclosures

SureChill believes the disclosures help provide a comprehensive overview of the business

Investor feedback has been generally positive so far

- Investors are generally interested in if the company has an impact management process in place¹
- An impact investor believes the disclosures capture important information many organizations would otherwise leave out
- Information on the Board members and key partnerships was helpful
- However, investors would still seek more information in most areas if they were to consider the opportunity further

Some investors would have preferred a shorter version and clarity on how they differ from ESG disclosures

- Some investors were unclear about HRI disclosures; a foundation referred to them as "ESG disclosures" suggesting lack of awareness
- One DFI found the disclosures helpful for understanding the opportunity and impact, but would have preferred a snappier 1–2 page presentation

Impact investors generally have their own impact assessment criteria

- The disclosures can satisfy some impact requirements, but investors may need to gather more information depending on the nature of the company

2 SureChill. Investors want additional data and a shorter summary version; the company could benefit from grant funding and support to measure impact

PRELIMINARY

Challenges and suggested changes

Additional information on context and future plans would be helpful

- SureChill suggests adding a section on plans for the future post-fundraise; alternatively, include in the guidance the option of disclosing forward-looking information
- Guidance to companies on what constitutes and how to assess and report on “humanitarian” impact as this knowledge is limited in the private sector
- Additional resources like what is provided in the impact section can be helpful e.g., further context from where the disclosure was adapted
- Under Essential Services, guidance should refer to freelancers as well as employees as they are important in fragile contexts, and often vulnerable

Additional data would be helpful to include

- An impact investor believes adding the following information would enhance the document: a) company compliance with local regulatory requirements, b) workplace safety measures, c) employee awareness of company’s standard operating procedures, d) company emergency preparedness and response plan

A shorter version of the disclosures would be helpful

- A DFI believes a shorter, snappier version of the disclosures would be helpful, particularly when doing an initial screen to determine whether to pursue the opportunity further

Blended finance learnings

Fundraising assistance remains important

- The company has received TA support from Power Africa who are paying for an independent consultant to aid in overall fundraising efforts
- Such support has helped the company professionalize their systems and approach to fundraising

Additional grant support continues to be necessary

- The company has received grants in the past and will continue to leverage such funding opportunities as relevant, especially given their areas of focus are aligned with many grant providers

Other support mechanisms

Product design and business development support may be helpful

- As the company looks to launch new products and services, technical support on product design as well as business development support to secure partnerships could be helpful

Additional support to accurately measure and report on impact

- The company wants to report on impact metrics and investors are increasingly asking questions on impact
- This requires research and additional work; however, companies don’t have the bandwidth nor budget
- External support to verify impact with funding from donors could be useful

Case study 3: Surgibox

3  **SurgiBox piloted disclosures as part of their pre-Series A fundraising effort**

PRELIMINARY

Scale Pre-seed company with patented medical technologies

Organization description

- Medical technology company that has developed a portable operating room product to enable surgeries to take place anywhere, at any time
- The product fits into a backpack, creates a sterile operating environment, and reduces the need for heavy PPE

HRI lens fit

- The product protects patients and medical staff based in humanitarian and low-income settings where safe surgical infrastructure is lacking
- The company is focused on serving humanitarian and military defense customers initially e.g., Médecins sans Frontières (MSF), then scaling up towards mobile surgery

Context for piloting & fundraising needs

- Raising a SAFE note¹ for business development, CE Mark for EU expansion, supply chain improvements

Geographic focus

- Primarily target settings such as disaster relief, humanitarian crises, and areas of military combat globally
- Planning a European market launch with customers such as humanitarian agencies for 2023

Impact tracking indicators & framework

- Increase access to safe surgery / reduction of surgeries in unsafe conditions
- Reduction in provider exposure to patient bodily fluids
- Increase of surgical throughput in disaster settings e.g., earthquakes/ mass casualty
- Plan to track other KPIs e.g., no. patients, surgical outcomes, reductions in mortality

Outcomes

- Has previously secured funding from grants and convertible notes / SAFE
- Applying for two military-based grants to be awarded in the coming months



3 | Disclosures were found helpful both by the capital seeker and investors

PRELIMINARY

How the disclosures were used

The company developed the disclosures in collaboration with CrossBoundary as part of the fundraising for their SAFE note¹

- The company was excited to work on the disclosures and has plans to focus on impact management once they roll out their product further. The company had filled out grant applications in the past from which they gathered details for the disclosures
- The company was willing to disclose information for all questions

SurgiBox then used the disclosures to approach investors and shared them along with their pitch deck

The team targeted outreach to a mixture of mostly US-based healthcare focused investors and impact investors

- Investors used the disclosures in their screening process; however, they have passed due to fit, size, and traction
- One global VC investor also conducts ESG screenings for each company as a red flag check before considering an investment
- One US VC investor uses their own internal set of questions to evaluate companies on their impact and ESG metrics and the disclosures helped answer some of those questions

Perspective on disclosures

SurgiBox were interested in developing the disclosures and thought they were helpful for presenting impact-related information

Investors found impact information to be particularly helpful

- Investors generally found the disclosures helpful for understanding how the company thinks about impact beyond financial metrics, but VC investors wonder if impact investors have their own criteria and if the disclosures provide sufficient answers
- One US VC investor includes impact-related information in their memos; the disclosures contain some of the information needed, saving time
- For a generalist VC investor, the most useful information was on founders' assessment of risks, and the strategy and partnerships sections
- One strategic investor believes disclosures were useful and exhaustive

For some investors, the disclosures would be helpful after the screening round as a time saving tool, but not an investment decision-making tool

- One European VC investor would only look at the pitch deck and founder's LinkedIn as they are pressed for time; if they then decide to pursue further, they will look at the disclosures.
- The disclosures would help them save time in gathering information, but not convince them to invest

Additional helpful data includes a condensed KPI section

- Two investors would prefer seeing more KPIs in a single section
- Evidence of traction that supports the projections of the company's impact



3 Additional information required includes more guidance and examples while grant support and access to non-traditional funding would also be helpful

PRELIMINARY

Challenges and suggested changes

Provide additional details and examples

- Providing more detailed examples of key items companies should highlight for each section and clarity around length for what best-in-class responses look like would be helpful
- One European VC investor would like to see information on the company's hiring strategy and "culture manifesto." This is unique to their fund as they need to understand how founders think about talent and building their team over the long-term

Additional information on the return potential, product, and competition – although not within the disclosures

- A global VC investor wanted information on how investors can make a return on their investment and exit opportunities
- One VC investor would like to see more specifics on the product's technology and the competitive landscape, particularly regarding whether it's been attempted before and if so, why it failed. This suggests a need to highlight a section on additionality of the company's solution
- Given that the above does not align with HRI disclosures goals, a disclaimer on the purpose of the disclosures would be helpful

Blended finance learnings

TA services can be an effective form of blended finance

- Technical assistance (TA) such as investment advisory has been well received by the company. The team supported in the re-design of the pitch and in identifying relevant investors.

Early-stage, patient capital would be helpful to reach critical scale and be attractive to commercial investors

- Investors believe the market is difficult and that the company is better suited for grant funding

Other support mechanisms

Support securing investment from non-traditional sources

- Crowdfunding or angel investors would be helpful given the early-stage nature of the business and the difficult market in which they operate

Advocacy support to speed up regulatory approval

- The company requires regulatory approval in different markets
- Support would enable the company to secure partnerships and customers more effectively

Case study 4: KIMS Microfinance

1  **KIMS Microfinance** piloted disclosures as part of their fundraising effort

PRELIMINARY

Scale Somali-focused microfinance institution with plans to expand to broader horn of Africa

Organization description

- Microfinance institution providing Sharia-compliant microfinance services to 4,500 active clients, with a portfolio of \$2.5 million in Somalia
- Since launch in 2014, it has provided more than 31,715 MSE loans across the Somali territories, cumulatively worth more than USD\$30.6 million
- KIMS currently has 4,519 active clients with a GLP of \$2.55 million

HRI lens fit

- Targets populations that have been traditionally excluded from the financial sector in Somalia such as women, youth, and displaced persons as clients (64%, 61%, and 26% of the client base respectively)
- Majority of KIMS' management team are Somali nationals, recruited directly from the communities in which it operates

Context for piloting & fundraising needs

- KIMS is undertaking its growth strategy through a four-year regional expansion plan with the goal of raising capital to finance 120,000 cumulative clients which roughly equates to around 15% of the total addressable Somali market share

Geographic focus

- Currently based in Somalia, with plans to expand through strategic JVs into NE Kenya, Ethiopia, and Djibouti by 2026, in light of its broader vision and its Horn of Africa regional expansion plan

Impact tracking indicators & framework

- Key impact indicators tracked include:
- Improvement in business performance
 - Number of employment opportunities created
 - Increase in average income after receiving a loan
 - Increase in household education spend
 - Improvement in household food quality
 - Improvement in healthcare affordability

Outcomes

- KIMS is undergoing due diligence with several other prospect funders
- It has previously raised capital in the form of grants and zero interest loans



Both the company and investors found the disclosures helpful, however, disclosures are not enough to override concerns on investment fit

PRELIMINARY

How the disclosures were used

KIMS developed the disclosures in collaboration with CrossBoundary and shared them with investors along with their investment pitch deck as part of the fundraising

- The disclosures were helpful for the company to frame their humanitarian impact
- The company was willing to disclose all required information

The team targeted microfinance investors and impact investors focusing on financial inclusion

- While the investors found the disclosures useful, Somalia was outside the mandate of a majority of the investors
- For some of the investors the size of KIMS' loan book was smaller than mandated by their funds

Perspective on disclosures

KIMS found that the disclosures provide a unique way to market themselves and present relevant impact-related information

- The disclosures offered a new framework to think about their impact and mission

The disclosures were secondary to initial screening processes given investors' strict geographic mandates around the Horn of Africa

Investors were of the view that the information contained in the disclosures was similar to what they would collect as they conduct their own due diligence

- While the disclosures do not affect the decision to proceed with the opportunity, they may be useful in supplementing information collected at the due diligence stage

One impact investor indicated that they would be open to considering HRI lens but do not have the relevant experience

- Humanitarian investing is a niche theme that many investors have not yet explored and therefore have not built expertise on to be able to draw projections around financial and impact returns

Investors found the following information useful from KIMS' disclosures: Number of customers & GLP size, percentage of female customers, percentage of senior management team or board that is local, loan products & savings, regions of operation, and financial performance & equity position



Humanitarian impact messaging should complement investors' impact focus themes and catalytic funding is needed to unlock investments in difficult markets

PRELIMINARY

Challenges and suggested changes

Impact investors often have set impact themes that guide their investment decisions.

- The humanitarian impact communicated would have a stronger selling point with investors if it depicted the complementarity between the humanitarian impact and the investors' impact theme focus. In KIMS' example, drawing out messaging around its financial inclusion impact alongside the humanitarian impact would be key for investors focused on financial inclusion

Additional information would be helpful to investors, though these were specific to the financial services sector. These include:

- Types of financial services provided
- Rates & fees charged and how KIMS' compared to other MFIs in the market
- Percentage of rural customers
- Portfolio health and impact from COVID

Blended finance learnings

For difficult markets like Somalia, having a first successful commercial investment would be helpful as a signaling effect in attracting more investors to the country

- Most investors are not active in Somalia given the geopolitical context and the lack of market knowledge to be able to provide support to portfolio companies
- Blended finance approach such as first-loss or guarantee is needed to de-risk potential first-time commercial (equity) investment in the country

Additional grant support continues to be necessary

- The company has received grants in the past and will continue to leverage such funding opportunities as relevant, especially given KIMS' areas of focus are aligned with many of grant providers'

Other support mechanisms

TA support for the company to enter new markets

- As KIMS looks to expand across the Horn of Africa, the business would benefit from market entry and opportunity validation advisory support

Support securing investment from non-traditional sources

- Crowdfunding or angel investors would be helpful given relatively small size of the business (in terms of portfolio size) and the difficult market in which it operates

Case study 5: Jiye Technologies

5  **Jiye piloted disclosures as part of their SAFE round fundraise**

PRELIMINARY

Scale Pakistan-focused agritech company

Organization description

- Jiye is a platform which connects farmers and businesses through technology (agritech), lean supply chains, and agri fintech solutions
- Jiye also provides advisory to farmers as well as efficient liquidation and storage of food supply through market linkage and post-harvest storage systems

HRI lens fit

- Jiye supports marginalized farmers within the agricultural ecosystem of Pakistan. 70% of farmers are in a debt trap, with debt passed on to next generations, resulting in a vicious cycle
- Jiye is providing crop insurance solutions to farmers that are at risk of floods due to climate change

Context for piloting & fundraising needs

- Jiye is raising a Seed Round

Geographic focus

- Jiye operates in Pakistan, currently focusing on rural areas in the northern side of the country

Impact tracking indicators & framework

- Key impact indicators tracked include:
- Number of farmers impacted with positive earnings
 - Production / Farmer volume uptick
 - Number of women micropreneurs enabled
 - Tons of disposable plastic use abandoned

Outcomes

- The company previously raised capital from strategic investors.
- The company is in ongoing investor conversations

How the disclosures were used

Jiye developed the disclosures in collaboration with CrossBoundary as part of their fundraising for a SAFE¹ note

- The company was eager to develop the disclosures and include it in their investor engagement
- The company wanted to test outreach with a set of investors first given the prevailing economic conditions and their business model pivot

Jiye then used the disclosures to approach investors and shared them along with their investment materials

The team targeted outreach to early-stage investors in venture capital and impact funds

- Investors generally found the opportunity interesting, however for a number of them, it was not a fit given location and investment type
- Jiye has had good traction with two potential investors, one of which is also an entrepreneur network
- Initial conversations with interested investors went well as the founders were well prepared and had demonstrated traction for the fundraising

Perspective on disclosures

Disclosures could have additional use cases including supporting in the application for investment support

- Jiye had a call to kick off an application to a global entrepreneurship network that could also be a potential investor. They indicated that the disclosures could be helpful in supplementing their information collection process

The disclosures could help investors in proactively thinking about the nexus between humanitarian impact and their core impact themes

- An investor indicated that while they currently do not take a perspective on humanitarian impact, their impact themes could have a tie to humanitarian themes. The disclosures could therefore be a guide to helping them think about the role of humanitarian impact within their core impact themes

Investors found the following sections of the disclosures most helpful sections to them are:

- The fit section as it sets the stage
- The MEL section as it maps out the impact metrics
- Humanitarian Resilience Outcomes section

Challenges and suggested changes

There needs to be more sensitization/ education among investors on businesses operating in humanitarian settings

- When investors think about humanitarian settings, they often think the businesses are reliant on aid agencies / are impact-first
- It would be important for them to learn that these can also be commercially viable
- Just presenting the disclosures up front with other materials without enough sensitization can turn investors away or give them the wrong idea
- The HRI lens is akin to Gender Lens Investing (GLI). Investors began to incorporate it more proactively as they learnt more

It would be helpful to work with standards bodies to educate the market

- Most impact investors use similar sets of best standard principle outlets e.g., IFC operating principles for impact management
- Having them incorporate humanitarian impact disclosures could be a good way to build buy-in from the investment community

Blended finance learnings

Technical assistance such as investment advisory has been well received by the company

- Besides the disclosures' development, the team supported in the redesign of the pitch deck and in identifying relevant investors. Additionally, the team provided high-level guidance on Impact KPIs and preparation for impact due diligence with interested investors

Other support mechanisms

Product design and business development support may be helpful

- As the company tests out new business models, technical support on product design as well as business development could be helpful

Advocacy and TA support to speed up regulatory approval

- Majority of the funds the company is currently raising is intended for securing a Fintech offerings regulatory license

Case study 6: Solengy

6 Solengy | Solengy piloted disclosures as part of its fundraise

PRELIMINARY

Scale Haiti-focused solar solutions provider

Organization description

- Solengy is a Haitian company, founded in 2007, which manufactures, installs, and manages solar and battery systems for commercial and industrial ('C&I') as well as SMEs and residential customers

HRI lens fit

- Solengy offers residential, commercial, and industrial customers across Haiti custom solar energy systems
- Haiti is a fragile state that has been greatly impacted by significant crises including earthquakes that resulted in displacement of communities, political and economic turmoil, widespread violence led by gangs, etc.

Context for piloting & fundraising needs

- Solengy is raising an equity round and has raised additional funding in the lead up to the round

Geographic focus

- Solengy is headquartered in Port-au-Prince, Haiti, with operations throughout the country

Impact tracking indicators & framework

- Gallons of kerosene consumption reduced
- Bottom of the Pyramid households connected to basic electricity
- Children gaining access to electric lighting
- Jobs created in rural villages, of which 70% are women
- Gallons of diesel consumption reduced
- Tons of carbon dioxide emissions offset

Outcomes

- The company is in ongoing discussions with potential funders

6 Solengy | Disclosures were found helpful both by the capital seeker and investors but did not override concerns on investment fit

PRELIMINARY

How the disclosures were used

The company developed the disclosures in collaboration with CrossBoundary as part of its fundraise

- The company was eager to develop the disclosures and include it in their investor engagement
- The company was willing to disclose information for all questions

The company also developed summary disclosures to be used for initial investor outreach and shared the long form disclosures as a follow on, where relevant

The team targeted outreach to a mixture of mostly impact investors and development finance institutions

- Investors used the disclosures in their screening process; however, they have passed due to fit and size

Perspective on disclosures

The disclosures are useful but would not be a critical determinant for investment

- An early-stage investor with a flexible impact mandate indicated that they do not require or expect uniform impact reporting at a sophisticated level from their portfolio companies, especially given that their small team size that can not support a robust impact M&A

For deals in high-risk markets, investors are often looking for commercially viable solutions for which their capital is the right tool to bring to scale

- The humanitarian disclosures, while important, are less critical than demonstrating viability of the business in high-risk markets and validating that venture funding is the right path for a business. The later typically requires more documentation and validation than impact at the earlier stages, because clean energy and energy infrastructure in Haiti is innately impactful.

The summary disclosures are helpful in the initial screening stages as they help provide an overview of the company's impact, whereas the longform disclosures may be more relevant later on in the process.

6 Solengy | Summary disclosures are helpful during initial assessment but need to be accompanied by some marketing material

PRELIMINARY

Challenges and suggested changes

Provide the summary disclosures at the initial assessment stages, perhaps as an addendum to the pitch deck, and the longform disclosures later in the process

- The specific sections of the summary disclosures that were most helpful include:
 - HRI impact section: Specifically, the SDG goal alignment. The outlay of the actual and targeted impact sections paints a good picture of the breadth and depth of the company's impact
 - The risk section provides helpful context

The summary disclosures need to be accompanied by some marketing material e.g., a pitch deck in order to provide a captivating pitch

- While the summary disclosures were helpful to frame the impact of the organization in the initial stages, one investor wanted to see a more exciting pitch of the business. It is therefore important that the summary disclosures accompany some form of marketing material

Where investors have small teams, they do not have the capability to support robust impact measurement and assessment.

- Unlike institutional investors with a clearer impact thesis/mandate, the disclosures are less impactful when investors do not have the capacity to review them.

Blended finance learnings

TA services can be an effective form of blended finance

- Technical assistance (TA) such as investment advisory has been well received by the company.
- The company has also received support in redesigning its pitch deck, building its financial model, and in identifying relevant investors under a secondary USAID-funded program
- TA services could also be helpful for small fund managers with limited capacity to conduct robust impact measurement and assessment

Other support mechanisms

Support securing investment from non-traditional sources

- Crowdfunding or angel investors would be helpful given the early-stage nature of the business and the difficult market in which it operates

Case study 7: ProTalent

7 ProTalent. ProTalent piloted disclosures as part of their early-stage fundraising effort

PRELIMINARY

Scale Latin America-focused EdTech company

Organization description

- Colombian EdTech company that offers, and finances online post-secondary tech programs co-developed with top-tier employers such as BBVA, PayPal, and Accenture
- Since the company's founding in October 2020, it has delivered its courses to 800+ students (with 10,000 on the waiting list as of EOY 2021) and aims to educate over 25,000 individuals and place 80% of them in formal jobs by 2026

HRI lens fit

- Delivers online higher education programs, improving employability into skilled jobs at multinationals and local corporates to Base of the Pyramid (BoP) and vulnerable populations for whom traditional education is not an option
- A member of the senior management team is a woman who was a victim of the armed conflict in Colombia and was forced to become internally displaced (IDP)

Context for piloting & fundraising needs

- The company is currently raising for its pre-Series A growth capital to fund its expansion plans in the LatAm region

Geographic focus

- ProTalent has regional presence in Latin American markets, including Colombia and Mexico (as a hub for the Central American region)
- It plans to expand to El Salvador and Honduras in 2023

Impact tracking indicators & framework

- ProTalent intends to develop a log-frame with their lead impact investor which will track:
- Number of students served and their socio-economic background
 - Dropout rates
 - Employment rates
 - Average salary (overall and differentiating by sex, gender, and sexual orientation metrics)
 - Evolution of household income

Outcomes

- The company is in ongoing investor conversations

7 ProTalentio. Both the company and investors found the disclosures helpful; however, disclosures are not enough to override concerns on investment fit

PRELIMINARY

How the disclosures were used

ProTalentio developed the disclosures in collaboration with CrossBoundary and shared them with investors along with their investment teaser, as part of the fundraise

- The disclosures were helpful for the company to frame their humanitarian impact

The team targeted small ticket investors and impact investors focusing on education and ed-fintech

- While some investors found the opportunity interesting and ProTalentio is in active conversation with them, it was not a good fit for others given geography and business model

Perspective on disclosures

ProTalentio found that the disclosures provide a unique way to market themselves and present relevant impact-related information

- The disclosures offered a framework to think about their impact, mission, as well as their MEL process; this complemented ProTalentio's early work with existing lead impact investor regarding some impact metrics and their strategy

Investors found the disclosures useful as they brought good points for initial diligence but found them less useful in later stages of the discussion

- One of the investors had previously interacted with the firm and had a good sense of their impact metrics. They were therefore of the view that the disclosures were less useful to them at this stage as the document presented information which they were already familiar with, only in a different format
- However, had they received this document before meeting with the company, it would have been useful in their impact assessment

Investors found the disclosures useful as a time saving tool, when filling in company information for internal assessment

- One of the investors requires companies that apply for their support to fill in a form focused on strategy and impact
- The disclosures could come in handy given some of the information presented aligns with that requested from the companies

Challenges and suggested changes

Impact investors often have set impact frameworks that guide their investment decisions

- While disclosures present interesting information on the company, they have little sway on the investment decision and may be found redundant if the information presented overlaps with that of the investor's impact framework that the company also needs to fill in

The later in the investment process the disclosures are presented to investors, the more their value-add decreases

- Disclosures are less valuable when introduced later in investor conversations as at these stages the investors will have a clear sense of the company's impact, thus disclosures may not present additional value

Blended finance learnings

TA services can be an effective form of blended finance

- Technical assistance (TA) such as investment advisory has been well received by the company
- The company has also received support in redesigning its pitch deck and in identifying relevant investors under a separate USAID-funded program

Other support mechanisms

TA support for the company to enter new markets

- As ProTalentos looks to expand across Latin America, the business would benefit from market entry and opportunity validation advisory support



Sun Buckets piloted disclosures as part of their pre-series A fundraise

PRELIMINARY

Scale The only solar cookstove on the market which can store heat, manufactured and deployed in humanitarian settings in Kenya

Organization description

- Sun Buckets is a solar powered cookstove that captures the heat of the sun, stores it, and allows users to cook inside their homes, including at night
- Targets a hybrid business model (governments and corporates in developed markets), to subsidize its operations in LICs where clean cooking can be cost prohibitive

HRI lens fit

- Sun Buckets acts to avoid harm by decreasing death for children under 5 in HRI settings, and contributes to solutions by providing access to clean cooking energy in off-grid areas
- Sun Buckets operates in the Kakuma refugee camp (Kenya)

Context for piloting & fundraising needs

- Sun Buckets is raising a pre-Series A round to kickstart at-scale manufacturing and shipping

Geographic focus

- Current presence in Kenya only, but three years of user-based feedback shows relevancy within Rwanda, Côte d'Ivoire, Uganda, as well as South America, and the Caribbean

Impact tracking indicators & framework

- The number of girls and women encountering Sexual and Gender Based Violence (SGBV) while fetching firewood
- Biomass consumption
- Hospital visits due to upper respiratory tract infections.

Outcomes

- The company is in ongoing investor conversations



The disclosures are helpful in assessing impact but familiarization and alignment on the definition of HRI contexts is necessary

PRELIMINARY

How the disclosures were used

Sun Buckets developed the disclosures in collaboration with CrossBoundary as part of their fundraiser for a pre-series A fundraiser

- The company was eager to develop the disclosures and include them in their investor engagement

Sun Buckets then used the disclosures to approach investors directly and shared them along with their investment materials

The team targeted outreach to early-stage investors in venture capital and impact funds (including family offices)

- While some investors found the opportunity interesting, the majority preferred not to invest in the cookstoves sector on account of mixed results from previous investments, little opportunity for differentiation, low observed appetite in consumers except in cases funded by donors, and numerous instances of overstated impact

Perspective on disclosures

Disclosures are useful in the evaluation process

- The disclosures would be a useful reference when putting together investment committee memos or conducting channel checks*.

The humanitarian disclosures are a nice to have but would not be a critical determinant for investment

One investor highlighted the risk of moral concerns over deriving profits from vulnerable communities

- Applying a for-profit and therefore commercially viable model to humanitarian contexts implies an intention to make the contexts permanent in order to sustain the businesses. These contexts (e.g., refugee camps), however, are ideally intended to be temporary



Blended finance is essential to the success of early-stage companies in HRI settings

PRELIMINARY

Challenges and suggested changes

The current format of the disclosures is difficult to consume

- Investors found the disclosures more reader-friendly when presented in a PowerPoint format such as that of the summary disclosures

The sequencing of sections within disclosures could be improved to build a stronger case for the business

- One investor highlighted that the order in which the information in the disclosures is presented could be restructured to ensure that the value proposition of the company, and the nexus between its commercial viability and humanitarian impact emerge in the first few answers

The disclosures would be great to have as part of a data room

Blended finance learnings

Grant support is necessary in the early stages of the company

- While there are merits to raising commercial capital, one investor was of the view that grant support in the early stages is crucial; for instance, none of the businesses they invested in would have been successful without some form of non-commercial financing
 - Building impactful companies takes time and financing their entire lifetime with commercial capital, even if subsidized, may not work

For companies with no credit history, recoverable or returnable grants could be useful in helping them show some form commercial track record given the former would prove their financial discipline and ability to manage cashflows efficiently

Other support mechanisms

Business strategy support to identify the most ideal use case for Sun Buckets' technology

- Sun Buckets technology is innovative and has several use cases in addition to clean cooking which is difficult to sell. The company would benefit from strategy support to identify the most optimal use cases and partnerships

Business advisory support to improve their investment readiness

- Given the team has no investment background, it would benefit from support in preparing investor-facing material (particularly a financial model and a business plan) and structuring the fundraise



Flowless piloted disclosures as part of its Seed round fundraiser

PRELIMINARY

<p>Scale MENA-focused water management solutions company</p>		
<p>Organization description</p> <ul style="list-style-type: none"> Flowless is a water management solutions company helping water utilities and farmers improve daily operations and resource efficiency through remote monitoring and control automation Flowless provides a comprehensive system that utilizes emerging technology to monitor and control water networks and provide insights for process automation and faults detection 	<p>HRI lens fit</p> <ul style="list-style-type: none"> Flowless supports farmers and municipalities in Palestine and Jordan through implementation of projects which monitor water networks, detect leaks, and support precision irrigation by integrating emerging technology, innovative financing, and social responsibility Flowless technology is deployed in Senara Farm (Jordan) which employs refugees 	<p>Context for piloting & fundraising needs</p> <ul style="list-style-type: none"> Flowless is currently raising for its seed round
<p>Geographic focus</p> <ul style="list-style-type: none"> Flowless has been working with utilities and farmers in Palestine and Jordan. They have also expanded internationally with current projects in Ireland and Kenya 	<p>Impact tracking indicators & framework</p> <ul style="list-style-type: none"> Number of people with access to quality water Water savings Man-hours saved through process automation and automated reporting 	<p>Outcomes</p> <ul style="list-style-type: none"> The company is in ongoing investor conversations

Disclosures were found helpful by both the capital seeker and the investors but did not override concerns on investment fit

PRELIMINARY

How the disclosures were used

The company developed the disclosures in collaboration with CrossBoundary as part of its fundraise

- The company was eager to develop the disclosures and include them in their investor engagement
- The company was willing to disclose information for all questions

The company also developed summary disclosures to be used for initial investor outreach and shared the longform disclosures as a follow on, where relevant

The team targeted outreach to a mixture of mostly impact investors and early-stage investors with a focus on CleanTech, ClimateTech and WaSH

- Investors used the disclosures in their screening process; however, they have largely passed due to fit and size (too early-stage)

Perspective on disclosures

The summary disclosures are helpful in the initial screening stages as they help provide an overview of the company's impact, whereas the longform disclosures may be more relevant later on in the process

- Every investor has different preferences/criteria, so it is better to keep first documents short and broad to spark interest and then provide investors with whatever additional information they need once the first contact has been established
- Through its cover page, the two-pager does an excellent job to add credibility to the concept of HRI disclosures

The disclosures do not clearly specify how much of a HRI context company's focus is

- If a company has ambitions beyond HRI contexts, having solely HRI disclosures could be too specific and limiting for them
- Some investors are willing to consider the humanitarian impact lens and have seen this approach for fintechs related to remittances, refugee finance etc.

Information on the funding needs including the type of finance they are looking for, how much and when would be helpful to have in the disclosures

Ethics should be a significant section added to the disclosures given the contexts in which pilot companies operate

PRELIMINARY

Challenges and suggested changes

“Data protection” section should be broader and complemented by a section on ethics given the context in which these companies operate

- As opposed to Silicon Valley startups which harvest the data of their clients in order to be successful, HRI companies work with the most vulnerable people in the world, hence the data needs to be protected extremely well
- An ethics section would allow the company to elaborate on how it ensures its business practices aren't predatory and don't take advantage of the vulnerable populations that it works with (e.g., aggressive sales to refugees, followed by being aggressive in collecting payments, eventually bankrupting its customers). This section would be especially important for asset managers who want to avoid any kind of controversies with regards to investee companies

The design of the longform disclosures could be improved to make the document look more legitimate

- The disclosures could include a footnote or link to the WEF HRI initiative site to provide context on what HRI means and an explanation as to why this solution is especially impactful in humanitarian situations
- It may also be helpful to include the financing need within the disclosures.

One investor suggested adding the HRI section as part of a general set of impact disclosures to ensure there is no redundancy with impact forms that some companies already have in their data rooms

- This would also ensure companies are not doing any duplicative work

Blended finance learnings

TA services can be an effective form of blended finance

- Technical assistance (TA) such as investment advisory has been well received by the company

Concessionary capital may be the most sensible financing tool for businesses operating in HRI context

- For some stakeholders, there is unease about the prospects of companies making attractive profits in HRI settings

Other support mechanisms

Support securing investment from non-traditional sources

- Crowdfunding or angel investors would be helpful given the early-stage nature of the business and the difficult market in which it operates

Case study 10: Cloudline

10  **Cloudline was intended to pilot disclosures as part of its Seed round fundraise**

PRELIMINARY

Scale South Africa-based with pilot deployment planned for South Africa, followed by Kenya

Organization description

- Cloudline is a South African aerial infrastructure manufacturer which builds and deploys autonomous airships that redefine the delivery of goods and services over middle mile distances

HRI lens fit

- Cloudline benefits stakeholders and contributes to solutions through its network of autonomous airships which permit point-to-point efficiencies over middle mile distances (>300km). It strives to serve vulnerable and far-flung communities in rural/remote parts of the world, island nations, and disaster-stricken areas by bridging access to vital commodities and services

Context for piloting & fundraising needs

- Cloudline is raising a seed round to fund its first deployments and operationalize its network of airships

Geographic focus

- Headquartered in Cape Town, South Africa (also the site of the company's testing facility), with international business development team spread across South Africa, Kenya, and India, allowing Cloudline to cover markets throughout Africa and Asia

Impact tracking indicators & framework

- Number of people connected
- Tons of carbon emissions saved
- Number of medical products safely delivered
- Number of remote clinics connected to instant delivery of medical products

Outcomes

- The company is in ongoing investor conversations

10  **Despite the postponed fundraise, the team obtained feedback from two investors and is currently waiting for additional feedback from the company's existing investors**

PRELIMINARY

How the disclosures were used

The company developed the disclosures in collaboration with CrossBoundary as part of its fundraise

- The company was eager to develop the disclosures and include it as part of its investor engagement
- The company was willing to disclose information for all questions

The company also developed summary disclosures to be used for initial investor outreach and shared the longform disclosures as a follow on, where relevant

Feedback on the opportunity and the disclosures was requested from impact investors, particularly those with a lens towards the sustainable environment & logistics

Perspective on disclosures

The disclosures could help investors to proactively think about the nexus between humanitarian impact and their core impact themes, and how to include that in their investment reports

- Given HRI is cross-cutting both across sectors and impact KPIs, perhaps developing a lens such as the refugee investing lens (or "HRI lens") which investors can quickly plug into their impact assessment reports alongside their other impact focus areas could be interesting. Such an example could be the HRI metric / set of metrics that could be researched as next steps

Disclosures help provide information on the local market context and HRI setting – this information can be used by investors as a resource within their broader market research in order to help inform investment decisions

Impact KPIs are nice to have before investing in a business, but some investors, particularly those with majority stakes, care more about how the company has progressed on these metrics until exit

- At initial stage, such investors only want to see minimum impact criteria is met

Investors appreciated the details on timeline of key next milestones and strategies to get there that were provided in the disclosures

Summary disclosures are the preferred format for investors at initial assessment and should be easier to fill in by early-stage companies than the longform ones

PRELIMINARY

Challenges and suggested changes

Provide the summary disclosures at the initial assessment stages, in PowerPoint format

- The specific sections of the summary disclosures that were deemed most helpful include:
 - HRI impact section, specifically the SDG goals alignment
 - The risk section (aids in providing helpful context)

For some investors, the longform disclosures are less useful at any stage as their preferred way to run impact DD is through Q&A

- Lack of standardization (beyond gender, governance, emissions) in impact KPIs may render such strict formatting of disclosures useless
- There is more work on both sides - target/investee and investor - to put together the document and review it, respectively

While the disclosures are helpful, some investors would like to see more details

- Where there are mentions of anticipated impact e.g., carbon emission savings, investors would like to get a sense of how you these would be measured
- Investors would like to see a high-level breakdown of how funds will be allocated

Blended finance learnings

TA services can be an effective form of blended finance

- Technical assistance (TA) such as investment advisory has been well received by the company

Other support mechanisms

Advocacy and TA support to speed up regulatory approval

- As Cloudline plans its pilot and subsequent deployments, it needs clearance from a number of government agencies from the markets it plans to operate in, and would therefore benefit from an expedited approval process

Activity 3 key findings

Key findings from Activity 3

More than ever, private investment can play a vital role in supporting global humanitarian work – but barriers to private investment in humanitarian contexts persist. The UN estimates that more than 339 million people will need humanitarian assistance in 2023 – about the size of the population of the United States.¹¹ And yet, in 2022, just 56% of UN’s estimated humanitarian funding needs were met, with a shortfall of USD 22 billion.¹² Private sector investment in humanitarian settings is not just a crucial part of making much-needed basic services available to these populations – it is also a sizeable untapped investment opportunity. However, most investors lack awareness and data on investment opportunities in humanitarian work; given the complexity of fragile settings, they tend to view these opportunities as high risk, and, often, not commercially viable.

This study builds on the World Economic Forum’s (WEF) Humanitarian and Resilience Investing (HRI) initiative, which identified several important HRI challenges, including the lack of relevant investment-level data. While several barriers stand in the way of private HRI at scale, including a lack of investment-ready opportunities and the need for capacity building on the part of organizations seeking private funding, the barrier this study sought to investigate is the “data gap” at the investee level—the lack of what investors deem critical information about businesses seeking capital. To address this data gap, this study developed and piloted a set of HRI information disclosures to encourage private investments in humanitarian contexts.

Humanitarian and resilience investments focus on communities whose access to basic rights and / or services is currently affected by a current or protracted crisis, or risk being threatened by a potential crisis. The HRI disclosures consist of a set of questions that capital seekers can answer on 1) humanitarian strategy & governance, 2) humanitarian operations & risk management, 3) financial commitment & return, and 4) humanitarian impact assessment to present to investors their organization and the impact it has in humanitarian and resilience (HR) settings.

This study tested the disclosures with 10 private capital-seeking businesses. We incorporated feedback from both investors and capital seekers and adjusted to ensure that the disclosures were as relevant as possible to investors. The pilot focused on innovative and / or small and medium enterprises. We developed disclosures for bonds and funds but did not pilot them – primarily due to the longer time horizon required to do so.

The information disclosures proved useful to innovative and / or small and medium enterprises in humanitarian contexts as well as to investors – primarily impact investors and, to a certain extent, foundations and development finance institutions (DFIs) – in addressing some of the investment-level data gaps. Capital seekers found that the disclosures gave structure to the way they framed their impact story and described their governance structure, operations, and measuring and reporting on impact. Investors also appreciated the disclosures as a tool for better understanding the investment opportunity and streamlining the investment screening process.

Going forward, WEF will host and promote the information disclosures to support their adoption. Eventually, other organizations supporting such enterprises may also host and

¹¹ Relief Web, [Global Humanitarian Overview 2023](#).

¹² UN Office for the Coordination of Humanitarian Affairs, [Appeals and response plans 2022](#), accessed 2023.

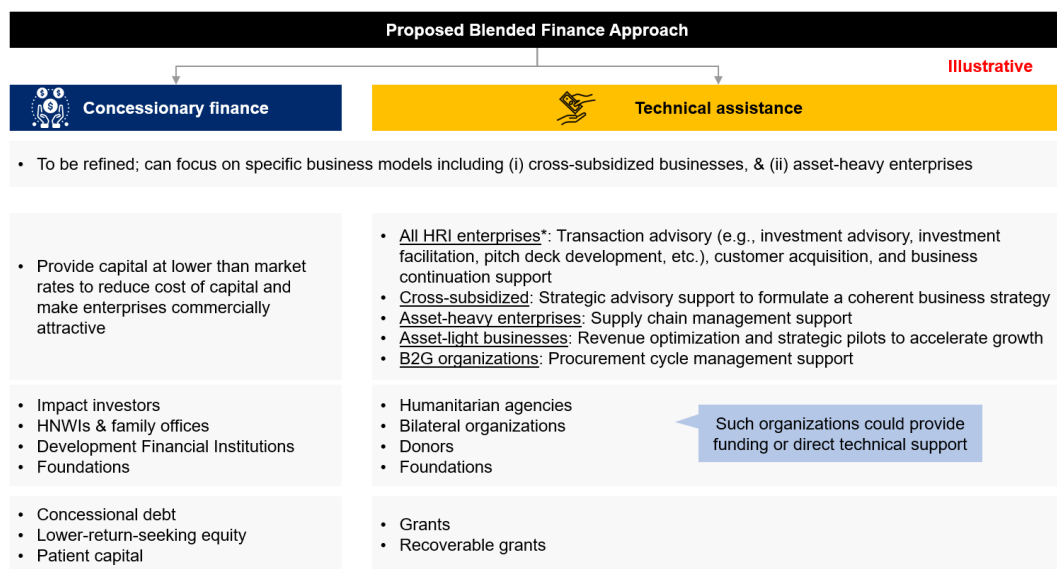
promote the disclosures. These organizations would position the disclosures as a tool for opportunity framing and pipeline building, supporting other HRI efforts to encourage further investments in enterprises and innovative business models in HRI settings.

This study also found that disclosures can only address part of the challenges to mobilizing private capital. There is no indication at this stage that the disclosures can overcome three primary investor concerns: commercial viability, investment ticket size, and risk-return profile in HRI contexts.

The question, then, is what more can be done alongside the disclosures to overcome the challenges of mobilizing private HRI in innovative and / or small and medium HR enterprises¹³ – and what business models are most likely to be able to overcome such challenges?

Blended finance approaches that can mobilize the deployment of private capital from the most suitable investors to the appropriate business models have emerged as one of the strongest opportunities. The wealth of feedback collected during this study pointed to blended finance as a key need from private investors, and informed strong hypotheses on the types of business models and investments most likely to succeed in mobilizing additional private capital in humanitarian settings from specific types of investors.¹⁴

Figure 16: High-level blended finance principles to support HRI enterprises



* This refers to all enterprises in HRI settings, excluding those in disaster settings (e.g., B2G, B2B, B2C organizations with financing needs)

An HRI-specific blended finance approach that combines concessional finance and technical assistance could help mobilize the deployment of additional private capital to innovative and

¹³ This study focuses on support for enterprises for several reasons – including their significant potential for impact. HR enterprises face greater challenges in attracting private capital given their size and higher transaction costs, untested business models, challenges with revenue cyclicalities, and nascent customer base, as well as, frequently, asset-heavy models that require extensive financing.

¹⁴ Outside of acute crisis response settings, this study identified eight primary types of opportunities that private investors could invest in across enterprises, projects, and financial intermediaries. Drawing from feedback from investors and other organizations in the HRI space, we assessed each opportunity for investability based on its HRI-specific challenges, the maturity of its business model, and the risk perception of investors.

/ or small and medium HR enterprises, as summarized in Error! Reference source not found.. This approach combines concessional capital with technical assistance targeting HRI-specific challenges.¹⁵ Concessional funding can take different forms depending on each specific transaction, including concessional debt and patient capital, while technical assistance can address the HRI-specific challenges of such enterprises.

This blended finance approach can be further tailored to some of the most investable HR enterprise business models to maximize its impact. These include (i) organizations that serve humanitarian organizations and governments and are subject to cyclical, unpredictable procurement cycles, and therefore uncertain revenue streams; (ii) cross-subsidized business models that have higher-return activities in non-HRI settings that subsidize lower-return activities in HRI settings, which make them complex and riskier to investors; (iii) asset-light enterprises facing challenges with customer acquisition and business continuation risks; and (iv) asset-heavy enterprises that rely on and / or manufacture significant physical assets and have greater financing needs. Tailored approaches to targeting such business models would be largely similar to the model above from a concessional financing perspective but would provide technical assistance designed to address the specific needs of each business model, as detailed in **Error! Reference source not found.**

Additional considerations must be examined to determine if a blended finance approach could be beneficial to a specific HR enterprise. Key considerations include (i) which stage of the fragility cycle the businesses should operate in; (ii) how a business contributes to humanitarian outcomes; (iii) what its specific financing challenges are; (iv) what private sector players may be interested in these specific opportunities and what blended finance approaches could support them; and (v) what the appropriate blended finance structure would look like in order to do so.

Preliminary investor feedback on the blended finance approach suggests that risk mitigation and / or upside guarantee elements may be required to generate higher certainty around the transaction return for investors. Investors noted that the blended finance approach described in this study primarily focuses on addressing the challenges of innovative and / or small and medium HR enterprises. Additional features could help address investor concerns on the risk / return profile of such opportunities. Examples include minimum return guarantees, or protection against downside risk, such as first loss facilities.

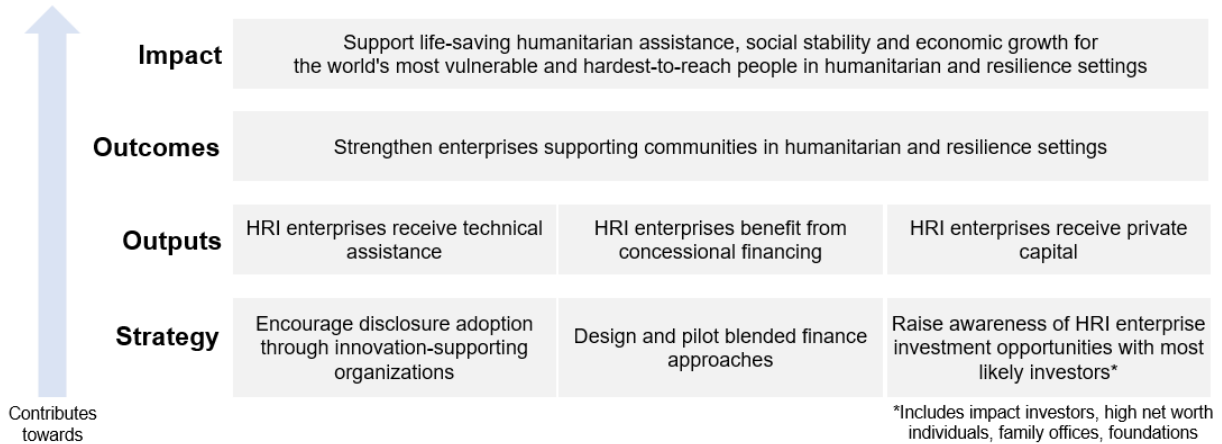
A longer process is required to design and pilot a tailored HR enterprise blended finance approach for different circumstances. This study provides a high-level overview of what a design process for a blended finance approach could look like. Key next steps include initiating a broader consultation, developing an impact framework to guide the outcomes of the approach, and finalizing the support criteria and types of tools needed. This study does not suggest that a new blended finance approach should be designed. Rather, the high-level approach described above can provide guidance for existing instruments or for individual transactions. The decision to establish a fund would require a broader ecosystem mapping to ensure additionality and complementarity.

The theory of change for such a blended finance approach recognizes that HRI information disclosures, blended finance approaches and investor awareness can jointly mobilize the deployment of private capital to HR enterprises, and thereby contribute to life-saving

¹⁵ Innovative and / or small and medium enterprises in HR settings face greater challenges in attracting private capital given (i) **small size**; (ii) **higher costs of doing business**, including due to customer acquisition challenges and limited access to reliable infrastructure; (iii) **higher revenue uncertainty** due to untested business models and challenges with revenue cyclicity; and (iv) **higher financing costs** due to higher transaction costs, lack of awareness on how to navigate fundraising processes, greater risk perception from investors, lack of understanding of cross-subsidized business models, and, for asset-heavy models, extensive financing needs.

humanitarian assistance to the world’s most vulnerable and hardest-to-reach people in humanitarian and resilience settings, as summarized in Figure 17. IF private investors can access blended finance approaches that address the unique challenges of HRI settings, and IF private investors are made aware of both HRI opportunities and associated blended finance approaches, THEN more private capital will be mobilized in HRI settings. And IF capital seekers can better articulate their HRI impact through widely distributed disclosures, THEN private investor awareness, and willingness to invest, will also increase.

Figure 17: Theory of change – Mobilizing private investment towards HRI enterprises



Beyond this study, three primary next steps emerge, including mobilizing private capital, supporting the adoption of the HRI information disclosures, and piloting blended finance approaches for HR enterprises.

Humanitarian organizations and donors have several significant opportunities to support the mobilization of private capital toward HR enterprises. These include 1) convening actors in the ecosystem to pilot blended finance approaches, 2) providing social impact consulting to organizations piloting these approaches, 3) funding or providing direct technical assistance required by HR enterprises participating in the pilots, and 4) facilitating the development of an investment mobilization platform through which transaction advisors can provide services to help HR enterprises raise capital and ensure deals get closed.

In addition to supporting the development of blended finance approaches, targeted investor outreach and awareness raising continues to be critical to mobilizing private capital in HRI settings. This study identified that some subsets of investors are more likely to invest in HR enterprises. These include impact investors, high-net-worth individuals (HNWIs) and family offices. However, awareness of HRI opportunities remains low among such investors; outreach that highlights investment opportunities and blended finance support could mobilize more capital from these sources.

In particular, foundations, family offices, HNWIs and impact investors have a crucial role to play in helping close the financing gap. This study identifies a crucial tension: in the short term, there continues to be a need for grant support to encourage private investments. However, many current donors are already at capacity in terms of grant giving. Financial support from foundations, HNWIs, family offices and impact investors, can therefore be complementary to donor funding.

These efforts will complement and strengthen existing initiatives, including convening humanitarian actors and investors, capacity building, and pipeline cultivation led by the HRI Initiative.

The wealth of feedback collected during this study supported the development of strong hypotheses on the types of business models and investments that are most likely to succeed in mobilizing additional private capital in humanitarian settings from specific types of investors – and led us to look beyond the disclosures, to focus on a range of blended finance approaches. Investor feedback during the pilot also highlighted the value of blended finance approaches as tools that could overcome the specific challenges that innovative and / or small and medium enterprises face in humanitarian contexts.

V. Final enterprises humanitarian disclosures

Figure 18 provides an overview of what HRI investments are, and which organizations fit the HRI lens.

Figure 18: HRI and HRI lens definition

PRELIMINARY

What are humanitarian and resilience investments?

Humanitarian and resilience investments engage communities whose access to basic rights and / or services is currently affected by a current or protracted crisis, or risks being threatened by a potential crisis (Target communities)

Which organizations fit the HRI investment lens?

Organizations eligible for HRI include those that **do no harm** and:

-  Are **OWNED** or **LED** by persons from Target communities
-  **SUPPORT** Target communities
-  **FUND** Target communities

1. Support means an enterprise or investment that intentionally supports Target communities 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), skills, products, or services to these communities that demonstrably improve the quality of refugee self-reliance, resiliency, health, education, or inclusion in financial markets 23

Figure 19 provides a summary of the enterprise disclosures.

Figure 19: HRI enterprise disclosures overview

HRI FIT

Theme	Description
1.1 HRI fit	1.1.1 Explain which of the criteria below best describes the organization in the context of humanitarian and resilience investment as per the guidance below.

HUMANITARIAN STRATEGY AND GOVERNANCE DISCLOSURES

Theme	Description
2.1 Mandate	2.1.1 Describe your organization’s mission or purpose statement.
2.2 Governance	2.2.1 Describe management / board oversight of HRI-related risks and opportunities, including: <ul style="list-style-type: none"> • Competencies relating to humanitarian and resilience topics within members of the governance body • Other responsibilities of board members overseeing operations dealing with target communities

	<ul style="list-style-type: none"> • Target community representation on governance board, if any
2.3 Strategy	2.3.1 Share a summary of the organization’s strategy as is. Describe whether and how the organization embeds humanitarian and resilience goals into its strategy where feasible.
2.5 MEL	2.4.1 Describe the Monitoring, evaluation and learning (MEL) processes the organization has in place to manage ongoing humanitarian and resilience impact associated with its products, services, and operations.

OPERATIONS DISCLOSURES

Theme	Description
3.1 Resources and systems	3.1.1 Describe the role of the highest governance body and of senior executives in developing, approving, and updating the organization’s HRI mandate, strategy, policies, and goals. If available, describe the processes, resources and other mechanisms that enable the organization to deliver on its strategy and impact goals operational considerations deployed by the organization to implement the above mandate and strategy, including: <ul style="list-style-type: none"> • systems and procedures used to identify, assess, and manage the above objectives • employees or other resources focused on generating or measuring HRI impact and where they sit within the organizational structure, if any
3.2 Risks	3.2.1 Describe HRI-related risks the organization has identified, how these risks are trending, the likelihood and potential impact of these risks and how they have evolved over time, how the organization manages those risks and whether they are appropriately mitigated.
3.3 Partnerships	3.3.1 Describe material partnerships and the processes for selecting vendors, distributors, and other partners for service delivery, supply chain, and community engagement, including: <ul style="list-style-type: none"> • an account of the organization’s partnerships with organizations for operations serving target communities (<i>e.g., agreements with UN agencies for access to refugee camps</i>) • any risks identified as part of delivering services to target communities and how they are mitigated, if any
3.4 Physical security	3.4.1 Describe the process and policies to ensure the safety of staff and operations in areas affected by FCV or sudden-onset disaster.
3.5 Data Protection	3.5.1 Describe the organization’s approach to data stewardship, including whether or not the organization collects individual-level data, information-sharing, processes to manage data, etc.

FINANCIAL COMMITMENT DISCLOSURES

Theme	Description
4.1 Scale of organization / project	4.1.1 Provide, where available, details of the value and proportion of the organization’s financial performance dedicated <u>specifically</u> to target communities.

4.2 Financing ask	4.2.1. Describe the nature of the financing ask in terms of size, instrument, and any other information relevant to investors.
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HUMANITARIAN AND RESILIENCE OUTCOMES

Theme	Description
5.1 What	5.1.1 Explain specific outcomes the organization is contributing to and their importance to stakeholders, including members of target communities
5.2 Who	5.2.1 Identify the stakeholders that are experiencing the above outcomes and how underserved they are in relation to the outcomes, including members of target communities
5.3 How much	5.3.1. Quantify the benefit experienced or likely to be experienced by above communities including number of beneficiaries, and, if quantifiable, the degree of change they experienced, and duration of that

VI. Transition plans

The disclosures have been developed, tested, and refined with the input of many capital seekers and private investors over the past 18 months. Adoption of disclosures on a larger scale is now important for them to become a recognized and useful tool for private investors and capital seekers.

The initial hypothesis of this study was that the disclosures should be hosted by a standard-setting organization. We conducted discussions with several standard-setting organizations to test their interest in and appetite for supporting HRI disclosures.

A few arguments led us to revise this hypothesis.

First, standards and disclosures published by standard-setting organizations pursue fundamentally different audiences and objectives than do the HRI disclosures. Standard-setting organizations primarily help large corporates report ex-post on the impact of their investments. HRI disclosures, on the other hand, are a tool to promote investments in specific settings. This study also confirmed that they are more likely to be used by impact investors, foundations, HNWIs, and family offices rather than large corporates. As a result, integrating the disclosures into an existing standard is unlikely to help with their adoption on a wider scale.

We identified additional obstacles to the adoption of HRI disclosures by a standard-setting organization. Such organizations regularly update their standards and incorporate new topics. However, these processes tend to be lengthy and require these organizations to prioritize a specific disclosure topic among many others. Standard-setting organizations typically only undertake the process once they have identified a globally-recognized stakeholder that can lead it.

As a result, in the near term, the HRI disclosures will not be hosted by a standard-setting organization. Rather, the disclosures should be hosted by organizations able to reach out to HRI capital seekers as well as private investors that are considering such investments.

For the time being, WEF's HRI Initiative will host and promote the HRI information disclosures to support their adoption. The Initiative's position as a bridge between private investors and HRI organizations creates a unique opportunity to raise awareness of the disclosures with a large number of potential users. Capital seekers and private investors will have access to resources on how to use the disclosures, and will be able to publicly share them on the HRI Initiative website for any investor to access and / or directly send the disclosures to investors during investment discussions.

Eventually, other organizations supporting enterprises and innovation in HR contexts may also host and promote the disclosures. In particular, organizations supporting innovation and / or small enterprises in HRI settings and working with enterprises other than those currently supported by the HRI Initiative could contribute to increasing awareness and adoption in the longer term.

VII. Stakeholder engagement

Interviewee list

Figure 20: List of organizations interviewed

Name	Organization	Interviewee type
Krisztina Tora	GSGII	Other target organisations
Tanaka Nyamadzawo / Letty Wheeler	Danish Refugee Council (IATI)	Other target organisations
Siddharta Sinha	UNHCR	Other target organisations
Songbae Lee	USAID	Other target organisations
Leticia Emme	Office of Development Policy / DFC	Other target organisations
Caroline Logan	CollaborateUp	Other target organisations
Ellen Brooks Shehata	IRC	Other target organisations
John Kluge / Tim Docking	Refugee Investment Network (RIN)	Other target organisations
Kareem Elbaya	UN connecting business	Other target organisations
Andrej Kirn	WEF	Other target organisations
Autumn Gorman	USAID	Other target organisations
Lara Avsar	BCG	Other target organisations
Vivianne Infante	CDC	Other target organisations
Amanda Lonsdale	PSE Support	Other target organisations
Radek Halamka	WFP	Other target organisations
Cindy Helfer	Dalberg	Other target organisations
James Carey	European Commission	Other target organisations
Fauve Kurnadi	Australian Red Cross	Other target organisations
Kate Wharton	CrossBoundary	Private sector capital provider
Venetia Bell	GIB	Private sector capital provider
Juan Luis Coderque Galligo / Sylvie Markovich	ICRC	Other target organisations
Jasper Siegfried	Lion's Head	Private sector capital provider
Susan Biegel	GenderSmart Investing	Private sector capital provider
Dana Barsky	Credit Suisse (fmr)	Private sector capital provider
Arsalan Mahtafar	JPM	Private sector capital provider
Aleem Remtula	Developing World Markets	Private sector capital provider
Bintou Kabore Zerbo	Frontier Bridge	Private sector capital provider
Annemieke Dejong	Ikea Foundation	Private sector capital provider
Serena Guarnaschelli	KOIS Invest	Private sector capital provider
Morten Schacht Högnesen	Refugee Investment Fund	Private sector capital provider
Raed Adnan	GroFin	Private sector capital provider
Justin Sykes	Innovest Advisory	Private sector capital provider
John Simon	Total impact capital	Private sector capital provider
Simon Duchatelet	Global Innovation Fund	Private sector capital provider

Ziad Hussami	Mruna	Private sector capital seeker
Marko Oroz	Hala Systems	Private sector capital seeker
Emilien diGennaro	SureChill	Private sector capital seeker
Paul Gilson	Everest Effect	Private sector capital seeker
Sashidar Jonnalagedda	Surgibox	Private sector capital seeker
Johanna von Toggenburg	CEWAS	Private sector capital seeker
Karri Byrne / Katie Whitehouse	SEEP network / MERS	Standard setting organisations
Pauliina Murphy, Pratik Desai	WBA	Standard setting organisations
Jussi Lehmusvara / Michael Botzung	IFC	Standard setting organisations
Jo Fackler	Impact management project	Standard setting organisations
Belissa Rojas	SDG Impact Standards	Standard setting organisations
Jeremy Nicholls	Social Value UK / UNDP	Standard setting organisations
Daniel Pfister, Dirk-Jan Omtzigt	UNOCHA	Standard setting organisations
Rachel Scott / Tiina Turunen	UNDP	Standard setting organisations
Karen Wilson	OECD	Standard setting organisations
Chris Fidler	CFA Institute	Standard setting organisations
Tina Jensen / Tabitha Bailey	GRI	Standard setting organisations

Webinar and convening attendee list

Figure 21: List of organizations which participated in online convenings

Name	Organization	Interviewee type
Tanaka Nyamadzawo / Letty Wheeler	Danish Refugee Council (IATI)	Other target organisations
Ellen Brooks Shehata / Tara Clerkin / Mercy Kanyari / Lucian Lee	IRC	Other target organisations
Kareem Elbaya	UN connecting business	Other target organisations
Andrej Kirn / Diego Hakspiel / Lisa Satolli	WEF	Other target organisations
Autumn Gorman	USAID	Other target organisations
Vivianne Infante	CDC	Other target organisations
Jenty Kirsch Wood	UNDRR/Arise	Other target organisations
Lisette van der Boog	FMO	Other target organisations
Brenda Pennell/Thierry Fanin	Cordaid	Other target organisations
Erdem Ergin	Business Resilience 360	Other target organisations
Olivier Mahul/Thomas Djruhuus / Spyrios Demetriou / Jamil Wyne / Kurt Hagerman	World Bank	Other target organisations
Camilla Sacchetto	International Growth Center - State Fragility Initiative	Other target organisations
Kate Wharton / Bianca Boranda / Shohei Nanji	CrossBoundary	Private sector capital provider
Venetia Bell / Neil Brown	GIB	Private sector capital provider
Juan Luis Coderque Galligo / Sylvie Markovich / Santiago	ICRC	Other target organisations
Dana Barsky	Credit Suisse (fmr)	Private sector capital provider
Aleem Remtula	Developing World Markets	Private sector capital provider
Bintou Kabore Zerbo	Frontier Bridge	Private sector capital provider
Ziad Hussami	Mruna	Private sector capital seeker
Marko Oroz	Hala Systems	Private sector capital seeker
Emilien diGennaro	SureChill	Private sector capital seeker
Vajini Herat	Hush / A-PAD SL	Private sector capital seeker
Bara Wahbeh	Akyas	Private sector capital seeker
Butch Meily, Veronica Gabaldon, Anna Aspuria	Philippine disaster resilience foundation	Private sector capital seeker
Karri Byrne / Katie Whitehouse	SEEP network / MERS	Standard setting organisations
Chris Fidler	CFA institute	Standard setting organisations

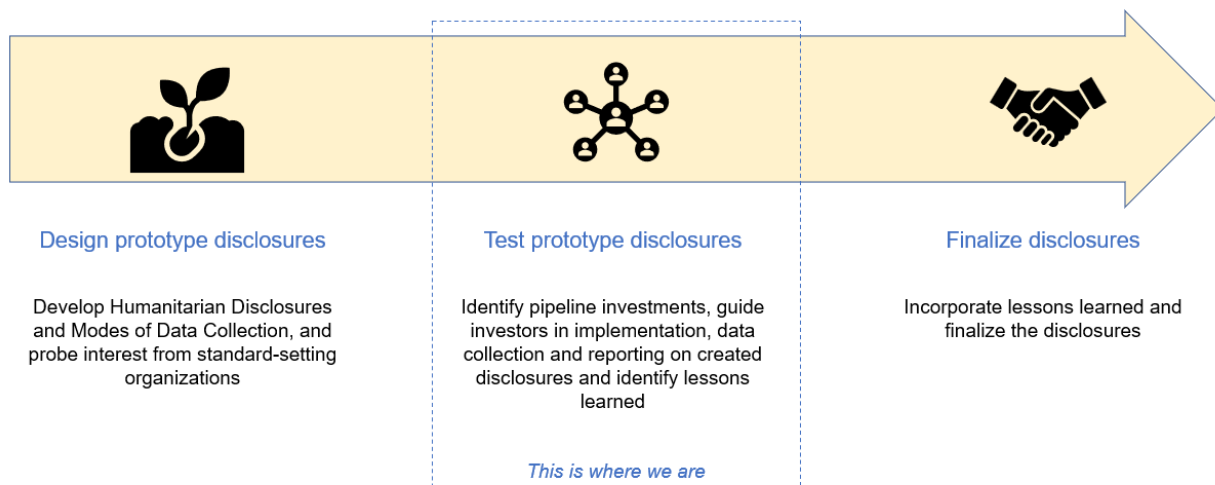
John Kluge / Tim Docking	Refugee Investment Network (RIN)	Other target organisations
Jasper Siegfried / Kevlin Kihara	Lion's Head	Private sector capital provider
Paul Gilson	Everest Effect	Private sector capital seeker
Sashidar Jonnalagedda	Surgibox	Private sector capital seeker
Johanna von Toggenburg	CEWAS	Private sector capital seeker
Jussi Lehmusvara / Michael Botzung	IFC	Standard setting organisations
Radek Halamka	WFP	Other target organisations
Jihane Hakimi / Riadh Messaoud / Yero Baldeh	AfdB	Other target organisations
Serena Guarnaschelli	KOIS Invest	Private sector capital provider
Justin Sykes	Innovest Advisory	Private sector capital provider
Nora Praher	Yunus Social Business	Private sector capital provider
Simon Duchatelet	Global Innovation Fund	Private sector capital provider
Patrick Coburn/Fawad Akbari	Grand Challenges CA	Other target organisations
Barri Shorey	Hilton Foundation	Other target organisations
Fauve Kurnadi	Australian Red Cross	Other target organisations
Morten Schacht Högenesen	Refugee Investment Fund	Private sector capital provider
Raphael Viallet	Impact Africa Invest	Private sector capital provider
Kate Montgomery	Acumen	Private sector capital provider
Rowolson Kuhn	Solengy	Private sector capital seeker
James Carey / Sophie Whitney	European Commission	Other target organisations
John Simon	Total impact capital	Private sector capital provider
Lis Green	Ground Squirrel Ventures	Private sector capital provider
Samuel Torrente	ProTalent	Private sector capital seeker
Mark Ndaba	KP	Other target organisations
Oumar ndiaye	Aird	Other target organisations
Kristen Petillon	Kube Energy	Private sector capital seeker
Lanre Williams-Ayedun	World Relief	Other target organisations
Beau Milliken / Quinn	Kijani Forestry	Private sector capital seeker
Sean Brooks	Tethered Up	Other target organisations
Dalia Wahba	CID Consulting	Other target organisations
Douglas Emeott/ Pablo Hernandez	Instiglio	Other target organisations
Leah Pedersen	Convergence	Other target organisations
Jake Sottak	Clean Cooking Alliance	Other target organisations
Kellie Charlotte	NA	Other target organisations
Eve Kerubo	Save the Children Global Ventures	Private sector capital provider
Janek Hermann-Friede	Seecon	Other target organisations

VIII. Detailed project methodology

We divided this project into three phases.

- The first phase focused on developing prototype disclosures based on input from potential investors and capital seekers.
- During the second phase, we piloted the disclosures in live transactions to confirm investor interest in the actual disclosures, test actual data collection challenges, and update the disclosures as needed.
- In the third phase, we will finalize the disclosures and share lessons learned

Figure 22: Overview of project



Activity 1 methodology

Activity 1 primarily leveraged interviews with key stakeholders to generate insights on the 10 questions listed in the main body of the report. Figure 23 summarizes stakeholder outreach in activity 1, during which 40 stakeholders were reached out to.

Figure 23: Overview of stakeholders interviewed during Activity 1

Organization type	Organization	Stakeholder	Organization type	Organization	Stakeholder
Standard setting organisations (10)	Karri Byrne / Katie Whitehouse	SEEP network / MERS	Private capital seeker (3)	Marko Oroz	Hala Systems
	Jussi Lehmusvara	IFC		Ziad Hussami	Mruna
	Jo Fackler	Impact management project		Emilien DiGennaro	SureChill
	Belissa Rojas	SDG Impact Standards	Kristina Tora	GSGII	
	Jeremy Nicholls	Social Value UK / UNDP	Tanaka Nyamadzawo	Danish Refugee Council (IAT)	
	Daniel Pfister, Dirk-Jan Omtzigt	UNOCHA	Siddharta Sinha	UNHCR	
	Paulina Murphy, Pratik Desai	WBA	Songbae Lee	USAID	
	Rachel Scott	UNDP	Leticia Emme	Office of Development Policy / DFC	
	Karen Wilson	OECD	Caroline Logan	CollaborateUp	
	Chris Fidler	CFA institute	Ellen Brooks Shehata	IRC	
Private sector capital providers (14)	Dana Barsky	Credit Suisse / G4G	Other target organisations (13)	John Kluge / Tim Docking	Refugee Investment Network (RIN)
	Kate Wharton	CrossBoundary		Kareem Elbaya	UN connecting business
	Aleem Remtula	Developing World Markets		Andrej Kim	WEF
	Bintou Kabore Zerbo	Frontier Bridge		Autumn Gorman	USAID
	Venetia Bell	GIB		Vivianne Infante	CDC
	Juan Luis Coderque Galligo	ICRC		Lara Avsar	BCG
	Annemieke Dejong	Ikea Foundation			
	Serena Guarnaschelli	KOIS Invest			
	Jasper Siegfried	Lion's Head			
	Susan Biegel	GenderSmart Investing			
	Morten Schacht Høgenesen	Refugee Investment Fund			
	Sylvie Markovich	ICRC			
	Arsalan Mahtafar	JPM			
	Raed Adnan	GroFin			

Activity 2 methodology

Activity 2 focused on the piloting of the disclosures. This section covers the approach to select pilot organizations, and our approach to investor outreach.

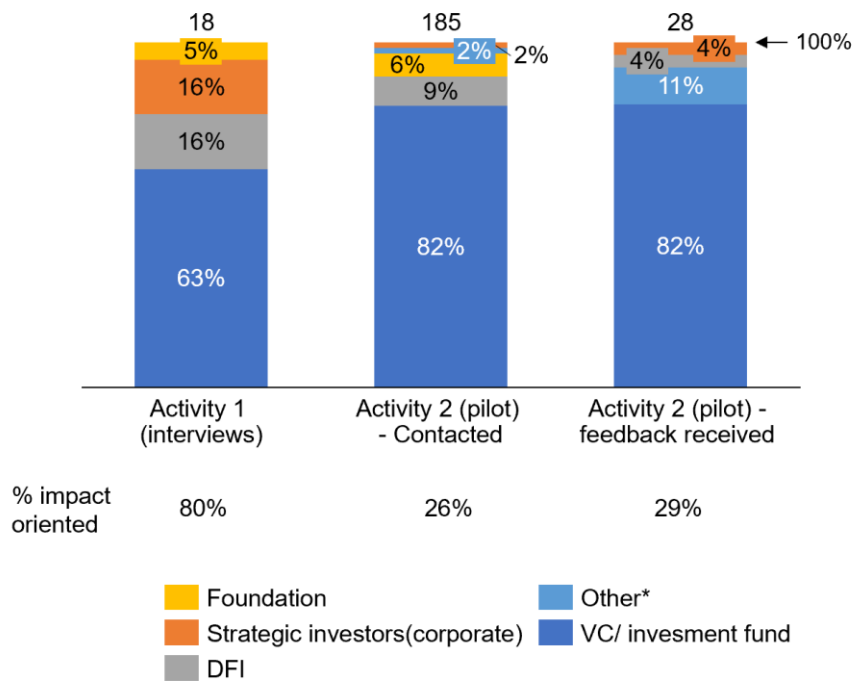
Figure 24: Overview of approach to selecting pilot organizations

Criteria		Research questions
1 Fit & diversity	Fit	Fit the HRI lens as currently defined (OWN, SUPPORT, FUND target communities)
		Organization seeks to raise private capital
		Timeliness: Timeline of capital raise matches project timeline
2 Ensure viability	Representative of capital & investment spectrum	Overall, the portfolio of pilot organizations maximizes diversity in terms of geography, sectors, ticket size and investor diversity to test as many use cases as possible
	Additionality	Disclosures may improve the terms of a deal for capital seeking organization (e.g., higher chance of raising funds, of obtaining better terms, of bringing in impact-focused investors)
3 Other	Feasibility	Test use cases for disclosure feasibility for capital seekers in various contexts (Geo, Ticket size, Investor diversity etc.)
	Effectiveness	Test additional use cases for investor interest e.g., refugee-focused investment firm
3 Other		Does the use case bring other advantages?

How the disclosures were implemented: Pilot organizations drafted the disclosures with advisory support from the consortium, which also included light support in developing investment materials (in particular, a pitch deck) for potential investors. We then shared the disclosures and pitch deck with a targeted investor list and collected feedback from investors regardless of their investment decision. We also reached out to capital seekers to get their perspective on the disclosures both before and after their fundraising.

The pilot phase engaged a broad set of both private investors. Private investors who provided feedback on the disclosures included strategic (corporate) investors, early-stage investors, development finance institutions, foundations, and accelerators/incubators. A significant portion of the investors we contacted fall within the category of impact investors that seek to achieve social and/or environmental impact in addition to generating a financial profit. Figure 25 provides an overview of the number and types of investors contacted.

Figure 25: Number and type of investors that provided feedback on the disclosures



*Other includes accelerators, entrepreneurship networks, programs and advisors

The pilot organizations also represented an extensive set of geographies and sectors, (see Figure 26) in order to illustrate the potential implications of these factors for capital seekers' ability to complete disclosures.

Changes made to the disclosures based on investor and capital seeker feedback: During the prototyping phase, we found that the additional effort required from capital seekers to report on HRI disclosures would be relatively limited for organizations that are aware of and track their impact – even if not framed an 'HRI impact'; this was confirmed during the pilot phase. This was driven by the fact that internal-facing data are available to organizations. In terms of impact measurement requirements, the disclosures' humanitarian impact component is not prescriptive when it comes to identifying and measuring impact, allowing organizations to leverage other reporting and limit effort duplication. Given investors' impact measurement expectations, we expect the level of effort required to be manageable.

Figure 26: Pilot organizations geographic and sectoral coverage

Additionality	Research questions	Progress to date
Geographic	Are there geo specificities which may impact investors interest in HRI data?	<ul style="list-style-type: none"> ✓ Global organizations: Everest Effect, Surgibox, SureChill, SunBuckets ✓ Africa: Cloudline, KIMS ✓ Americas: Solengy, ProTalento ✓ Asia: Jiye ✓ MENA: Flowless
Sectorial diversity	In which humanitarian scenarios do investors look for HRI data?	<ul style="list-style-type: none"> ✓ Logistics & Transportation: Everest Effect, Cloudline ✓ Basic services: Health (Surgibox), Energy (Solengy) ✓ Agriculture: Jiye ✓ Finance: KIMS ✓ Education: ProTalento
Ticket size	Does investor interest in disclosures vary with investors and ticket sizes?	<ul style="list-style-type: none"> ✓ USD 1-10M: Surgibox, Everest Effect, Jiye, ProTalento, Sun Buckets ✓ USD 10M+: Solengy, Cloudline, KIMS ✓ < USD1M: Flowless
Disclosure effectiveness and investor interest	Does investor interest in disclosures vary with investors types? E.g., impact funds	<ul style="list-style-type: none"> ✓ Tested across all pilot orgs
Testing approach	Can organizations fill in the disclosures w/ ltd. advisory support from the consortium?	<ul style="list-style-type: none"> ✓ Across cohorts, various support models (consortium drafted and reviewed by pilot orgs, written by pilot orgs)

Other challenges identified by both capital seekers and investors. As summarized in Figure 27, capital seekers found that the disclosures could provide additional guidance and explanation of what is expected of them, and what an acceptable answer looks like. Organizations less familiar with humanitarian elements of language also requested using language that is easier to understand by private organizations.

These challenges led to changes to the disclosures. The changes above were incorporated into the disclosures with each new round of testing. Overall, the challenges found were addressed in subsequent versions of the disclosures.

Figure 27: Key challenges associated with disclosure implementation during the pilot phase

Challenge	View of	Recommended changes
Use of language from the humanitarian sector that is unfamiliar to private organizations initially e.g., “MEL” or the “SMART” approach to impact	Capital seeker	<p>Share additional guidance and update wording</p> <ul style="list-style-type: none"> • Where appropriate, provide more guidance on language or use more commonly understood vocabulary
Lacking guidance and examples on specific questions e.g., data protection and privacy, and a lack of clarity on what best in class answers look like in terms of length and content	Capital seeker	<p>Share examples and what best in class responses look like</p> <ul style="list-style-type: none"> • Clarify the guidance and examples on specific questions e.g., data protection and privacy, and provide suggestions on length
Disclosures can be long when reviewing opportunities at an early stage	Investor	<p>Provide a template for a short summary of the disclosures</p> <ul style="list-style-type: none"> • A 1–2-page overview of the key insights for investors to review in initial screening
Some investors would like to see more information	Investor	<p>Provide additional data points including:</p> <ul style="list-style-type: none"> • Information on shareholders, • Net Promoter Score, or other community input metric • Hiring strategy and details on company culture e.g., “culture manifesto” • Compliance with local regulatory requirements, workplace safety measures, employee awareness of standard operating procedures, emergency preparedness and response plan
Some investors did not fully understand how HRI disclosures differ from ESG disclosures	Investor	<p>Clarity on how HRI disclosures differ from ESG disclosures</p> <ul style="list-style-type: none"> • Additional information and context at the beginning of the disclosures

Limitations of this approach: The timeline of the project was such that the pilot was able to cover only a few specific use cases. We tested only the enterprise disclosures, as any test of project or fund disclosures would depend on finding an actual HRI fund or project currently fundraising (of which there are few at any given time), and would require a much longer timeline. Within the universe of enterprises, the pilot largely worked with early-stage companies (up to Series B); scale-ups and more mature companies would require longer timelines and more complex transaction advisory support to prepare for their fundraises. In the pilot, we provided the disclosures to capital seekers along with light-touch advisory services that helped them refine their fundraising pitch and reach out to investors. It should be noted, however, that not all businesses in HR settings have access to advisory resources; the impact of disclosures in the absence of such resources could be different, and would need to be tested further.

Engagement from key stakeholders: Throughout the project, engagement from the humanitarian community and private investors has been robust (see Figure 25). We were able to interview a large set of investors, capital seekers, and other relevant organizations that remained engaged throughout the project's timeline, as demonstrated by significant attendance at several webinars where we shared findings.

Challenges in identifying investment opportunities: Despite the broad HRI lens developed by the Consortium, it was challenging to find investable companies with viable business models, due to the small number of existing companies that fit the parameters. In line with some of the findings from WEF's other HRI activities, the process of identifying the right pilot organizations was a lengthy one.

Challenges in identifying the right investors: The investors we contacted found the companies unique and interesting, but most investors do not currently apply an HRI lens to sourcing investment opportunities and are concerned about commercial viability. Impact investors have been the most interested to date, in line with our expectations.

Activity 3 methodology

Activity 3 primarily leveraged insights from Activity 2 and tested some of the findings with select investors and capital seekers. We developed a mapping of most common HR enterprise business models based on the consortium's experience in HR settings and findings from the pilot. To assess investability, we primarily reviewed the challenges faced by each business model and evaluated them in terms of the risk and impact on return perspective, as these are some of the main concerns for private investors. Additionally, a final convening was held to seek feedback from a broad range of stakeholders.

This section provides detailed insights on the design principles of the blended finance approaches for HRI enterprises. It is guided by 4 questions:

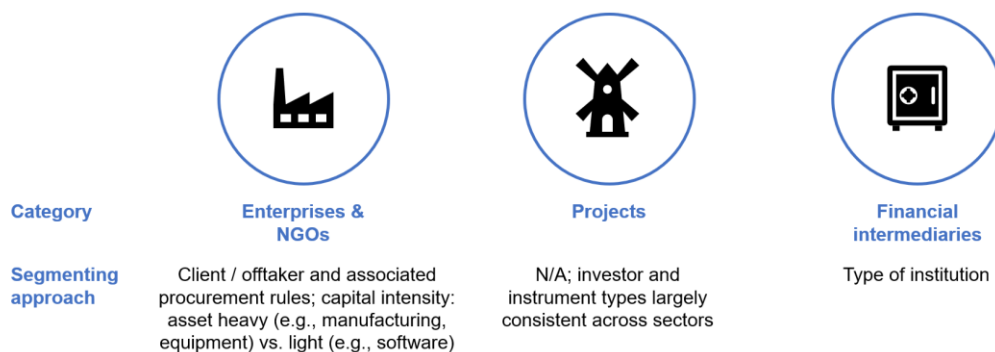
- What business models in HR settings should private investors focus on?
- What are the challenges unique to or exacerbated by HR settings that limit the investability of such businesses?
- What blended finance approaches could help these business models meet investor requirements and be investment ready?

- What are the most likely types of investors that would be interested in these business models?

What business models in HR settings should private investors focus on?

Our methodology identified 8 business models as priorities for private investors in HR settings. Based on the pilot experience and the consortium’s broader experience with humanitarian business models, we estimated that a majority of investment opportunities in HR settings can be grouped into 3 categories: (i) enterprises and NGOs; (ii) projects e.g., energy, sanitation, infrastructure) and (iii) financial intermediaries. For each of these categories, we then identified the business models most investable to private investors, given the challenges they face in HRI settings.

Figure 28: 3 categories of HRI business models





We segmented the enterprise category by type of client and whether the business was asset-heavy or light; four business models emerged as the most investable. The enterprise category contained a multitude of sub-types, with varying degrees of complexity. Business-to-government (B2G) organizations are common in HR settings, and primarily provide goods to governments (asset-heavy model). The other common business models in HRI include business-to-consumer (B2C) and business to business (B2B) enterprises. These categories, while voluntarily broad, accounted for many of the business models of organizations that piloted the HRI disclosures. A fourth business model that is specific to HRI settings includes enterprises with cross-subsidized operations. These businesses operate in both HR and non-HR settings; they charge customers in non-HR settings a higher price to offset the lower price and / or higher cost of operations in HR settings.

Figure 29: Breakdown and prioritization of enterprise business models

Most frequent enterprise business models in HRI settings and unique challenges faced

Business model	Example	Prevalence in HRI settings	Unique challenges faced / exacerbated in HRI settings
B2G	Asset heavy	HIGH ~1/3 of orgs in pilot provided B2G hardware	<ol style="list-style-type: none"> Duration of contracts that HR orgs can sign <ul style="list-style-type: none"> Cyclicality and uncertainty of contracts Procurement processes Suitable supply chain financing structures
	Asset light	LOW Few known business models	
B2C & B2B	Asset heavy	HIGH ~1/3 of orgs in pilot provided B2B/B2C hardware	<ol style="list-style-type: none"> Complex customer acquisition given willingness-to-pay often lower than in other contexts <ul style="list-style-type: none"> Business continuation risk Suitable supply chain financing structures
	Asset light	HIGH ~1/3 of orgs in pilot provided B2B/B2C software	

4 Across these business models, some enterprises have **cross-subsidized operations**, which face unique challenges including 1) lack of coherent strategy formulation (for external investors) and 2) limited investor appetite for cross-market business models

Example:  

It is important to note that in reality, these 4 sub-types may not be mutually exclusive from each other. For example, some asset-heavy B2B/B2C enterprises may also use cross-subsidized business models. These 4 sub-types represent operational traits that create specific HRI challenges for enterprises that limit their investability and therefore, merit specific blended finance approaches for assistance. Investors should use this mapping as a high-level guide, and tailor their blended finance approaches to the specific needs of their investees.

Projects are also a key category of HR investment opportunity, with energy, infrastructure and sanitation projects being the most prominent; this study, however, did not focus on such projects¹⁶. Large investors such as DFIs and foundations seek out such projects because they offer stable, long-term revenue streams, often spanning several decades, providing investors with a predictable source of income over a long period of time. More importantly, they provide basic services to local populations and the infrastructure for the local enterprise ecosystem to thrive. **Lastly, financial intermediaries, including (i) investment funds, (ii) impact-linked instruments and bonds and (iii) financial institutions represent a third category of most investable HRI businesses; this study also did not focus on this category of projects¹⁶.** Private funds possess the market expertise and local connections to disburse capital to enterprises, while offering risk protection to investors. By making direct investments in local enterprises, they can catalyze the local innovation ecosystem and support livelihoods. Impact-linked instruments and bonds have the potential to help enterprises and interventions scale up through market-based incentives and have become increasingly popular with both capital providers and seekers. Financial institutions offer investors a familiar business model, ranging from local banks that provide financing to households and SMEs to microfinance institutions (MFIs) that target hard-to-reach consumers.









¹⁶ This study focuses on support for enterprises for several reasons – including their significant potential for impact. HR enterprises face greater challenges in attracting private capital given their size and higher transaction costs, untested business models, challenges with revenue cyclicality, and nascent customer base, as well as, frequently, asset-heavy models that require extensive financing.

What are the challenges unique to or exacerbated by HR settings that limit investability?

The 8 identified business models face HR context-specific obstacles to investment readiness. This section draws from feedback from the study’s 10 pilot organizations and participating investors in order to map out challenges on commercial viability concerns and the most investment ready opportunities in the HRI space.

Figure 30 summarizes the key challenges faced by each business model. Overall, enterprises face greater challenges than projects and financial intermediaries. Financial intermediaries and projects in HR settings contend with greater costs of doing business and greater counterparty and macroeconomic risks, but their fundamental business models are proven and are frequently sizeable enough to be considered by investors with various minimum investment ticket sizes. In comparison, innovative and / or small and medium enterprises in HR settings face greater challenges in attracting private capital given their (i) **small size**, (ii) **higher costs of doing business** including due to customer acquisition challenges and limited access to reliable infrastructure, (iii) **higher revenue uncertainty** due to untested business models and challenges with revenue cyclicity, and (iv) **higher financing costs** due to higher transaction costs, lack of awareness of how to navigate fundraising processes, greater risk perception on the part of investors, lack of understanding of cross-subsidized business models and, for asset-heavy models, extensive financing needs.

Figure 30: Summary of most investment ready HRI business models

Business models	Unique HRI challenges / challenges exacerbated	Investment readiness
Focus of this report		
Enterprises		
1 Services or products sold to HR orgs or governments	<ul style="list-style-type: none"> Duration of contracts that HR orgs can sign Cyclicity and uncertainty of contracts Procurement processes Suitable supply chain financing structures 	 Uncertain cash-flow profile
2 Asset-heavy B2B & B2C orgs	<ul style="list-style-type: none"> Complex customer acquisition given willingness-to-pay often lower than in other contexts; business continuation risk; supply chain financing structures 	 Intensive capital requirements to manufacture at scale and sustain pricing structure of products
3 Asset-light B2B & B2C orgs	<ul style="list-style-type: none"> Complex customer acquisition given willingness-to-pay often lower than in other contexts; biz continuation risk 	 Unclear business fundamentals given customer ability to pay is low
4 Cross-subsidized business models	<ul style="list-style-type: none"> Coherent strategy formulation (for external investors) Investor appetite for cross-market business models¹ 	 Business fundamentals are clear in some geographies, uncertain in others; investors wary of impact of operations in fragile settings on overall business health
Projects		
5 Energy, sanitation and infrastructure projects	<ul style="list-style-type: none"> HR orgs can't sign long-term offtake agreements ; governments in HR settings may not be credible off takers/counterparties; sovereign credit ratings as ceiling 	 Proven business models globally, but significant counterparty risk; size and cost another deterring factor
Financial intermediaries		
6 Private funds (equity & credit)	<ul style="list-style-type: none"> High-risk/low-return perception Small fund size Additional TA required, additional M&E costs 	 Typically includes experienced professionals; difficult to attract LPs given returns unproven
7 Impact-linked instruments & bonds	<ul style="list-style-type: none"> M&E; design & implementation costs specific to HRI given complexity and cost of design, and monitoring of financing structures e.g., outcomes-based financing 	 High cost of structuring and complexity tends to deter most investors not explicitly seeking to generate impact Few investment ready opportunities given long timelines for development
8 Financial institutions (banks, MFIs)	<ul style="list-style-type: none"> High-risk/low-return perception 	 Robust business fundamentals; primarily a 'perception' issue

1. It is difficult to find an investor with thesis that would allow to invest in both developing and developed market contexts which is where businesses with cross-subsidized biz models tend to operate.

What are the most likely types of investors that would be interested in these business models?

This study focused specifically on the investability of HRI enterprise business models in the following questions, summarized in Figure 31.

Based on feedback from investors during the piloting phase, we confirmed that impact investors, family offices, high-net-worth individuals (HNWIs) and foundations are better positioned to support HR enterprises than are other development actors. The small ticket size,

lack of proven business models and challenges highlighted above for the majority of HRI enterprises limits the ability of DFIs and larger investors such as asset managers to mobilize capital toward HRI enterprises. In contrast, the well-established business models of financial intermediaries and energy, sanitation and infrastructure projects are more likely to attract larger investors like DFIs and foundations. Additional types of investors like pension funds and humanitarian agencies may also be potential investors in HRI enterprises, depending on the specific investment opportunity at hand.

Figure 31: Summary of most likely investors

Types	Potential fit criteria	Most likely investors				
		Impact investors	HNWIs & family offices	DFIs	Donors & foundations	Others
Enterprises	<ul style="list-style-type: none"> Smaller ticket sized investments for concessional capital Non-return seeking donors for TA 	☑	☑	☑	☑	Humanitarian agencies
Projects	<ul style="list-style-type: none"> Mandate to support development initiatives (e.g., access to basic amenities) Amenable to longer investment time horizon and higher macro risks 			☑	☑	Pension funds
Financial intermediaries	<ul style="list-style-type: none"> Mandate to provide catalytic capital Amenable to longer investment time horizon 	☑		☑	☑	

Non-exhaustive

What blended finance approaches could help these business models meet minimum investor requirements and be ‘investment-ready’?

To identify the blended finance approach best suited for each business model, we reviewed the types of challenges faced by each organization, reviewed existing blended finance approaches in other contexts – many with proven track records of catalyzing capital and addressing challenges faced by similar types of investment opportunities – and identified the tools best suited to address each organization’s challenges.

Blended finance approaches supporting enterprises typically involve a combination of concessionary finance and technical assistance. Concessional debt or lower-return-seeking equity can help reduce the cost of capital for enterprises and make them more commercially attractive. Specific types of TA, such as transaction advisory (e.g., pitch deck development, investor outreach, etc.), and customer acquisition support, can also help to address enterprises’ lack of familiarity with the fundraising process and customer acquisition and business continuation challenges. Enterprises with cross-subsidized business models may also benefit from strategic advisory support to help them formulate coherent business strategies, while asset-heavy enterprises should receive TA providing supply chain management and technological innovation support to address their supply chain management challenges. Examples of such approaches include the grant support from USAID provided to BURN Manufacturing, a maker of clean cookstoves, to support its expansion into fragile settings in Ghana and Nigeria.

Risk-sharing and guarantee facilities with TA are typically best suited to enhancing the investability of energy or infrastructure projects. For example, political risk insurance can protect investors against risks related to expropriation, political violence, and currency

inconvertibility, which could help offset challenges faced around sovereign credit ratings. Credit guarantees can be used to offset counterparty risks, addressing investor concerns around local governments being unreliable off-takers. Donors can also offer TA to conduct feasibility analyses as part of a rigorous due diligence process, along with expert guidance on the best technological practices to reduce costs.

Similarly, financial intermediaries can manage investor concerns around risk through a combination of risk-sharing mechanisms and TA. For example, first-loss tranches involve structuring an investment into different tranches, with the first-loss tranche being the highest risk. A donor or philanthropic organization would take on the first-loss tranche and absorb losses first in the event of a default, thereby providing a layer of protection for private investors seeking stable returns with lower risks.

Ultimately, these blended finance approaches remain high-level, preliminary guidance. More precise investment structuring guidance will require robust mapping of blended finance mechanisms to business models, coupled with detailed analysis on designing blended finance vehicles for specific investment opportunities.

IX. Project reporting

Figure 32: Project budget and actual time spent

Organization	Role	Team member	Contracted days	Actual
Dalberg Advisors	Project Co-Director	Layusa Isa-Odidi/Afua Sarkodie	30	54
	Project Co-Director	Karthik Iyer	30	15
	Project Manager	Harshita Rathi / Alex Cheval / Krishna Venugopal	230	206
	Project Consultant	Kinshu Sultania / Drishti Sethi / Gideon Lim / Manik Bahl	154	159
CrossBoundary	Associate Principal	Kate Wharton	20	22
	Associate	Shohei Nanji	215	68
	Expert Advisor	Tom Flahive	-	2
	Senior Associate	Bianca Boranda	-	82
	Senior Associate	Camila Ochoa / Cynthia Wangari	75	45
International Rescue Committee	Expert Advisor	Ellen Shehata Brooks	80	61
	Expert Advisor	Lucian Lee	32	24
	Expert Advisor	Simon Fuchs	15	14
	Expert Advisor	Areba Morang'a / Mercy Kanyari	-	16
Total			881	769