

WASHINGTON, US, September 9 (Infosplusgabon) - The International Committee of the Red Cross (ICRC) on Friday announced the launch of the world's first Humanitarian Impact Bond, aiming to raise US\$ 27.3 million to build and operate three physical rehabilitation centres in conflict-affected parts of Africa over the next five years.

While social impact bonds and development impact bonds have been around since 2010 and 2015, respectively — providing a new way to finance social services and development projects — ICRC's scheme is a first for the humanitarian sector.

The model offers a type of results-based financing, since the ultimate funders only pay back the investors in full if the project is deemed a success. Institutional and private investors will put up the money needed for the physical rehabilitation project, establishing centres in Mopti, Mali; Maiduguri, Nigeria; and Kinshasa, Democratic Republic of Congo, to support those injured by violent conflict, disease or accident.

At the end of five years, the investors will be repaid based on the success of the centres. The money will be returned to them in full, with interest, or only in part, depending on the results of an outside evaluation of the centers' performance.

The investors can earn as much as 7 percent interest per year if the project gets a very good

evaluation, or lose up to 40 percent of their investments if the results are deemed very poor, as measured by the number of people the centers have helped.

The money to pay back the investors will come from the so-called “outcome funders” — in this case, the overseas development agencies of Switzerland, Belgium, the U.K., and Italy, as well as La Caixa Foundation, a private Spain-based charity. While the idea is that these donors will ultimately fund the project, the investors absorb part of the risk.

In a statement, ICRC President Peter Maurer described the plan as “radical” and “innovative.” He added: “It is an opportunity not only to modernize the existing model for humanitarian action, but to test a new economic model.”

Officials who have been working on the scheme say it responds to ICRC’s quest for new financing streams as its work around the world and its annual budget — currently US\$ 1.8 billion — continue to grow.

“For many years now, the ICRC has been looking for new funding from governments that do not yet provide support, private sources, and innovative funding arrangements,” said Tobias Epprecht, the ICRC official in charge of the bond. “This is an important learning experience for us. If it works, it will be a stepping stone to larger projects.”

Physical rehabilitation seems a logical area for the ICRC — the branch of the international Red Cross movement that provides assistance to victims of war and other situations of violence — to experiment with new financing given the group's vast experience in the field and the high levels of demand.

The Geneva-based organization is the world's largest provider of physical rehabilitation services in developing and fragile countries. In 2016, ICRC operated 139 projects in 34 countries, helping almost 330,000 people with physiotherapy and mobility devices, including wheelchairs, artificial limbs and braces, according to a media release.

Once built, the three new centres will be handed over to the national health authorities of each country — Mali, Nigeria and the DRC. For the first three years, ICRC will train staff in the use of equipment, producing prostheses and providing rehabilitation, and will continue to assist the centers as needed indefinitely thereafter. Together the three centers are expected to serve some 6,000 disabled people annually.

The ICRC was assisted in structuring the bond over a two-year period by Kois Invest, a firm specialized in investing clients' funds in instruments that have a positive impact on society and the environment.

“The challenge was to develop a product that would make investors comfortable with the idea to invest in a very volatile and fragile context: post-conflict zones,” founder and Managing Director François de Borchgrave told Devex, the media platform for the global development community. “ICRC’s expertise and reputation were obviously key factors in making this credible.”

“Another key challenge was planning the five-year evaluation. This involved “collecting and mining a huge amount of data from 15 years of ICRC history in physical rehabilitation centres, and deriving targets and benchmarks for the humanitarian impact bond that would be backed by realistic innovation programs,” he said.

FIN/INFOSPLUSGABON/TYU/GABON 2017

© Copyright Infosplusgabon