



Near East Foundation

INVESTING IN RESILIENCE

FINANCING ENTERPRISE & SELF-RELIANCE IN FRAGILE CONTEXTS: EVIDENCE, DESIGN AND SCALE



NEF's support is empowering olive farmers in Syria to install solar-powered systems, transforming irrigation practices and boosting productivity, leading to more sustainable livelihoods in the community

I. EXECUTIVE SUMMARY

The Near East Foundation (NEF) has spent three decades refining micro and small- enterprise financing across some of the world's most challenging regions, targeting vulnerable groups such as women, refugees, and internally displaced persons. Drawing on extensive experience in the Sahel, Levant, and Iraq, NEF's recent activities highlight how hyperlocal community-driven financial services, supported through augmented blended finance structures, can sustain economic resilience amid conflict and economic instability.

Key program insights show that **hyper-local delivery** can provide both capital and non-financial capacity building, leading to measurable gains in household income and business productivity, and that **blended finance- mechanisms** that combine catalytic capital (first loss tranches, guarantees and technical assistance) with local intermediation present an untapped opportunity to mitigate currency risk and expand the available capital pool to end-borrowers.

Additionally, we note that **adaptive, outcomes-based credit models** should be

developed to align loan terms with seasonal cash flows and embed trigger-based grace periods; **decentralised, cooperative-embedded revolving funds** achieve high repayment rates while preserving social cohesion; and **targeted lending products**, especially for agriculture, are particularly welcome by beneficiary communities.

Collectively, these approaches demonstrate that tailored, community-centric financing, supported by strategic partnerships, can deliver sustainable, scalable solutions even when traditional banking infrastructure is absent or compromised.

II. INTRODUCTION

Over the past 30 years, NEF has garnered a wealth of experience and lessons learned in financing micro and small entrepreneurs, building an extensive track record of supporting MSMEs in some of the most complex geographies. Our beneficiaries primarily include vulnerable individuals, women, refugees, and internally displaced people. Some of the earliest initiatives were launched in Sudan, and in 1998 NEF helped establish a microfinance institution (Nayral) in Mali. In parallel, NEF launched enterprise-financing programs in Jordan and Lebanon during the same decade.

This paper will highlight the most recent lessons learnt on how to advance recovery and resilience in conflict-affected contexts. The

particular focus of this combines two broad regions, with differing circumstances, yet also where NEF has been able to draw common observations: the *Sabel and Horn of Africa*—particularly Sudan, South Sudan, and Mali—where recurrent crises, climate shocks, and large-scale displacement shape livelihoods and market systems; and the *Levant and Iraq*, where prolonged displacement, economic strain, and institutional pressures have eroded formal finance.

The solutions explored in this paper address how to provide an effective long-term delivery of hyper-localised financial services that is resilient in fragile and conflict-affected contexts. We will also explore how financing structures, in particular blended finance, can offer pragmatic pathways to economically more sustainable solutions in those contexts. Developing solutions is crucial for building a path towards economic resilience and recovery by supporting local enterprises, especially in the context of dwindling sources of grant funding.

We hope this paper will enable a conversation with technical and financial partners interested in co-developing frontier finance solutions. By documenting what worked and what did not, as well as what is emerging, it is our hope that NEF, in conversations with other partners, will build a coalition to develop and implement innovative financing solutions in complex and fragile contexts.

A note on data sources

The insights captured in this paper were drawn from several related but distinct data sources. Firstly, NEF maintains a robust internal dataset generated through dozens of projects over the years. This includes but is not limited to the following data sources: internal monitoring, entrepreneurial surveys; externally collected impact assessments; focus group and key informant interviews with partners, local authorities and experts; project reports; and learning papers. Data from these sources were instrumental in generating evidence and conclusions that form the basis of this paper.

Secondly, NEF facilitated focus group discussions and key informant interviews with partners in project-supported organisations. NEF conducted group discussions and interviews to better understand, and document knowledge related to constraints facing MSMEs, demand patterns and loan design preferences/insights, opportunities for strengthening community-based financing initiatives, and identified risks and adaptation measures.

III. OVERVIEW OF CURRENT MSME FINANCING PROGRAMMES

SYRIA

In Syria, NEF operates a revolving credit facility anchored by trusted local intermediaries, where it combines first-loss guarantees, technical assistance, and outcomes-based incentives. The facility offers micro, development, growth, and agricultural loans,¹ each aligned to seasonal cash-flow cycles to optimise capital recycling. To adapt to a protracted conflict environment, NEF introduced trigger-based grace periods to keep financing flowing in the midst of ongoing conflict. Since its launch in 2020, the facility has disbursed 5,420 loans to SMEs totalling nearly USD 7.8 million (an average of USD 1,455 per loan). The model has achieved a 98% repayment rate, expanded women's participation to nearly 30% and youth participation to 25%, and demonstrated that adaptive, community-anchored credit can thrive under extreme instability.

According to NEF's 2025 Impact Assessment of the RCF in Northeast Syria (NES), based on a representative sample of 403 beneficiaries, these operational achievements translated into tangible livelihood improvements. Seventy-five percent (75%) of borrowers reported increased household income or savings, with average

household income rising by 20% and savings rising by 39%. Each enterprise created roughly 0.76 full-time-equivalent jobs, while 98% of MSMEs remained operational. Women entrepreneurs acted as social multipliers (training others, building community trust, and modelling self-reliance), demonstrating that micro-credit in fragile contexts can generate both economic and social returns.



JORDAN

In Jordan in 2019, NEF launched a community-based Micro-Lending Fund **to advance** the growth of nano and microenterprises owned by vulnerable Jordanians through tailored financial and non-financial services.

To date, the fund has disbursed 643 loans totalling USD 988,000, representing more than three full cycles of revolving capital. The current active portfolio (of 288 loans) is sustained entirely by local civil society

organisations (CSOs), partners without any additional financial support from NEF or others. NEF's ongoing role focuses on strengthening the digital platform, updating training curricula, and providing complementary non-financial services to ensure continued impact.

Additionally, in 2021, NEF launched the first outcome-based Refugee Development Impact Bond (DIB), designed to improve the well-

¹ Microloans (USD 400-1,200), Development Loans (USD 1,200 - 3,000k), Innovation Loans (USD 5,000 – 60,000), Agricultural Loans (USD 400 – 5,000k)



being of refugees and host communities through targeted livelihoods programming.

The DIB mobilised USD \$13.5 million, delivering vocational training, entrepreneurship support, and resilience-building initiatives to 5,585 refugees and host-community members, more than 60% of whom also received a business grant.

At the end of the 4 year programme, independent evaluations showed robust, sustained results: 98% of grantees maintained active income-generating activities 10 months after receiving support; increased business ownership and income translated into positive impacts on total annual household income, which in turn resulted in positive impacts on annual household consumption of 636 JOD (USD 897), enabling families to access better food, healthcare, and education; and beneficiaries reported reduced household debt and increased savings.

Finally, it is estimated that the project will generate USD 20.1m in business profits or

USD 22.0m in additional household consumption over 10 years.

In 2021, NEF launched the first outcome-based Refugee Development Impact Bond (DIB) in Jordan, designed to improve the well-being of refugees and host communities through targeted livelihoods programming. The DIB mobilised USD 13.5m, delivering vocational training, entrepreneurship support, and resilience-building initiatives to 5,585 refugees and host-community members.

Independent evaluations show robust, sustained results: 98.5% of participants maintained active income-generating activities nearly a year after the programme ended, projecting USD 76m in household revenues over five years. In addition, 88% of supported businesses adopted environmentally sustainable practices and 84% implemented socially impactful measures—underscoring the economic, social, and environmental value of innovative finance in fragile contexts.

IRAQ

In Iraq, NEF piloted a blended finance RCF to expand responsible financing for hard-to-

reach, women-led agribusinesses in Anbar Governorate.

Combining affordable agricultural loans, concessional grants, and tailored non-financial support, including business training, coaching, and mentorship, the facility enabled 600 women entrepreneurs across Ramadi, Fallujah, Heet, and nearby rural areas to strengthen their livestock and small-ruminant enterprises.

By 2023, the revolving credit facility had injected IQD 742m (ca EUR 500k) in affordable credit, supporting herd expansion, productivity, and household income stability.

An external evaluation in January 2024 confirmed these strong outcomes: 81% of beneficiaries expressed high satisfaction with financial services, and 91% with the training provided. 83% of borrowers reported increased revenues, and 98% of households were able to save money, with 60% saving



significant amounts, indicating improved financial resilience and quality of life.

MALI

In Mali, NEF oversaw a decentralised climate fund through community-based revolving facilities, and integrated climate-energy windows into standard loan products: we financed solar irrigation pumps, low-carbon cookstoves and cold-chain equipment.

Results were tracked through a digital “climate results card,” which not only reduced our

beneficiaries’ reliance on fossil fuels but also demonstrated that thematic windows can be seamlessly layered onto sector-specific products, thereby attracting climate-minded impact investors. In 2024 alone, the NEF team in Mali oversaw the disbursement of 7,428 loans valued at roughly \$4.4 million USD, with 55% of these loans disbursed to women-run SMEs and IGAs.



SUDAN AND SOUTH SUDAN

In Sudan, NEF also pursued a decentralised model whereby market-recovery committees and community revolving credit funds were embedded within supported agricultural cooperatives. These would allocate credit and enforce repayment, whilst building and preserve trust within the community. Cooperative-embedded revolving credit funds in Sudan have disbursed 4,503 loans equal to roughly USD 530,000 through recent NEF programming, with additional revolved loans being disbursed on a monthly basis. Through May 2025, cooperatives have reported an 84% repayment rate, with more borrowers completing loan repayments each month.

Cooperatives in South Sudan blend grant funding with technical services to create hybrid models that retain community ownership. Both contexts have observed strong demand for short-term working-capital and agri-input loans that match seasonal cash-flows, as well as latent demand for productive assets such as irrigation systems and processing equipment. Hybrid grant-loan vehicles, in-kind input packages and commodity-linked repayment terms have been piloted locally, confirming that the solutions outlined above resonate with on-the-ground realities.



IV. COMMON BARRIERS FOR MICRO-ENTREPRENEURS IN COMPLEX AND FRAGILE SETTINGS

Across geographies where NEF is active, micro-, small- and medium-sized enterprises are confronted with a strikingly similar set of

obstacles. Income generation through home-based business, and therefore access to finance, is key to the survival of many individuals and families in NEF's target geographies: for instance, a 2024 study conducted by NEF highlighted how 74% of women entrepreneurs and 73% of IDPs noted that access to capital was the primary support modality needed to grow their businesses.

However, **formal banks and micro-finance institutions are either absent or clustered in urban centres, and where they do exist, they demand collateral, audited financial statements and official identification that most entrepreneurs**, particularly women, youth, and internally displaced persons cannot provide. This documentation deficit forces many home-based businesses into the hands of informal lenders who charge predatory rates ranging from 50% to 100% interest with repayment often due within one month of fund receipt. For instance, in the context of agri-lending, *shail* schemes in Sudan advance inputs against future harvests at prices far below market, locking producers into a cycle of dependency.

Gender and displacement-related barriers intensify exclusion: how intra-household decision-making dynamics and restricted mobility affect women, and, in the case of displaced people, the lack of land tenure can heavily, all restrict borrow options. In the case of women, they may be the borrowers but not the ones in control of the capital. For example, observations made as part of our recent programming in Sudan and South Sudan indicate that women entrepreneurs have very little input in making decisions about their income generating activities: only 38% of participants said they had meaningful input about the types of agricultural products they were involved with, the types of inputs they purchased, or decisions around borrowing money. Even when a woman manages a small plot, she is often not formally considered the landowner and may be unable to sign a contract or present a title deed. Displaced families often lack any formal proof of residence, rendering them invisible to formal lenders.

In the agricultural sector, working-capital shortages exacerbate the problem. Between the purchase of seeds, tools or inventory and the receipt of sales revenue, enterprises regularly run out of cash, leaving them exposed to exploitative short-term credit. For instance, predatory traders in Sudan and South Sudan

can charge up to 50–100% per month in interest. The inability to bridge the working capital gap forces many businesses to sell produce prematurely at discounted prices or to abandon productive activities altogether.

Macroeconomic volatility adds another layer of risk. Hyper-inflation and rapid currency devaluation erode the real value of any loan within weeks; while soaring input costs and unstable exchange rates make budgeting almost impossible. In Sudan, for example, the pound lost half its value in a matter of months, meaning that a loan disbursed today may be worth only a fraction of its nominal amount by the time the borrower is ready to repay. A chronic scarcity of cash also limits opportunities to trade and generate income.

V. NEF SOLUTIONS

HYPERLOCAL COMMUNITY-BASED FINANCING

Community finance is a cornerstone of economic resilience in NEF's core geographies, where conflict and weak governance further limit options, and with formal financing options being out-of-reach for our vulnerable populations. Additionally, community-based structures provide continuous monitoring and credibility when state institutions are absent.

Sahel Region (Sudan, South Sudan, and Mali)

In Sudan and South Sudan, Sunduk – local community-anchored associations – cooperatives, and producer led associations remain the most trusted, cost-effective channels for reaching underserved micro-, small and medium- enterprises (MSMEs).

In a survey conducted amongst entrepreneurs who had received small grants through programming in South Sudan, Sunduk were very positively received by participants and perceived as having made a notable difference in participant business and household finances:

88% of participants noted that they had remained an active Sunduk member and regularly attended group meetings.

Furthermore, these active Sunduk members reported that the group dynamic, collaboration, and mutual support provided by Sunduk had made it easier for their households to save money. Respondents also indicated that there were multiple benefits to their involvement with the credit associations, including access to small loans, improved financial planning, support during emergencies, improved businesses or IGAs, ease of saving money, and improved trust and cooperation within the community.

Given the centrality and effectiveness of these hyperlocal groups for improving business outcomes, it is critical to continue the upskilling and capacity building amongst Sunduk members in order to add more structure and improve their ability to effectively manage funds. Non-financial support towards capacity building encompasses key skills and know-how for successful business management: bookkeeping, loan administration, conflict management, entrepreneurship, the potential establishment of group bank accounts, formal registration, and access to bigger credit lines to extend reach and offer larger financing to existing members with profitable and high-potential businesses.

This hyperlocal approach has consistently resulted in improved business results for support MSMEs. In Sudan, 78% of entrepreneurs reported moderate to significant increases in businesses revenues, and 67% report the same in South Sudan. Non-financial support also proved effective, with 80% of entrepreneurs in Sudan and 73% in South Sudan reporting improved business productivity after receiving technical capacity building and financing.

The benefits clearly extend to their households: 78% of entrepreneurs in Sudan reporting their household revenues had increased after

receiving the loan by an average of 44%, and 67% of entrepreneurs in South Sudan by an average of 24%. Resilience also markedly improved, with 76% of entrepreneurs in Sudan and 75% in South Sudan reporting that their households were better able to meet essential basic needs as a result of technical and financial support.

Levant Region and Iraq

Across Syria, Jordan, Lebanon and Iraq, NEF employs a similar hyperlocal model which partners with and provides capacity building for pre-existing civil society organisations that are already trusted by communities they serve. NEF enables local entrepreneurs and community members to jumpstart their livelihoods by launching small home-based businesses thanks to the support, training, and financing offered through NEF's Siraj Centres.

These Siraj Centres, embedded within established CSOs, serve as a reputable and trusted microfinance network in Syria, Jordan, Lebanon and Iraq that function as a "one stop shop" for community members seeking support and training on key topics including marketing, technical skills, budgeting and financing, and entrepreneurship. Siraj Centres provide business financing through grants and loans to eligible participants, acceleration services to improve market access and business expansion, and protection services focused on the rights of refugees, persons with disabilities, youth, women, and other vulnerable community members.

These pre-existing CSOs provide a vital link in the livelihoods ecosystem and have crucial knowledge of their communities, including local needs, available services and gaps, and the contextual understanding to effectively evaluate and deliver Siraj Centre services.

Since 2019, NEF Siraj Centres in Iraq have supported over 3,000 IDPs, returnees, and members of host communities by providing technical support and access to startup and expansion capital. In Lebanon, Siraj Centres have served more than 27,000 people since

2016, providing 16,280 beneficiaries with business development support and 8,667 with grants to start businesses or home-based IGAs.

Since 2021 in Jordan, NEF and its Community-based Organisation (CBO) partners worked through five Siraj Centres to provide more than 3,500 business grants and 632 loans to vulnerable Jordanians and Syrian refugees. Coupled with financial support, Siraj Centre master trainers provided business development and life skill curricula to 5,667 entrepreneurs with the goal of creating safe, sustainable livelihood opportunities and improving positive coping strategies. In Syria, NEF embedded lending services in 8 Siraj Centres to help over 5,000 credit-ready graduate businesses access affordable loans through vulnerability-focused and protection-aware revolving funds.

In Jordan, Siraj Centres operated through CBO partners were a key pillar in the implementation of NEF's Refugee Impact Bond. Through close collaboration, the programme achieved a 98% business survival rate of financially supported businesses at 10 months post-disbursement and 80% at 24 months post-disbursement. Their effectiveness in providing non-financial support alongside business grants enabled small businesses to increase their revenues from USD \$578 to USD \$1,624 at 10 months post-disbursement. They also played a central role in social cohesion, with 86% of sampled participants strongly believe in the project's and Siraj Centre ability to promote inclusivity (fostering harmonious living among individuals from diverse social, ethnic, and cultural backgrounds).

In Syria, similar financial and non-financial support through Siraj Centres enabled 62% of borrowers to increase their business revenue (average monthly increase of 42%), and led to a projected total of 1389.22 FTE jobs created across loan portfolio. The positive effect on households was also clear: 70% of loan recipients improved their food security at home. In our most recent impact assessment

of our operations in Northeast Syria, most borrowers reported income, and savings gains and sustained business continuity despite conflict. The integration of credit within Siraj Centres proved critical to these outcomes: 98% of enterprises remained operational and household income rose by one-fifth, illustrating the combined power of financial and non-financial support.

In Iraq, 83% of financially supported enterprises increased business turnover by at least 20%, and 85% of micro-grant recipients and 97% of loan recipients reported increased household income, which enabled better coverage of family needs, including education expenses. Not only are local CBOs key in creating hyper-localised impact, but local cooperatives, market-recovery committees, and other community intermediaries also serve as trusted front-line intermediaries, in particular in identity verification and portfolio monitoring. Selection criteria are codified in simple digital checklists that can be completed on a shared smartphone, and verification can rely on community-issued IDs or neighbour attestations. This decentralised model preserves social cohesion, reduces transaction costs and maintains portfolio health even in insecure environments.

A devolved model still enables our national and regional offices to maintain oversight over local activities and the performance of the loan portfolios: remote monitoring is achieved through SMS-based reporting, offline-capable dashboards and periodic satellite imagery checks that verify field activity when physical visits are unsafe. Our team in South Sudan highlighted how mobile money agents could be part of the solution: mobile-money workflows are emerging more in Juba, and also in rural South Sudan. Sunduk can be supplied with a group phone and account to make financial deposits and be managed directly by the group leadership. This will provide greater accessibility and transparency of finances.

Partnership with microfinance institutions

Whilst community organisations can offer hyper localised solutions, partnerships with banks and micro-finance institutions (“MFIs”) will become increasingly necessary to formalise community-run funds and to enlarge access to a capital pool. The main challenge remains the requirements of MFIs for collateral, documentation, and the high levels of interest rate that are necessary to make their operations financially sustainable and able to weather currency fluctuations.

We believe that the capital constraints can be overcome by approaches to be explored in the next section, namely by blending catalytic capital (first-loss positions, guarantees, and targeted technical assistance) with localised intermediation.

FLEXIBLE, PATIENT CAPITAL

The need for flexible and patient capital is particularly acute in locations where the economic situation is highly unstable and putting increased pressure on households. Future access to capital initiatives must consider these factors, as MSMEs in Syria, Mali, Sudan, and South Sudan face frequent shocks and stressors that often require the utilisation of reserve capital.

Last year in Sudan and South Sudan, 82% and 83% (respectively) of project participants noted they had experienced a disaster, crisis or emergency. The most cited events were flooding, insecurity and conflict, crop disease, and drought. Participants noted that these events impacted their ability to generate income through their primary livelihoods, with over 75% of respondents noting their livelihood income was at least *greatly* impacted.

Due to the lower income levels resulting from hampered business operations, participants resorted to using part of their financing for emergency household expenditures. Only 40% of households noted that they spent the entire sum of their financing (roughly USD \$100) on income-generating activities, with 43% spending it on a mixture of income-generating activities and household needs, and 17% on

household needs only. When asked why this was the case, respondents noted that urgent household needs or unexpected household expenditures took priority. In such circumstances, part-forgivable loans or grant funding allow for such contingencies.

For capital-intensive upgrades, including for community-owned assets, such as solar-powered irrigation, cold-storage units or processing equipment, a patient-capital product with tenors of at least thirty-six months and grace periods of three to six months matches the longer cash-flow horizons of these investments. The longer tenor accommodates the delayed revenue streams typical of climate-smart assets, while the grace period protects borrowers from seasonal income shocks caused by unexpected rains or market fluctuations.

CLIENT SEGMENTATION AND GRADUATION

Borrowers start with modest micro-loans; consistent, on-time repayment unlocks progressively larger tiers. The ladder is not merely a size increase; it also brings enhanced technical assistance, preferential guarantee pricing and access to specialised supplier networks. By rewarding repayment behaviour with higher limits, the system creates a virtuous circle in which credit history becomes a tradable asset, reducing the reliance on physical collateral.

NEF’s RCF in Syria has adopted this approach. Of the 5,420 loans disbursed since 2020, 525 have been provided to borrowers who have already accessed and fully repaid a first round of financing. Furthermore, another 20 loans were disbursed to borrowers who have repaid both a first and a second loan. The first round of loans provided to these 525 recipients averaged USD \$1,137. With increased confidence in the borrower's ability to repay these loans, NEF increased the average financing size by 40% to USD \$1,595 for the second rung of the ladder. Finally, 20 borrowers who fully repaid their second loans received a third round of financing, averaging

USD \$2,068, an 82% increase over their initial loan values.

TARGETED AGRICULTURAL PRODUCTS

Seasonal agricultural loans are disbursed ahead of planting and incorporate grace periods that stretch through the harvest, allowing repayment to coincide with actual income. The disbursement schedule is calibrated to local agronomic calendars: in Sudan and South Sudan, the main planting window typically runs from March to May, with harvest typically between August and September.

In addition to this planting and harvest window, many borrowers in Sudan and South Sudan (particularly women and youth) have expressed strong interest in accessing financing for dry season vegetable farming, which typically takes place from October to December. By synchronising cash inflows with biological cycles, the product reduces the temptation to turn to predatory traders for emergency financing.

A parallel short-cycle trade facility, ranging from thirty to one-hundred twenty days, replaces predatory lenders for merchants and service providers. This product is designed for rapid turnover: funds are released quickly, interest accrues only after the grace period, and repayment is expected within a single commercial cycle, keeping the capital pool fluid

and allowing continuous recycling to new borrowers.

In South Sudan, participants diversified agricultural production with new finance, and 62% of them reported an increase in revenues; average seasonal revenues related to supported value chains increased from USD \$231 to USD \$315. Additionally, across the 8 most commonly supported value chains, 7 saw average production yield increases between baseline and endline with average increases of 107%.

In Sudan, through NEF's programming, the average value for beneficiaries of agricultural productive assets increased from \$417 to \$1,286 – a 208% increase. Recent external evaluation noted that the poverty rate of supported households decreased from 99% to 73% after receiving project support. When cash liquidity is thin, input bundles (seed, fertiliser, tools) are provided up-front, with repayment tied to harvested output or invoice discounting. Commodity-linked repayment structures protect borrowers from immediate cash shortfalls and align lender-borrower interests by sharing the risk of price volatility. For example, a farmer receiving a seed kit may agree to repay a % of the grain sold at a pre-agreed price, ensuring that repayment amounts adjust automatically to market conditions.

Crop	Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Wheat & barley	Plant	-									-	-	-
	Harv					+	+	+					
Dent/Yellow Corn	Plant					-	-	-	-				
	Harv										+	+	+
Summer Veg	Plant	-	-	-	-			-	-				
	Harv					+	+	+	+			+	+
Winter Veg	Plant									-	-		
	Harv	+	+										+
Legumes	Plant											-	-
	Harv			+	+	+	+						
Other	Plant												
	Harv												
Key	Planting Costs												
	Harvest Revenue												

Table 1 – Example of expense and revenue mapping for agricultural products from NEF's Syria programming

VALUE FOR MONEY ASSESSMENT

Value for money analyses were carried out using recent milestone survey and evaluation data collected from project beneficiaries in Jordan, Sudan and South Sudan. Reported revenues at successive milestones were compared with baseline values to measure changes in beneficiary revenue over time. These average revenue gains were then aggregated and compared against total program expenditures to determine the financial efficiency of the intervention. The resulting return on investment ratio reflects the value of additional income generated by beneficiaries for every dollar invested, providing an evidence-based measure of cost-effectiveness and economic impact.

- **South Sudan:** USD 1.31 generated per dollar invested at 12 months; USD 4.13 generated at 24 months post-disbursement
- **Sudan:** USD 1.66 generated per dollar invested at 12 months; USD 6.20 generated at 24 months post-disbursement
- **Jordan:** Grantee enterprises are expected to generate USD 76 million in revenue and USD 36 million in net profit over a five-year period (USD 22,223 and USD 10,573 per enterprise, respectively), translating to a projected RoI of USD 7.98 in new business revenue and USD 3.80 in net profit for every dollar provided.

VI. FUTURE PATHWAYS

PARTNERSHIP WITH MFIS AND LAST-MILE DIGITISATION

NEF will continue to build on a decentralised financial governance model, whereby credit decisions are delegated to community-based groups. One avenue that is showing substantial promise, especially in the Sahel region, is the possibility of collaboration with microfinance institutions or local financial institutions. Local community associations would receive a line of credit from a local bank and then allocate, monitor, and collect loans for nearby enterprises. By embedding financial decision-making within the communities that know the borrowers best, transaction costs are sharply reduced, and outreach can extend into remote, underserved areas that commercial banks typically avoid.

This will help ensure that alternative identification mechanisms, such as neighbour attestations or refugee registration numbers, can replace formal ID requirements. Additionally, doorstep service delivery and gender sensitive scheduling (e.g., evening collection points) will not penalise women and displaced persons when looking to access finance in a way that is contextually and culturally appropriate.

NEF will also be implementing a lightweight, mobile-compatible loan management system that can operate offline – with frequent cuts in Internet connectivity in remote and conflict-prone areas – and synchronises with a central server whenever connectivity is restored. The system records disbursements, repayment events, biometric verification and commodity-linked repayment calculations; data are stored in encrypted containers respecting zero access principles and are accessible to auditors. Periodic scorecards generated from the platform inform guarantee pricing adjustments and trigger automatic grace period extensions when predefined shock thresholds, such as flood alerts or market price drops, are detected.

NEF will continue to bundle a proportionate amount of business development services to enable the further capacity building of local community financing: agricultural borrowers will continue to receive agronomic advisory, post-harvest handling training and market linkage facilitation, and traders will obtain inventory management guidance, digital payment adoption support, and logistics optimisation.

BLENDED FINANCE MECHANISMS TO MANAGE CURRENCY RISK

NEF is developing blended finance mechanisms that could help manage currency risks, which is a key limiting factor in the

availability of longer-term finance: microfinance institutions only offer loans in hard currencies, shifting the currency risk to borrowers. These terms only take smaller and shorter-term loans to mitigate risks.

Revolving credit funds at the village association level ought to be denominated in local currency, providing the only viable source of local currency financing for enterprises that cannot secure hard currency loans. Funds circulate as borrowers repay, allowing the pool of capital to be reused continuously.

An apex fund that attracts funding from concessional funders, such as development finance institutions and philanthropic actors, can serve as a financing facility to support on-lending by microfinance and local financial institutions: these would, in turn, provide credit lines to the community funds, guaranteeing a minimum liquidity buffer that enables rapid disbursement.

Such an apex fund in hard currency would also provide the first loss tranche with currency hedging, either taking place at the level of the financial institution or at the level of the village association, with end borrowers borrowing and repaying their loan in the local currency. Any shortfall due to currency devaluation would be compensated through an injection of a first-loss tranche of hard currency back to the financial institution or by providing additional local currency injection at the level of the village association.

At the local level, exchange rate buffers are baked into loan contracts and inflation adjustment clauses automatically recalibrate repayment amounts. Security risks are further mitigated by decentralised borrower selection, remote monitoring, and the use of mobile money wallets or group accounts that minimise cash handling.

To make the local currency-based facility attractive to impact-first investors, the proposal adds a currency risk hedging layer. An intermediary solution, funded initially by grants, bridges the mismatch between hard currency inflows and local currency-

denominated outflows. Over the longer term, guarantees from development finance institutions, donor government equity cushions, and partial currency swap arrangements are implemented. This approach would represent one of the first attempts to embed a systematic hedging mechanism within an impact finance vehicle operating in a hyperinflationary environment.

Because commercial banks have been reluctant to lend in local currency due to rapid devaluation, such a facility will fill a critical gap in the financial ecosystem.

VII. CONCLUSION

NEF's evidence-based- portfolio confirms that resilient, hyperlocal financial services are both feasible and effective in -conflict-affected settings. By embedding credit decisions within trusted community structures, aligning loan designs with agrarian cycles, and integrating -climate-smart add-ons, NEF has achieved high repayment performance, broadened gender inclusion, and bolstered household resilience.

We believe the following action will be key to scaling up these successes: **deepening MFI collaborations** to formalise community funds while preserving low collateral, -identity flexible- eligibility; **expanding blended finance- instruments**, especially for currency hedging, to protect borrowers from macro-economic volatility and attract impact capital; **investing in last-mile- digitisation** to maintain continuity of service despite connectivity challenges.

By pursuing these pathways, NEF, together with a coalition of partners, will continue to pioneer frontier finance solutions that empower MSMEs, safeguard livelihoods, and foster lasting economic recovery across the Sahel, Horn of Africa, Levant, and Iraq.



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