



Near East Foundation

DERISKING AND PARTNERING FOR ENTERPRISE
FINANCE IN FRAGILE AND UNDERSERVED MARKETS



The Near East Foundation has provided more than USD 600k in agricultural microloans to vulnerable women in Iraq who could not access financing from microfinance institutions. More than 80% reported a 20% increase in their business turnover.

I. EXECUTIVE SUMMARY

Conventional enterprise financing works best where markets function predictably, institutions are stable, and financial institutions – including microfinance institutions, or MFIs – can keep delivery costs low. In the fragile and conflict-affected contexts, as well as in complex settings with elevated inclusion gaps in otherwise stable environments, those assumptions often break down, leaving micro and small enterprises (MSEs) and vulnerable households without safe, affordable finance.

NEF also operates in more stable environments; yet even there, persistent financing gaps remain, especially for hard-to-reach populations, highly vulnerable groups excluded from formal financial systems, and missing middle enterprises that are too large for microcredit but too small or informal for commercial lending. NEF's model is therefore relevant not only in high-volatility settings, but also as a complementary approach to closing stubborn inclusion gaps in more stable markets.

NEF has spent three decades building an alternative enterprise finance model designed for volatility and limited formal infrastructure.

The model is not a substitute for microfinance and conventional financing; it is a complementary, catalytic approach that helps reach groups and geographies that many MFIs cannot yet serve, while generating evidence and partnerships that can crowd in capital. The approach incorporates four key pillars:

- (i) **Holistic financial inclusion** that combines credit with training, market linkages, and gender-sensitive support, and which improves both outcomes and portfolio performance.
- (ii) **Localised delivery** through community-centred organisations and NEF's Siraj hubs, backed by first-loss protection and technical assistance.
- (iii) **Fit-for-purpose products** aligned to cash-flow cycles and cultural norms (including Sharia-compliant structures where relevant).
- (iv) **Innovative financing** (blended finance and outcome-based structures) that uses grants strategically to de-risk lending, recycle capital through revolving funds, and attract mission-aligned investors.

This paper revisits the rationale for NEF's approach: a model that addresses gaps conventional finance, including MFIs, continue to struggle to address in fragile contexts as well as in more stable environments where exclusion persists.

It also explicitly aligns the approach with NEF's global strategy, particularly the Knowledge, Voice, and Enterprise framework;

the Localization+ agenda; and the shift to outcomes-based programming and financing.¹

II. INTRODUCTION

Small loans can act as catalysts for income generation; many micro- and small entrepreneurs across emerging markets have benefited from access to finance through MFIs over the past decades: whether a farmer purchases better seed, a craftsman buys raw material, or a small retailer expands inventory.

The success of the model is such that, ever since the late 1990s, MFIs have been able to raise capital from commercial and quasi-commercial lenders, turning microcredit into a recognised asset class with a host of established players. The triumph of this market-based, financially sustainable approach to development has sparked interest in extending similar mechanisms to the broader realm of humanitarian finance.

In 2025, the size of the microfinance market reached USD 240bn, and is expected to continue growing at an annual rate of over 10% p.a. Debt investments in MFIs, aggregated by specialised impact asset managers, have become highly liquid and tradeable; they also do not face the same regulatory hurdles as private market impact investments. They continually provide a stable and uncorrelated income to retail and institutional investors alike, especially in years when interest rates are low.

All these elements have enabled micro-finance to be particularly attractive to many impact investors and to continue to grow at pace over the past decades. Yet the assumptions that underpin conventional microfinance often

¹ See: <https://neareast.org/interim-update-outcome-based-financing-and-adaptive-management/>

break down in conflict, post-conflict, and complex environments.

Fragile and post-conflict contexts, and ones with vulnerable populations such as IDBs and refugees, demand a differentiated strategy: one that can adapt to disrupted markets, weakened institutions, and heightened risk. The potential for sustained growth in access to finance in these geographies remains checked.

This is why NEF has devoted three decades to developing alternative approaches and structures, and honed micro- and small-enterprise financing in some of the most challenging and complex environments, focusing on vulnerable populations such as women, refugees, and internally displaced persons (“IDPs”). These lessons learnt continue to apply in more stable environments, but where beneficiaries belong to vulnerable groups.

NEF initiated community-based credit programmes in Sudan, Jordan, and Lebanon in the 1990s and established an MFI in Mali that is now independent and self-sustaining.

Over the years, NEF has built on its microlending activities and supported value chain financing (for gum Arabic producers in Sudan and South Sudan), integrated decentralised climate adaptation initiatives (in Senegal and Mali), and established and supported community-based organisations to run their own microlending facilities (in Jordan and Syria).

The approach does not compete with conventional financial institutions, including MFIs. In fact, through partnerships with MFIs in the Sahel, initiated by the MFIs themselves, NEF has developed collaborative, complementary models that extend MFI reach and de-risk lending activities.

This, in turn, can help MFIs attract additional capital and offer more tailored products. Similarly, in refugee-hosting communities in

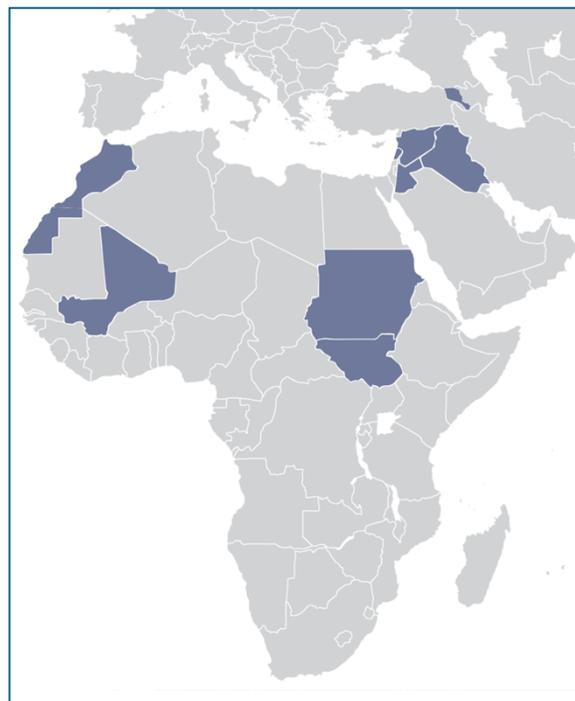


Figure 1 - NEF countries of operation

Jordan, in highly fragile communities in the occupied Palestinian Territories, and in many parts of rural Morocco, partnerships with digital banking providers and mainstream banks have delivered lasting products, partnerships, and impacts that have outlasted the intervention. In short, there is no binary choice between NEF’s approach and that of MFIs or other financial institutions; NEF plays an innovative, demonstrative, and complementary role that strengthens market-based solutions rather than displacing them.

NEF’s experience shows that lending to small entrepreneurs in complex and conflict-affected areas can indeed succeed, but it must be adjusted to the realities on the ground. This is why NEF’s approach, rather than directly competing or undercutting microfinance activities, both anticipates and complements them.

II. CHALLENGES FACED BY MFIs: FRAGILE SETTINGS AND VULNERABLE POPULATIONS

NEF has focused on complex settings and vulnerable populations ever since it was founded in 1915 in response to the humanitarian crisis at the collapse of the Ottoman Empire. Over the years, NEF has operated in North Africa, sub-Saharan Africa, and the Middle East. At the time of writing, NEF has a presence in Armenia, Iraq, Jordan, Lebanon, Mali, Morocco, Sudan, South Sudan and Syria.

All of NEF’s geographies, except Morocco, have experienced major internal conflicts and resulting humanitarian crises over the past 30 years. These environments have presented several challenges: a set of large-scale population displacements, acute food insecurity, weak or absent state institutions, volatile currencies, and limited formal financial infrastructure.

Country	IDPs and Refugees
Iraq	1 million IDPs
Jordan	436,410 Syrian refugees
Lebanon	636,051 Syrian refugees
Mali	693,000 IDPs
Sudan	9.5 million IDPs; 4m refugees
South Sudan	2 million IDPs
Syria	6 million IDPs

Table 1 - IDPs and Refugees in NEFs target geographies²

Compared with some of the more stable geographies where MFIs operate, some of the regions where NEF is active present additional challenges to conventional microlending activities: the absence of a fully functioning

political landscape, a highly volatile macroeconomic environment, and an unpredictable and unreliable legal system make lending to individuals an uncertain and risky activity, especially if loans extend beyond just a few weeks or months. In many instances, pricing in risk would make microlending highly unaffordable, especially to the most vulnerable beneficiaries as they would be paying for the exogenous risk premium themselves.

NEF has identified three main challenges of operating in complex and conflict-affected areas as well as in closing stubborn inclusion gaps in more stable markets: the high cost of operations, macroeconomic pressures, and the risk premium specific to vulnerable borrowers.

COST OF OPERATIONS: DISPLACEMENT ENVIRONMENTS

NEF’s field evidence repeatedly shows that operating in conflict-affected areas creates a logistical nightmare for conventional lenders. In Northeast Syria, for example, many villages sat behind active frontlines and could lose internet connectivity for weeks at a time.

In Sudan and South Sudan, community-anchored *Sunduk* associations are the only entities that can physically reach remote settlements; in addition to security concerns, formal MFIs cannot operate economically because of the resources needed to reach these communities. The challenge extends beyond that of reaching individual borrowers in the first place; monitoring and collection are left to a set of very unpredictable circumstances.

As a result, MFIs gravitate toward urban and peri-urban hubs, leaving refugees, IDPs, and rural households excluded from formal finance. NEF’s own monitoring found that 78% of entrepreneurs in Sudan and 67% in South Sudan reported that the nearest formal

² Sources : UN, UNHCR

bank was unreachable because of distance, security checkpoints, or lack of transport.

Serving dispersed clients is expensive, and the cost of outreach often eclipses the interest margin on a small loan. Based on internal NEF estimates, the additional cost of servicing vulnerable groups in more remote areas in the Levant and Iraq would translate to a minimum additional 20% in interest rate or equivalent charge to beneficiaries. For instance, and based on internal analysis, MFIs in Jordan already charge approximately 30% in interest rate; serving the most vulnerable populations would bring interest rates up to 50%.

Few MFIs, if any, serve them, and borrowing costs both in fragile settings and in more stable geographies would prove prohibitive for vulnerable individuals. Informal lenders in Sudan and South Sudan charge interest rates of 50% to 100% per month, and collection practices can be coercive or ethically dubious.

As a result, critical and substantial parts of the economy, and agriculture in particular, are easily shut out of the finance system because the economic and operational model pursued by MFIs means they cannot serve these populations – unless they specifically receive concessional capital, grant funding, or a combination of both.

MACROECONOMIC PRESSURES AND POLITICAL SANCTIONS

In Sudan, the national pound lost more than 50 % of its value within a six-month window in 2021, forcing conventional financial actors, including MFIs, to switch almost exclusively to hard-currency loans with very short tenors. Such a strategy is necessary to protect the lender’s balance sheet and if they are to attract international funding. But as a result, the exchange-rate risk is passed onto borrowers, who must repay in a currency that may have – in a short time – doubled in value relative to their local earnings.

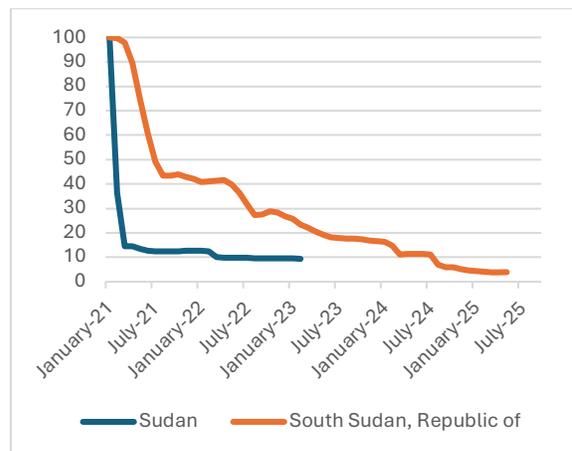


Figure 2- Local currency to USD (index =100), 2021-2025

Nyayen’s Story – SOUTH SUDAN



Nyayen Ayuel is an IDP who previously made her living working in a tea shop.

Through NEF programming, Nyayen received both financial and technical capacity building, and subsequently invested in starting a grain trading business.

With her new skills, and a USD 100 loan, Nyayen has increased her daily income, buying grain in bulk during the harvest season and selling it in smaller quantities during times of high-demand.

Nyayen has now repaid her original loan. Further, with her increased income, she has joined a village savings and loan association (VSLA) to support other IDPs, pooling savings to provide loans to other members of the community.

This is also why, in Iraq, many (women-led) agribusiness borrowers can only have access to hard-currency contracts, leaving them without a form of viable finance as their revenues are in the local currency. In South Sudan, the lack of cash, both in local and hard currency, makes the disbursement and repayment of loans challenging, forcing alternative arrangements such as seed banks within farmer communities. Sanctions imposed on Syria between 2011 and 2025 further constrained efforts to finance MSE lending, leaving the local population with limited, often expensive, funding alternatives.

Macroeconomic instability, when compounded with the unavailability of cash in both local and hard currencies, and the difficulty to transfer funds internationally, heavily limit the ability of conventional microfinance actors to lend. And when they do, the products offered, such as hard-currency loans, do not match the needs of end clients, leaving them to shoulder most of the macroeconomic risks.

RISK PREMIUM OF VULNERABLE BORROWERS

From the Levant to the Sahel, NEF has witnessed how some of the most vulnerable populations, such as rural communities, women, IDPs, or refugees, are routinely excluded from formal finance channels and systems. This is due in part to the lack of suitable or tailored financial products that meet their specific needs, but also as they are often considered ineligible businesses, or too risky despite evidence that access to loans is feasible; these products are not designed for informal livelihoods, seasonal earnings, or small-scale enterprises, which are common among these groups.

Additionally, IDPs and refugees are frequently perceived by financial institutions as ineligible or excessively high-risk, due to limited collateral, weak credit histories, or legal and documentation barriers. This perception persists despite growing evidence from microfinance, community-based lending that

financial services for these groups, when appropriately designed, can be both viable and sustainable. In other words, IDPs and refugees are not typically a target group for MFIs, including in more established contexts, such as Jordan.

III. NEF'S PARTNERSHIP-FIRST COMPLEMENTARY MODEL

Over three decades, NEF has refined its model that blends immediate relief with longer-term economic development across both volatile settings such as Sudan, South Sudan, Iraq, and Syria, and in more established contexts such as Morocco, Jordan, and Lebanon. In 2024 alone, NEF disbursed over USD 11m in loans and grants for income-generating activities, reaching over half a million people through its programmes.

NEF's approach is partnership first and deliberately complementary, not competitive; it extends outreach and reduces risk where MFIs are most constrained, through hyperlocal community groups and Siraj Centres, combined with first loss protection, technical assistance, and borrower aligned product design (including repayment aligned with cash flows and Sharia compliant structures).

In practice, NEF works through community anchored groups and Siraj Centres that act as "one-stop shops." They provide micro loans, grants, entrepreneurship training, market linkage facilitation, and gender sensitive scheduling, all paired with first loss guarantees and technical assistance that lower default risk and boost enterprise viability. More specifically, our methodology rests on four interlocking pillars:

- (i) **Addressing high operational and access costs through devolved lending models**, empowering a hyperlocal approach to supporting entrepreneurs.

(ii) **Reducing portfolio risk by offering products that closely match the specific needs of its target beneficiaries**, including through the provision of flexible repayment terms.

(iii) **Improving business survival and repayment rates by providing non-financial support to entrepreneurs in the form of capacity building**, such as financial and marketing skill building programmes.

(iv) **Addressing higher risk premia and investor pre-conceptions by using blended finance and other innovative finance mechanisms** that maximise impact and ensure an efficient use of capital.

HYPER-LOCAL DELIVERY THROUGH DEVOLVED LENDING

In Sudan, South Sudan, and Mali, NEF works through hyperlocal community groups, such as *Sunduk*, cooperatives, and producer-led associations. These organisations act as the frontline financiers, raising and allocating small loans directly to micro and small enterprise owners. NEF supports them with first-loss guarantees, technical assistance, and capacity building that covers bookkeeping, conflict management, and entrepreneurship skills.

The programmes also integrate climate-focused loan windows, financing solar-

“I had many challenges, like finding a place to rent and the high cost of electricity. I have learned how to study the market and how to determine the material needs of the business. I also learned how to separate my home and work to improve my business revenues. My self-confidence has increased, as I rely on myself for everything. I am completely aware of market prices, and I have regular customers.”

Kefa, a 44-year-old Syrian returnee living in Hajin

powered irrigation, low-carbon cookstoves and other climate-smart assets, while bundling non-financial services such as agronomic advice.

In Sudan, when NEF staff were displaced and offices damaged, the organisation shifted to remote management, leveraged digital platforms, and adapted vulnerability assessment tools for remote administration. This agility allowed NEF to continue reaching the most vulnerable smallholder farmers despite security setbacks.

In Jordan, Iraq, and Syria, NEF operates through Siraj Centres that partner with trusted civil society organisations already embedded in local communities. These centres function as “one-stop shops,” offering microloans, grants, business development training, and protection services aimed at refugees, women, youth, and persons with disabilities.

NEF supplies blended capital and a digital loan management platform, while providing intensive capacity building curricula. Additional services include market linkage facilitation, agronomic advisory, and gender sensitive scheduling such as evening collection points, all designed to lower barriers for women and displaced persons.

By working from within the communities, leveraging established local networks, and relying on established trusting relationships within the local social fabric, these funds empower communities beyond mere financing.

The results speak for themselves: in northern Syria, NEF achieved a 98% repayment rate – NEF’s revolving credit facility, launched in 2020, has disbursed 5,420 loans totalling USD 7.8m, with an average loan size of USD 1,455. In Sudan, an 84% repayment rate achieved amidst civil conflict – NEF’s programmes have delivered over 4,500 loans totalling USD 530k.

Devolved lending also helps palliate the lack of formal and reliable structures. NEF’s

programming relies on community organisation and informal structures, including the exercise of social pressure to repay, to enable continuous funding opportunities for other members of the community.

TARGETED PRODUCTS AND CLIENTS

NEF designs borrower-aligned products that match cash-flow cycles, incorporate Sharia-compliant structures where needed, and embed flexible grace periods triggered by seasonal or conflict-related shocks. This ensures repayments coincide with actual income and reduces the burden on vulnerable borrowers.

Throughout the various country programmes, the organisation conducts extensive fieldwork (focus group discussions, key informant interviews, and household surveys) to map out the specific cash-flow cycles, seasonal labour patterns and shock-risk profiles of micro-entrepreneurs.

This evidence-based approach reveals, for example, that farmers in Sudan and South Sudan need capital before planting and a grace period that extends through harvest, while urban informal traders in Jordan require short-term working-capital that can be repaid within a single commercial cycle. By aligning loan disbursement schedules with agronomic calendars or market turnover times, NEF ensures that repayments coincide with actual income, reducing the temptation to turn to predatory lenders.

Similarly, NEF's offering in Syria is built around a flexible suite of loan products that can be matched to the cash-flow cycles and risk profile of each entrepreneur. At the core are two size bands: micro-loans for start-ups (USD 500 – 2,000) and larger loans for existing

businesses (USD 500 – 4,000, with the possibility of scaling up to USD 30,000 – 60,000 for more established firms). All products carry a modest grace period of one to three months for start-ups and a similar short grace for service-, industry- and trade-related activities, after which repayment stretches from 12 months (for the smallest loans) to up to 36 months for agricultural and larger commercial loans. Seasonal repayment options are built in for agriculture, allowing borrowers to align instalments with harvest revenues.

Cultural norms in NEF's target geographies often add a dimension uptake: in particular, interest-based lending can clash with religious or community expectations. This is why, in Syria, financing is offered through a range of Sharia-compliant structures (*Murabaha*, *Ju'alah*, *Muzara'a* and *Istisna'*) so that entrepreneurs can access capital without compromising religious principles.

In Syria, trigger-based grace periods keep financing flowing during flareups, while first loss tranches absorb losses from climate related events. The result is a robust portfolio performance that rivals, and sometimes exceeds, that of standard microfinance, while delivering high value for money. NEF's value-for-money analyses show, for example, a return of USD 1.66 per dollar invested after 12 months, USD 4.13 per dollar after 24 months, and a projected USD 7.98 of new business revenue per dollar in Jordan over five years.³

NON-FINANCIAL SUPPORT

NEF pairs finance with practical non-financial services: enterprise and financial-literacy training, coaching, market-linkage facilitation, and gender-sensitive scheduling—to strengthen business viability, improve cash-flow stability, and consequently lower

³ The programme relied primarily on grants to support income generation rather than loans.

portfolio risk for both borrowers and MFIs. NEF's data illustrate why non-financial support is indispensable:

In Jordan, the Refugee Development Impact Bond (DIB) delivered vocational training alongside business grants to 5,585 refugees and host community members. We believe that non-financial support in the form of mentoring and teaching business skills to entrepreneurs explains why the DIB achieved a 98% post-grant business-survival rate. This, in turn, we estimate will lead to an additional USD 76 million in household revenue over five years.

In Syria, 68% of loan recipients reported higher household income (USD 147 per month on average) and savings (average + 39%) after receiving credit and capacity-building services.

Similarly, in Iraq, 83% of recipients saw more than 20% rise in business turnover. Without these complementary services, repayment rates would likely collapse under the weight of conflict-induced shocks. Across Sudan and South Sudan, 80% of beneficiaries reported improved business productivity after receiving technical assistance, and household incomes rose by 44% (Sudan) and 24% (South Sudan).

IV. EFFICIENT IMPACT-FIRST FUNDING MECHANISMS

NEF uses concessional and blended-finance tools to absorb extraordinary risks (conflict shocks, access constraints, and thin markets) that would otherwise be passed on to borrowers, often making credit unaffordable. First-loss mechanisms and non-financial services cushion risk, improve cash-flow stability, and lower portfolio risk for both borrowers and MFIs.

Because NEF has been operating as a non-profit organisation historically and primarily funded through grants, its operational model had not been constrained when developing



The Siraj Model is a pioneering initiative by NEF designed to serve as livelihood hubs within communities. Siraj Centres provide not only immediate business support but also focus on building local capacities, ensuring that services are conflict-sensitive and inclusive.

In addition to physical centres, Siraj Digital offers an interactive e-learning platform through on-demand, self-paced courses and services. The Siraj platform allows aspiring entrepreneurs to grow and sustain their businesses, with resources including tested courses, one-on-one mentoring, and valuable networking opportunities.

microlending programmes. As a result, NEF could leverage concessional funding to take more risks and refine approaches that would have been deemed too risky for conventional financial institutions, including MFIs.

BLENDED FINANCE

The economics of blended finance differ markedly from pure commercial or purely grant-driven models. Grants remain essential for delivering nonfinancial support and building local capacity. Philanthropic capital serves as first-loss protection, attracting impact-oriented investors, including multilateral development banks (MDBs) and development finance institutions (DFIs) who are willing to lend from their balance sheets once the risk cushion is in place. Private capital can then flow in, completing a layered financing stack that balances sustainability with development impact.

Compared to grants only, and if investors will want a first loss tranche equal to the debt, they provide to have full protection, leveraging grant funding to attract concessional debt can see the number of loan beneficiaries double. Once debt investors have been repaid in full,

the first loss tranche can then be recycled as loan capital to reach additional beneficiaries, increasing again the number of beneficiaries compared to grant funding only. In total, attracting debt through a blended finance mechanism can, at a minimum, double the impact, and almost up to triple the number of beneficiaries.

OUTCOME-BASED FINANCING

A blended finance approach typically requires an underlying business model that enables the repayment of capital to funders, albeit at a concessional rate or only in part. MSE lending is one such model, as the underlying borrowers repay their loans over time, which enables organisations like NEF to repay their debt funders.

However, in certain situations, the probability of repayment is lower: this is particularly true in highly volatile environments where transaction costs are very high and where monitoring is limited. In such a context, outcome-based financing may be a more appropriate source of financing. NEF's experience in all geographies also shows that revolving credit funds -- where loan beneficiaries' repayments are recycled and lent to new borrowers -- make a more efficient use of capital than traditional grants.

Structuring a programme as outcome-based finance is particularly appropriate where development outcomes have a higher priority than the immediate financial sustainability of the approach. This could be the case of a pilot or in highly volatile and complex contexts.

V. FUTURE ENHANCEMENTS

Looking ahead, NEF is piloting parametric insurance, hedging mechanisms, and stable-coin payments to further protect borrowers from climate and currency shocks, preserving the risk buffer that MFIs can rely on. And as NEF increasingly attracts debt

financing alongside grant funding, managing portfolio risk becomes paramount. Two complementary tools are slated for integration:

Parametric insurance will protect agricultural borrowers whose livelihoods are tied to weather-dependent yields. Should a climate event be detected and reach a pre-agreed threshold, smallholder farmers receive a payment that enables them to maintain sufficient income, including to repay their loans.

This is highly beneficial when blended finance models are used: with climate events becoming more frequent, portfolio risk from agricultural lending increases and, as a result, the risk debt funders take. But parametric insurance not only guarantees income to farmers; it also offers a form of guarantee to funders.

Additionally, by triggering payouts based on predefined climate indices, insurance can keep farmers solvent without draining first loss capital. This, in turn, guarantees that grant funding can be kept for on-lending rather than redirected towards repaying debt investors, enabling the social impact to remain the same regardless of climate shocks.

Hedging mechanisms will allow NEF, or partner MFIs, to extend longer-term loans in local currencies, even amid macroeconomic instability. Hedging mechanisms can take place at the MFI or community level, depending on the context.

At current, MFIs are only willing to lend for a short period of time, aware that currency depreciation may mean that their hard currency loans will become over time increasingly difficult for borrowers to pay. As a result, hedging mechanism capability opens doors to climate adaptation projects such as agroforestry and the acquisition of larger, productive assets, which would otherwise be out of reach under short-term, hard-currency lending structures.

Stablecoins can provide an alternative to cash when currency availability is low, especially for hard currencies. This allows for commercial transactions to take place even if there is no cash available or its transfer between areas is made impossible due to internal conflict. Stablecoins also allow for transactions in hard currency, potentially limiting the currency risk borne by local entrepreneurs and smallholder farmers.

VI. ENABLING, NOT DISRUPTING, THE MICROFINANCE ECOSYSTEM

NEF's framework both precedes and complements conventional MFIs in conflict-affected settings, filling the gaps that standard microfinance cannot bridge. In more stable environments, persistent financing gaps, especially for hard-to-reach populations, highly vulnerable groups excluded from formal financial systems, and missing middle enterprises (too large for microcredit but too small or too informal for commercial lending), also require a complementary approach to closing stubborn inclusion gaps. This framework accomplishes three core objectives:

INNOVATION

By relying heavily on grant and concessional funding, NEF can experiment with higher risk products and delivery models that MFIs typically avoid. Examples include cash-plus-training bundles for displaced artisans in Jordan and climate-resilient loan packages for smallholder farmers in Syria, where seasonal, trigger-based grace periods align repayment with harvest cycles.

DEMONSTRATION

NEF provides evidence that populations or sectors often dismissed as too risky by MFIs can achieve solid repayment records when supported with appropriate safeguards and

capacity building: when developing a programme around Syrian refugees in Jordan and Lebanon in the late 2010s, NEF came to realise MFIs were often reluctant to lend to refugees, with the lack of experience being as much a barrier as perceived risk.

As a result, NEF's programme successfully developed solutions in the absence of documentation and social or economic ties. NEF's track record of lending to refugees has now demonstrated that the repayment rate of refugees is comparable to that of host populations. Potential loan repayment issues pre-emptively ascribed to refugees, such as flying risk, proved to be exceptions in practice. And, in parallel, NEF developed a model to work cross-border with integrated loan management information systems that can cater to returnees, such as Syrian refugees returning from Jordan.

TEMPORARY COMPLEMENTARITY

In fluid, high-risk settings or – in the case of more stable environments – faced with vulnerable displaced populations, MFIs may be unable to serve the broader population. NEF's blend of flexible finance and nonfinancial assistance bridges this gap, fostering capacity building and laying the groundwork for eventual market stabilisation. The revolving credit funds remain functional even when urban hubs or internet connectivity are lost, something many MFIs cannot guarantee.

Rather than acting merely as a feeder that graduates borrowers to MFIs, NEF's role is better understood as a stabilising force that creates functional markets where none exist. This justification supports a model that tolerates lower financial sustainability than a pure MFI, recognising that conflict-affected geographies operate outside normal business-as-usual parameters.

VII. CONCLUSION

NEF's three-decade track record demonstrates that micro- and small-enterprise financing can thrive in the most volatile, conflict-affected environments, as well as among hard-to-reach groups and in settings that face stubborn exclusion even in stable environments – when adapted to address the unique constraints those contexts impose.

By embedding lending within hyperlocal community structures, coupling credit with robust non-financial support, and leveraging blended-finance mechanisms and outcome-based financing, NEF has created a resilient, impact-first model that consistently delivers strong repayment rates and measurable income, and savings gains for vulnerable entrepreneurs.

NEF does not disrupt functioning markets but helps create the conditions for markets to function. By cushioning risk, delivering finance through trusted local channels, and pairing capital with targeted non-financial services, NEF enables MFIs and other investors to engage sustainably with vulnerable individuals in both fragile and more stable settings.

Unlike conventional MFIs, which are often faced with high operational costs, currency volatility, and rigid risk appetites, NEF's approach turns these challenges into opportunities for innovation. First-loss guarantees and technical assistance lower the effective risk premium for borrowers, while flexible repayment schedules aligned with agricultural cycles and *Shariah*-compliant structures broaden financial inclusion for women, refugees, and IDPs. The model's scalability is evident in its diversified portfolio across Sudan, South Sudan, Jordan, Syria, Iraq, and Mali, where it has mobilised over USD 11m in 2024 alone and reached more than half a million beneficiaries.

NEF's financing paradigm seeks to complement conventional financial institutions, including MFIs, and fill critical gaps in conflict-affected geographies as well as bridging the inclusion gap in more stable markets. It demonstrates that well-designed, risk-mitigated lending can generate both financial returns and lasting socioeconomic transformation, including dignified self-reliance outcomes. This evidence-based, adaptable model offers a compelling blueprint for future humanitarian finance initiatives aiming to empower the world's most vulnerable entrepreneurs.

To learn more about our work or to get in contact, email info@neareast.org

