



RESEARCH REPORT

# For-Profit Humanitarians

## IKEA's Partnership with the Jordan River Foundation

Ammar A. Malik  
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Hamutal Bernstein

Edward Mohr

Yasemin Irvin-Erickson



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# Executive Summary

As the Syrian refugee crisis enters its eighth year, leveraging the private sector's financial capital and capacity for innovation has emerged as an attractive solution to protracted displacement. But little evidence exists on the feasibility and effectiveness of this approach.

This case study highlights a unique type of private-sector engagement in which mainstream business interests align with the needs of refugees and host communities. The IKEA–Jordan River Foundation (JRF) partnership demonstrates how diverse stakeholders can identify synergies, overcome legal and practical barriers, and sustain collaborations through effective management structures.

## How Does the IKEA-JRF Partnership Work?

As a large international company committed to social issues, IKEA is a leader in working with international aid and nonprofit organizations to support refugees. This case study explores its social enterprise project in Jordan, which brings refugees into the company's supply chain.

Following the social enterprise model IKEA has implemented in other countries, the company partnered with JRF, a local nonprofit focused on employment generation. They train and employ Jordanian and Syrian refugee women to create handicrafts to sell in IKEA stores worldwide.

The IKEA-JRF partnership could change the for-profit sector's view of refugees mostly as beneficiaries of corporate social responsibility projects. Beyond that, refugees can be workers who support mainstream business interests.

The partnership also offers a lucrative revenue stream for JRF while helping JRF empower refugees and Jordanian women through skill building. As of spring 2018, JRF had delivered on its first purchase order through 110 workers whose creations were being sold in IKEA's Amman store starting in December 2017.

This case study examines the IKEA-JRF partnership in the context of Jordan's refugee policy, including the government's priorities, humanitarian strategies, and the for-profit private sector's response. It describes the partnership in detail, including the incubation phase, business model, investments from each side, risks, and lessons learned for possible replication. It offers suggestions for overcoming barriers to forming and expanding similar partnerships.

## Lessons and Recommendations

The IKEA-JRF experience provides recommendations for others designing similar work arrangements:

- **International partners must understand the local policy and cultural context, particularly regarding work permits.** Understanding these nuances comes from spending time with a humanitarian- or development-sector partner grounded in both host and refugee communities.
- **Both sides must be transparent about their core interests and the risks involved.** Scalable and sustainable partnerships must be commercially valuable to the company and have tangible results for the nonprofit partner, and being up front can save valuable time later.
- **Clear buy-in and support from the highest levels in each partner organization is critical.** This can ensure that middle management gets support to execute projects, especially when payoffs are uncertain.
- **It is vital to support a positive relationship between the two sides.** In places where local populations are poor and employment opportunities are limited, outside support targeting refugees could create schisms because host governments might not be willing to support partnerships. The IKEA-JRF partnership's 50-50 approach ensures that Jordanians living side by side with Syrian refugees feel included in each other's economic wellbeing.
- **Local markets often suffer from information asymmetries, and more coordination could stimulate partnerships.** There are hidden synergies in the partnership market that could be turned into mutually beneficial and active partnerships if only the right partners could be matched at the right time. A global clearinghouse organization should be established with regional branches to engage, educate, verify, and match willing partners from the private and humanitarian sectors.

## Can this Model Be Replicated Elsewhere?

The IKEA-JRF partnership is a rare example of an organically formed partnership in which both sides had attractive payoffs that fit local conditions. It demonstrates that with the right incentives and environment, the integration of socially conscious elements within mainstream business models is possible, though whether this can be achieved at scale remains unknown.

Private-sector-led partnerships like this one are not suitable for every situation or even in every sector. It is not realistic to expect that hundreds or even dozens of self-starting partnerships like this

could be implemented without support. Analytic and practical work is needed to convince commercial investors that there are enough bankable and investment-ready projects on the ground.

# For-Profit Humanitarians: IKEA's Partnership with the Jordan River Foundation

## Introduction

As the Syrian refugee crisis enters its eighth year and the global humanitarian response system grapples with the unprecedented scale of displacement, many are calling for a paradigm shift. Leveraging the financial capital and innovation of the private sector has emerged as an attractive option, even though evidence on the feasibility and effectiveness of this approach is nascent. This case study is an attempt to highlight an uncommon yet innovative variation of private sector engagement: partnerships where mainstream business interests, such as market penetration or profitability, are met while benefiting refugees and host communities. The IKEA-JRF partnership demonstrates how diverse stakeholders could identify synergies to create mutually beneficial relationships, overcome legal and practical barriers to start-up activities, and sustain collaborations through effective management structures.

Businesses of all kinds have always contributed significantly to the humanitarian system as vendors providing food and shelter supplies, service providers improving information systems, and philanthropic donors providing financial and in-kind support in times of crises. Entities included in the private sector writ large, defined for this case study as nonstate institutions focused on profit-making, range from small, locally owned or refugee-operated establishments, to major multinational corporations with global operations. The humanitarian sector, including the United Nations system and international nonprofits and their local counterparts, have traditionally viewed companies as having varying worldviews. The potential for collaborations is stifled by a perception gap on both sides regarding the other's organizational objectives and working styles, which is likely due to lack of cross-sector experience (Zyck and Armstrong 2014).

As a large international company committed to social issues, IKEA has shown leadership in demonstrating how private-sector organizations can work fruitfully with international aid and nonprofit organizations to support refugees. While IKEA and its foundation have initiated several programs benefiting refugees, this case study specifically explores its NextGen project in Jordan, which uniquely focuses on mainstreaming refugees into the company's supply chain. Following their social



enterprise model successful in other countries, IKEA has partnered with the Jordan River Foundation (JRF), a local nonprofit focused on employment generation, to train and employ Syrian refugee and Jordanian women to create handicrafts for sale in their stores worldwide.

While this model is well-established for benefiting women-owned businesses, in humanitarian settings it offers a unique opportunity to change the company's mindset toward refugees away from beneficiaries of Corporate Social Responsibility (CSR) projects toward workers supporting mainstream business interests. For profit-seeking companies whose CSR budgets are modest, this model will likely produce sustained and scalable engagements for beneficiaries, including vulnerable populations. From JRF's perspective, this offers a nontraditional yet lucrative revenue stream for achieving its core mission empowering refugees and Jordanian women through skills building. But the incubation and design of this partnership required highly risky financial and time investments from both sides, which have since paid off. As of spring 2018, JRF had successfully delivered on its first purchase order through 110 workers whose creations were being sold in IKEA's Amman store since December 2017.

As others draw inspiration from this successful partnership, this case study asks several key questions. What motivated IKEA to replicate its NextGen social enterprise model with refugees in Jordan? What role, if any, did local or international intermediaries play in matching IKEA and JRF? What enabled both sides to overcome barriers such as obtaining work permits, recruiting and training workers, and meeting international quality standards? How can this model be scaled up in other countries through the handicrafts and other sectors?

Following this introduction, the case study situates the partnership within Jordan's refugee policy context, including the government's priorities, strategies of humanitarians, and the for-profit private sector's response. The discussion then moves to the IKEA-JRF partnership, describing in detail the incubation phase, business model, investments from and risks to each side, and lessons learnt for replication elsewhere. It concludes by offering suggestions for overcoming barriers to and scaling-up partnerships like this that brings the private sector's resources and ingenuity to support humanitarian causes in self-sustaining ways.

## Protracted Displacement, the Jordan Compact, and the Private Sector

Bordering conflict zones in Syria and Iraq, Jordan has hosted several waves of refugees over the last several decades. Jordan's population tripled with the arrival of Palestinian refugees in the wake of the

Arab-Israeli war of 1948, and today an estimated 40 to 65 percent of its population is Palestinians (Oroub 2014). Iraqi refugees entered in 1991 and 2004 following US invasions of Iraq, though many have returned since then. Since 2011, the influx of Syrian refugees has severely stressed the government's ability to provide basic public services. While as of March 2017 only 661,859 Syrian refugees were officially registered with UNHCR ("Situation Syria Regional Refugee Response" 2018), the national census puts their population at over 1.3 million, just over 20 percent of the total population (Ghazal 2017). Now into its eighth year, the Syrian refugee crisis is shaping all aspects of social and economic policy in Jordan, as in other refugee hosting countries around the world.

Crucially, the clear majority (78 percent) do not live in the country's two Syrian refugee camps, Zaatari and al-Azraq, but instead in urban and rural communities where they are searching for employment opportunities. They gain easier access to public services and jobs, but their presence also imposes significant pressures on local infrastructure and competition in the labor market (Kelberer 2014). There is significant humanitarian concern around the wellbeing of this population, the majority of whom are trapped in inescapable cycles of poverty (International Rescue Committee 2017a; Verme et al. 2016). Many refugees either waiting for or otherwise avoiding applying for work permits are employed in the informal sector, which makes up nearly half (44 percent) of Jordan's GDP (Kelberer 2017). Syrian men living outside of camps have an unemployment rate of 57 percent, compared to 88 percent of women. But limited interaction with members of host communities makes it difficult to access jobs, regardless of work permit status (Stave and Hillesund 2015).

Jordan is an upper middle-income country with high unemployment, 14.9 percent overall and 39.8 percent among youth in 2017, and limited job creation capacity or growth in the private sector (International Labor Organization 2017). Without considering refugees, 40 percent of those completing education are unable to find work, which is driving youth unemployment (Regional Office for Arab States Migration and Governance Network 2015). In the decade preceding 2015, Jordan's labor market created on average only 50,000 new jobs per year, which is significantly lower than Jordan Compact's target of 200,000 for Syrian refugees and indicates the scale of the job-creation challenge. Even with business as usual, let alone fiscal pressures from a large refugee influx, the Jordanian economy does not have capacity to rapidly create new jobs at the required scale. The government of Jordan is considering plans to reduce the number of new work permits for migrants for agriculture and other low skilled jobs.

## The Jordan Compact and Its Aftermath

By 2015, as the effects of refugees' dismal economic situation became increasingly visible at European border crossings, the international community mobilized to push for a "paradigm shift" (Hashemite Kingdom of Jordan Ministry of Planning and International Cooperation 2016). This prompted the international community to launch the Jordan Compact of 2016, which offered preferential access to European markets to 936 Jordanian firms located in 18 special economic zones and producing any of 50 product codes, if 15 percent of their workforce consisted of Syrian refugees. In July 2018, this requirement increased to 25 percent. The idea of market-based incentives was to propel Jordanian businesses, not multinational corporations, to create export-driven jobs for Syrian refugees and host communities alike. The Compact was presented as an innovative policy solution, based on the belief that more than a humanitarian crisis, the Syrian refugee situation was now a fundamental development challenge for host countries. On its part, the Jordanian government committed to undertaking regulatory reforms for improving local economic conditions, besides introducing new legal frameworks for establishing partnerships between municipalities and the private sector. To offset fiscal and macroeconomic burdens on the economy, the European Commission announced that grants worth \$700 million would be provided to complete projects identified in the Syria Response plan.

Despite being an innovative and bold policy intervention with unprecedented political support at the local, regional and global levels, the emerging consensus is that the Compact has failed to live up to its expectations. Recent reports by the International Rescue Committee (2017, 2018) and the Overseas Development Institute (2018) offer a compelling diagnostic, pointing to a weak private sector for which incentives from the Compact are simply inadequate to ramp up job creation. But the Compact's provisions and implementation plans themselves are marred with serious problems. First, the Compact's key details such as list of product codes, locations of special economic zones, and list of work-permit-eligible professions were a result of a top-down process based on the EU and Jordanian governments' own priorities. They protected favorite export products from competition from Jordanian firms and preferred jobs from Syrian workers respectively, ending up with suboptimal product lists for preferential trade access and suboptimal occupation lists for work permits. This is simply the reflection of the political realities within which decisionmakers operate. Second, an overwhelming majority of the 936 firms in the special economic zones have either limited or no prior experience of exporting into the European market, which despite incentives requires price competitiveness and highest quality standards. Since MNCs are excluded from this list, Jordanian-owned businesses simply do not have the capacity or experience to create the 200,000 new jobs targeted for Syrians through export growth.

Unsurprisingly, so far only eight firms have registered to export to the European Union, five of which are Syrian-owned with extensive export experience.

Third, the labor market suffers from information asymmetries whereby refugees are unaware of jobs and employers do not find the right skillsets. This is exacerbated by the restrictive list of occupations eligible for work permits and administrative delays in processing them. The special economic zones are not always located in areas accessible to refugees, who lack reliable transport or child care services. Since these problems impact women more adversely than men, so far only 2 percent of work permits issued have been for women, though this is also a reflection of local cultural realities. Overall, it is obvious that the Jordanian private sector requires a helping hand to become fully capable of utilizing the opportunities afforded within the Compact.

As the search for the “paradigm shift” continues, what can international and local private companies do to benefit refugees in ways that are self-sustaining, not one-off projects? How and why should private companies and humanitarian agencies partner to create the targeted 200,000 jobs for Syrian refugees? What partnership structures, approaches, and sectors of the economy are more likely to produce win-win relationships between private and humanitarian sector partners? How can the government of Jordan and the global humanitarian nudge potential partners to identify and act upon synergies? What are the chief barriers to the emergence and sustenance of partnerships, and how can they be overcome?

Using the case study method, we attempt to understand how existing successful partnerships came together, what factors motivated stakeholders to collaborate, what legal and practical challenges were encountered, and what supporting factors led to success. While there are several unique elements of this case which may not apply to others, the following description will likely inspire both companies and humanitarians seeking similar engagements.

## The IKEA-JRF Partnership

With this in view and after significant background research, this team undertook a seven-day site visit to Jordan in March 2018, conducting 13 in-person or phone interviews with stakeholders in the humanitarian, government, academics and private sectors. To obtain additional information, six phone interviews were conducted either before or after the site visit and several other sources such as reports, webpages and newspaper articles were reviewed during this research. But much of the

narrative regarding the partnership's details and the contextual analysis from a policy standpoint is based on these interviews.

Several existing partnerships across many sectors were considered, including those targeting refugee entrepreneurship, children's education and cash transfers, but the team selected the IKEA-JRF partnership because of its unique mainstreaming of business interests while creating social value for refugees, focus on women's livelihoods and success in creating sustainable value for both sides. Given the need for creating self-sustaining ventures, we focused on a partnership where the private company is fulfilling mainstream business goal, in this case having a reliable supply chain for regional stores. Finding such cases is particularly challenging because most private sector engagements in humanitarian responses have either been contractually bound procurement relationships, or one-off CSR or philanthropic endeavors.

Even though the Compact's preferential trade access incentive did not extend to foreign companies, it prompted several international private sector initiatives aimed at creating economic opportunities for refugees. The partnership brings together IKEA, the world's largest furniture manufacturer with a clear focus on "holistic sustainability", with a well-established local nonprofit foundation with over two decades of experience training marginalized populations in weaving and handicrafts. Inspired by IKEA's NextGen social enterprise model being implemented elsewhere, these partners found alignment of interests over their shared goal of supporting refugee and Jordanian women's livelihoods, while improving the company's bottom line and bringing sustained financing to the nonprofit. But this success has only been possible after overcoming barriers, the story of which is described here and offers lessons to others planning similar partnerships.

Today, IKEA's regional supply chain of hand-woven products now includes the JRF, having fulfilled one and working on a second purchase order. As the company derives satisfaction from doing socially beneficial procurement, JRF has found a reliable revenue sources that has also enabled it to expand community outreach for recruitment, enhance skills training for refugees and locals alike and for the first, produce at the highest quality level. Both organizations appear to have found solid alignment of interests and a suitable working arrangement that minimizes risks, which has led to rapid progress. After starting in mid-2016 with product line development, items made at the JRF facility began sales in IKEA's Amman store in December 2017, with planned expansion to stores internationally. So far 110 women workers, including equal proportions of refugees and locals, have received training and are employed at a work site managed by JRF staff. Over the next two years, to meet growing demand for products, IKEA and JRF plan to grow the number of workers to over 400.

Each worker receives several facilities from JRF: practical and legal support in applying for and obtaining work permit, health insurance, transport services and child care, each of which are significant barriers to women's participation in the labor force. Moreover, workers can conduct up to 80 percent of the work at home, which is also a major facility to women with young children and given social norms regarding women's traditional care responsibilities, essential for recruiting female workers.

## **The Startup Phase, Building the Case for Engagement**

In spring 2016, as the Jordan Compact was being launched, IKEA's chief executive officer was pushing the company toward a fresh approach for supporting refugees in Jordan, a commercially significant country in the Middle East region. Even though IKEA Foundation is independent of the company, their well-known philanthropic initiatives such as solar lanterns for refugee camps had already helped the company understanding the landscape of the refugee response in Jordan. It was clear to IKEA's business leadership that their most scalable and sustainable offers would be to integrate refugee livelihoods within the company's supply chain. Their NextGen initiative, that works with social enterprises in India and Thailand to source products made by women artisans, provided a model that they decided to replicate in Jordan. Hence the IKEA-JRF partnership is situated within a larger global strategy for IKEA, which among other things aims to hire 200,000 refugees globally.

With this in view and in coordination with the foundation's key local partners including UNHCR, the company organized a scoping visit to test the viability of their ambitions in Jordan and identify potential partners. Realizing that over three-quarters of Syrian refugees in Jordan reside outside camps, the company decided to undertake out-of-camp interventions to target underserved populations. They searched for likeminded partners who would share their values and interests, particularly understanding that the initiative would not be a one-off CSR venture, but rather a new way of doing business. Their initial focus was on refugee-owned businesses, but they were introduced to the JRF by UNHCR as a prominent Jordanian nonprofit with significant experience supporting youth and women in training and employment in handicraft manufacture, carpet weaving, and stitching.

Founded in 1995 by Queen Nour Al Hussein, JRF is a nonprofit organization currently led by first lady Queen Rania Al Abdullah focused on skills training, community empowerment, and building social enterprises to benefit vulnerable populations in Jordan. For example, its Jordan River Designs social enterprise includes programs in different areas of textile and handicraft production: embroidery through the Al Karma Embroidery Center established in 1996, rugs through the Bani Hamida Weaving Project since 1998 and baskets through the Wadi Al Rayan Project launched in 1997. With these

experiences, producing embroidered pillows and rugs for IKEA, albeit at the very highest international quality standards, was a natural extension of the stream of their past activities. Having said this, all past projects were funded through philanthropic contributions or grants from donors, rather than through business partnerships like the one established with IKEA where JRF has essentially become a commercial procurement partner to IKEA.

In May 2016, staff from both organizations began working together by collaboratively writing a business concept note and proposal for a codesigned project. There was considerable dialogue and exchange to align expectations on both sides around a shared understanding of the project. This initial buy-in has since proved critical for the sustainability of the relationship, which later required significant investments from both sides. When JRF began working with IKEA, staff assumed that as with most of their international funding partners, the foundation would receive a one-off grant to carry out this program of activities. To their surprise however, IKEA made clear they were entering a business agreement, whereby IKEA would treat JRF as a supplier of goods and pay them only upon acceptance of delivered orders checked for quality.

After both sides worked out the nuts and bolts of working arrangements, executive leaderships on both sides were engaged to formalize the relationship. Appropriately, instead of signing a contractual agreement, in March 2017 the IKEA chief executive officer and King Abdullah of Jordan sealed the deal with a public handshake that attracted significant media attention and served as the formal launch of the partnership.

## **Partnership Development, A Story of Compromises**

The journey from identification of partnership potential to the handshake was fraught with risks, compromises and hard work with creative problem solving on both sides. On several key points, IKEA's initial preferences and expectations had to be adjusted to Jordanian realities, as explained by JRF staff. The ways in which these issues were resolved offers useful lessons to others interested in such partnerships, discussed as follows.

First, IKEA's initial preference was to focus solely on Syrian refugee women, but with JRF's input soon learnt the importance of also supporting the host community in equal measure. Even though no Jordanian regulations require this, partners agreed that their workforce must have a 50-50 split between the refugee and host communities, thus ensuring that low-income Jordanians felt included. During his visit to Jordan, the IKEA chief executive officer embraced the need to include Jordanians at all stages of partnership implementation, which he emphasized was necessary for the wellbeing and

resilience of communities. Previous research provides strong evidence that urban refugees, including Syrians in southern Turkey, are surviving in extraordinary isolation from host communities, though this might be different in Jordan where some refugees might maintain familiar links.

Second, followed international best practices, IKEA felt strongly that all work should be conducted only in JRF facilities, with a strong prohibition on home-based work. They were rightly concerned about maintaining quality standards and risking child labor. But after better understanding the local cultural context and the critical need for home-based labor to recruit women workers, IKEA agreed to a more flexible approach whereby workers would be allowed to take certain parts of the production process home. Local UNHCR staff were instrumental in proving this point by sharing examples from previous women's livelihoods projects, which faced difficulties retaining female workers in the absence of flexible working hours. In the short history of this partnership, this was arguably one of the most significant moment of learning and accommodation, which is crucial to the success of any partnership.

Third, both sides had varying expectations on the scale of the operation, with IKEA proposing at least 2,000 workers to gain operational efficiencies given the large scope of their retail. But after detailed work planning and because JRF's limited capacity to recruit and train refugees and locals to manufacture, both sides agreed to aim for 400 workers for the first two years. Fourth, the two sides had to similarly negotiate on the details of the products' designs, balancing the workers' abilities with commercial realities of a competitive retail market. The final design was less complicated than what IKEA initially proposed, but both sides agreed that it would have a much better chance of meeting required quality standards while reflecting Jordanian aesthetics.

Having said this, one area where compromise was impossible for IKEA was strict adherence to the "IWAY" supplier regulations. Before a prototype could even be developed, following standard business procurement practice, IKEA conducted comprehensive auditing, toured all JRF facilities and worked with staff to ensure they passed the quality control criteria as well as the environmental, ethical and social standards required from suppliers. JRF had not previously exported extensively and had not done serious user testing at the level a corporate entity like IKEA required. Bringing JRF up to the strict provider standards mandated by IKEA required significant time and resource investment on both sides.

Overall, the main message from this partnership's start-up stage is that to be successful, both private companies and humanitarian partners must be prepared to make significant time investments and demonstrate significant flexibility in implementation details.



## Risks and Mitigation Strategies

But as a practical matter, this requires partners to overcome significant performance, financial and eventually, reputational risks. In the IKEA-JRF case, after in principle agreement was made by the two sides to forge the partnership, significant financial risk was involved in working out the nuts and bolts of the working relationship. JRF spent staff time developing the proposal, project design and prototypes, without any guarantee whatsoever that IKEA's standard would be met, or that they will issue a purchase order. But the executive leadership took the risk due to the partnership's significant potential to succeed, besides the proposed model being fully consistent with their mission and modus operandi. Beyond simply receiving the first purchase orders, JRF was also concerned about delivering at the scale expected by IKEA. While they did have experience in training and employing individuals for such work, the tight timeline for recruiting, training and producing at scale presented a stiff challenge.

Despite having experience of such relationships with social enterprises in other countries, this was a rare occasion for IKEA to be forging a purely business relationship with a traditional nonprofit with limited experience of producing commercially viable products. The company's staff spent significant time co-creating project design, evaluating prototypes and supporting JRF to create and implement a viable business model. While the company's sales could benefit from the obvious goodwill generated from these products' engagement with refugees and previously unemployed Jordanians, the company could conceivably get greater return from repurposing resources for marketing or other brand building activities.

On both sides, there was reputational risk given the high media visibility around the partnership, particularly following the public declaration and handshake between the two leaders. With the eyes of the international community on the Jordan Compact, several news articles had already started documenting the partnership's plans and commenting on potential. This attention was particularly intense given the personal involvement of the Jordanian Royal Family and a major global corporation, the success of which could serve as an exemplar motivating similar partnerships elsewhere. But on the flip side, after such a public declaration of their intent to work together despite no proof of concept regarding the viability of these arrangements, reputational stakes were now much higher, particularly for IKEA due to their highly visible global retail operations.

But interestingly, the shared sense of pressure to deliver in fact worked in the favor of both sides as they both had greater incentives to cooperate, eventually agreeing through a series of conversations and compromises discussed earlier. Another mitigating factor was the multi-level engagement in both

organizations, signaling to each other that this would be a sustained commitment and not be vulnerable to threats of staff turnover and the risk of the project falling apart.

## **Initial Success and Its Many Benefits**

While the true impacts of this intervention will become obvious in due course, initial success in onboarding 110 workers, successfully delivering the first purchase order and getting products on retail shelves in a matter of months are clear signs of success. Both sides are fully confident of ramping this up significantly, with planned expansions both in the numbers of workers and size and geographic coverage of sales around the world. Significantly, as the international humanitarian system grapples with creating models for sustainable and scalable private sector engagement, despite being a result of circumstances, this project is creating valuable demonstration effect for those seeking inspiration.

JRF has already realized benefits of collaborating with a large corporate entity, not as a grantee but a commercially viable business partner. Thus, they have not only scaled up their support of women within local communities but also gained valuable skills and knowledge among staff that could help improve their long-term financial sustainability. Due to the demonstrating success of this model, JRF is already considering expansion of facilities in collaboration with other donors, who after witnessing success would be more likely to support this project. As several international organizations attempt to nudge the Jordanian marketplace to better exploit the incentives made available through the Compact, this offers an opportunity for JRF to emerge as a thought leader, potentially guiding others in delivering similarly successful projects. They have already been approached by Jordanian corporations with offers to sponsor additional participants in the program, which they are currently evaluating. Further, as they are now producing international quality products with the “IKEA stamp of approval,” they now have access to new opportunities for expanding sales in other international markets.

In fact, this IKEA social enterprise model is seen by JRF as a sustainable funding model for having greater social impact than ever before, freeing them up from the rather limiting traditional nonprofit model of project-dependent, grants-based development interventions. Any profits they can make from such engagements could be reinvested in other operations, though their ability to consistently draw profits from this business model are still untested. The potential financial and managerial independence from breaking away from the cycle of proposal writing, waiting and when funded, project implementation could enable them to proactively plan programmatic interventions in ways they believe are most likely to be effective.

From IKEA's perspective, the most significant marker of success has been the ability to put products on retail shelves in Jordan, with strong prospects for expansion into other countries in the region and eventually, around the world. They appear to have validated the idea of bringing the social enterprise first developed in India to the Jordanian context, despite complications arising from the refugee crisis. If JRF continues fulfilling purchase orders at scale, the company's multibillion dollar sales revenues mean that this model could be replicated in other countries facing protracted displacements and where IKEA has business interests.

## Lessons and Recommendations

Successful partnerships like the one discussed here emerge when a complicated set of interrelated factors come together at the right time and place. This is even more challenging because all parties involved, including beneficiaries and the host government, must buy-in to the partnership after seeing clear value addition. This in turn depends on a host of factors including parties' own worldviews, preferences, resources, past experiences and indeed political economies. The IKEA-JRF experience provides a series of lessons, each of which despite varying circumstances are recommendations for others designing such working arrangements.

First, even if they have operated businesses in country, international partners must invest additional time to fully understand the local policy and cultural context, both from the perspective of beneficiaries and host government. The government and host community must be comfortable allowing refugees to obtain work permits, which in general happens in ways where refugees would not come into direct labor market competition with job seekers from the host community. To beneficiaries already working informally or those avoiding work permits for (unfounded) fear of being precluded from resettlement to a third country, the prospect of becoming part of a formal employment may be less attractive than presumed by partners. The best chance of understanding these nuances comes from humanitarian or development sector partners, who are likely grounded in both host and refugee communities, as was the case with JRF in this case study. The process of undertaking pilot projects, workshops involving community members, visits with government officials and lots of face time with a local partner serves as the first test of the viability of the partnership.

Second, at the earliest stages both sides must transparently reveal their core interests and risks from the engagement, so parties have clarity of purpose. Scalable and sustainable partnerships cannot be created unless they are commercially valuable to the company and have tangible results for the nonprofit partner. In the IKEA-JRF case, this became obvious when a Purchase Order approach was

preferred over a traditional grant or contract agreement. The sooner these arrangements are identified the better, so any potential deal breakers become clear to counterparts. If after conducting initial scoping the commercial returns appear unclear, companies must call this out to senior leadership so other types of collaborations, e.g., CSR or philanthropic ventures, could be designed. Those arrangements would likely require different teams to design appropriate working arrangements, where investments and expectations of payoffs are different.

Third, on this note it is critical to get clear buy-in and support from the very highest levels in each partner organization, or obtain patronage from Boards of Directors. As shown by the IKEA-JRF leadership's public handshake, such support can be instrumental in ensuring that middle and junior level management gets required support to execute leaps of faith, especially during when payoffs are uncertain. Particularly for for-profit companies, redirecting the attention of well-performing staff from mainstream operations or marketing for such engagement is not only a major investment, but also a performance risk for their home departments. Having chief executive officers' backing is thus essential for convincing skeptical department heads to let their best resources be temporarily devoted to a new way of doing socially conscious business. While many humanitarian and development agencies, such as Danish Refugee Council, Oxfam and the International Committee of the Red Cross, have setup dedicated partnership units, the ever-constrained funding environment makes the opportunity costs of engagement with mainstream businesses rather than traditional donors fairly high.

Fourth, in most places where displacement is protracted and refugee and host communities are coming into direct contact outside of camps, it is vital to support positive relationship between the two sides. In places where local populations are poorer and employment opportunities are limited, outside support targeting refugees could create schisms due to which host governments may not be willing to support partnerships. This partnership's 50-50 rule ensures that Jordanians living side by side to Syrian refugees feel included in each other's economic wellbeing. Previous research has shown that refugee-host community interactions in urban settings, including for Syrian refugees in Gaziantep, are very limited with minimal inter-community social group participation for refugees (Landau et al. 2016). For refugees ironically living in social isolation within densely populated cities, such workplaces could offer much-needed avenues for inter-community interactions. Estimating such second-order benefits are beyond the scope of this study and difficult to study, but nonetheless critical for long-term sustenance and assimilation of refugees.

Fifth, local markets for jobs, goods and services often suffer from information asymmetries, so overcoming the simple coordination problem could trigger and stimulate win-win partnerships. There are hidden synergies in the partnership market, which could in theory be turned into mutually beneficial

and active partnerships if only the right partners at the right time could be matched. The IKEA-JRF case shows that local intermediaries like UNHCR and ILO, who have practical experience dealing with livelihoods creation for refugees, could play a critical role in matchmaking and knowledge sharing for new businesses entering this space. The local humanitarian coordination system, particularly livelihoods clusters, are best situated to have the requisite information for companies interested in partnerships. But as a practical matter, they are often working at capacity and struggling to effectively coordinate activities even within the humanitarian system, thus leaving limited capacity for private sector engagements. To overcome this problem, a global clearinghouse organization should be established with regional branches to engage, educate, verify and match willing partners from both the private and humanitarian sector.

The implementation of most recommendations is highly contextual, requiring nuanced applications depending on unique factors related to the policy environment and local social, economic, political and cultural factors. Much like the Tent Foundation's vision, a key function of the clearinghouse would be to provide services to partners, much like a management or recruitment consultant, first by learning about their business model and aspirations and ultimately, matching them to suitable partners in bilateral or multilateral partnerships.

## Conclusion

This case study has highlighted a rare example of an organically formed partnership where both sides had suitable risk-reward payoffs due to partners' competencies from past experiences and business models that fit local conditions. It also demonstrates that with the right incentives and environment, the integration of socially conscious elements within mainstream business models is possible, though whether this can be achieved at scale remains largely unknown. As the global humanitarian community realizes that beyond generating funds to support refugees, drawing private capital into this sector requires clear prospects of returns on investments. Due to a plethora of factors discussed earlier, the prospect of hundreds or even dozens of IKEA-JRF like self-starting partnerships is unfortunately, bleak. Unlike Jordan and Turkey, both middle-income countries with relatively effective governance institutions, most refugee hosting countries suffer from their own economic and political challenges, ranging from weak markets to complete breakdown of State institutions.

Private sector led partnerships like this one are certainly not suitable to every situation or even every sector. But besides the two-partner model with one for- and one nonprofit party, there are several other ways to prompt private sector engagement for improving the global refugee response

system. For instance, in Jordan and around the region, there are several technology entrepreneurship incubation efforts underway that are beginning to generate impact investment. Similarly, traditional CSR based initiatives that deliver such interventions, or simply help build refugee human capital through education and skills training are crucial in creating the enabling environment for greater private sector engagement. In the IKEA-JRF case, if it had not been for grant-based social enterprise and low-income worker skills development experiences, JRF would not have been able to deliver services to IKEA. This analogy could be extended to other sectors, such as health and education, because the absence of such critical public services through international or local assistance would not have enabled refugees to benefit from such partnerships.

But despite all the odds stacked against them, most refugees are undertaking some form of economically productive activity, so their resilience is the most potent response to the crisis. Having said this, the current situation is highly suboptimal as refugees' contribution to local economies is largely undocumented and they are mostly engaged in low quality jobs often under precarious and exploitative conditions. Unfortunately, most refugee hosting countries have proportion of employment in the informal sector but regardless, without work permits most refugees are condemned to lowest-paying jobs.

As a middle-income country with relatively well-functioning State institutions, international assistance programs and an acquired knowledge base of the challenges from hosting millions of refugees, Jordan boasts a much more conducive environment for partnerships like these to emerge and sustain. The clearinghouse proposed here could serve the critical purpose of inculcating a culture, among companies and humanitarian stakeholders, of transparency and open communication regarding their desired engagement level and business model. Before focusing entirely on fundraising through innovative financing mechanisms like as results-based or blended finance tools, a great deal of analytic and practical work is needed to convince commercial investors that there are enough bankable and investment ready projects on the ground.

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# About the Authors



**Ammar A. Malik** was a senior research associate in the Center for International Development and Governance at the Urban Institute. His research focused on the causes and consequences of global urbanization, including the spatial structures of cities, the political economy of public service delivery, and the relationship between economic growth and human mobility within cities. He led the center's thematic area on global urbanization. Malik has used agent-based and spatial-econometric modeling to examine various theoretical and policy issues related to rapid urbanization in developing countries. His multidisciplinary research has been published in several academic journals, including *Science and Public Policy*, *Global Policy*, *South Asia Economic Journal*, *Pakistan Development Review* and the *Journal of Artificial Societies and Social Simulation*. He has previously worked on projects for the World Bank, the Organisation for Economic Co-operation and Development, UNESCO, International Food Policy Research Institute, and Pakistan's National Disaster Management Authority. Malik holds a bachelor's degree in economics and mathematics from the Lahore University of Management Sciences in Pakistan, master's degrees in public policy and public affairs from the National University of Singapore and Institut d'Etudes Politiques de Paris, and a PhD in public policy from George Mason University.



**Hamutal Bernstein** is a senior research associate in the Income and Benefits Policy Center at the Urban Institute, where her research focuses on immigration and integration, workforce development and education, and program evaluation. She has wide expertise in mixed-methods research, including original survey development, secondary data analysis, and qualitative data collection and analysis. She is a principal investigator on the Annual Survey of Refugees and Survey Redesign for the US Department of Health and Human Services. Her other areas of research focus on immigrant upskilling, immigrant inclusion at the local level, and other human services topics. Her evaluation and survey experience includes the systems change analysis of the National Implementation Evaluation of the Health Profession Opportunity Grants program, evaluation of the Alaska Native Science & Engineering Program, and evaluation of the LRNG out-of-school youth learning initiative. Before joining Urban, Bernstein was a program officer at the German Marshall Fund of the United States, managing public opinion survey research in the United States and Europe. This position

followed her work on global and US migration research as a research associate at the Institute for the Study of International Migration at Georgetown University and as a migration consultant to international organizations. She has conducted fieldwork in English and Spanish in the United States and abroad, and she speaks fluent French. Bernstein received her BA in international relations from Brown University and her PhD in government from Georgetown University.



**Edward Mohr** was a research assistant in the Justice Policy Center at the Urban Institute. His recent work at the Center for the Study of Race and Democracy at Tufts University focused on the relationship between the federal government and community-based organizations in underserved neighborhoods. His research focused on new and unique approaches that organizations are taking to alleviate poverty in urban areas across the country. He earned a BA in sociology from Tufts University.



**Yasemin Irvin-Erickson** is a senior research associate in the Urban Institute's Justice Policy Center. Her research focuses on crime prevention and social protection through the lens of inclusive growth and sustainable development. Irvin-Erickson directs projects on economic resilience of women and girls, refugees, and geographies disproportionately affected by violent crimes. She is also an associate editor for *Genocide Studies and Prevention: An International Journal*. Before joining Urban, Irvin-Erickson was the research director for global mapping at Rutgers Center on Public Security and a lecturer at Rutgers University–Newark, where she taught crime analysis, statistics, and research methods. Her research has been presented at national and international conferences and appeared in peer-reviewed publications and research briefs. Irvin-Erickson earned a bachelor's degree in sociology from Middle East Technical University, a master's degree in forensic science from Istanbul University Institute of Forensic Sciences, and a doctorate degree in criminal justice from Rutgers School of Criminal Justice.

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