



# CONVERGENCE

B L E N D I N G   G L O B A L   F I N A N C E

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MD, ASIA-PACIFIC

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ASIA CLEAN ENERGY FORUM 2020

MANILA JUNE 18, 2020

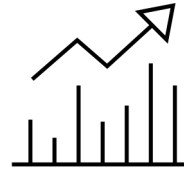
# WHAT IS CONVERGENCE?

Convergence is the global network for blended finance. We generate blended finance data, intelligence, and deal flow to increase private sector investment in developing countries.



## A GLOBAL NETWORK

We have a global [membership](#) of over 200 public, private, & philanthropic institutions



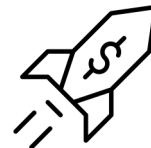
## DATA & INTELLIGENCE

Original [content](#) builds the evidence base for blended finance, including data on past deals, trend reports, case studies, region and sector briefs, and webinars.



## DEAL FLOW

An online match-making platform for investors and those seeking capital to connect on active deals.



## MARKET ACCELERATION

Our [Design Funding](#) program awards grants for the design of innovative vehicles that aim to attract private capital to global development at scale.

# MEMBERSHIP COMPOSITION

Convergence members are part of a global community of institutions and businesses dedicated to driving capital to where it is needed most.

Member institutions include private investors looking to diversify their portfolios, businesses seeking capital, as well as public agencies and philanthropic foundations looking to make their funds go further.

Convergence has over 200 member institutions, and over 1,000 staff at member institutions actively using the Convergence platform.

MacArthur  
Foundation

Australian Government  
Department of Foreign Affairs and Trade

CREDIT SUISSE

jica

DFC

LION'S HEAD  
global partners

DBSA

Bank of America

Global Affairs  
Canada

TDB  
Trade & Development Bank

BRITISH ASIAN TRUST  
TRANSFORMING LIVES TOGETHER

kiva

WATEREQUITY  
REALIZE UNTAPPED OPPORTUNITY

USAID  
FROM THE AMERICAN PEOPLE

cardano  
Development

CROSSBOUNDARY

Shell Foundation

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Sida

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INVESTING IN DEVELOPMENT

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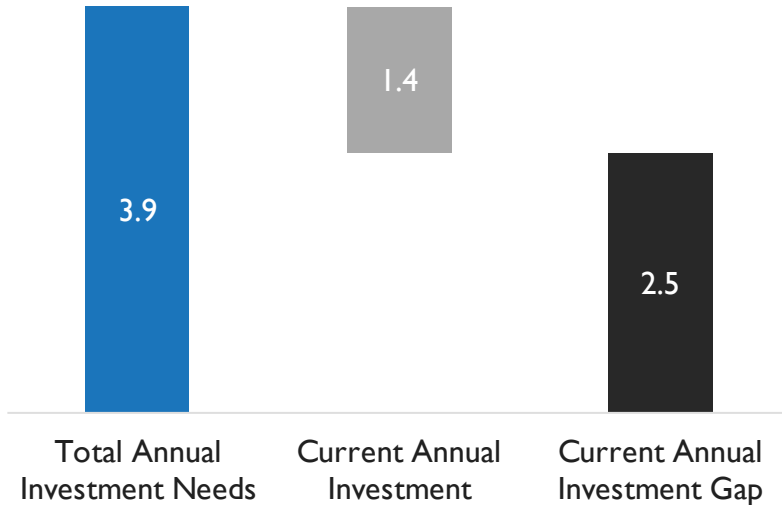
FinDev  
Canada

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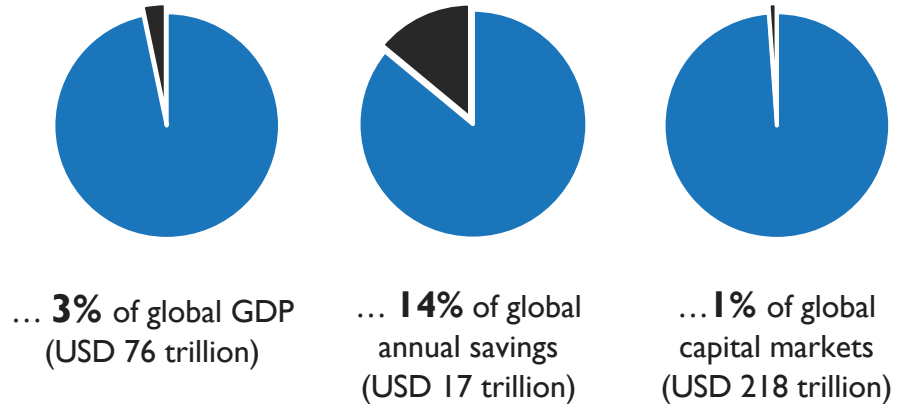
# THE IMPORTANCE OF BLENDED FINANCE

## Estimated **SDG Investment Gap** USD trillions



## Putting the **SDG funding gap** in perspective

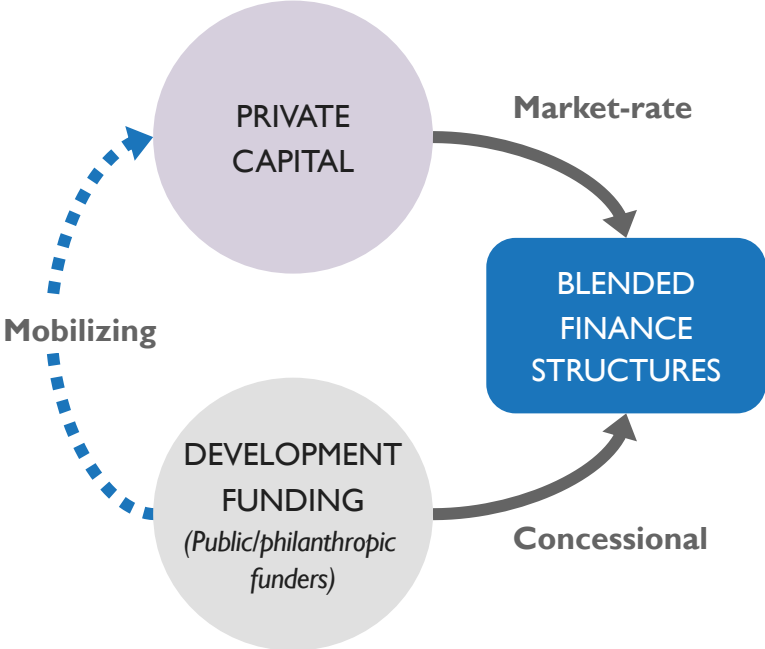
The **SDG Funding Gap** is...



Source: UNCTAD, June 2020

# DEFINING BLENDED FINANCE

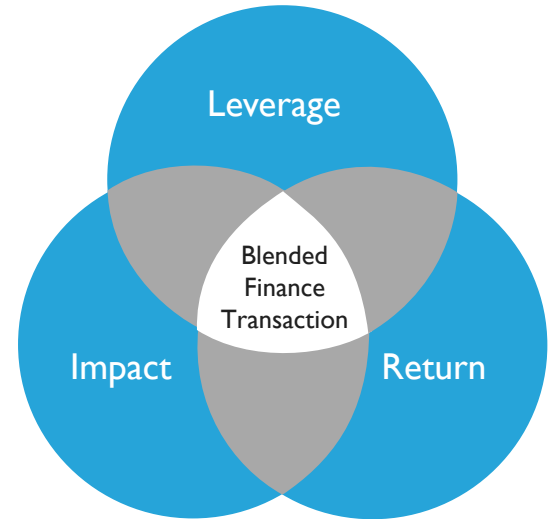
Blended finance is the **use of catalytic capital** from public or philanthropic sources to **increase private sector investment** in sustainable development.



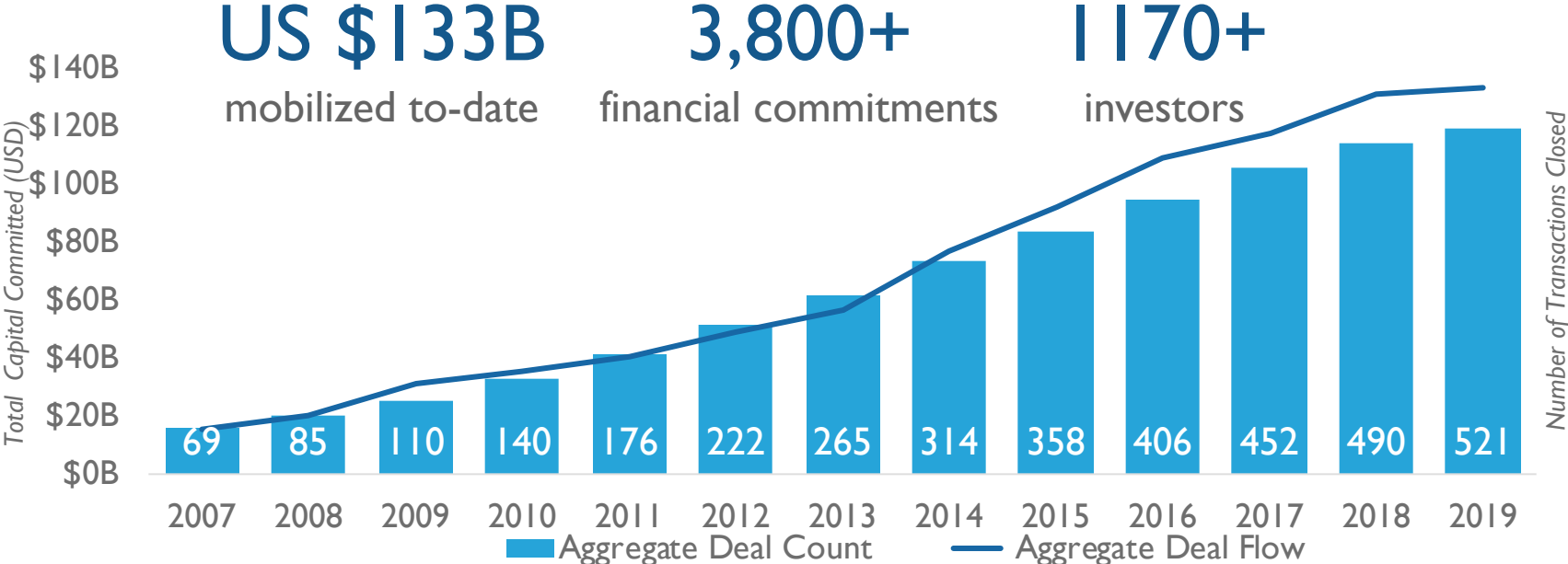
# KEY CHARACTERISTICS OF A BLENDED FINANCE TRANSACTION

Three signature markings that Convergence believes are important to a blended finance transaction

- 1. Leverage** - Commercial capital mobilized by concessional capital
- 2. Impact** - Underlying activity contributes to the SDGs in a developing country; however not all parties need to have development intent
- 3. Return** - Transaction expected to achieve a positive financial return; returns range from concessional to market rate and depend on the type of private sector investor in the deal



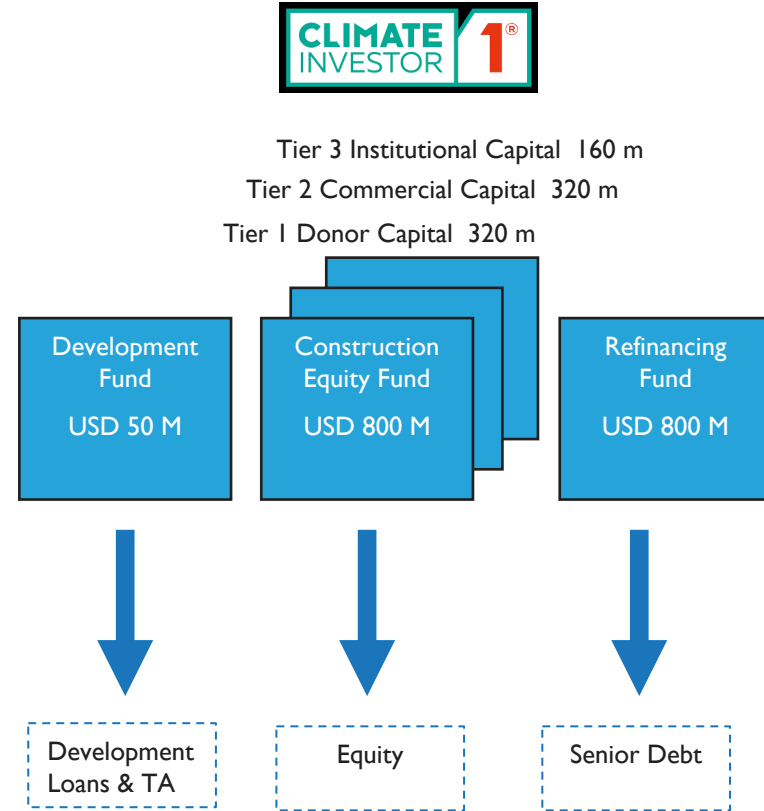
# BLENDING FINANCE TRENDS: OVERALL MARKET



Source: Convergence, June 2020

# BLENDED FINANCE EXAMPLE – CLIMATE INVESTOR ONE

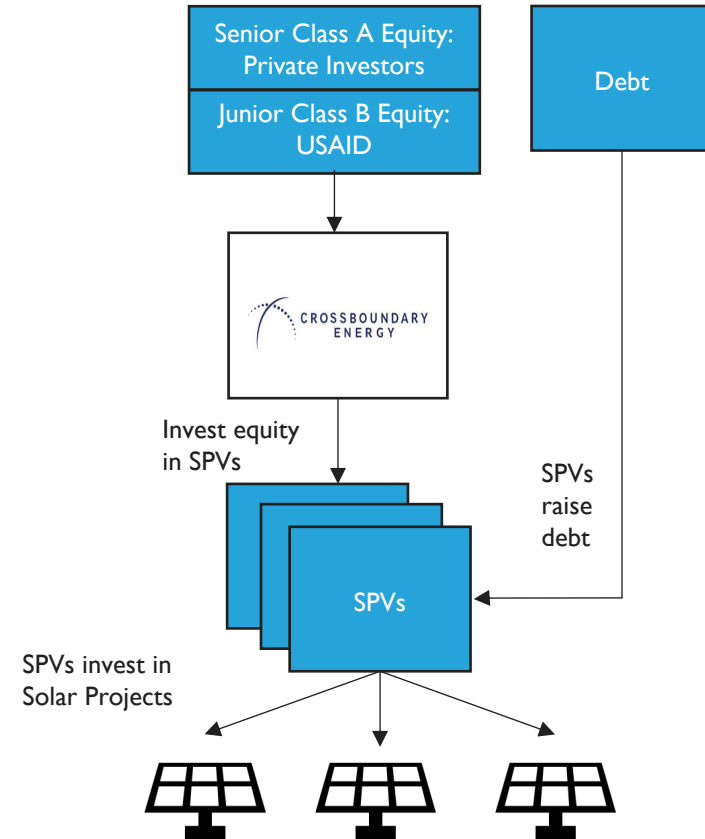
- Invest in **renewable energy projects** that serve 7 million individuals in emerging countries and avoid GHG emissions of 1.2 million tons of CO<sub>2</sub> equivalent
- Offers life-cycle support through **three funds** that are designed to address barriers specific to each stage
- Mobilizes private sector financing through catalytic public sector funding; investors and donors can participate in a fund and a tranche according to their risk-return profile
- Development Fund comprised of non-repayable donor contributions while Construction Fund has first-loss tranche (Tier I) that is capitalized by donor contributions
- Recently announced financial close at USD 850 million





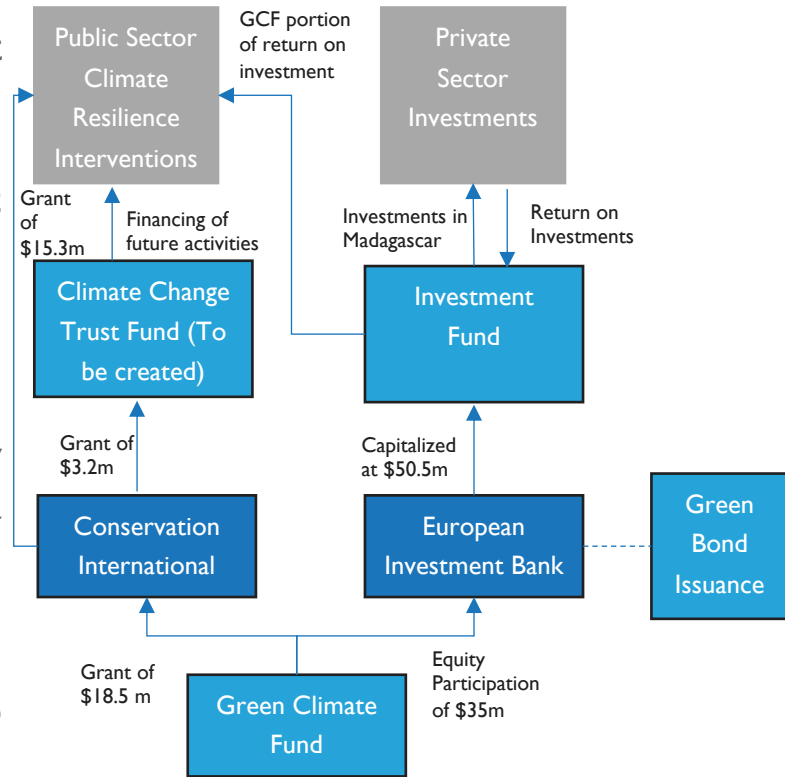
# BLENDED FINANCE EXAMPLE – CROSSBOUNDARY ENERGY

- CrossBoundary Energy finances the construction, operation and maintenance of solar projects with the goal of establishing commercial and industrial solar as an investable asset class in sub-Saharan Africa
- The Fund adopts an innovative two-tier equity capital structure: USAID contributed junior class B equity (subject to first loss) in order to catalyze private investment into the larger Class A senior tier
- The fund in turn invests equity into SPVs that can also raise debt leading to an increase in total available capital
- Donor aid agency can provide valuable support beyond subordinate capital, such as signaling credibility and facilitating connections to relevant partners



# BLENDING FINANCE EXAMPLE - SUSTAINABLE LANDSCAPES IN EASTERN MADAGASCAR

- Project to enhance resilience of smallholders, reduce GHG emissions and channel private finance into climate smart investments; 562,000 direct beneficiaries targeted
- Adaptation/Mitigation activities implemented by public sector, funded through 1) GCF flow through grant of \$15.3 m 2) GCF grant of \$3.2 m for Climate Change Trust Fund
- Investment fund to target sustainable agriculture and renewable energy; capitalized by 1) GCF \$35m equity participation 2) \$10m raised through the private sector via forgone coupon on the issuance of EIB green bond 3) \$5.5m from EIB's smallholder facility and fund manager
- Returns on GCF's equity participation to be recycled into Climate Change Trust Fund for adaptation/mitigation





# CONVERGENCE IS AN INDEPENDENT NON-PROFIT, WITH FUNDING FROM:

Canada

MacArthur  
Foundation

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FOUNDATION

Citi Foundation

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Australian Government

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# CONVERGENCE

BLENDING GLOBAL FINANCE

THANK YOU.

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