Scene Setter:
Design Grant Funding to accelerate Capital Mobilization into Climate Action - Lessons Learned.
SPEAKER

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Managing Director Asia-Pacific
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AGENDA

1. Overview of Convergence & Blended Finance
2. Introduction to Design Funding
3. Indo-Pacific Design Funding Window
4. Asia Natural Capital Design Funding Window
5. Application Process
6. Learnings
7. Q&A
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.
WHAT IS BLENDED FINANCE? DEFINITION & KEY CHARACTERISTICS

Private investment is crucial to close the US$2.5 trillion annual funding gap threatening the success of the Sustainable Development Goals (SDGs). One way to attract this private capital is through blended finance – the use of catalytic capital from public or philanthropic sources to increase private sector investment in emerging markets. Read our blended finance primer for more.

Blended finance transactions should have three signature markings:

1. **RETURN**: Intended to yield (1) an overall financial return and (2) risk-return for private investors in line with market
2. **IMPACT**: Underlying activities contribute towards the SDGs in a developing country (although not every participant needs to have that impact objective)
3. **LEVERAGE**: Public/philanthropic parties leverage catalytic capital to make a deal happen that would otherwise attract little or no private capital
INTRODUCTION TO DESIGN FUNDING

What is Design Funding?
- Convergence’s Design Funding provides grants for the design of innovative blended finance solutions.
- Blended Finance transactions can be complex, time intensive, and high-cost to structure and launch. Design Funding supports this process and encourages practitioners to design vehicles that would otherwise be too risky or complex to pursue but show high potential to attract large-scale private capital if successful.

What types of activities are funded?
- Feasibility study: Funding to explore the feasibility of the vehicle. For example, assessing the investability/bankability of the transaction, conducting market scoping and developing the vehicle structure.
- Proof of concept: If a feasibility study (or equivalent) has been completed, funding to complete all design and structuring activities to launch the vehicle.
- Grant funding can be used only for the design and launch of the blended finance vehicle – not for investment capital or to fund operational activities of an already established vehicle.
DESIGN FUNDING SNAPSHOT

Global Emerging Markets
2016 | CAD 10M
All SDGs

Indo-Pacific
2019 | AUD 3.5M
Climate Finance & Gender Equality

Asia Natural Capital
2019 | USD 3M
Nature-based Solutions

GRANTS AWARDED
US$7M+

SOLUTIONS SUPPORTED
23

CAPITAL MOBILIZED
US$650M+

LAUNCH STATUS

- Launched: 7; 31%
- Likely to close: 4; 17%
- Too early to tell: 7; 31%
- Unlikely to launch: 1; 4%
- Not launched: 4; 17%

CONVERGENCE
# GAC Global Emerging Markets Portfolio Snapshot

## Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Asia</td>
<td>33%</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>28%</td>
</tr>
<tr>
<td>Latin America &amp; the Caribbean</td>
<td>11%</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>17%</td>
</tr>
<tr>
<td>Global</td>
<td>11%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>11%</td>
</tr>
</tbody>
</table>

## Grantee Type

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Advisory Firm</td>
<td>39%</td>
</tr>
<tr>
<td>International NGO/Non-profit</td>
<td>17%</td>
</tr>
<tr>
<td>Asset Manager</td>
<td>22%</td>
</tr>
<tr>
<td>Social Enterprise</td>
<td>11%</td>
</tr>
<tr>
<td>Multilateral Development Bank</td>
<td>11%</td>
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</tbody>
</table>

## Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>33%</td>
</tr>
<tr>
<td>Education</td>
<td>11%</td>
</tr>
<tr>
<td>Energy</td>
<td>28%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>28%</td>
</tr>
<tr>
<td>Health</td>
<td>22%</td>
</tr>
<tr>
<td>Infra (Non-Energy)</td>
<td>28%</td>
</tr>
</tbody>
</table>

## Solutions Supported

- 18

## Funding Awarded

- US$6M+

## Capital Mobilized

- US$650M+

## SDG Alignment

- GOAL 1: No Poverty: 17%
- GOAL 2: Zero Hunger: 6%
- GOAL 3: Good Health and Well-being: 17%
- GOAL 4: Quality Education: 22%
- GOAL 5: Gender Equality: 22%
- GOAL 6: Affordable and Clean Energy: 11%
- GOAL 7: Decent Work and Economic Growth: 6%
- GOAL 8: Industry, Innovation and Infrastructure: 6%
- GOAL 9: Life on Land: 6%
- GOAL 10: Reduced Inequality: 17%
- GOAL 11: Sustainable Cities and Communities: 6%
- GOAL 12: Life Below Water: 6%
- GOAL 13: Climate Action: 17%
- GOAL 14: Life Below Water: 11%
- GOAL 15: Life on Land: 6%
- GOAL 16: Affordable and Clean Energy: 6%
- GOAL 17: Clean Water and Sanitation: 22%
- GOAL 18: Education: 22%
# EXISTING DESIGN FUNDING GRANTS

<table>
<thead>
<tr>
<th><strong>Total Impact Capital</strong></th>
<th><strong>The Nature Conservancy</strong></th>
<th><strong>Aligned Intermediary</strong></th>
<th><strong>ADM Capital</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>The <strong>Strengthening Health through Invoice Financing Technology</strong> (SHIFT) program in Kenya</td>
<td>Blue bond to finance debt conversions for <strong>conservation in island nations</strong></td>
<td>The Climate Finance Partnership’s <strong>private infrastructure equity fund</strong> for climate infrastructure projects.</td>
<td>Finance facility for <strong>renewable energy and livelihood</strong> projects in Indonesia</td>
</tr>
</tbody>
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<thead>
<tr>
<th><strong>Palladium</strong></th>
<th><strong>Coalition for Green Capital</strong></th>
<th><strong>Africa GreenCC</strong></th>
<th><strong>Women’s World Banking</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact bond to fund <strong>maternal and newborn health</strong> interventions in India</td>
<td>The developing world's first <strong>Green Bank</strong> – the Climate Finance Facility</td>
<td>An intermediary off-taker of <strong>renewable energy</strong> projects</td>
<td><strong>A fund to invest in women-focused financial services providers in emerging markets</strong></td>
</tr>
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<thead>
<tr>
<th><strong>Developing World Markets</strong></th>
<th><strong>ACELI Africa</strong></th>
<th><strong>Clean Energy WORKS</strong></th>
<th><strong>KOIS INVEST</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing <strong>water, sanitation, &amp; hygiene</strong> activities worldwide</td>
<td>Financing facility to unlock capital for <strong>agricultural SMEs in Africa</strong></td>
<td>Innovative financing solution to accelerate the <strong>electrification of global transit</strong></td>
<td>Impact bond to fund <strong>employment interventions</strong> for Syrian refugees in the Middle East</td>
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To see the full grant portfolio, go to [www.convergence.finance/design-funding](http://www.convergence.finance/design-funding)
INSIGHTS FROM CONVERGENCE’S DESIGN FUNDING PROGRAM AND LATEST REPORT

Key Questions:

What factors have contributed to the success of design funding recipients?

What are the primary barriers faced when bringing blended vehicles to market?

How can findings from grantees better equip blended finance practitioners to launch vehicles and support market-wide learnings?

Report available here
KEY LEARNINGS ACROSS THE DESIGN PROCESS INCLUDE:

- Engage with funders early in the design process to streamline structuring and avoid delays downstream.
- When transitioning from desk research to the field, feasibility studies can help to validate initial risk assumptions in the local context.
- New stand-alone blended finance structures are not always needed; seek partners where applicable.
- In the absence of market benchmarks, consider collecting data before structuring concessional capital in your financial model.
- Allocate time and resources to ensure structures fit the regulatory environment.
KEY LEARNINGS (CONTINUED):

- Intermediaries play a key role managing stakeholder engagement
- To accelerate the fundraising process and demonstrate credibility, it is helpful to partner with brand name anchor investors
- To simplify structuring and avoid delays, identify the non-negotiables of various parties early-on
- Build buffer time into the design process and manage launch expectation accordingly
KEY LEARNINGS (CONTINUED):

- Where possible, tap into the networks of existing institutions
- Establish a local presence
- Identify pipeline during structuring activities
KEY LEARNINGS (CONTINUED):

- To measure impact meaningfully, develop metrics and reporting practices alongside structuring activities
## INDO-PACIFIC DESIGN FUNDING WINDOW

<table>
<thead>
<tr>
<th><strong>Target Sector</strong></th>
<th>Climate and Gender Equity</th>
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| **Grants Types and Amounts** | Feasibility Study – Up to US$200k  
Proof of Concept – Up to US$350k |
| **Application Deadlines** | Rolling 4 months  
Upcoming deadline: July 20, 2021 |
**Target Sector**

Natural Capital

For example, solutions could be aimed at:
- Protecting biodiversity
- Reducing ecosystem degradation (e.g., deforestation)
- Mitigating and adapting to climate change
- Reducing unsustainable use of land and oceans
- Restoring and rehabilitating impaired terrestrial, coastal and aquatic ecosystems

...while providing a fair and sustainable living to local communities.

**Target Geography**

Asia

**Grants Types and Amounts**

- Feasibility Study - US$50k - US$200k
- Proof of Concept - US$200k - US$500k

**Application Deadlines**

- Rolling 4 months
- Upcoming deadline: September 24, 2021
Financing structures for natural capital in Asia are in a nascent phase

The need for support on financial structuring is evident

Multi-stakeholder approaches are critical
LEARN MORE

To learn more about the two design funding windows or to apply, please visit us: https://www.convergence.finance/design-funding
CONVERGENCE IS AN INDEPENDENT NON-PROFIT, WITH FUNDING FROM:

CONTACT US:

General inquiries: comms@convergence.finance
Membership: support@convergence.finance
Design Funding: design.funding@convergence.finance
Website: www.convergence.finance
Twitter: @ConvergenceBF
LinkedIn: Convergence Blended Finance
Prospective applicants fill in a short online questionnaire to provide basic information about their proposed vehicle.

Convergence requests all prospective applicants to discuss their vehicle over a conference call where initial guidance is provided.

Convergence requests draft written proposals 2+ weeks prior to the deadline and provides written feedback.

Final proposals submitted based on feedback from ongoing discussions and draft written proposals.

Management shortlists and conducts due diligence on the highest potential proposals.

Management recommends proposals to an external Funding Committee for review, discussion, and endorsement.

Funding Committee and Management recommend proposals to the Board for final approval.
## INDO-PACIFIC DESIGN FUNDING WINDOW

### EVALUATION CRITERIA

<table>
<thead>
<tr>
<th>Category</th>
<th>Evaluation Criteria</th>
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| **Scalability and/or replicability** | • How much private capital does the vehicle aim to catalyze?  
• If the vehicle is successful, can other practitioners use a similar approach?                                                                                                                                                                                                                      |
| **Demonstration effect** | • Is the vehicle testing a new design?  
• Is the vehicle replicating an existing approach in a new market?  
• Has the need for using a blended finance vehicle been demonstrated?  
• Is the vehicle attracting partners such as institutional investors that have not participated in the blended finance space before?                                                                                                                   |
| **Development Impact**  | • What is the intended social, economic, or environmental impact of the vehicle?  
• Who will be the ultimate beneficiaries of the vehicle and how will they benefit?                                                                                                                                                                                                         |
| **Gender considerations** | • How will gender considerations be incorporated into the vehicle’s design and operations?  
• What will be the gender impact of the vehicle?                                                                                                                                                                                                                                               |
| **Stakeholder support** | • Does the vehicle have the support of key stakeholders in the target region / country (e.g., government)?                                                                                                                                                                                                                                                   |
| **Additionality**      | • Does the vehicle aim to deploy financial instruments that are under-supplied and will therefore catalyze financing with a high degree of additionality?  
• Does the vehicle have strong potential to address a market failure in the short term, and catalyze broader market financing in the long term?                                                                                                           |
| **Likelihood to achieve financial close** | • Is the structure of the vehicle bankable/investable?  
• Is the vehicle likely to attract investors and close within the short or medium term?  
• Have investors been actively involved in the design of the vehicle?                                                                                                                                                                    |
ASIA NATURAL CAPITAL DESIGN FUNDING WINDOW

EVALUATION CRITERIA

Scalability and/or replicability
- How much private capital does the vehicle aim to catalyze?
- If the vehicle is successful, can other practitioners use a similar approach?
- Will the vehicle contribute to creating a pipeline of investable deals/projects in natural capital in Asia?

Demonstration effect
- Is the vehicle testing a new design?
- Is the vehicle replicating an existing approach in a new market?
- Is the vehicle attracting partners that have not participated in the blended finance space before?

Impact
- Does the vehicle propose to drive a significant amount of natural capital impact?
- Will the vehicle have a measurable impact on an ecosystem?
- How will environmental impact and risk be measured and will it have a scientific basis?
- Are there other social, economic, or environmental impacts of the vehicle?

Additionality
- Does the vehicle aim to deploy financial instruments that are under-supplied and will therefore catalyze financing with a high degree of additionality?
- Does the vehicle have strong potential to address a market failure in the short term, and catalyze broader market financing in the long term?

Stakeholder support
- Does the vehicle have the support of key stakeholders in the target region / country (e.g., government)?

Likelihood to achieve financial close
- Is the vehicle likely to attract investors and close within the short or medium term?

Contributions to portfolio and development risk-return
- Does the vehicle represent a strong development risk-return (i.e., high risk vehicles should have the potential to achieve significant natural capital impact)?

Field Building
- Does the vehicle contribute to field building?
- Does it contribute to building local capacity and strengthening breadth and depth of local markets and communities?
- Does the applicant have a strong local presence in Asia?