



Scene Setter:

Design Grant Funding to accelerate Capital Mobilization
into Climate Action - Lessons Learned.

ACEF 2021
SESSION 2.2

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www.convergence.finance

SPEAKER



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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

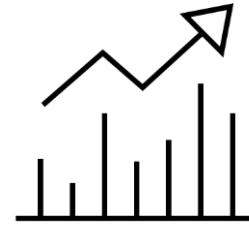
WHAT IS CONVERGENCE?

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



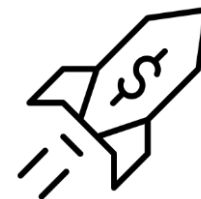
DATA & INTELLIGENCE

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.

MacArthur
Foundation

Australian Government
Department of Foreign Affairs and Trade

CREDIT SUISSE



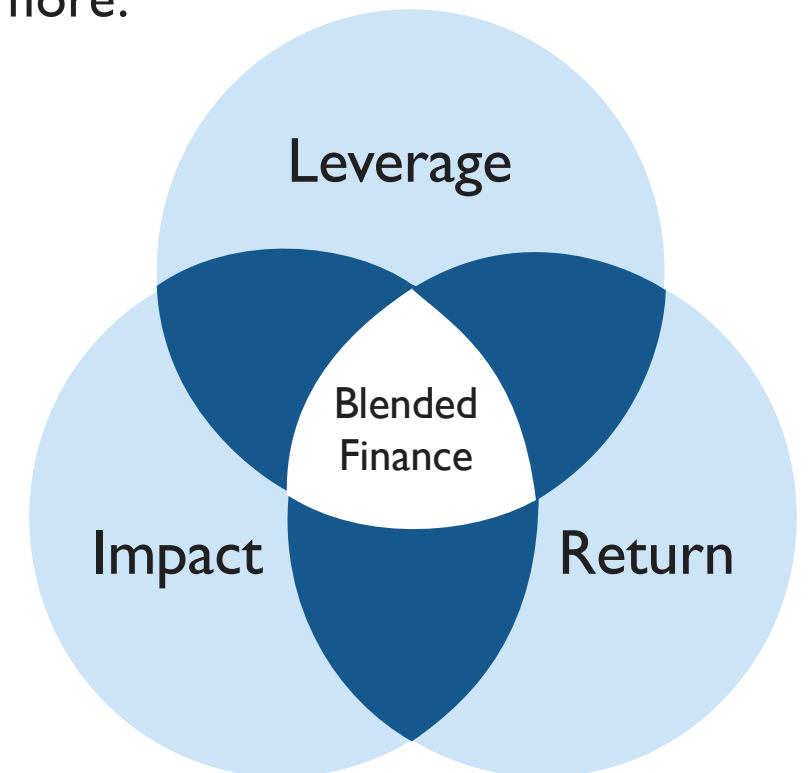
CONVERGENCE

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 Affairs
Canada

Global Emerging Markets

2016 | CAD 10M
All SDGs



Australian Government
Department of Foreign Affairs and Trade

Indo-Pacific

2019 | AUD 3.5M
Climate Finance & Gender Equality



Asia Natural Capital

2019 | USD 3M
Nature-based Solutions

GRANTS AWARDED

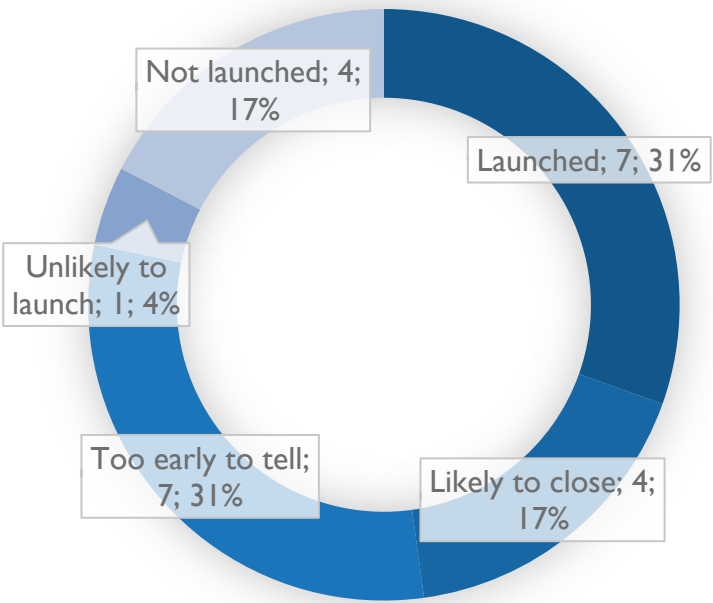
US\$7M+

SOLUTIONS SUPPORTED

23

CAPITAL MOBILIZED

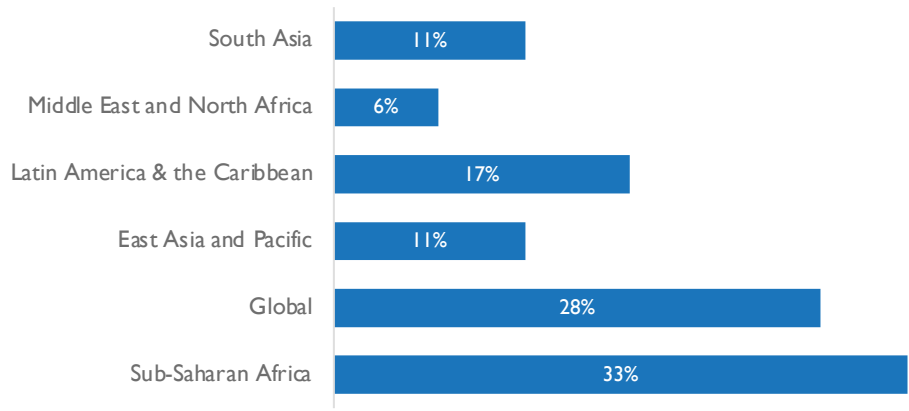
US\$650M+



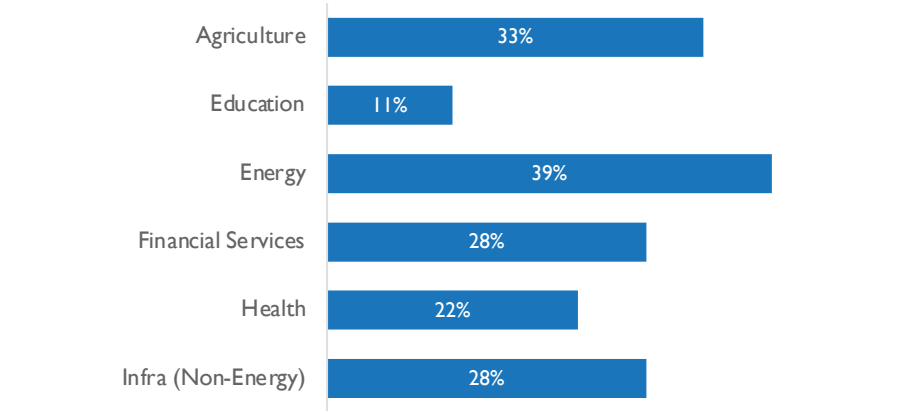
LAUNCH STATUS

GAC GLOBAL EMERGING MARKETS PORTFOLIO SNAPSHOT

REGION



SECTOR



SOLUTIONS SUPPORTED

18

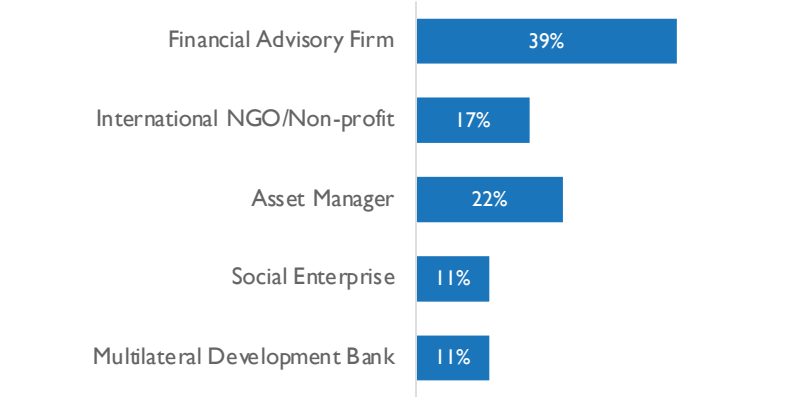
FUNDING AWARDED

US\$6M+

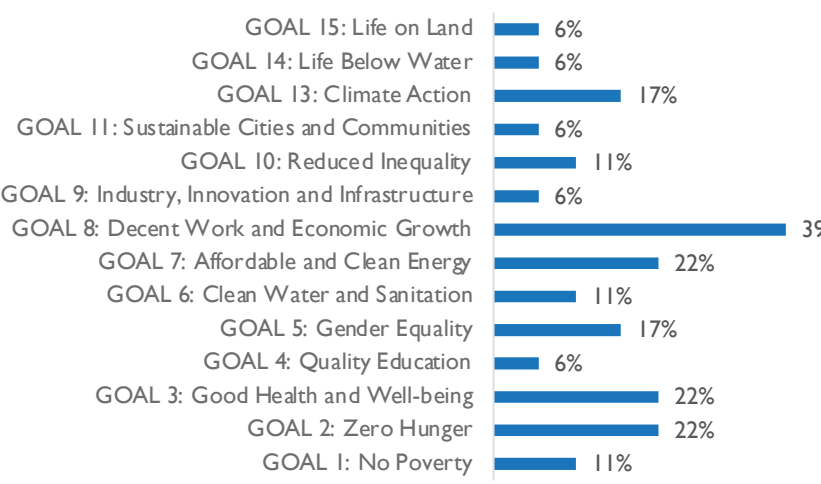
CAPITAL MOBILIZED

US\$650M+

GRANTEE TYPE



SDG ALIGNMENT



EXISTING DESIGN FUNDING GRANTS



The [Strengthening Health through Invoice Financing Technology](#) (SHIFT) program in Kenya



Blue bond to finance debt conversions for [conservation in island nations](#)



The Climate Finance Partnership's [private infrastructure equity fund](#) for climate infrastructure projects.



Finance facility for [renewable energy and livelihood](#) projects in Indonesia



Impact bond to fund [maternal and newborn health](#) interventions in India



The developing world's first [Green Bank](#) – the Climate Finance Facility



An intermediary off-taker of [renewable energy](#) projects



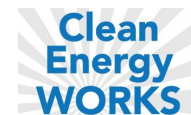
Women's World Banking
A fund to invest in [women-focused financial services](#) providers in emerging markets



Financing [water, sanitation, & hygiene](#) activities worldwide



Financing facility to unlock capital for [agricultural SMEs in Africa](#)



Innovative financing solution to accelerate the [electrification of global transit](#)



Impact bond to fund [employment interventions](#) for Syrian refugees in the Middle East

To see the full grant portfolio, go to 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



Australian Government

Department of Foreign Affairs and Trade

Target Sector	Climate and Gender Equity
Target Geographies	Afghanistan, Bangladesh, Cambodia, Indonesia, Laos, Mongolia, Myanmar, Nepal, Pacific Nations (Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Republic of Palau, Republic of the Marshall Islands, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu), Pakistan, Philippines, Timor-Leste, Vietnam and Sri Lanka.
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

ASIA NATURAL CAPITAL DESIGN FUNDING WINDOW

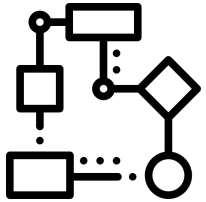


Target Sector	<p>Natural Capital</p> <p>For example, solutions could be aimed at:</p> <ul style="list-style-type: none">• Protecting biodiversity• Reducing ecosystem degradation (e.g., deforestation)• Mitigating and adapting to climate change• Reducing unsustainable use of land and oceans• Restoring and rehabilitating impaired terrestrial, coastal and aquatic ecosystems <p>...while providing a fair and sustainable living to local communities.</p>
Target Geography	<p>Asia</p>
Grants Types and Amounts	<p>Feasibility Study - US\$50k - US\$200k</p> <p>Proof of Concept - US\$200k - US\$500k</p>
Application Deadlines	<p>Rolling 4 months</p> <p>Upcoming deadline: September 24, 2021</p>

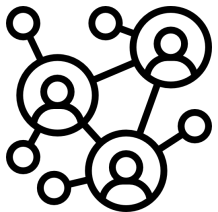
NATURAL CAPITAL: REFLECTIONS FROM EARLY DAYS



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>



Australian Government

Department of Foreign Affairs and Trade

[INDO-PACIFIC DESIGN FUNDING
WINDOW](#)



[ASIA NATURAL CAPITAL DESIGN
FUNDING WINDOW](#)



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Australian Government

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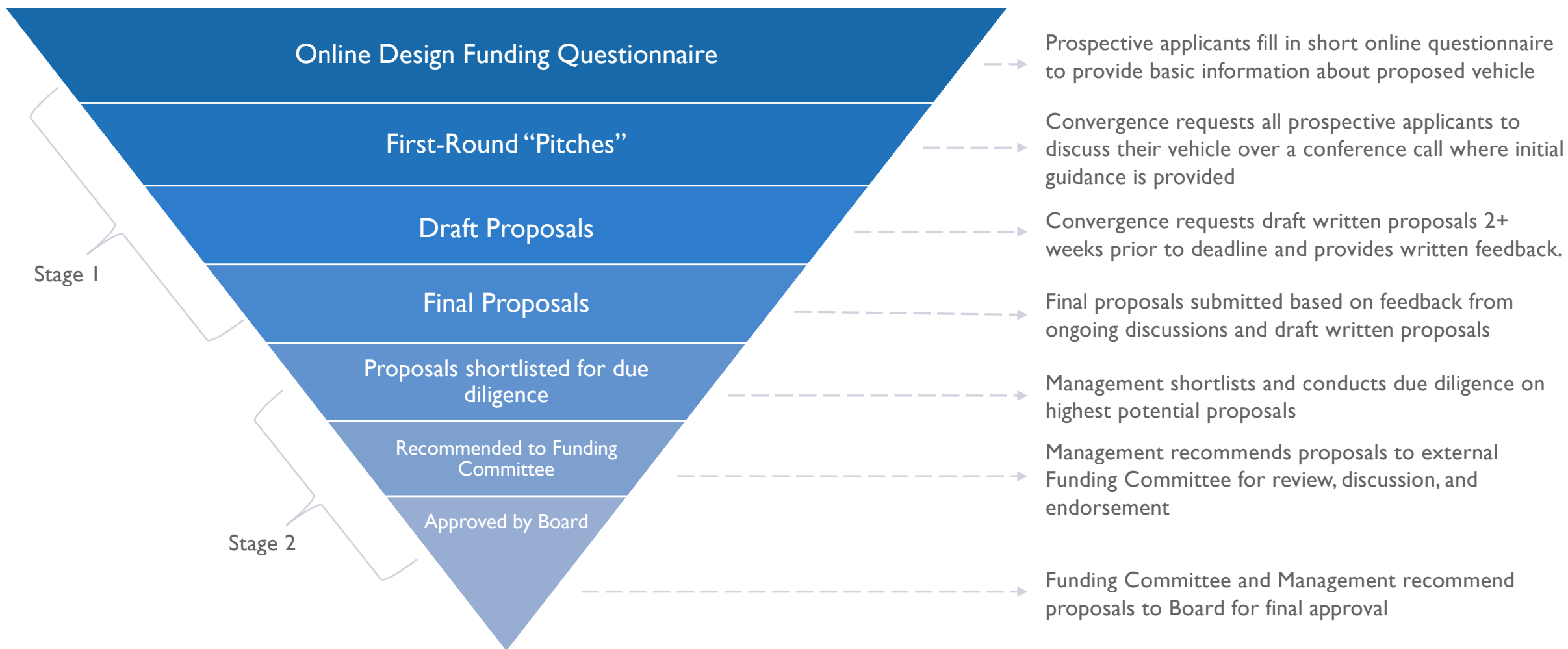
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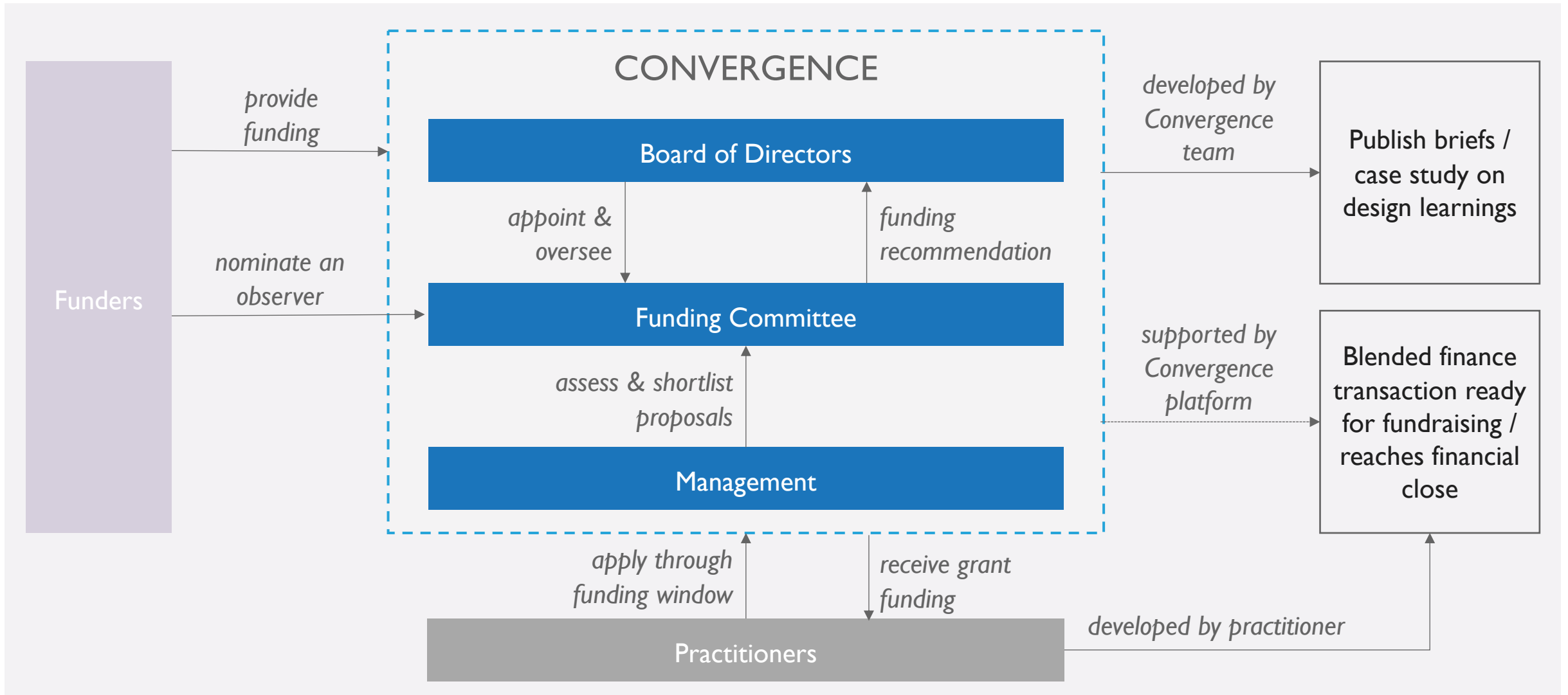


APPENDICES

GRANT APPLICATION PROCESS



DESIGN FUNDING PROGRAM STRUCTURE



INDO-PACIFIC 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?

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?