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.
WHAT IS BLENDED FINANCE?

Private investment is crucial to close the $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. Expected positive financial return
2. Contribute towards achieving the SDGs (not every participant needs to have that development objective)
3. Public or philanthropic parties are catalytic (improve the risk/return profile to attract participation from the private sector)
### MOST PREVALENT ARCHETYPES OF DEVELOPMENT CAPITAL / CONCESSIONAL FUNDS IN BLENDED FINANCE TRANSACTIONS (1/2)

<table>
<thead>
<tr>
<th>CONCESSIONAL DEBT OR EQUITY</th>
<th>GUARANTEE OR INSURANCE</th>
<th>DESIGN / PREPARATION FUNDING GRANT</th>
</tr>
</thead>
</table>
| • Public or philanthropic investors concessional within capital structure; bear non-market risk-return  
• Subordinate, junior less-commercial terms compared to private sector and MDB/DFI co-investors | • Risk reduction tools protecting investors against loss of capital  
• Helps to narrow gap between real and perceived risk  
• Can cover all risks or a sub-set | • Grant funding supporting costs and activities that lead to bankability and investability of projects  
• Typically provided by those with a higher risk tolerance (eg: foundations) |

#### CAPITAL STRUCTURE

- Senior Debt
- Flexible Debt
- Equity
- Junior Equity

#### CAPITAL STRUCTURE

- Senior Debt
- Guarantee or Insurance
- Equity

#### CAPITAL STRUCTURE

- Senior Debt
- Grant
- Equity
**TECHNICAL ASSISTANCE FUNDS**

- Funding to supplement the capacity of investees
- Aim is to maximize quality of project implementation

**GRANT FOR PROJECT COST SUPPORT**

- Used to reduce total investment required or support economics / financing of project
- Deployed upfront (capital grant) or as ongoing payments (smart subsidies)
- Examples include viability gap funding and interest rate subsidies

**RESULTS BASED FINANCING**

- Ties payment to achievement of pre-agreed measurable outputs and outcomes
- Donors pay for outputs and not inputs (the latter typical for grants)
- Examples include Development & Social Impact Bonds

**CAPITAL STRUCTURE**

- Senior Debt
- Equity

**TA FACILITY**

- Grants

**Proven Outputs / Outcomes**

**Payments**
BLENDED FINANCE TRENDS: OVERALL MARKET

$127B+
mobilized to-date

3,300+
financial commitments

1,000+
investors

Source: Convergence Historical Data. Note: Data snapshot as of 08 April 2019.
Global deals: 16%

LAC 18%

South Asia 16%

East Asia + Pacific 12%

Europe + Central Asia 4%

MENA 14%

Lower-Middle Income 55%

Upper-Middle Income 26%

Low Income 27%

High Income 5%

Source: Convergence Historical Data. Note: Data snapshot as of 08 April 2019. Convergence tracks country data by stated countries of focus at the time of financial close, not actual investment flows. Often, countries of eligibility are broader than those explicitly stated.
BUT WHAT IS THE ACTIVITY IN AFRICA? (1/2)

**Deal Size Distribution**

<table>
<thead>
<tr>
<th>Size Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5M</td>
<td>4%</td>
</tr>
<tr>
<td>5-10M</td>
<td>8%</td>
</tr>
<tr>
<td>10-25M</td>
<td>17%</td>
</tr>
<tr>
<td>25-50M</td>
<td>16%</td>
</tr>
<tr>
<td>50-100M</td>
<td>17%</td>
</tr>
<tr>
<td>100-250M</td>
<td>18%</td>
</tr>
<tr>
<td>250-500M</td>
<td>8%</td>
</tr>
<tr>
<td>500-1,000M</td>
<td>5%</td>
</tr>
<tr>
<td>&gt;1,000M</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Sectors with most deal activity**

- **Energy**: 124
- **Financial Services**: 110
- **General**: 81
- **Agriculture**: 60
- **Infrastructure (Non-Energy)**: 52
- **Health**: 30
- **Education**: 13
- **Housing and Real Estate**: 8
- **Industry and Trade**: 6
- **Other**: 4

**Financial Vehicle Summary**

- **Fund**: 47%
- **Project**: 24%
- **Company**: 16%
- **Facility**: 8%
- **Bond / note**: 4%

**Average Deal size per sector**

- **Climate Change, Environment, and Energy**: $456m
- **Health and Education**: $302m
- **Economic Development and Inclusive Growth**: $277m
- **Good Governance and Responsible Investing**: $197m
- **Human Rights and Well-Being**: $137m
- **SME Finance**: $103m
- **Gender**: $103m
- **Food Security**: 65m
- **Water, Sanitation, and Hygiene**: 43m

*Source: Convergence*
BUT WHAT IS THE ACTIVITY IN AFRICA?(2/2)

Most common blended finance structures

- Concessional Debt or Equity: 26%
- Technical Assistance Funds: 44%
- Guarantee or Risk Insurance: 10%
- Design/Preparation Funding: 20%

Source: Convergence
Last Updated: June 3rd, 2019 at 11:27 AM

Blended Finance Prevalence by Country

- Kenya: 71%
- India: 62%
- Uganda: 48%
- Tanzania: 46%
- Ghana: 40%
- Nigeria: 39%
- Mexico: 33%
- Rwanda: 31%
- Cote d'Ivoire: 23%
- South Africa: 23%

Source: Convergence
Last Updated: June 3rd, 2019 at 11:27 AM

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HEADWINDS SO FAR ENCOUNTERED WITHIN THE AFRICAN NARRATIVE

- Market participants have not fully embraced blended finance due to a lack of awareness, non-standard definition, and limited financial structuring experience. A number of challenges constrain the wide adoption of blended finance.

- Knowledge gap hence the need of upskilling
- Regulatory constraints in terms of investing in alternative assets
- Distinct mandates and paucity in bankable/investable deals
BRINGING NDBs INTO THE FOLD

From a short term perspective:
1. Upskilling employees
2. Partnering with established regional DFIs in order to bring comfort to private investors

A long term perspective
1. Restructuring ones shareholding and introducing governments which are likely to increase ones credit rating. (e.g.) TDB during their restructuring brought in JSC Development Bank of the Republic of Belarus and People Bank of China into their shareholding hence elevating their credit rating.

Effect will be the ability to raise relatively cheaper money at longer tenors.