



Australian Government

Department of Foreign Affairs and Trade

Blended Finance Workshop

Melbourne – 3rd October 2024

DFAT.GOV



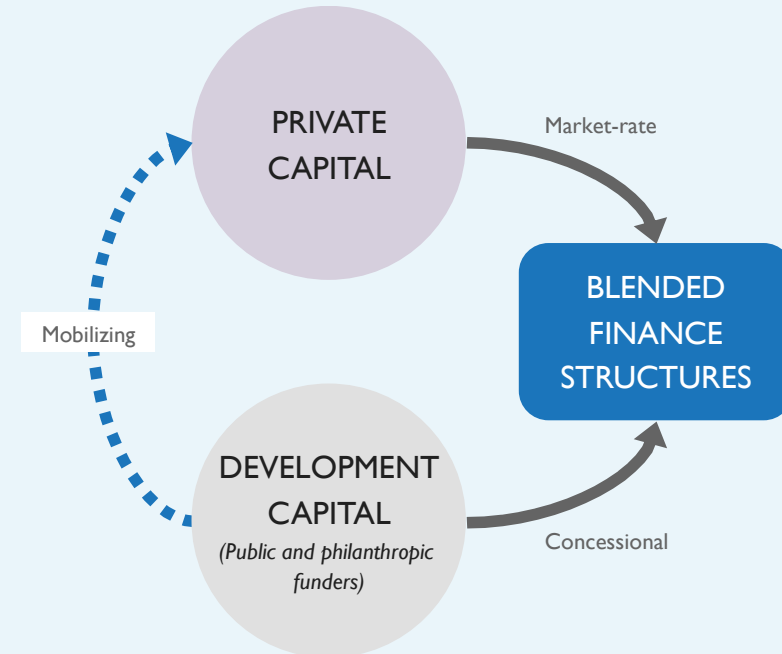
BLENDING FINANCE FOR FOUNDATIONS

www.convergence.finance

DEFINING BLENDED FINANCE

- Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investment in developing countries.
- Blended finance is a structuring approach that allows different types of capital to invest alongside each other while achieving their own objectives (financial, social or a blend)
- Blended finance is not an investment approach, and is therefore different than impact investing

Putting the SDG Funding Gap in Perspective



MAIN ARCHETYPES AND INSTRUMENTS USED IN BLENDED FINANCE

CONCESSIONAL DEBT OR EQUITY	GUARANTEE OR RISK-INSURANCE	DESIGN / PREPARATION FUNDING	TECHNICAL ASSISTANCE FUNDS
<ul style="list-style-type: none"> Public or philanthropic investors are concessional within the capital structure Subordinate and/or junior terms compared to co-investors <div data-bbox="114 749 631 1235"> <p>CAPITAL STRUCTURE</p> <ul style="list-style-type: none"> Senior Debt Flexible Debt Equity Junior Equity </div>	<ul style="list-style-type: none"> Risk reduction tools that protect investors against capital losses Can be event specific as in the case of credit or political risk insurance <div data-bbox="713 749 1230 1235"> <p>CAPITAL STRUCTURE</p> <ul style="list-style-type: none"> Guarantee Equity Senior Debt </div>	<ul style="list-style-type: none"> Grant funding that supports costs and activities that lead to bankability of projects <div data-bbox="1312 749 1829 1235"> <p>CAPITAL STRUCTURE</p> <ul style="list-style-type: none"> Grants Equity Senior Debt </div>	<ul style="list-style-type: none"> Funds to supplement the capacity of investees <div data-bbox="1916 731 2433 1235"> <p>CAPITAL STRUCTURE</p> <ul style="list-style-type: none"> Senior Debt Equity <p>TA FACILITY</p> <ul style="list-style-type: none"> Grants </div>

BLENDING FINANCE REQUIRES THE CONFLUENCE OF VARIOUS STAKEHOLDER GROUPS

DEVELOPMENT AGENCIES

Global Affairs Canada

AFD

Sida

Foreign & Commonwealth Office

JICA

Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

MULTILATERAL DEVELOPMENT BANKS AND NATIONAL DEVELOPMENT FINANCE INSTITUTIONS

IFC

African Development Bank

European Investment Bank
The EIB bank

FinDev Canada

ADB

FMO
Entrepreneurial Development Bank

PRIVATE INVESTORS

Allianz

SOCIETE GENERALE

BNP PARIBAS

UBS

Deutsche Bank

JPMORGAN CHASE & CO.

PHILANTHROPIC FOUNDATIONS

BILL & MELINDA GATES foundation

MacArthur Foundation

The ROCKEFELLER FOUNDATION

OMIDYAR NETWORK

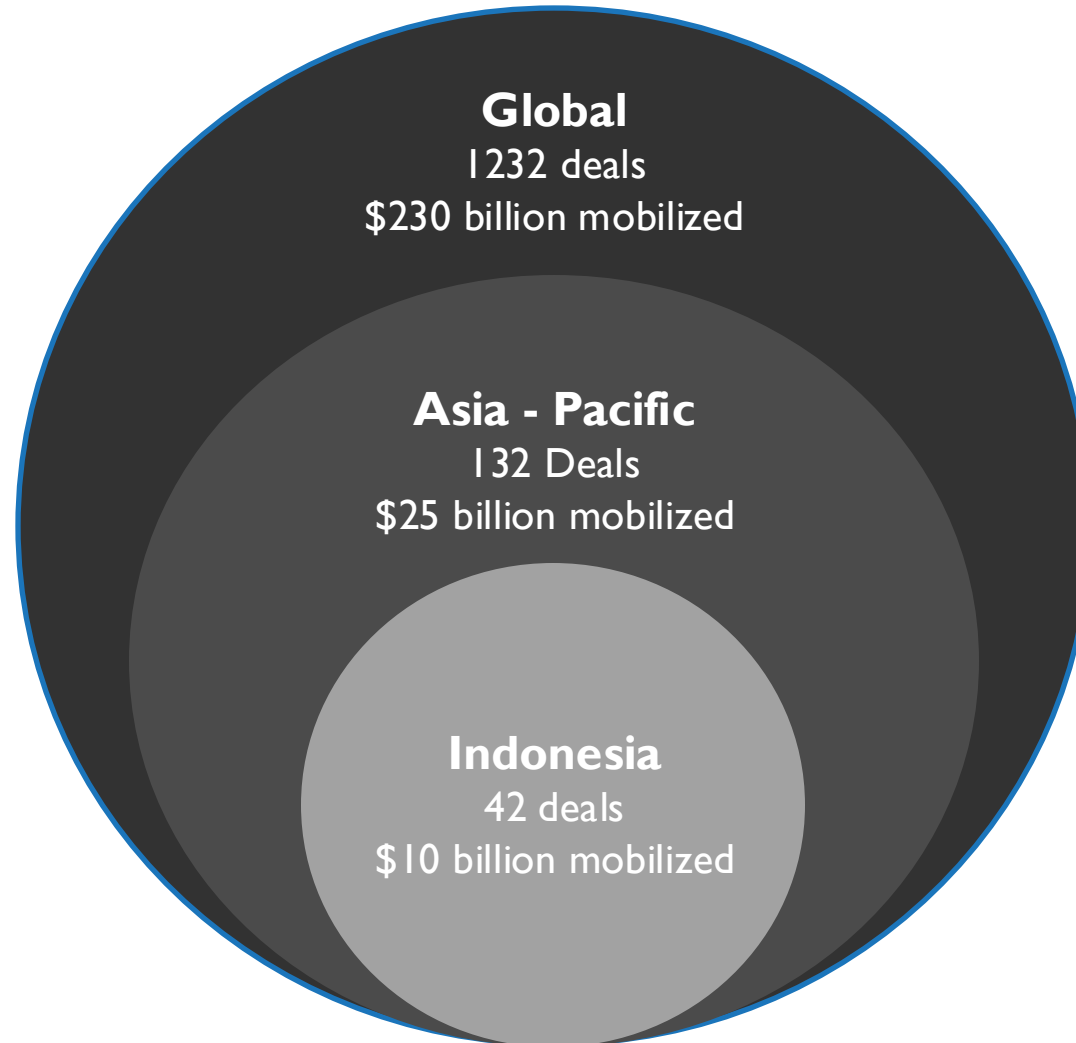
UBS Optimus Foundation

UBS



ASIA-PACIFIC TRENDS

MARKET OVERVIEW



MARKET GROWTH: GLOBAL ANDEAST ASIA-PACIFIC

132

Total number of **closed blended finance deals** targeting South East Asia and **42** deals targeting Indonesia

US\$ ~25 billion

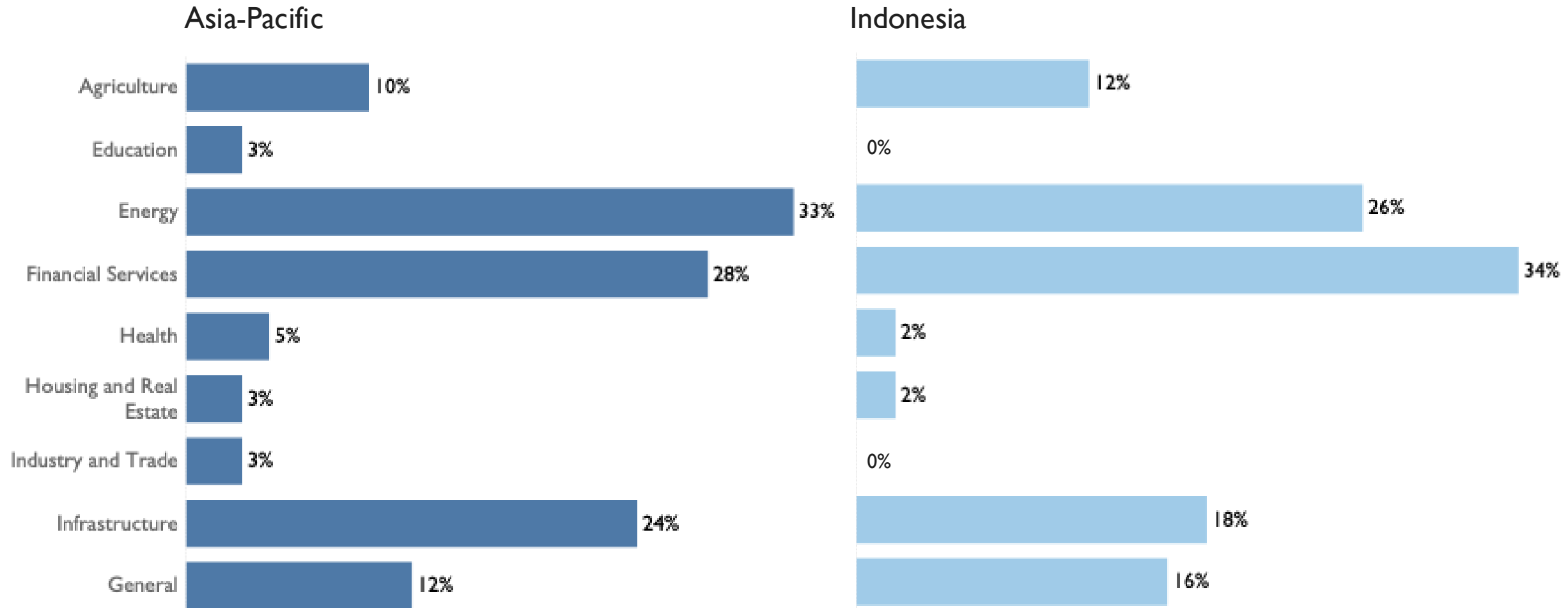
Total aggregate financing towards blended finance in Asia and **\$10 billion** towards Indonesia

800+

Financial commitments in the region and **400+** in Indonesia



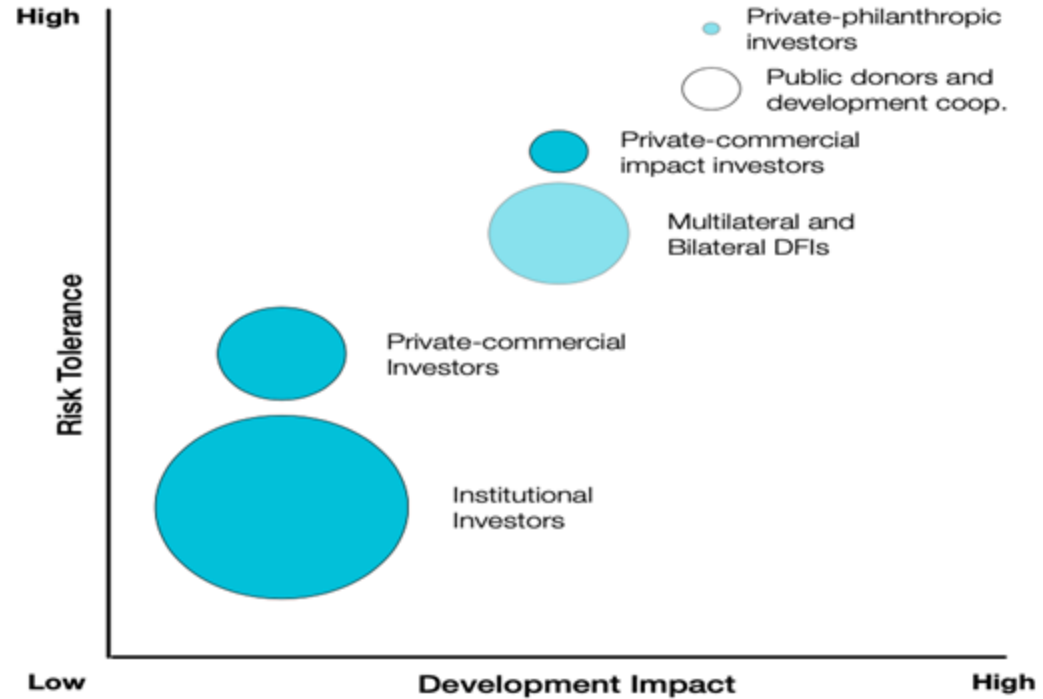
DEALS TARGETING ENERGY AND FINANCIAL SERVICES SECTORS ARE MOST COMMON IN THE REGION





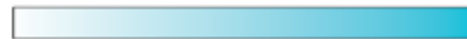
FOUNDATIONS OVERVIEW

ILLUSTRATIVE BLENDED FINANCE RISK-RETURN & IMPACT MAPPING OF STAKEHOLDERS



Legend

- () illustrative relative size of assets under management
- Return expectation:



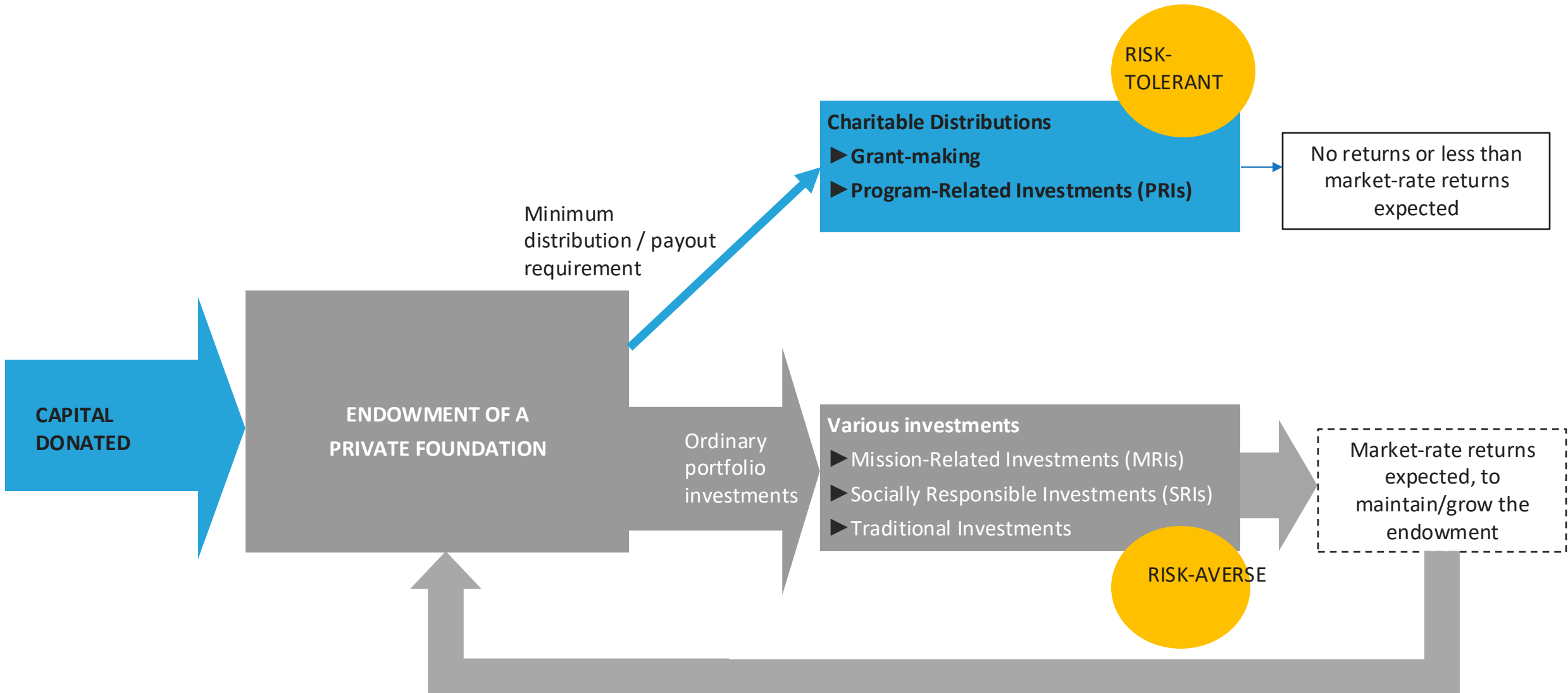
None → Commercial

FOUNDATIONS vs I/NGOS

- In the philanthropic sector, while foundations and I/NGOs both participate in blended finance transactions
 - Foundations participate as investors
 - I/NGOs participate through project/pipeline development, as deal sponsors or implementors



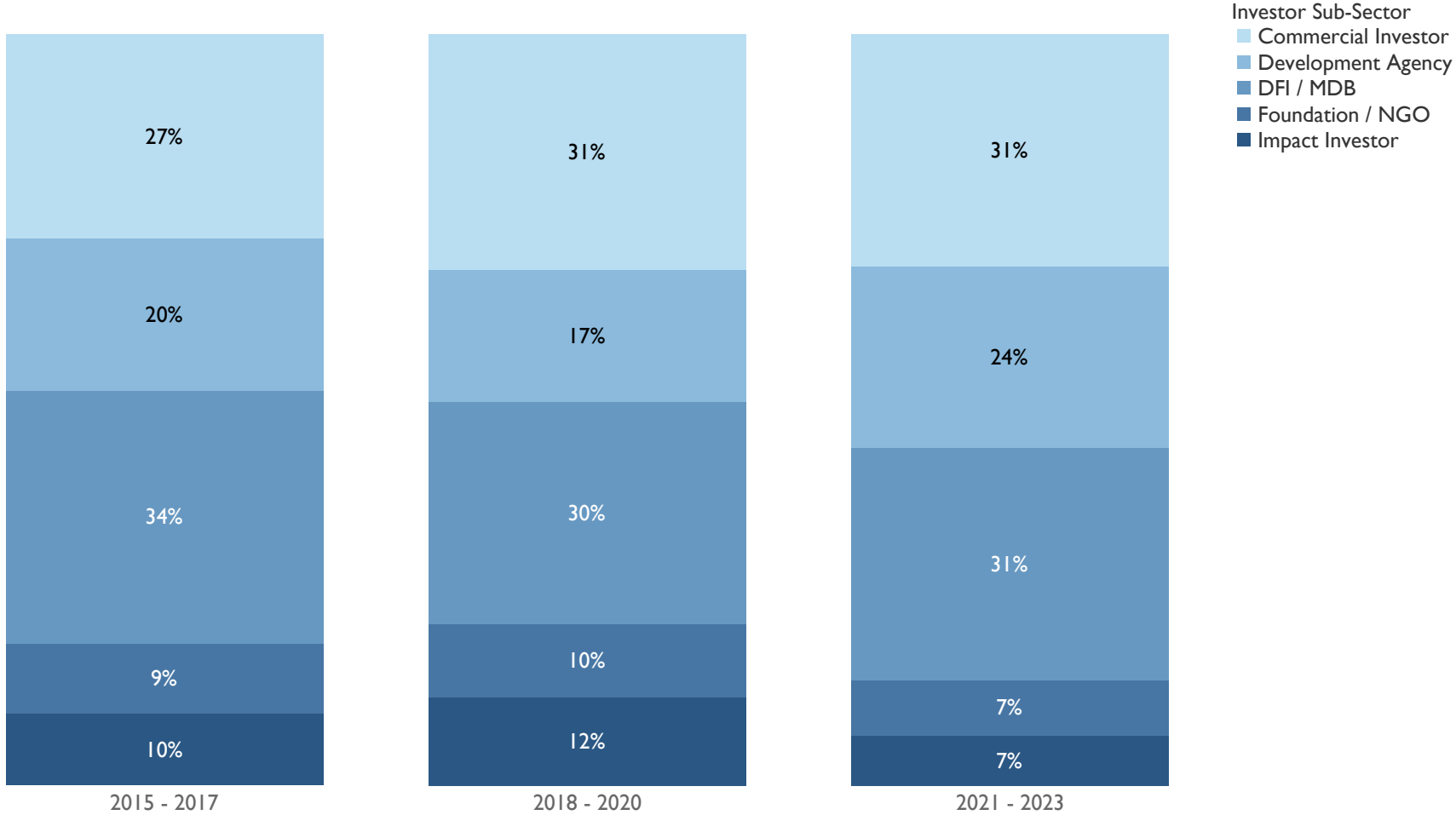
TYPICAL STRUCTURE OF A FOUNDATION





PHILANTHROPIC FOUNDATIONS
TRENDS IN BLENDED FINANCE

FOUNDATIONS/NGOS REMAIN UNDERREPRESENTED IN BLENDED FINANCE TRANSACTIONS (7-10%)



Percent of financial commitments

Source: Convergence Historical Deals Database

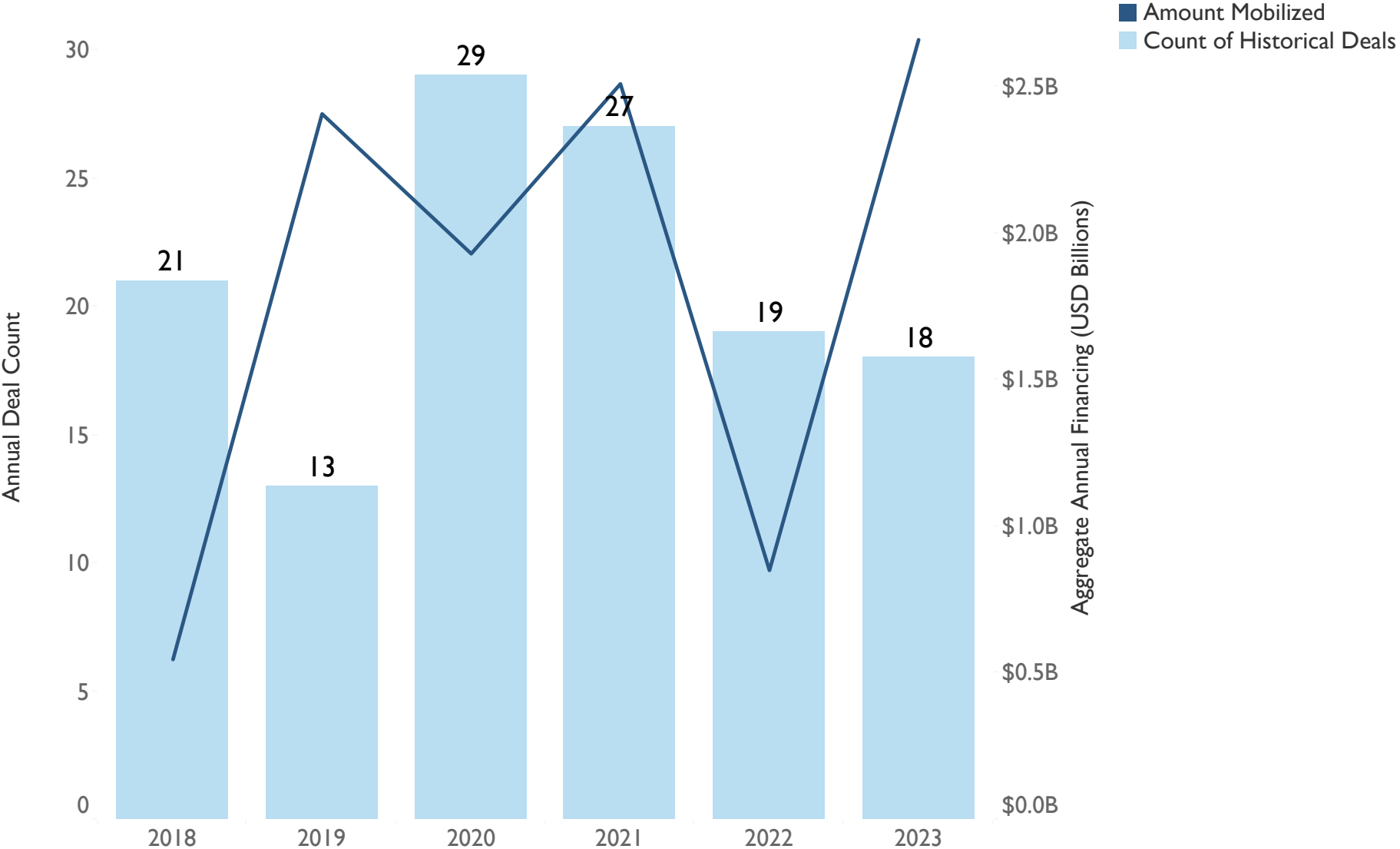
FOUNDATIONS IN THE OVERALL BLENDED FINANCE MARKET

US \$31B

mobilized to-date

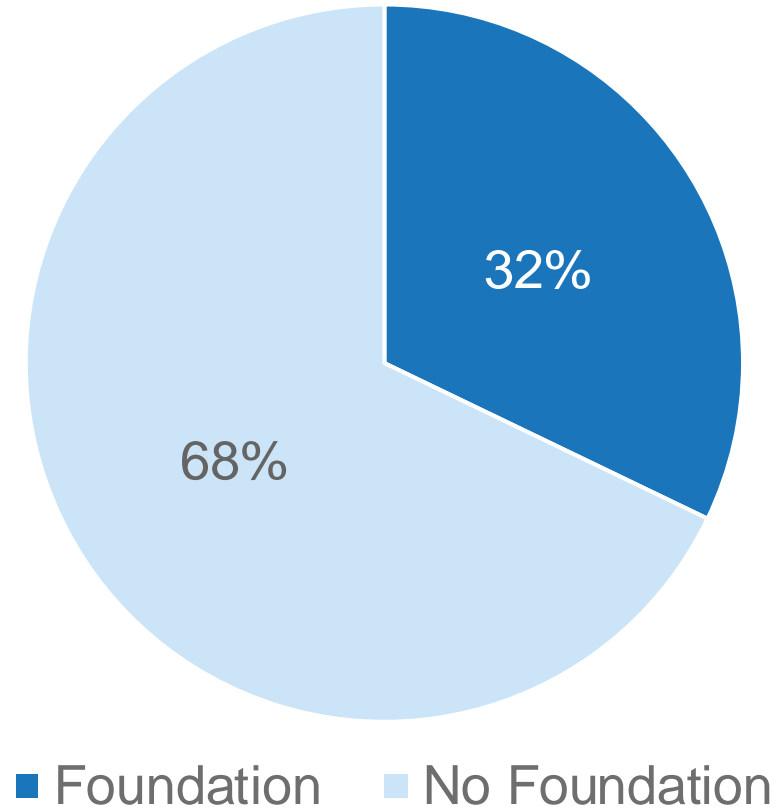
302

deals



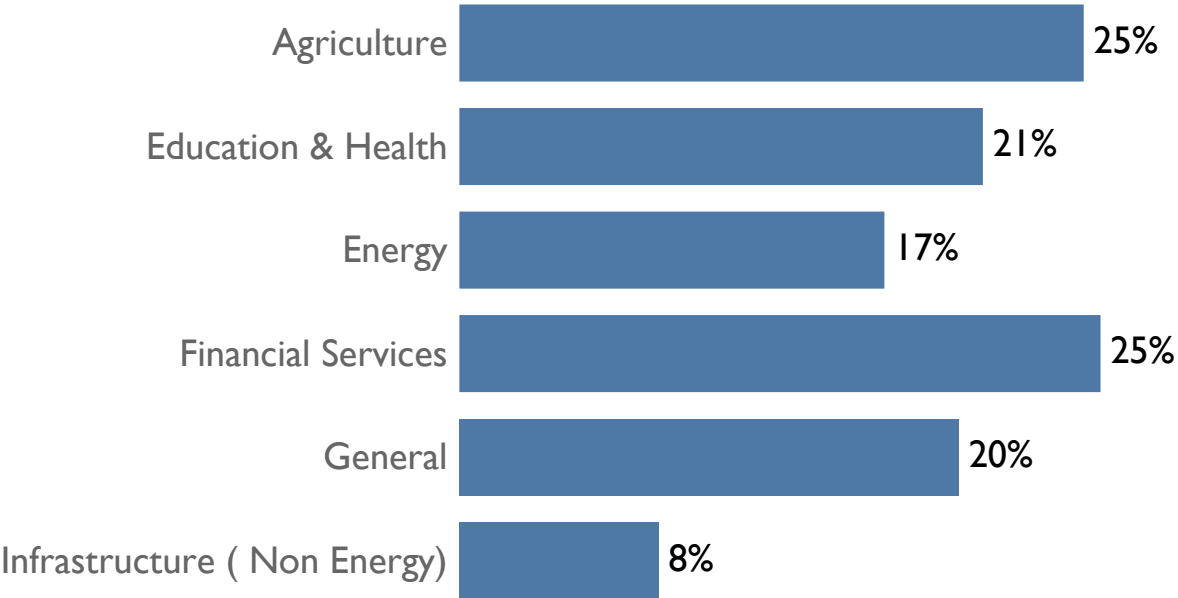
Source: Convergence Historical Deals Database

% OF BLENDED FINANCE DEALS WITH PARTICIPATION FROM ONE OR MORE FOUNDATIONS

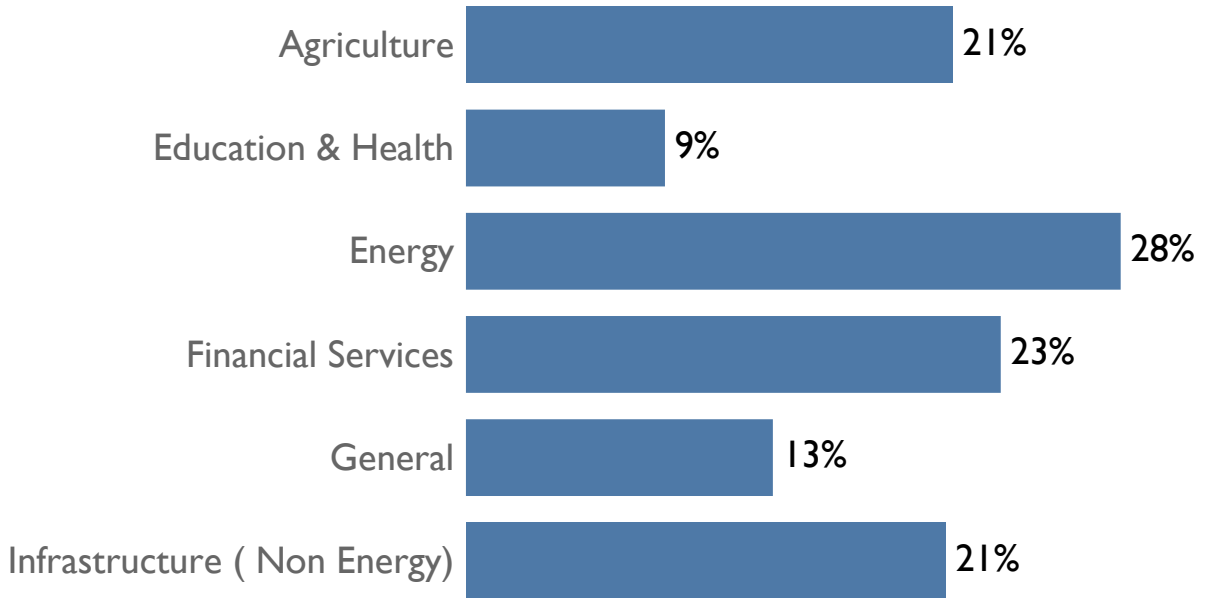


FOUNDATIONS ARE MORE LIKELY TO SUPPORT SOCIAL SECTORS, SMES AND AGRICULTURE

FOUNDATIONS



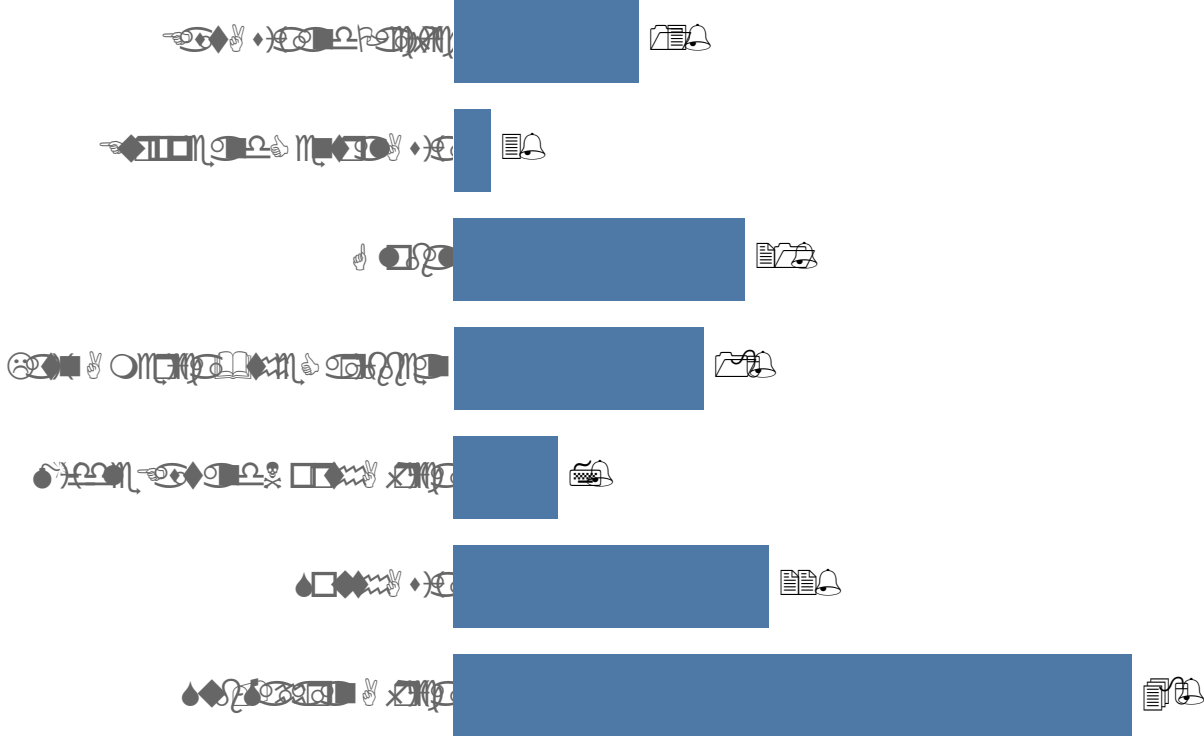
ALL INVESTORS



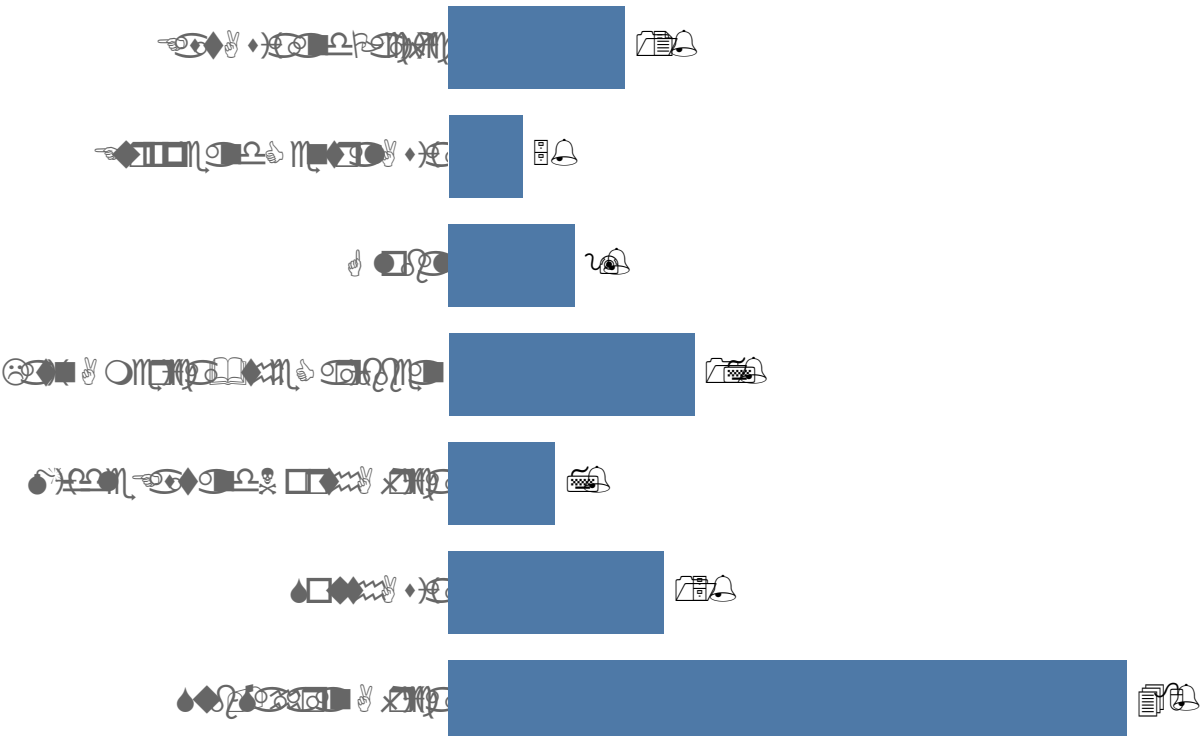
Source: Convergence Historical Deals Database

FOUNDATIONS MOST COMMONLY FUND TRANSACTIONS IN SSA, REGIONAL PARTICIPATION FOLLOWS MARKET TRENDS

FOUNDATIONS



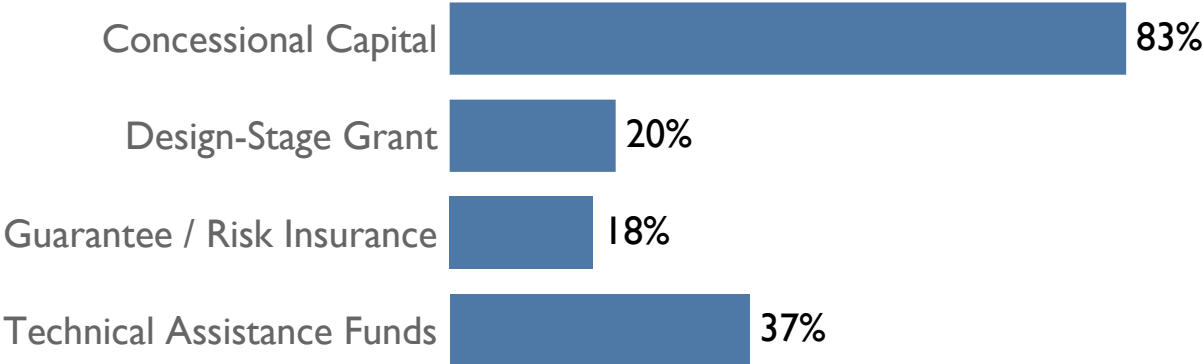
ALL INVESTORS



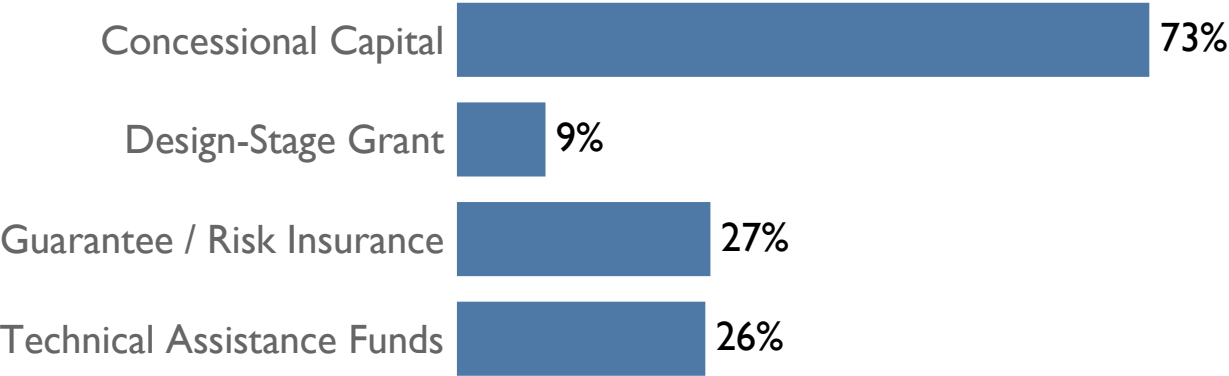
Source: Convergence Historical Deals Database

BLENDING FINANCE ARCHETYPES: CONCESSIONAL FUNDING VIA GRANTS AND PRI

FOUNDATIONS

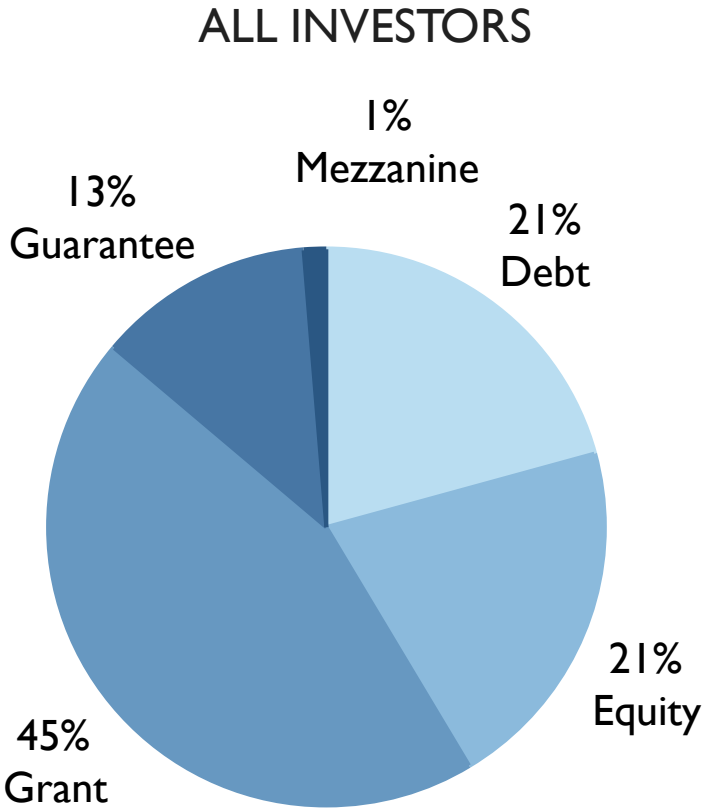
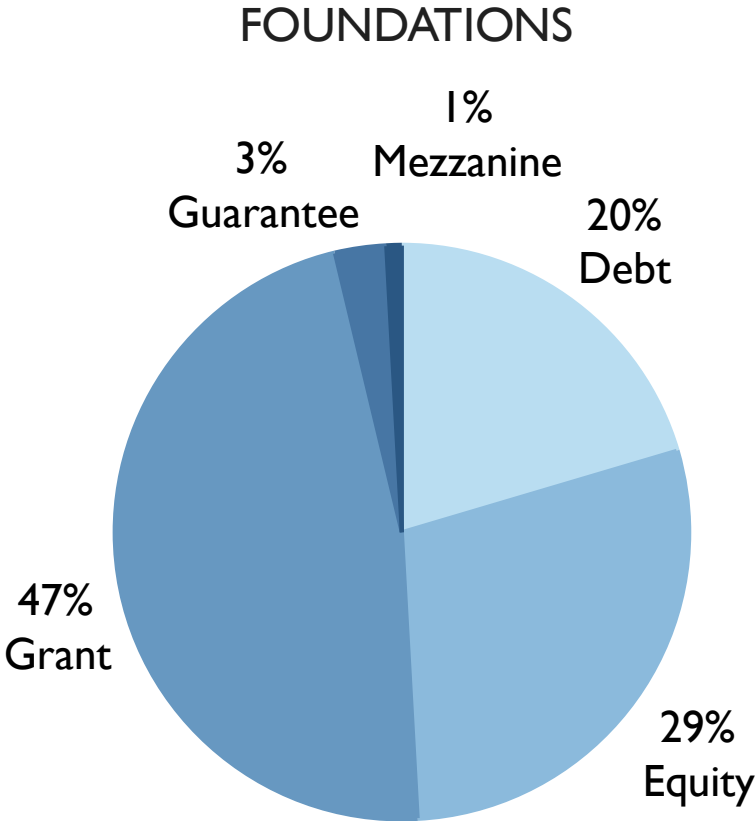


ALL INVESTORS



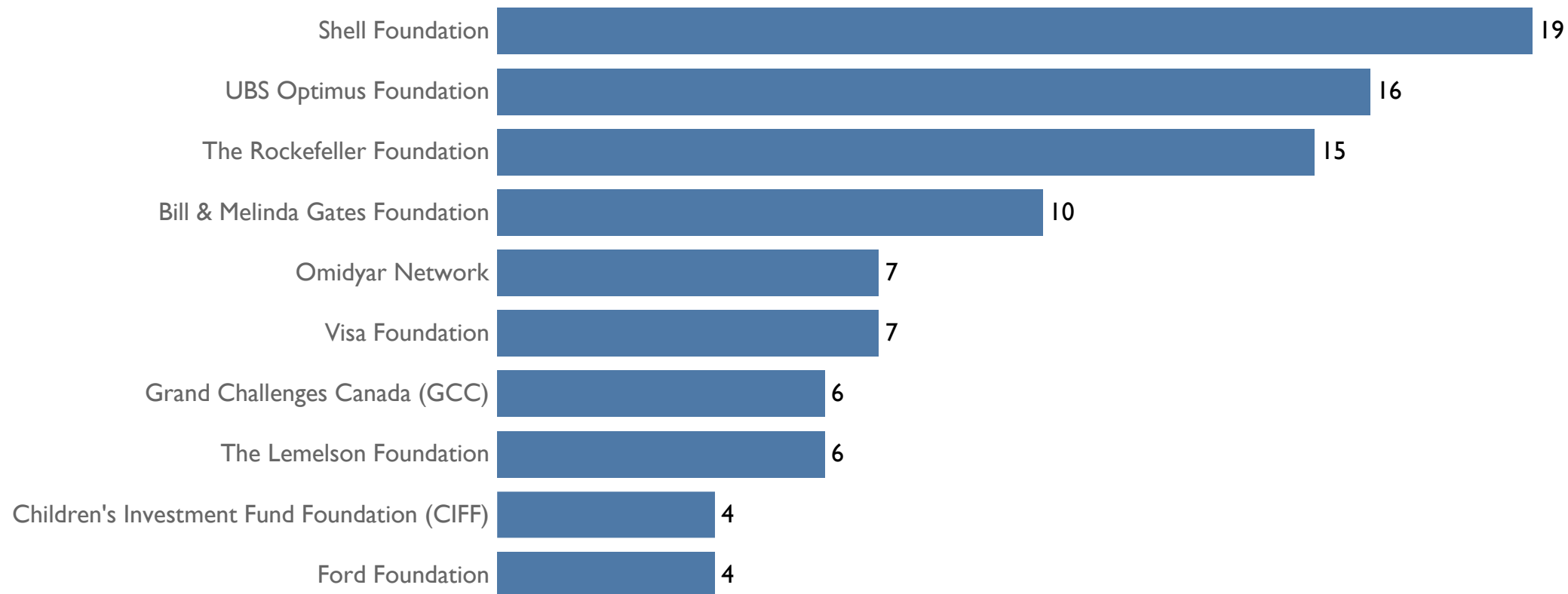
Source: Convergence Historical Deals Database

GRANTS CONTINUE TO BE THE DOMINANT INSTRUMENT, BUT CONCESSIONAL EQUITY HAS BECOME A CORE INSTRUMENT USED BY FOUNDATIONS



Source: Convergence Historical Deals Database

FOUNDATIONS/NGOS LEAGUE TABLES (2018 – 2023)



Source: Convergence Historical Deals Database



INSIGHTS AND RECOMMENDATIONS

MAIN OBSERVATIONS ON FOUNDATIONS AND BLENDED FINANCE

- Foundations are underrepresented in blended finance relative to other concessional capital providers; opportunity to increase their participation
- Foundations have more flexibility and lower return expectations compared to other concessional capital providers
- Foundations can play an especially important role as seed funders and supporters of innovative and pilot transactions
- To date, foundations have not strategically collaborated with the development finance community; scope for more coordinated interaction
- Foundations have a long history of investing in impact; the opportunity to exchange learnings on impact tracking and investing.



QUESTIONS






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