



NET ZERO ASSET OWNERS ALLIANCE

WORKSHOP

JANUARY 26, 2022

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AGENDA & OVERVIEW (CET)

10:00am	Welcome Remarks	Elke Pfeiffer, UN PRI and Alliance
10:01	Summary of Convergence and Blended Finance	Chris Clubb, Convergence
10:05	Collaboration Agreement: Convergence & Net-Zero Alliance	Chris Clubb, Convergence
10:10	Q & A	All
10:15	Demonstration of Convergence Investment Platform and web-based functions	Olive Munene, Convergence
10:30	How each Alliance member can sign up for access to Convergence Investment Platform and services	Olive Munene, Convergence
10:35	Q & A	All
10:45	Next steps in Collaboration	Chris Clubb, Convergence
10:50	Wrap up	Elke Pfeiffer and Eliya Devay

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.

THREE AREAS OF FOCUS:

- Help build effective and efficient blended finance market
- Support successful fund raise of blended finance vehicles/transactions to increase SDG and Climate investment
- Developing Countries (Emerging Markets & Frontier Markets)



A GLOBAL NETWORK

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



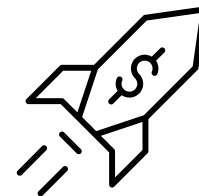
DATA & INTELLIGENCE

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.

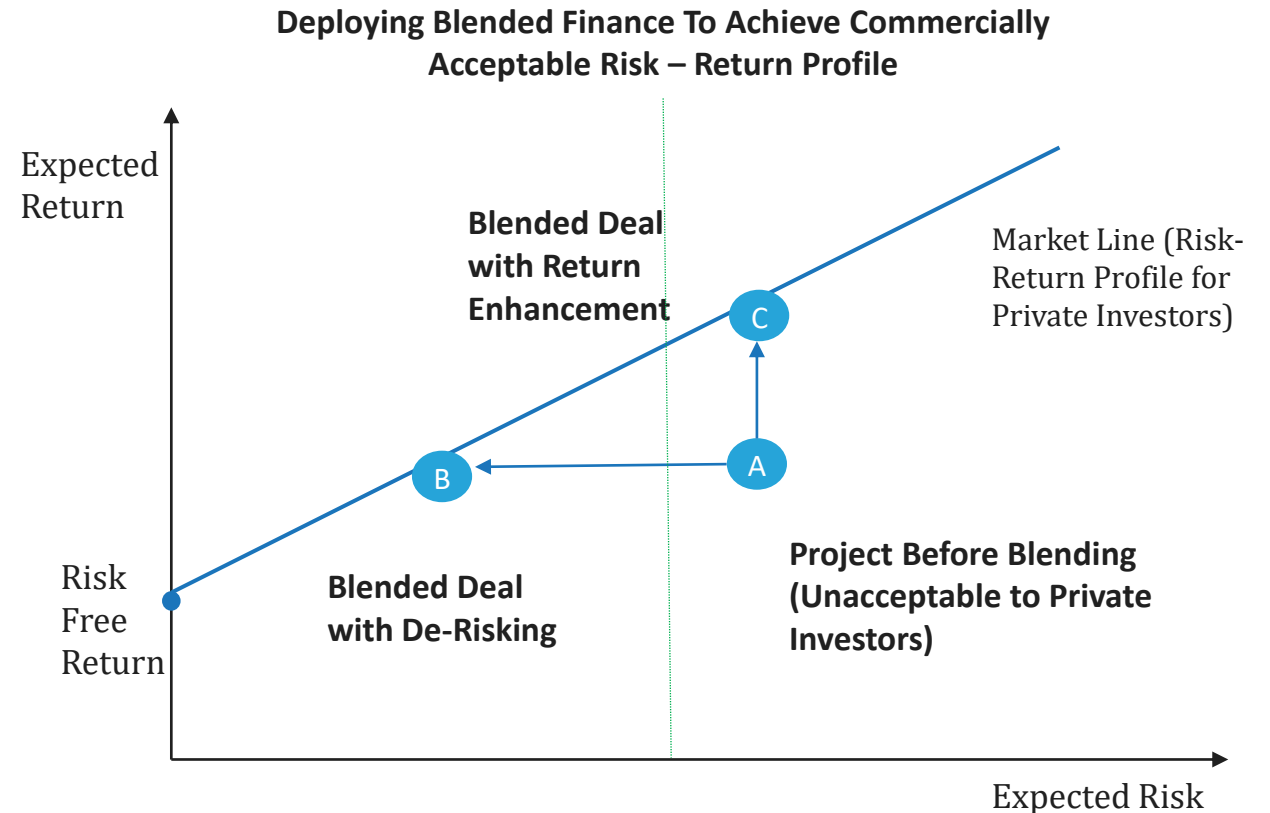


MARKET ACCELERATION

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

BLENDED FINANCE: CREATE “MARKET-EQUIVALENT” RISK-RETURN INVESTMENTS ACCEPTABLE TO PRIVATE SECTOR INVESTORS

- Blue “market” line is efficient risk & return combinations available to investors (CAPM)
- Investments below blue line are below market and not acceptable due to fiduciary duties
- Green line could represent an investor’s risk threshold
- To mobilise private investment, blended finance can increase returns or reduce risk of investments to market line. **Risk reduction much more common.**



Blended Finance creates market-equivalent risk-return investments to mobilize private sector investment to SDG & Climate projects in developing countries.

Convergence 2021

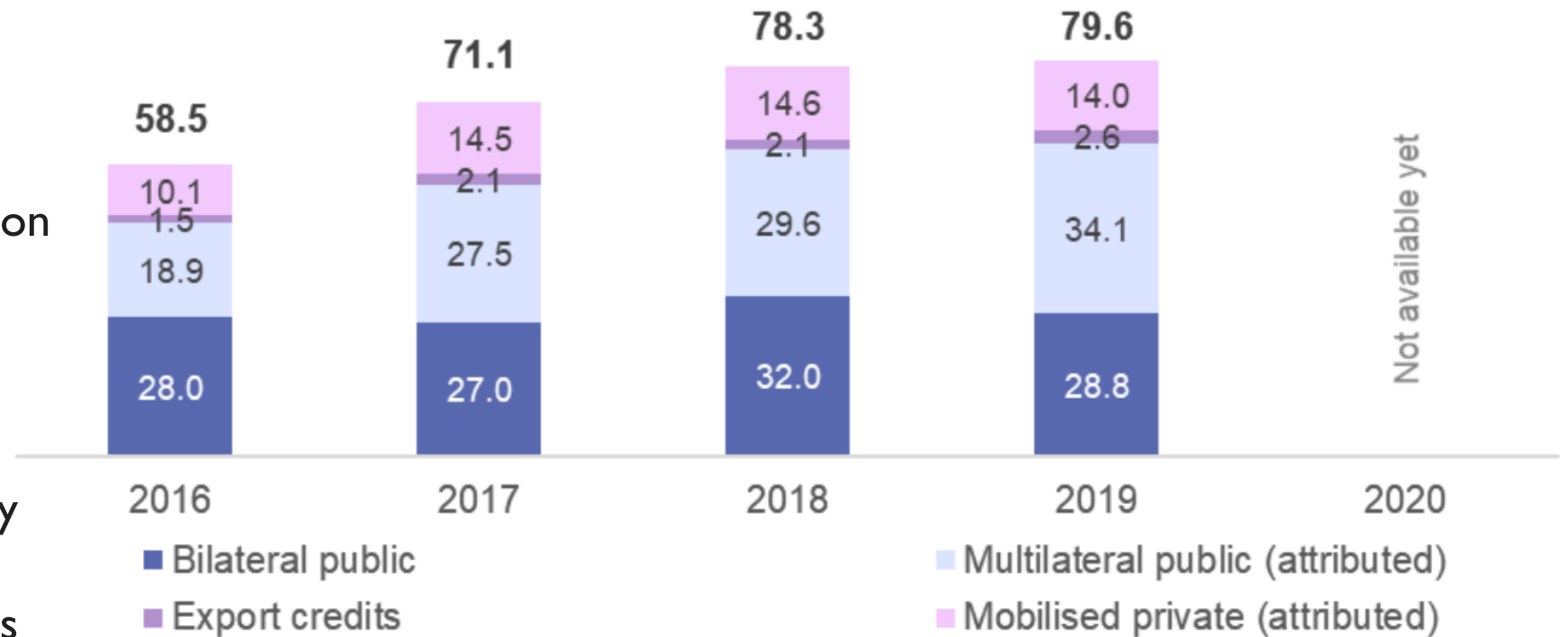
OECD 2021 REPORT ON CLIMATE FINANCE PROVIDED AND MOBILISED BY DEVELOPED COUNTRIES: BELOW \$100 BILLION TARGET

OECD estimates total private sector investment mobilized around \$14 billion annually

Private investment mobilization ratio of 0.22

Most is “Private Indirect Mobilization” by MDBs and DFIs, that is, co-investment by project sponsors in MDB & DFI private sector operations

Figure 1. Climate finance provided and mobilised by developed countries in 2016-19 (USD billion)



Note: Figures for 2020 will not be available before 2022 due to time lags in the reporting of the necessary official activity-level data.

Source: (OECD, 2021^[3])

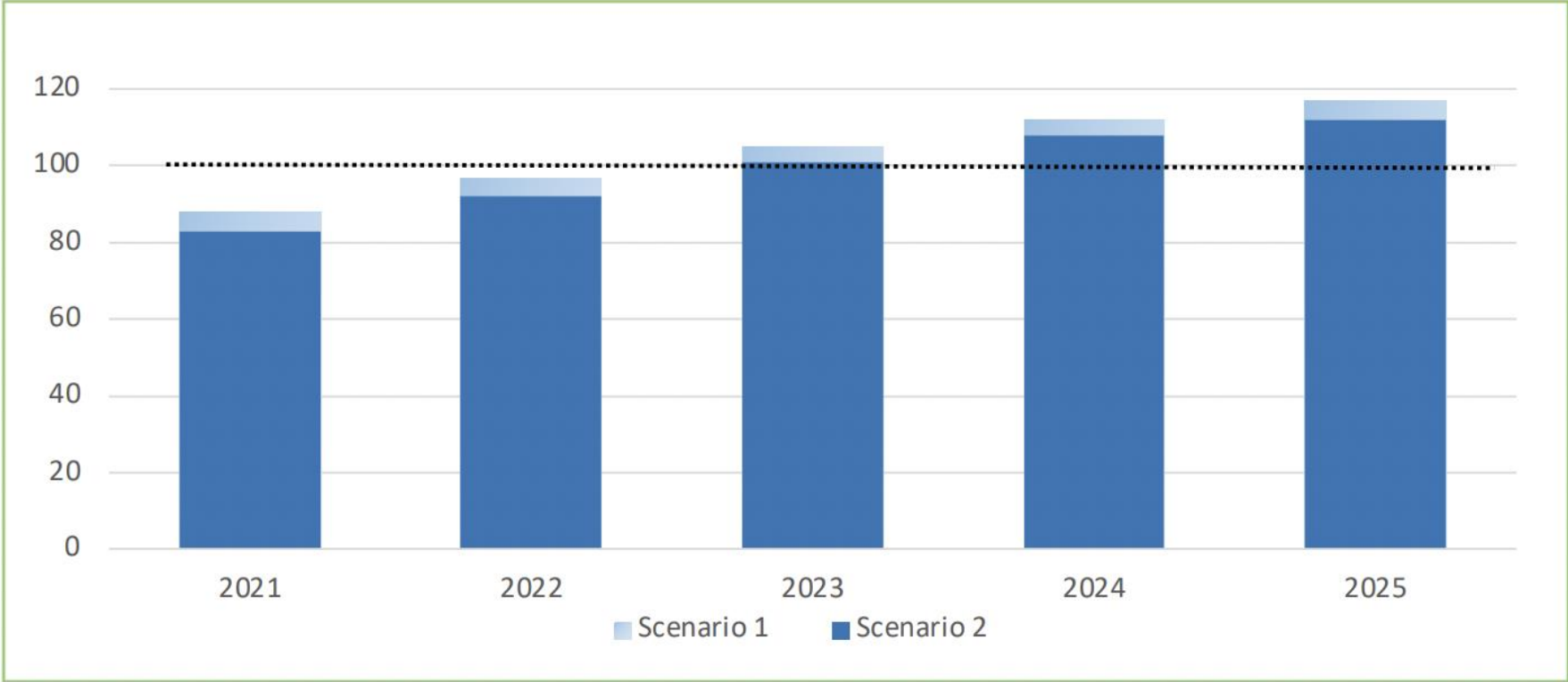
DEVELOPED COUNTRIES CLIMATE FINANCE DELIVERY PLAN: MEETING THE \$100 BILLION GOAL

Canada and Germany October 2021 Report projects total climate finance for Developing Countries to reach \$100 billion in 2023 or 2024

Very low amounts from private sector mobilisation

Proportion of public finance that targets private finance mobilization and effectiveness of this mobilization will impact the scale of private finance mobilized towards reaching \$100 billion goal

Figure 1. Annual Projections Towards the US\$100 billion goal



Source: CLIMATE FINANCE DELIVERY PLAN 2021 REPORT

CLIMATE FINANCE DELIVERY PLAN: LOOKING FORWARD COLLECTIVE ACTIONS BY DEVELOPED COUNTRIES

1. Increase scale of climate finance
2. Increase finance for adaptation
3. Prioritize grant-based finance for the poorest and most vulnerable
4. Address barriers in accessing finance
5. Strengthen the Financial mechanism of UNFCCC and the Paris Agreement
6. Work with MDBs to increase and improve climate finance
- 7. Improve effectiveness of private finance mobilized**
8. Report on collective progress transparently
9. Assess and build on lessons learned
10. Take into account the broader financial transition required for Paris Agreement Article 2.1c

SEE COP26 Presidency Compilation of 2021-2025 Climate Finance Commitments

Source: CLIMATE FINANCE DELIVERY PLAN 2021 REPORT

INVESTOR RECOMMENDATIONS TO DEVELOPMENT COMMUNITY TO MOBILIZE SDG & CLIMATE INVESTMENT AT SCALE

- Recommendations from 100+ investors to Official Development Finance Community: Most effective ways to mobilize private investment at scale
- **Global Investors for Sustainable Development Alliance:** 30 investors convened by UN Secretary General
 - [October 2021 Report](#)
- **Net-Zero Asset Owners Alliance:** 61 investors convened by UNEP and UN PRI
 - [November 2021 Report](#)
- **Investors Leadership Network:** 14 investors established by G7
 - [October 2021 Report](#)

INVESTOR RECOMMENDATIONS TO DEVELOPMENT COMMUNITY TO MOBILIZE SDG & CLIMATE INVESTMENT AT SCALE (1 OF 2)

Private Investors Recommendation (Primary – Most Common)	GISD	NZ	ILN
Development Community Strategy & Action Plan to increase SDG & Climate investment	Y		
MDBs & DFIs: Improved governance and amended business model (mobilization)	Y	Y	Y
Mobilization at scale to attract institutional investors	Y	Y	Y
Donor collaboration to jointly fund most effective blended finance vehicles	Y	Y	
Standardize blended finance vehicles and investment assets	Y	Y	
Increase investor access to database of blended finance investments	Y		Y
Investment data for developing countries: Aggregate and fund best sources	Y	Y	
Increase collaboration: Donors, investors and fund managers/intermediaries		Y	Y
Increase use of guarantees and insurance		Y	Y

INVESTOR RECOMMENDATIONS TO DEVELOPMENT COMMUNITY TO MOBILIZE SDG & CLIMATE INVESTMENT AT SCALE (2 OF 2)

Private Investors Recommendation (Secondary)	GISD	NZ	ILN
Align investment assets to investor priority interests (e.g., ESG)	Y		
Amend ODA Rules: Investment in blended finance vehicles and guarantees		Y	
Enhance universe of investable / bankable projects		Y	
Increase equity financing		Y	
Build capacity of local governments		Y	
Increase blended finance knowledge of investors		Y	
Establish rating methodology for blended finance structures		Y	
Create virtual tool-box to group all risk mitigants		Y	
Blended finance to mitigate currency risk			Y

NET-ZERO ALLIANCE & CONVERGENCE COLLABORATION AGREEMENT

Alliance and Convergence signed agreement in January 2022.

Collaborate in 2022 to:

1. increase the Alliance members' access to development finance and blended finance transactions seeking private investment,
2. increase direct collaboration between the Alliance members and the official development finance community,
3. realize the intersecting recommendations of the Scaling Blended Finance discussion paper and the Climate Finance Delivery Plan and
4. Any other activity determined to be beneficial to increase Alliance members' investment

Source: Convergence



Q&A



DEMO OF CONVERGENCE
INVESTMENT PLATFORM AND WEB-
BASED SERVICES

HOW EACH ALLIANCE MEMBER CAN SIGN UP FOR ACCESS TO CONVERGENCE INVESTMENT PLATFORM AND SERVICES

You should have received an email earlier this week requesting:

- That you provide us with the name and email address of a person on your team, who will be the main contact person for the Convergence platform. We recommend you give us someone from your investment team, as they are likely to engage more with the Convergence platform.
- We will then send out an email to the main contact person, with a link prompting them to sign up your institution onto the Convergence platform. <https://www.convergence.finance/sign-up>
- When they click the link, they will be prompted to fill out some information about your institution and once they have completed the registration, a member of the Convergence team will be happy to facilitate the compliance process and give them access to the platform.
- Once granted access to the platform, there is no limit on the number of users from your institution who can sign onto the platform. We encourage members of the Alliance, especially those on the investment teams, to engage with this platform as often as possible, to expand their knowledge of blended finance transactions, news, and resources.



Q&A

ALLIANCE & CONVERGENCE: PROPOSED COLLABORATION NEXT STEPS

Collaboration Objective	Convergence Proposed Activity
Increase Alliance members' access to development finance and blended finance transactions	<ul style="list-style-type: none"> • Demo, tutorial and connecting to Convergence Investment Platform • Bi-monthly updates on investment opportunities • Curated sessions with asset managers / project sponsors to profile best transactions (IG Debt, Non-IG Debt and Equity)
Increase direct collaboration between Alliance members and Official Development Finance community	<ul style="list-style-type: none"> • Two joint workshops between investors and leading donors • One workshop between investors and MDBs/DFIs • Collaboration between Alliance and donors on Action Plan to realize intersecting recommendations (see below)
Realize intersecting recommendations of Alliance's Scaling Blended Finance Discussion Paper and the Climate Finance Delivery Plan	<ul style="list-style-type: none"> • Alliance, G7 donors and Convergence to agree Action Plan [by February 28] to realize the Alliance's main recommendations • Activities in 2022 to realize the recommendations in Action Plan tied to 2-3 milestone events (e.g., World Bank meetings, G7 / G20 meetings, WEF Davos and Africa Leaders Summit)
Others beneficial to Alliance members?	Any suggestions?

Source: Convergence



ANNEX

CLIMATE FINANCE DELIVERY PLAN: IMPROVING EFFECTIVENESS OF PRIVATE FINANCE MOBILIZED

Developed countries acknowledge that **lack of an overall strategy** for mobilizing private sector finance and **insufficient financial instruments** has slowed mobilization.

Developed countries aim to **develop a coherent strategy** to collectively improve the effectiveness of private finance mobilization.

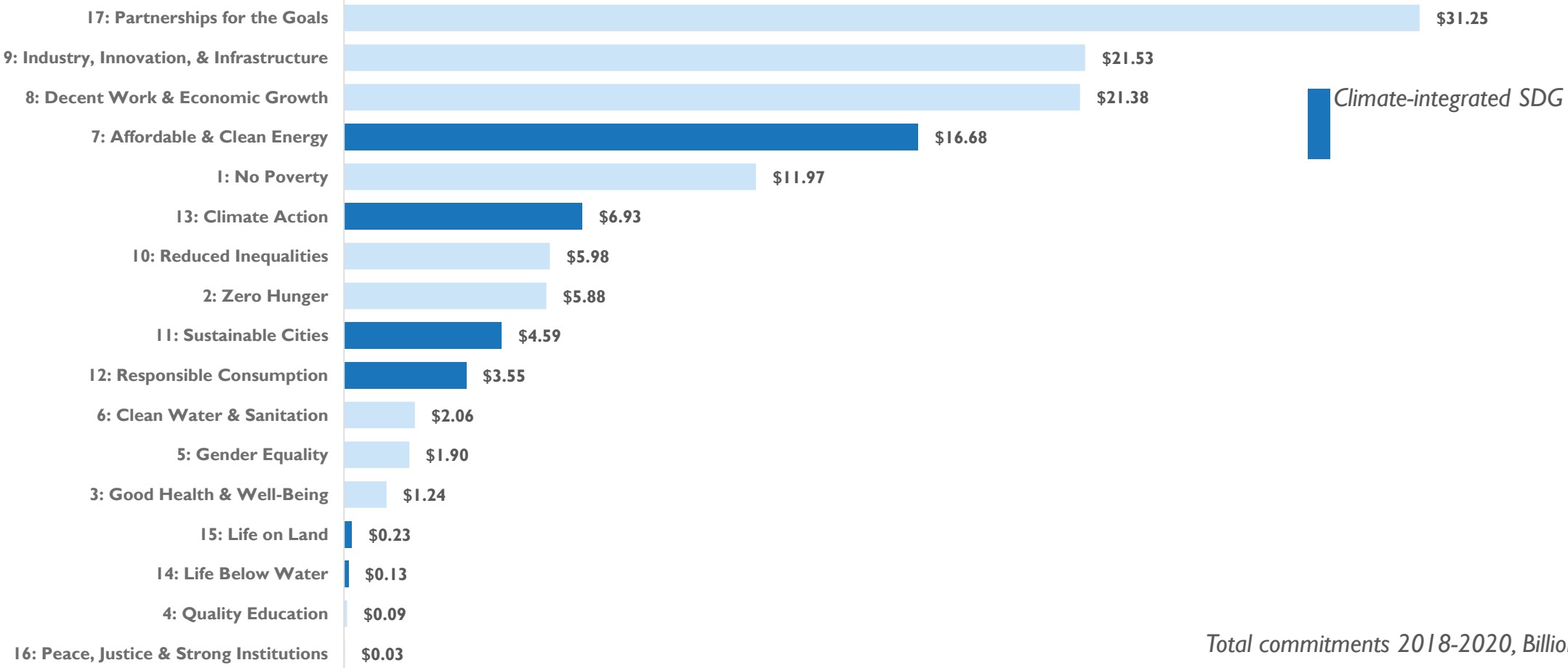
Developed countries will **support innovative approaches and new financial instruments** to mobilize the private sector in areas and regions not yet sufficiently covered, including with respect to adaptation.

Developed countries seek to support developing countries' efforts to build their institutional capacity and regulatory frameworks, and improve enabling environments.

Developed countries recognize the **need to improve collaboration with the private sector to increase private finance mobilized.**

Source: CLIMATE FINANCE DELIVERY PLAN 2021 REPORT

CLIMATE FINANCE COMPRISES A SIZEABLE SHARE OF OVERALL BLENDED FINANCE MARKET (AROUND 40%)



Source: Convergence, The State of Blended Finance 2021

ILLUSTRATIVE SHORT LIST OF 13 DONOR-DERIVED BLENDED FINANCE TRANSACTIONS/VEHICLES

Project Name	Project Sponsor	Total Deal Size	Instrument to Deploy	Sector(s)	Region(s)	CATALYTIC CAPITAL
Sub national Climate Fund (SnCF Global)	R20, BNPP, International Union for Conservation of Nature (IUCN)	\$778,750,000	Equity	Agriculture, Energy, Infrastructure (Non-Energy), Other	Global	Type C and D
Annycent Clean Energy Fund I (ACE I)	Annycent Capital	\$500,000,000	Equity	Energy	Global	Type A and D
Climate Finance Partnership (CFP)	Blackrock	\$500,000,000	Equity	Energy, Infrastructure	Global	Type B or C
Export Finance Fund	Acre Impact Capital	\$350,000,000	Debt	Financial Services	Africa	Type A and D
Emerging Markets Green Bond Fund	Symbiotics and Jura Capital	\$500,000,000		Energy, Infrastructure	Global	Type B or C and D
Catalyst MENA Clean Energy Fund 2	Catalyst Investment Management	\$200,000,000	Equity	Energy	MENA	Type B or C
Climate Credit Fund (Refinance)	Climate Fund Managers	\$400,000,000	Debt	Climate	Global	Type B
The Green Guarantee Company	The Development Guarantee Group	\$250,000,000	Guarantee	Climate	Global	Type A or B
Emerging Market Climate Action Fund (EMCAF)	Allianz GI	\$500,000,000	Equity	Climate	Global	Type B or C
Allianz Climate Solutions Emerging Markets Debt vehicle (ACSEM)	Allianz GI	\$500,000,000	Debt	Various	Global	Type A, B and C
African Power Corporation	African Power Corporation (MOBILIST)	\$1,000,000,000	Debt	Energy, Infrastructure	Africa	Type B and C
XI	Fius Capital (MOBILIST)	\$500,000,000	Debt	Various	Global	Type A, B and C
ELIPSIS Investment Platform	First Rand / UNCDF (MOBILIST)	\$1,212,000,000	Debt	Climate	Africa	Type A, B and C

List derived in consultation with donors in Donor Working Group. Focus on Scale and Climate. Intended to reflect interest from one or more donors. Non-exhaustive.

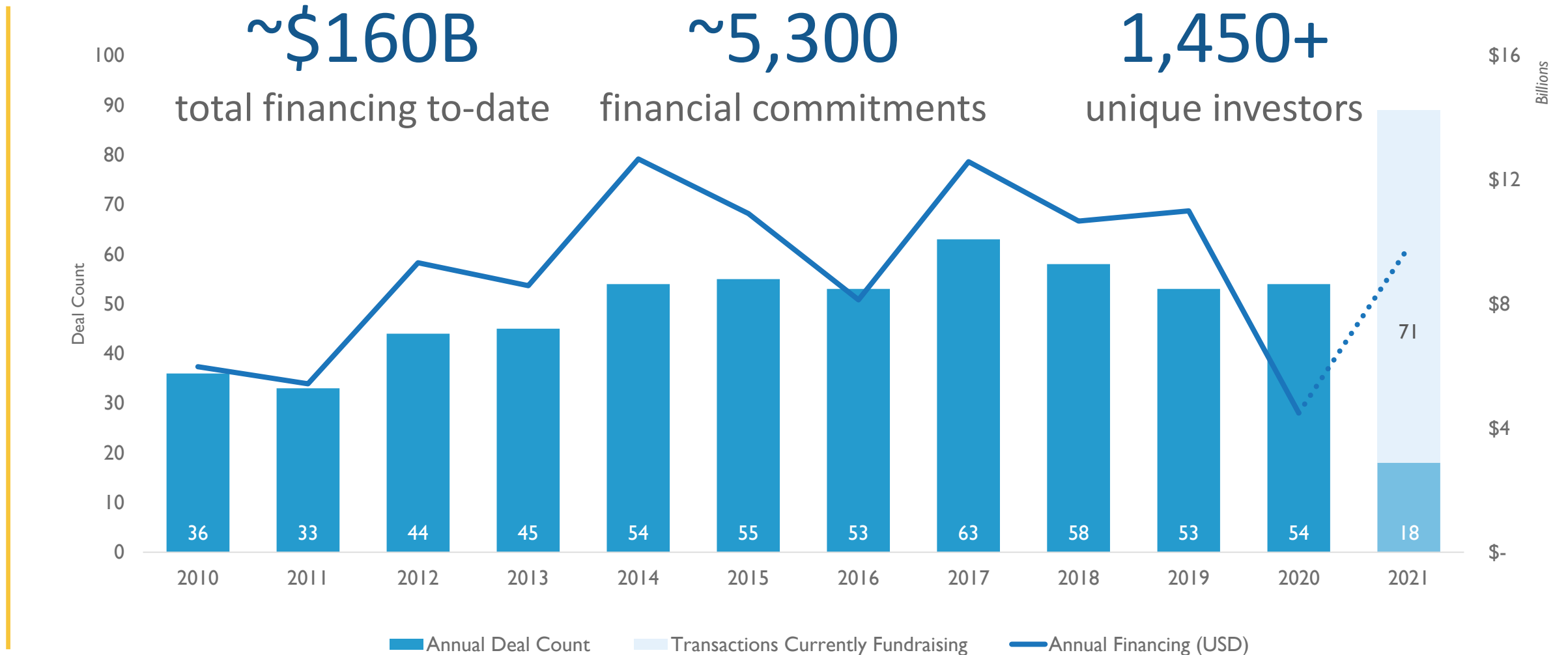
SOURCE: CONVERGENCE 2021

STATE OF BLENDED FINANCE 2021

- Fifth edition of Convergence's flagship report (first published in 2017).
- Most comprehensive report on blended finance in the market. Based on Convergence's proprietary historical deals database (HDD), the largest depository of blended finance data globally.
- New features in this year's report:
 - Thematic focus on scale
 - Convergence presents four key challenges and six recommendations for scaling blended finance
 - Guest op-eds from experts in the field



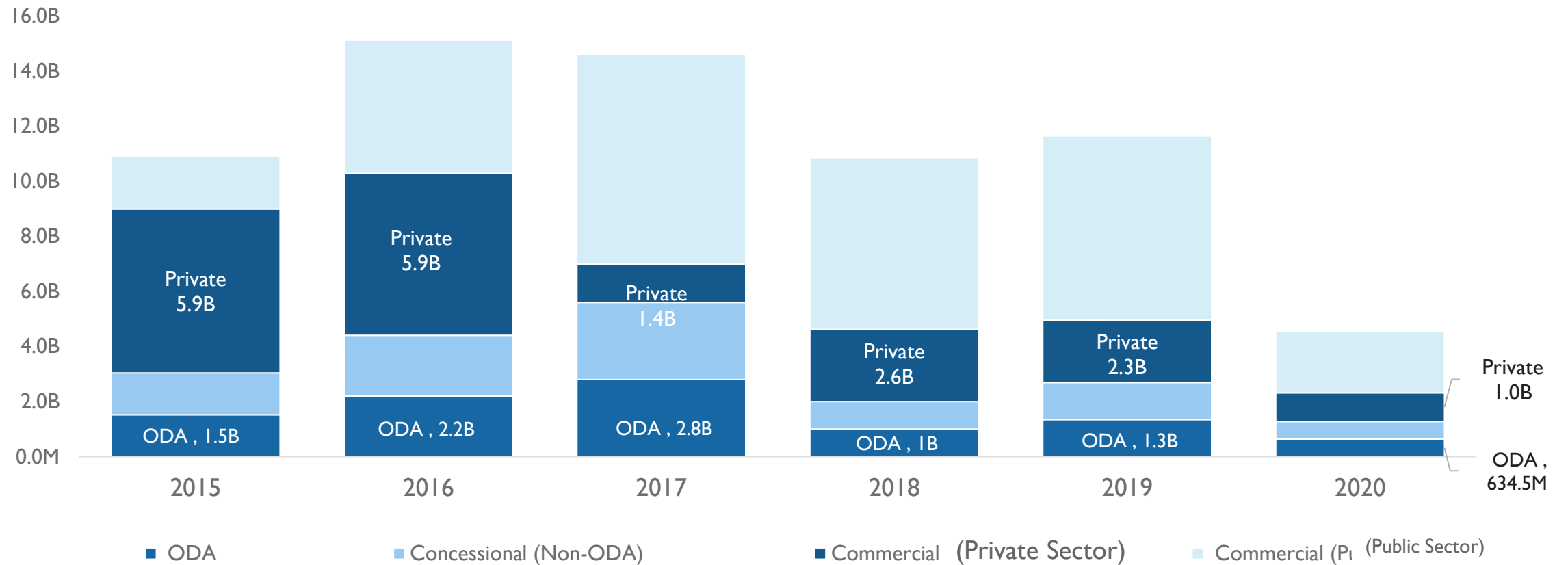
DEAL COUNT REMAINS STEADY WHILE FLOWS DROPPED SIGNIFICANTLY IN 2020, SIGNALLING IMPACT OF COVID-19



Source: Convergence, The State of Blended Finance 2021

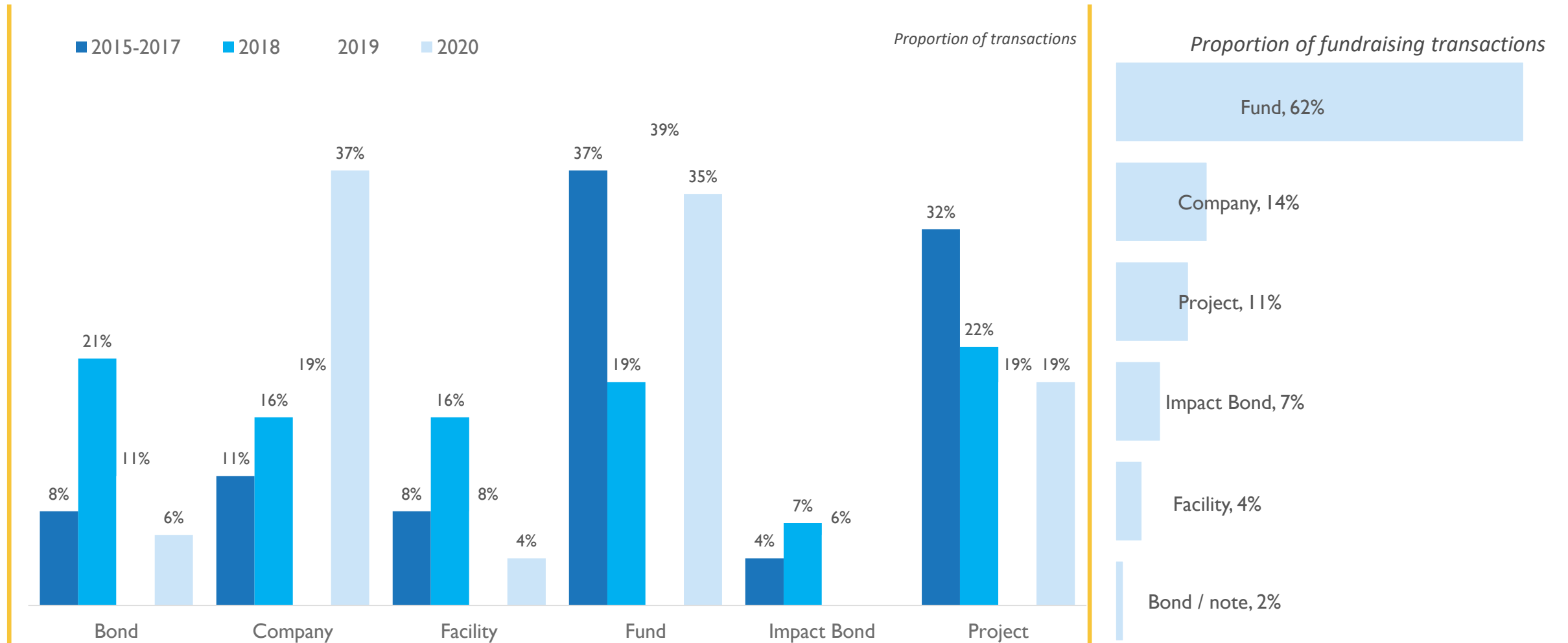
PRIVATE FINANCING REMAINS FRACTION OF OVERALL BLENDED FINANCE FLOWS WHILE ODA LEVELS REMAIN LIMITED

SOURCES OF BLENDED FINANCE FLOWS



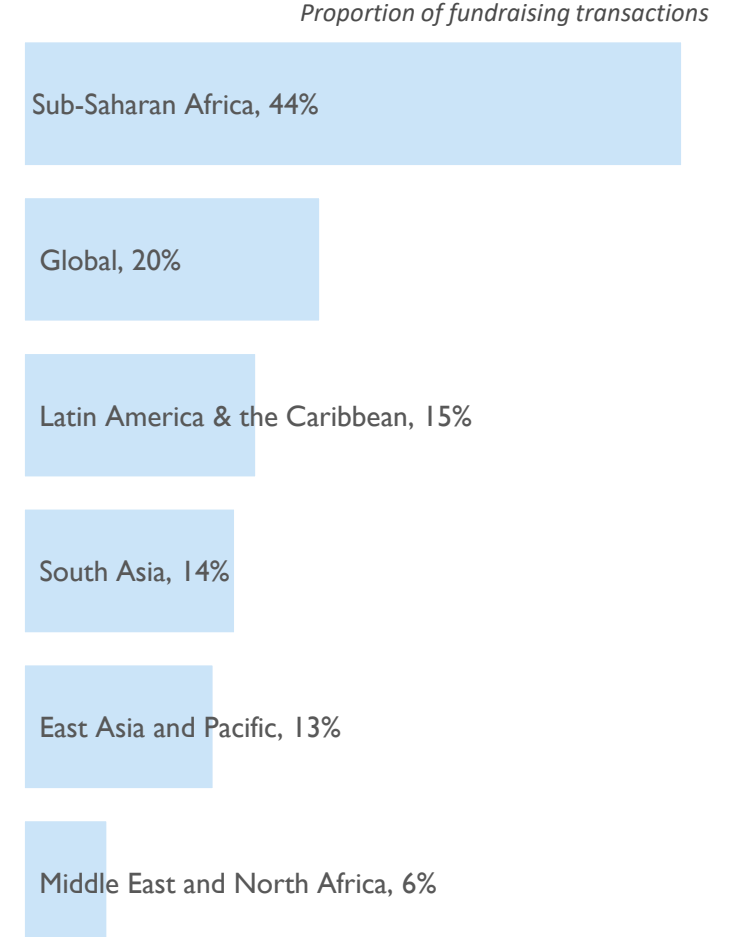
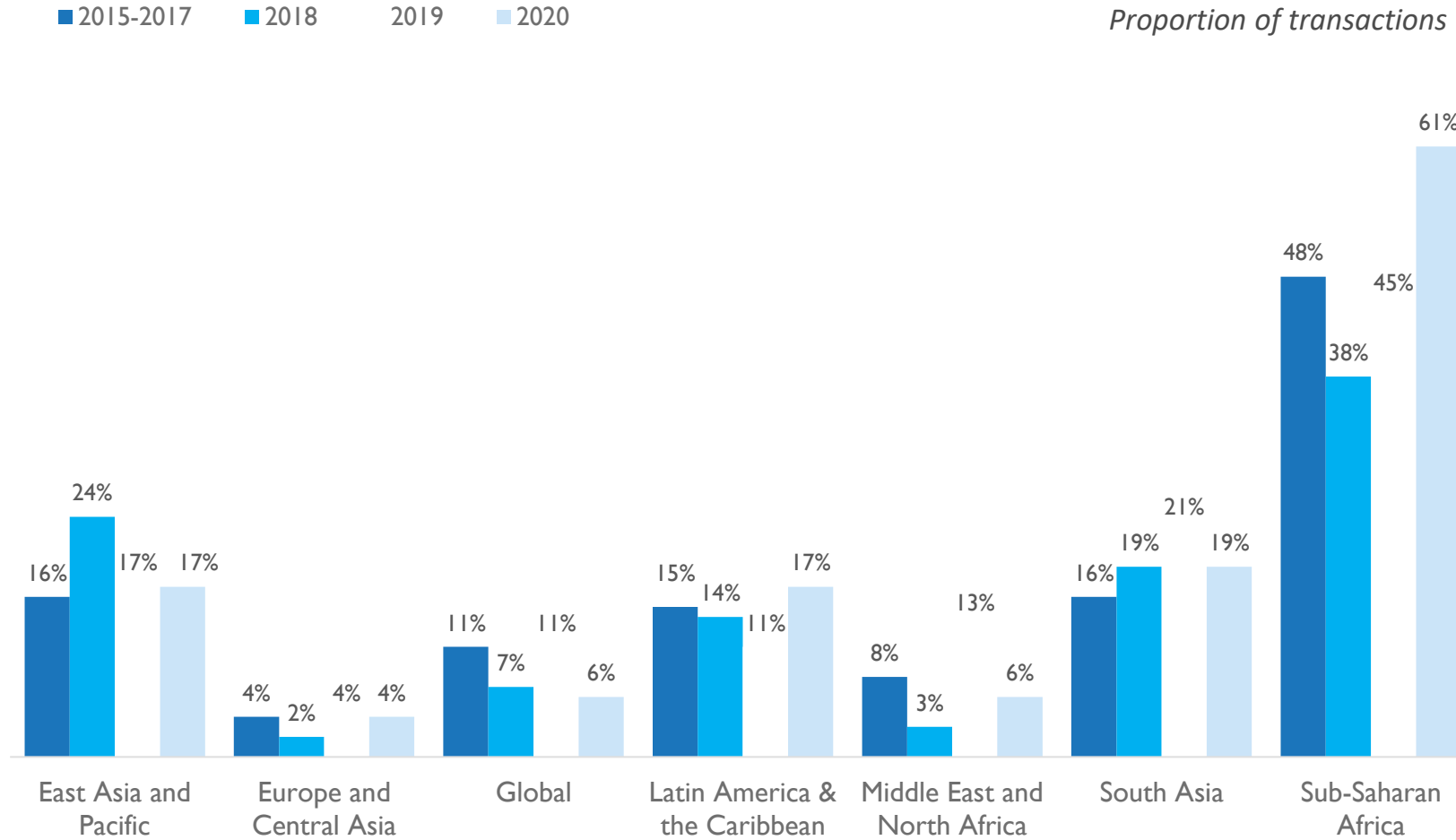
Source: Convergence, The State of Blended Finance 2021

FUNDS REMAIN THE MOST COMMON BLENDED FINANCE STRUCTURE, WHILE CORPORATES GAIN MOMENTUM



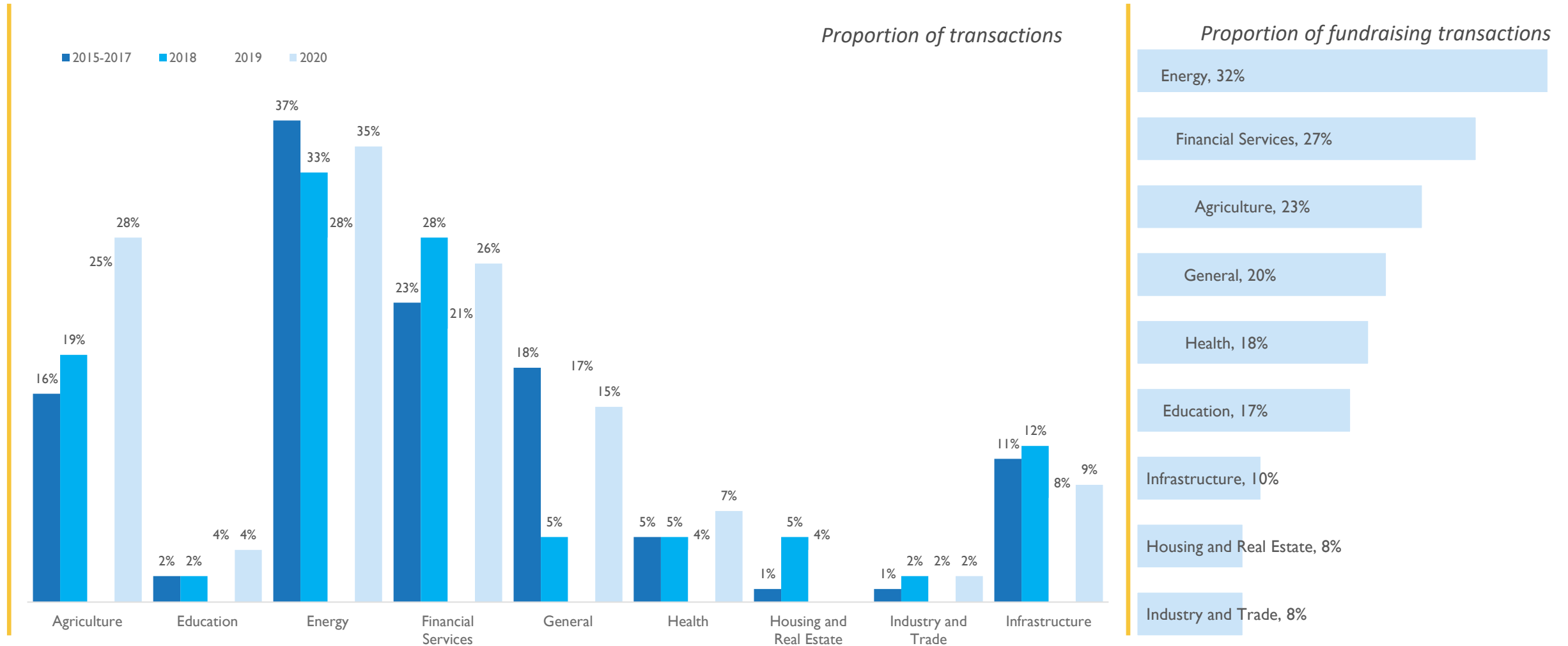
Source: Convergence, The State of Blended Finance 2021

BLENDED FINANCE ACTIVITY IN SUB-SAHARAN AFRICA HOLDS STRONG, WITH LATIN AMERICA SEEING AN UPTICK



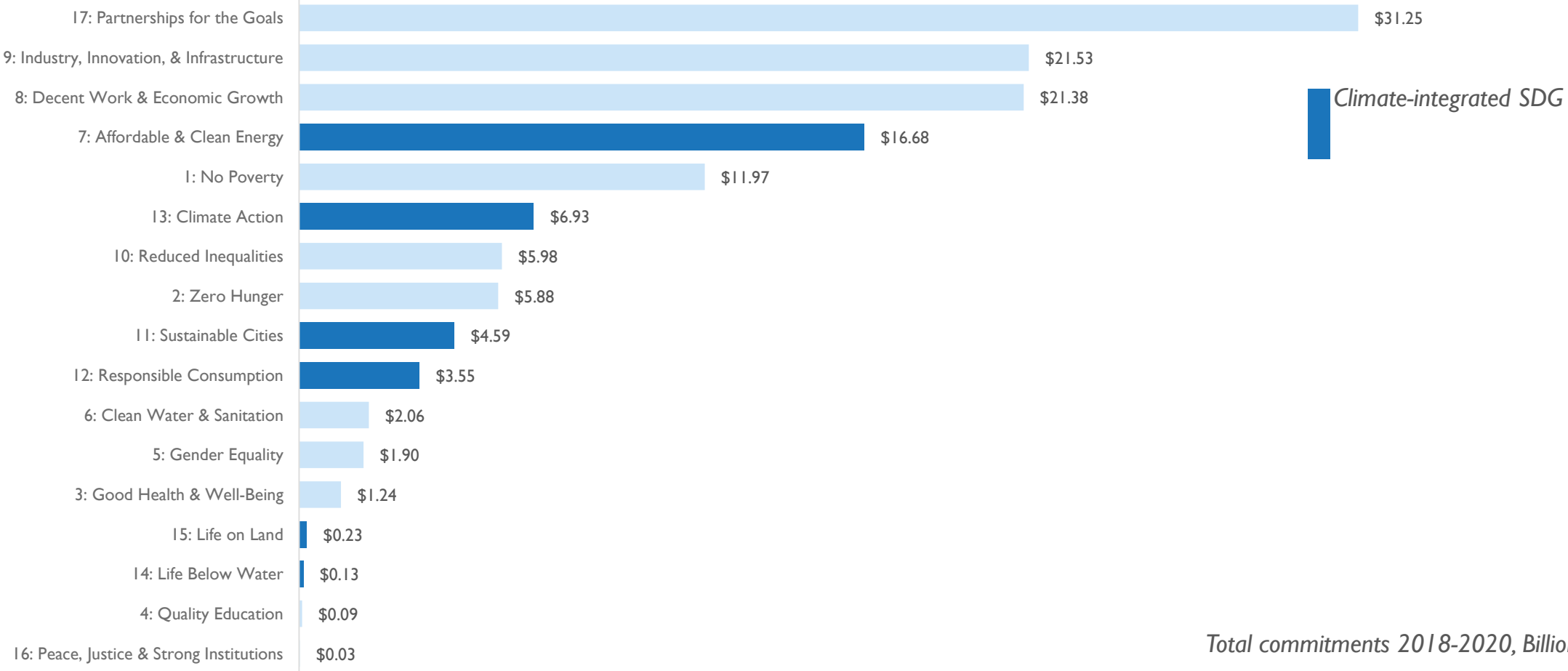
Source: Convergence, The State of Blended Finance 2021

AGRIBUSINESSES ARE BECOMING A KEY RECIPIENT OF BLENDED CAPITAL



Source: Convergence, The State of Blended Finance 2021

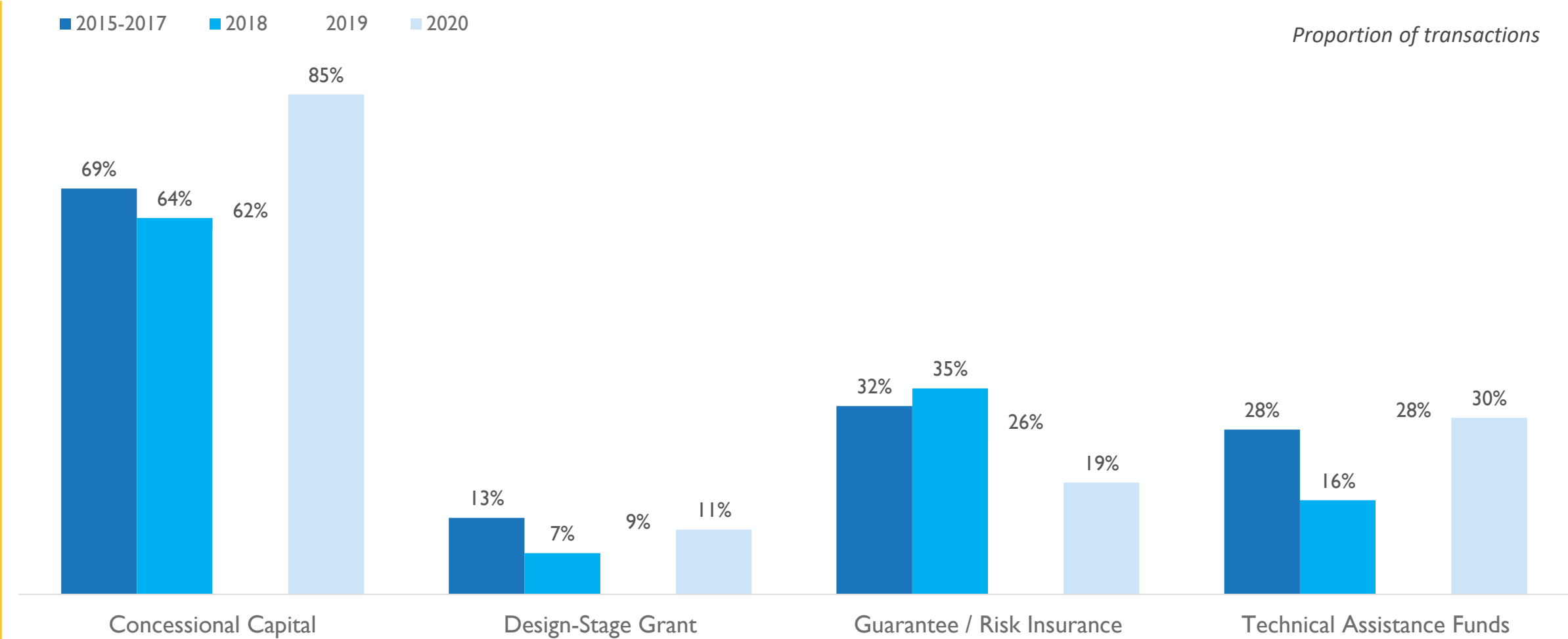
BLENDING CLIMATE FINANCE COMPRISES A SIZEABLE SHARE OF THE OVERALL MARKET



Total commitments 2018-2020, Billions

Source: Convergence, The State of Blended Finance 2021

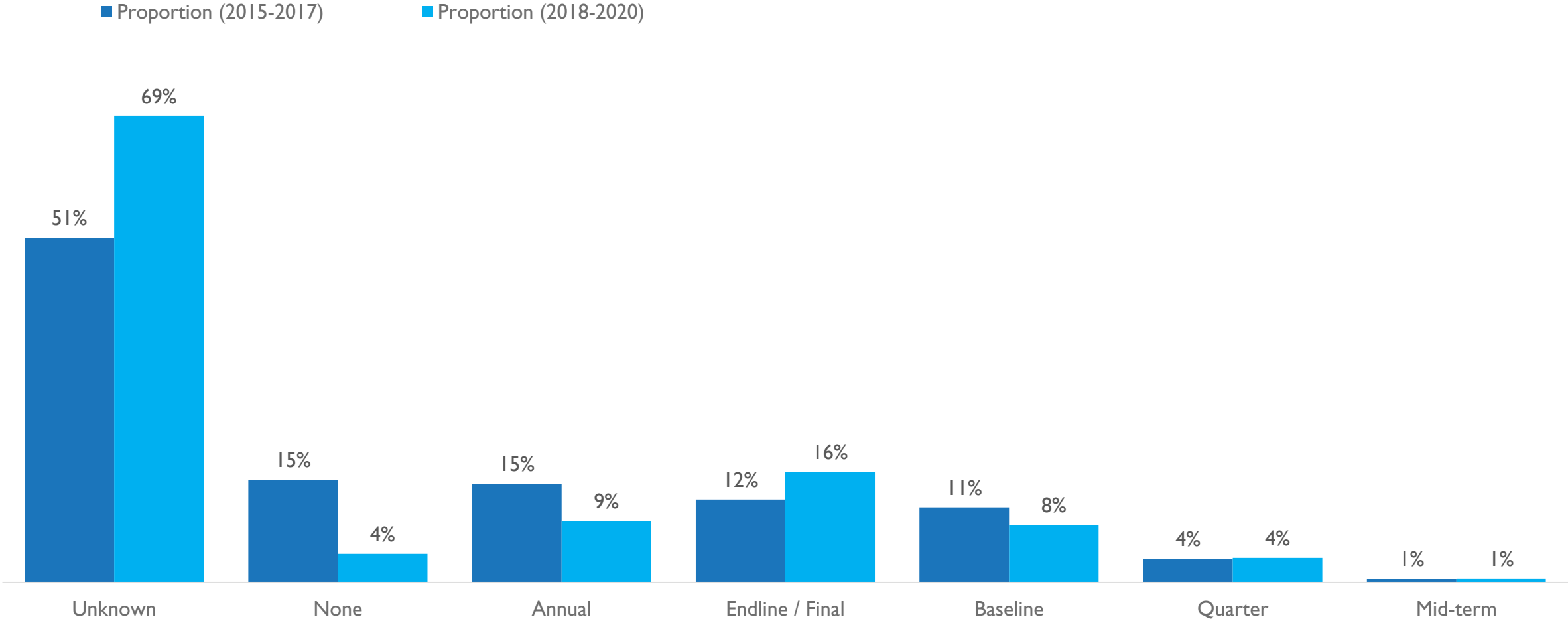
MORE GUARANTEE AND INSURANCE USE IS REQUIRED FOR SCALE



Proportion of transactions

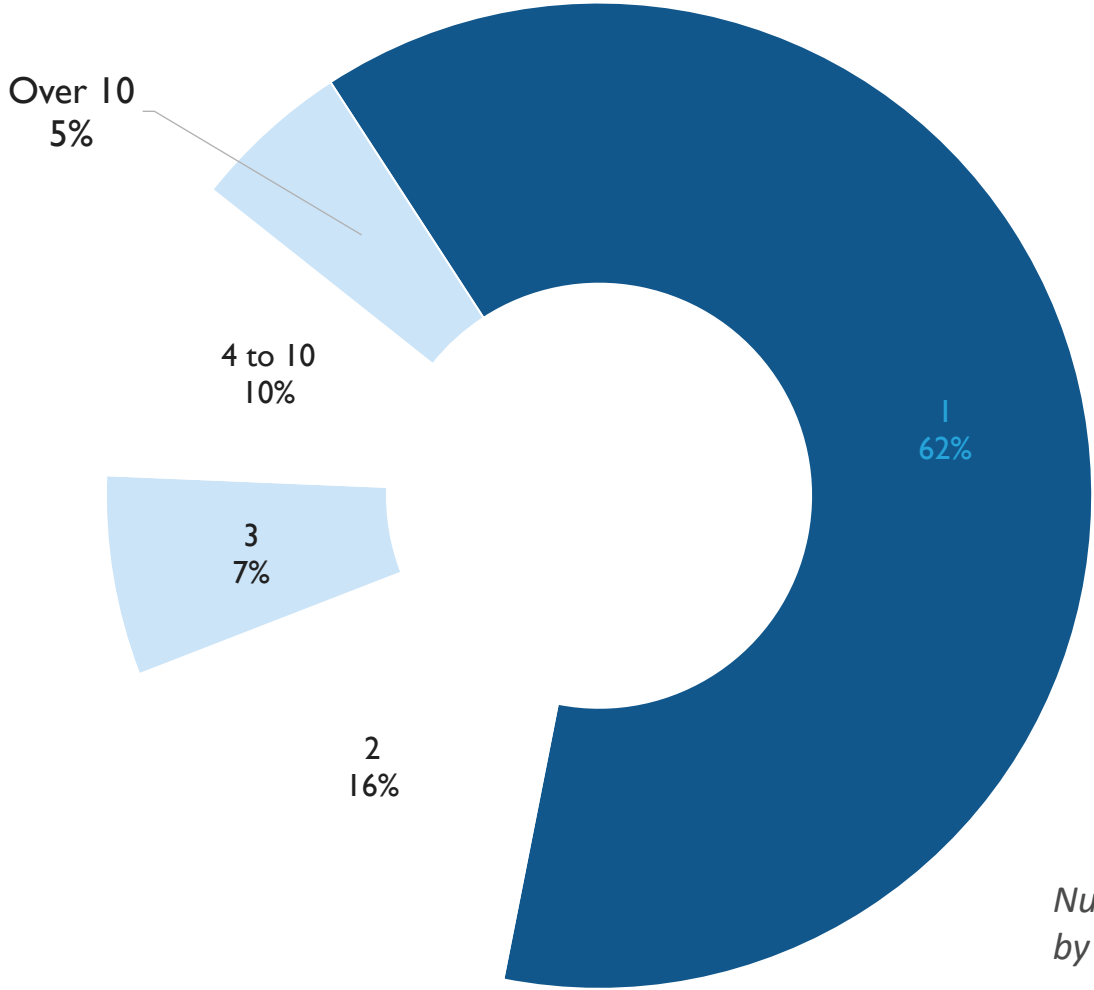
Source: Convergence, The State of Blended Finance 2021

INSUFFICIENT DATA DISCLOSURE CONTINUES TO BE AN URGENT ISSUE IN BLENDED FINANCE



Source: Convergence, The State of Blended Finance 2021

MOST INVESTORS PARTICIPATE ON AD HOC BASIS; FEW HAVE MADE MULTIPLE COMMITMENTS TO BLENDED TRANSACTIONS

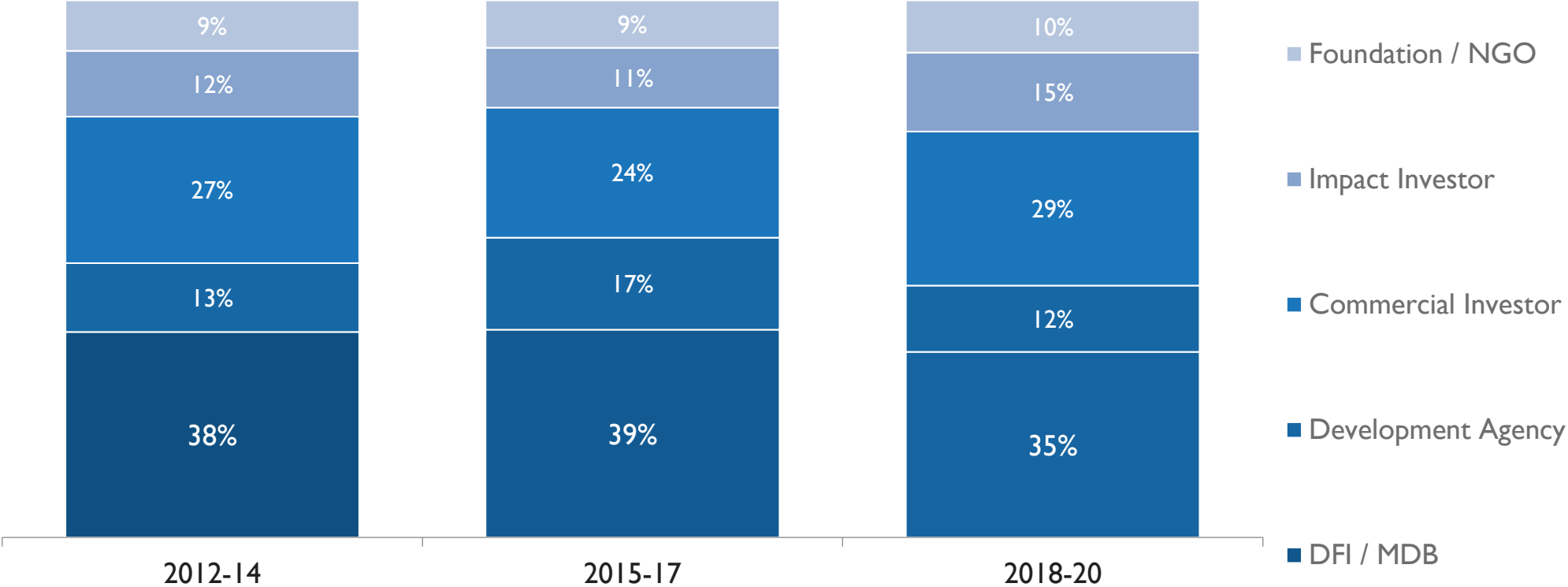


1,450+
unique investors

Number of commitments to blended transactions by unique organizations, all years

Source: Convergence, The State of Blended Finance 2021

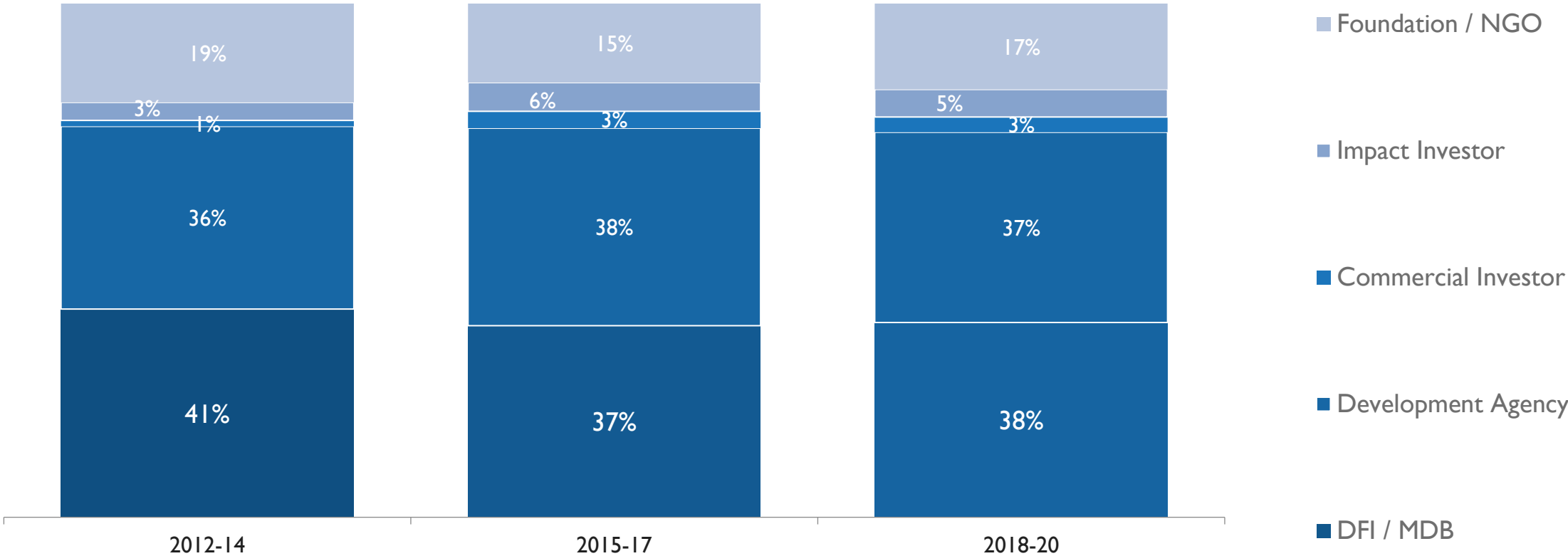
MDBS / DFIS CONSISTENTLY REPRESENT LARGEST PROPORTION OF COMMITMENTS TO BLENDED FINANCE TRANSACTIONS



Sources of commitments to blended transactions, by proportion

Source: Convergence, The State of Blended Finance 2021

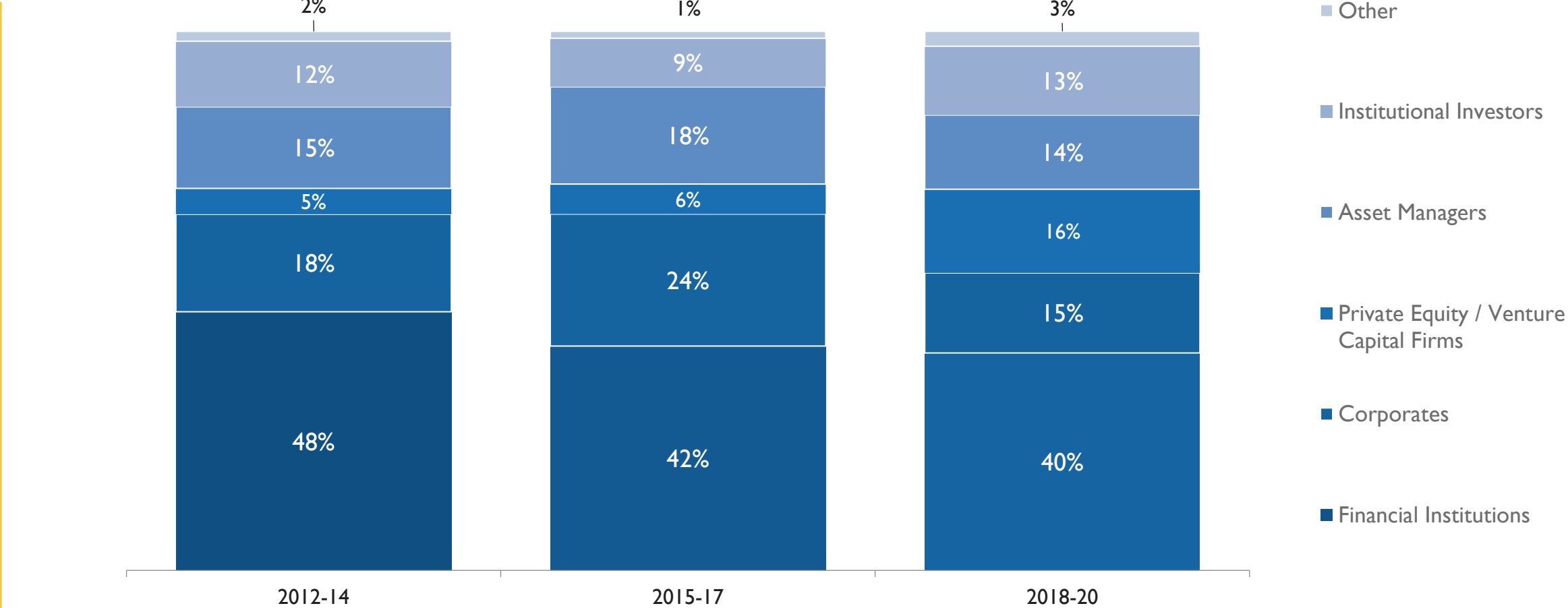
DEVELOPMENT AGENCIES AND FOUNDATIONS PROVIDE OUTSIZED PROPORTIONS OF CONCESSIONAL CAPITAL TO BLENDED FINANCE



Sources of concessional commitments to blended transactions, by proportion

Source: Convergence, The State of Blended Finance 2021

FINANCIAL INSTITUTIONS PROVIDE MAJORITY OF COMMITMENTS FROM PRIVATE SECTOR INVESTORS

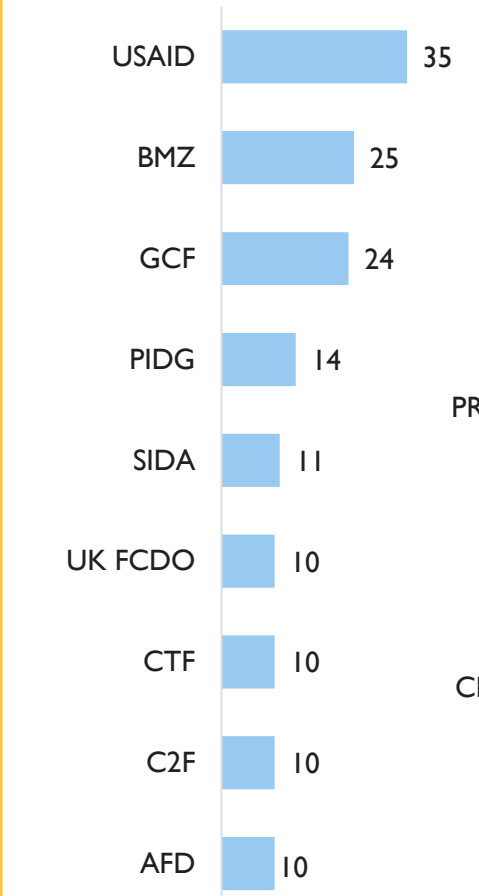


Percent of financial commitments

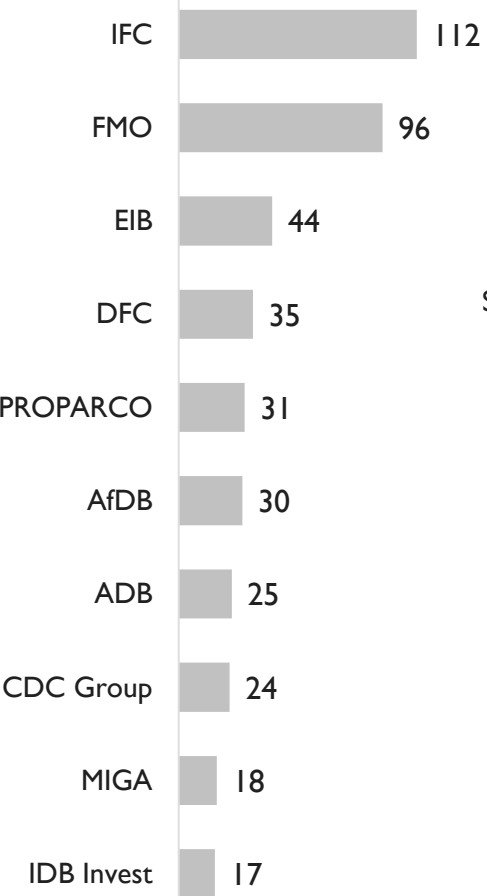
Source: Convergence, The State of Blended Finance 2021

BLENDING FINANCE TRENDS: TOP INVESTORS (2015-20)

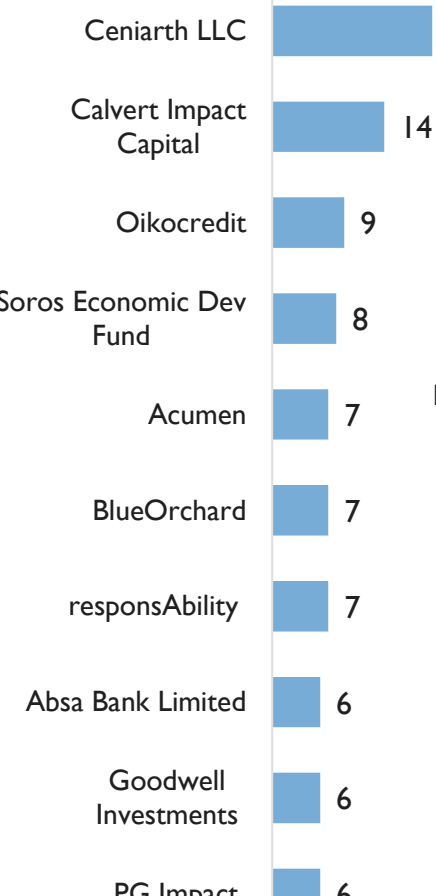
DEVELOPMENT AGENCIES & MULTILATERAL FUNDS



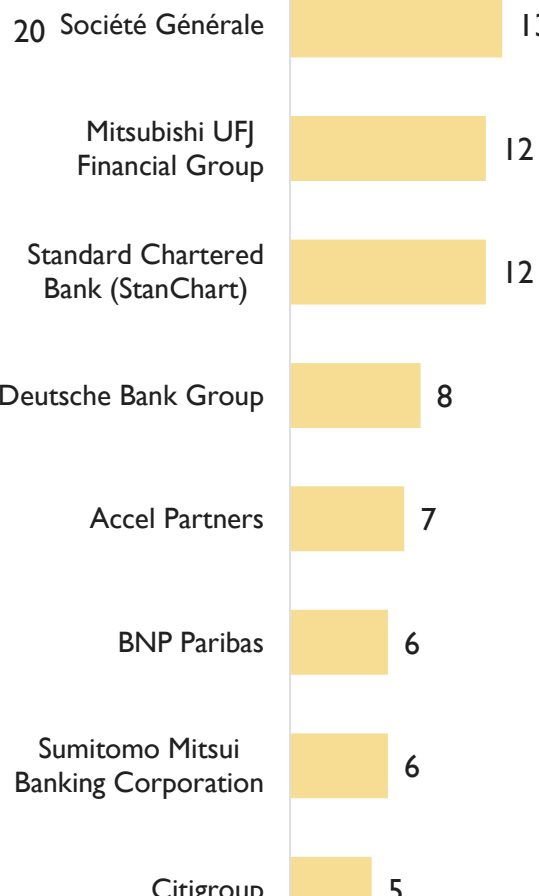
MDBs & DFIs



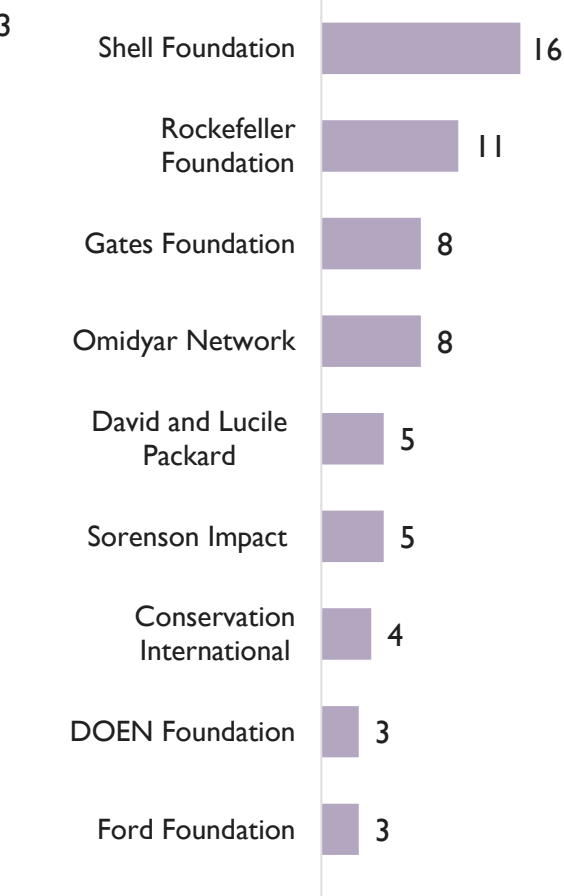
IMPACT INVESTORS



COMMERCIAL INVESTORS



PHILANTHROPIC INVESTORS



Number of financial commitments

Source: Convergence, The State of Blended Finance 2021

Download the report:

<https://www.convergence.finance/resource>

Questions? Contact us:

comms@convergence.finance

THANK YOU

EXTERNAL FINANCE TO DEVELOPING COUNTRIES PEAKED IN 2013

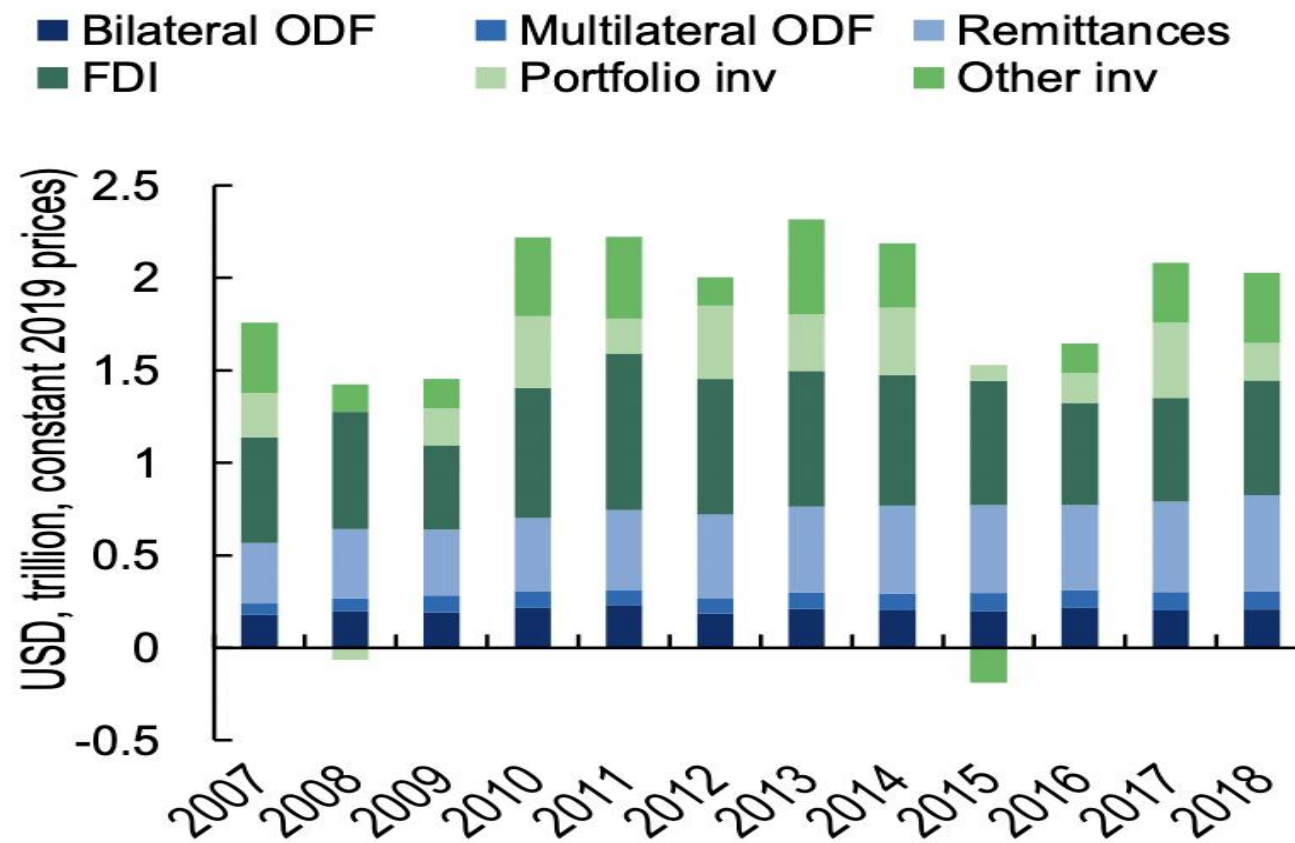
2013 TO 2018:

AGGREGATE PRIVATE INVESTMENT DOWN 23% - FROM \$1.6 TRILLION TO \$1.2 TRILLION

AGGRGATE OFFICIAL DEVELOPMENT FINANCE FLAT AT \$303 BILLION

ONLY SIGNIFICANT GROWTH IS REMITTANCES FROM \$460 BILLION TO \$520 BILLION, BUT REMITTANCES USED PRIMARILY FOR CONSUMPTION

Aggregate trend in external finance, 2007-18



Source: OECD, FIGURE 2, GLOBAL OUTLOOK ON FINANCING 2021 REPORT