

GDI CASE STUDY: CONVERGENCE

Starting with a high-level concept, GDI convened and supported a range of partners to design, build, and launch a platform for blended finance, which now stands as an independent organization.

www.convergence.finance



THE CHALLENGE WE SET OUT TO TACKLE

Drawing on our experience building complex initiatives from the ground-up, GDI helped to design, launch, and facilitate the development of Convergence to make it easier for investors to execute blended finance transactions in emerging markets, with the ultimate goal of unlocking billions of private sector dollars for global development. Blended finance transactions use catalytic capital from public or philanthropic sources to increase private sector investment in emerging markets. Despite its “win-win” nature (development impact + new investment opportunities), the blended finance market was struggling to take off due to challenges including the risky and costly design of new instruments, inefficient sourcing of deals, and a lack of knowledge and data.

GDI THROUGHOUT OUR GROWTH ENGINEERING PROCESS

GDI designed and launched Convergence, pulling in the right partners at the right times along the way



GDI and Dalberg **published the cornerstone report** for this work, “Innovative Financing for Development: Scalable business models that produce economic, social, and environmental outcomes” (September 2014), which explored current efforts to blend public and private capital for development impact. Through this research, we were able to **validate that there was a market opening** for a new investment platform to operate between existing learning initiatives and convening efforts.

Building off the report’s findings, GDI worked closely with Dalberg, the World Economic Forum and Global Affairs Canada to design a platform that would help investors do more blended finance deals and support the development of new blended finance mechanisms. Dalberg conducted extensive market testing, strategically designed the core platform components, and **co-developed a business plan** with GDI, while GDI **hired branding firm Emergence, secured a technology developer, and built the organization’s governance structure.** To elevate the new platform’s visibility at the global level, GDI **rallied institutional partners and drove communications efforts** to announce Convergence at the July 2015 Financing for Development conference in Ethiopia.

With GDI staff **playing interim CEO, COO, and core G&A roles, GDI incorporated Convergence** as an independent nonprofit in Canada and **hired an executive recruiting firm** to support the board in recruiting the organization’s first CEO, Joan Larrea. To realize Convergence’s vision, GDI helped **secure over CAD 25M** from a bilateral agency and two foundations. GDI then worked closely with Joan to **build out a strong core team** and also helped Convergence **build systems, manage its grants, and led a complex legal process to secure necessary securities registration,** with support from over a dozen law firms around the world through Lex Mundi Pro Bono. Convergence officially launched at the World Economic Forum Annual Meeting at Davos in January of 2016

To ensure Convergence would be ready to stand on its own in early 2017, GDI supported the **hiring processes** for key remaining staff positions and **transferred all critical knowledge and assets** to Convergence. Convergence continues to be an important member of the GDI family, through **GDI’s Social Agitator Network** and through the mutual support both organizations provide to each other through their respective knowledge and networks.

WHAT CONVERGENCE IS TODAY

Convergence is now an independent non-profit based in Toronto. It is the global network for blended finance, generating data, intelligence, and deal flow to increase private sector investment in developing countries. With over 170 institutional members, including IFC, USAID, Gates Foundation, FMO, and Christian Super, Convergence supports its members and drives the field forward in three key ways:

- **Knowledge data, & learning:** Original blended finance knowledge products such as data on deals and investors, case studies, reports, webinars, and bespoke capacity building sessions that build the evidence base for blended finance.
 - Held capacity building sessions on blended finance in Abidjan for African Development Bank staff and in Paris for officials from OECD DAC member countries; Case studies on specific transactions from organizations including NatureVest, Crossboundary, and Sarona to highlight design and fundraising best practices; A comparable database featuring historical data from 220 past transactions.
- **Deal flow:** A curated online platform for investors to connect with each other on live blended finance transactions, to streamline the investment process.
 - The transaction platform is growing rapidly and already showcases transactions with an aggregate value of ~USD 3B, for which the sponsors are seeking ~USD 1.4B.
- **Market acceleration:** Convergence offers grant funding for the design of new blended finance structures to attract private capital to global development at scale.
 - Grants to date include the design of financing facilities for clean energy and smallholder livelihood projects, a blue bond for marine conservation, and impact bonds for maternal and child health as well as employment integration programs for refugees.
 - Convergence has awarded CAD 5M towards the design of these structures, which could mobilize CAD 2B of capital towards the SDGs, for a leverage ratio of 500x.

WHAT DID WE LEARN?

We learn something from every initiative we incubate, and apply lessons from both successes and challenges to our future work.

SUCCESSSES

- **An engaged board is key:** In developing Convergence's board, we purposefully focused on securing board members who brought significant sector expertise and a genuine interest in the success of blended finance. Having this strong board created space for Convergence to spend time finding the right leader who could steward Convergence through a start-up period and well into steady-state operations – rather than rushing to hire a CEO and risking a bad fit.
- **Brand matters:** Our collaboration with top branding firm, Emergence, helped us realize that to be successful, Convergence needed to build a brand that would speak to the private sector – this unique positioning has helped distinguish Convergence from other development organizations and appeal to the private sector investors critical to blended finance.
- **Announcement is different from launch:** We worked closely with the Convergence team to plan an announcement of the new platform, followed by its actual launch. This sequencing allowed Convergence to more fully develop its core offerings and build a more robust range of supporters before “going live,” while still capitalizing on momentum from the announcement.

CHALLENGES

- **Unexpected delays can require smart detours:** Convergence faced regulatory roadblocks that delayed the Investment Network launch for several months. In response, we helped the team nimbly shift its focus instead to executing its Design Funding pillar activities in a high visibility way that would allow them to sustain momentum and interest.
- **Continuity is a must:** An initiative can't be built alone – it requires expertise, buy-in, and capacity from many different groups that each play a critical role at different steps of the process. As the incubator and the interim team for Convergence, GDI learned to carry the “through line” and manage a constantly evolving roster of partners and project needs so that nothing fell apart as Convergence evolved from strategy, to launch, to full operations.
- **If you build it, they won't necessarily come:** A big challenge for Convergence was getting high-quality deals and investors registered on the Investment Network early, so that first-time visitors would see a critical mass and want to join as well. We drew on lessons from multi-stakeholder collaboration to tackle this chicken-and-egg problem by carefully targeting the most influential organizations in early outreach, and encouraging them to publicly share their association with Convergence once on board.

KEY PARTNERS AND FUNDERS



Citi Foundation

