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Formative evaluation of the Supporting Blended Finance: The Global Network for Blended Finance project – Executive summary

i *The findings, conclusions, recommendations and lessons listed below are those of the Contractor and do not necessarily reflect the views of the Department of the Government of Canada. The Department does not guarantee the accuracy of the information provided in this report.

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1. Rationale and purpose of the evaluation

The formative evaluation of the Supporting Blended Finance: The Global Network for Blended Finance project was commissioned in response to the ministerial approval memo of March 2021 to extend the project's end date from 2021 to 2025. The memo specifically requested a project evaluation mid-way in the new (extended) funding period to assess progress on the integration of gender equality into project operations and the achievement of financial sustainability for the Convergence Blended Finance Inc. (the implementing organization; hereafter referred as Convergence). This requirement withstanding, this formative evaluation also offered an opportunity to assess the extent to which the project was contributing to the advancement of blended finance as part of a broader strategy of the international community to mobilize additional finances in support of the 2030 Sustainable Development Goals (SDGs).

The purpose of the evaluation was to:

- Inform the level and extent of the application of gender equality into project operations;
- Inform the extent to which Convergence has made progress in the achievement of financial sustainability;
- Inform growth trends in blended development finance including where funding is being generated and the role played by Convergence in leveraging funding;
- Inform the barriers and facilitators that have influenced or hindered the achievement of expected results to date; and

- Provide lessons learned on project implementation to date and seek opportunities for strengthening capacity going forward to ensure the sustainability of results.

2. Objectives of the evaluation

The specific objectives of the evaluation were to:

- Assess the status of implementation of the project and progress towards the achievement of expected results;
- Assess progress in the integration of gender equality into project operations;
- Assess progress towards financial sustainability beyond the life of the project;
- Identify lessons learned and best practices in the design and implementation of blended financial initiatives;
- Assess the degree to which environmental sustainability has been integrated into the project's implementation; and
- Provide findings, conclusions and recommendations to fulfill the stated purpose of the evaluation.

3. Scope of the evaluation

The formative evaluation covered the “Supporting Blended Finance: The Global Network for Blended finance” project from 2016 to 2023.

4. Development context

Traditional Official Development Assistance is not sufficient to fill the financing gap for the UN Sustainable Development Goals (SDGs) by 2030, which currently stands at 4 trillion dollars (UN, 2024). ¹ To this effect, the international community has continued to seek innovative ways of mobilizing funds from non-traditional sources to close the gap in SDG financing. Blended finance ² has been considered as an important means to mobilize private capital, knowledge and expertise, with public funds playing a catalytic role to reduce risk perception and incentivize private investments. The Supporting Blended Finance: The Global Network for Blended Finance project was designed to provide training, investment matchmaking, membership development, data and intelligence, project design funding and other services that promote blended finance as a vehicle for leveraging capital from different sources to increase financial flows to SDG sectors.

5. Project description

In 2016, Global Affairs Canada (GAC) provided a five-year (2016-2021) funding of \$19.17 million for the establishment of the Convergence Blended Finance Inc. as a global network for blended finance that facilitates the pooling together of resources from public, private and philanthropic sectors to support the SDGs in developing countries. Convergence's key components include: 1) connecting investors and investees on its investment network platform; 2) providing donors, non-governmental organizations and private sector actors with blended finance market building tools, including knowledge products and services; and 3) administering the Global Emerging Markets Window grants.

GAC's original contribution agreement with Convergence was intended to provide the organization sufficient capital to establish itself as a leader in the blended finance field, eventually becoming financially sustainable. However, the formative evaluation conducted in 2019/2020 found that Convergence might require additional funding to achieve financial sustainability into the future, which otherwise would not be possible to sustain the project results overtime. In March 2021, GAC amended the contribution agreement to extend the end date of the project to 2025, with an additional funding of \$5.1 million, bringing the total current project budget to \$24.27 million.

The Supporting Blended Finance: The Global Network for Blended Finance project focuses on achieving the following outcomes.

Ultimate outcome:

- Increased capital leveraged, particularly from non-traditional sources of development finance, to support development projects in developing countries to address the financing gap of the Agenda 2030 for Sustainable Development Goals.

Intermediate outcomes:

- Increased access by the public, philanthropic and private sectors to viable new blended finance products;
- Enhanced collaboration using blended finance models, including those developed by the *Design Funding* facility, by the public, philanthropic, and private sectors to support social goods, resilient infrastructure and sustainable enterprises in developing countries.

Immediate outcomes:

- Increased capacity of grant recipients to design new viable blended finance models;
- Increased ability of development institutions, including GAC, to seek out opportunities to blend public funds with private and philanthropic funds;
- Increased awareness and understanding of development institutions, including GAC, and private partners to blend public funds with private and philanthropic funds.

Stakeholders: Convergence Blended Finance Inc., Global Affairs Canada, public, philanthropic and private sector organizations, and international organizations working in the field of blended finance.

6. Evaluation approach and methodology

The evaluation approach was guided by the quality standards of the Organization for Economic Co-operation and Development – Development Assistance Committee and other norms and standards for evaluation practiced in the donor community, such as the United Nations Evaluation Group Ethical Guidelines for Evaluation. The discussion and analyses of the evaluation were informed by Canada's Feminist International Assistance Policy, which considers support for gender equality and the economic empowerment of women as the as the most effective approach to promoting inclusive economic growth and eradicating poverty.

The evaluation utilized a mix of data collection methods from different primary and secondary sources to generate quantitative and qualitative information that informed the discussion and evaluation, including desk reviews, surveys, key informant interviews and participatory observation of online Convergence events. The sampling strategy ensured representations

of diverse stakeholders, including the private sector, government and donor agencies, international and philanthropic organizations, NGOs and development finance institutions.

7. Key findings of the evaluation*

- I. By responding to knowledge sharing, data, grants, capacity building and networking needs of the stakeholders, Convergence's support is considered relevant, although to different extents depending on the stakeholder.
- II. Convergence is widely regarded as a leader in the blended finance field and continues to be effective in contributing to the expansion of this space. The organization has not yet fully leveraged its role as a key influencer in the space.
- III. Convergence adopted its Financial Sustainability Plan (2023-2026) and is on the right-track to reach a healthy degree of diversified revenue sources that are in line with its goals. Convergence also remains committed to maintain some donor funding given its recognized role as a provider of public goods to support the expansion of blended finance.
- IV. Convergence has delivered the results as expected, within the budget boundaries and in a timely manner. The use of the human and financial resources is considered efficient by most respondents. Nonetheless, there is presently limited room for project expansion with the available human and financial resources.
- V. The prospects for Convergence to produce sustained benefits are high. The significant degree of collaboration they have facilitated between key blended finance actors is and will continue to be a key factor in this,

particularly within the context of recent declines within the blended finance market.

- VI. Although there has been progress in the integration of gender equality since the last evaluation, Convergence has yet to position itself as a thought leader on gender-lens investing and to address gender equality in a fully transformational way, both in its design and in its implementation. Main weaknesses relate to mainstreaming gender in internal processes, result measurement and lack of a gender-sensitive external communication strategy.
- VII. Convergence has successfully included environment and climate in its operations and is now regarded as a thought-leader in this field. Main weaknesses relate to result management and internal capacity.

8. Key conclusions of the evaluation*

- I. Convergence's support has been relevant for its stakeholders and partners, on numerous fronts, and has responded well to a range of needs and priorities. However, given the breadth of expectations, Convergence has sometimes fallen short to provide tailored support.
- II. Aligned with its role as the global network for blended finance, the Convergence team rightly prioritizes collaboration between different stakeholder segments to help players understand the needs of one another and opportunities to combine differing areas of expertise which can lead to greater impact. The deep networks of Convergence staff, based on their rich experience in both public and private sectors, has been recognized as enhancing their ability to bring actors together.

- III. Convergence is a recognized field builder that is well positioned to further enhance its role in the expansion of the blended finance space. Since its establishment in 2016, Convergence has clearly established itself as a leading knowledge centre in the blended finance space. Furthermore, its role as a blended finance field builder has driven their focus on bringing together a diverse range of stakeholders to help them understand how they can work together towards achieving the SDGs. In the context of its efforts to remain effective in its field building role and ensure sustainable benefits of blended finance, Convergence has faced the challenges of decreasing blended finance deals – down 45% in 2022 – as well as the persistent trend of both public and private actors mobilizing less resources than expected.
- IV. Since the 2020 evaluation, Convergence has done well to establish a more expansive regional presence across Africa, Latin America and Asia and it now has staff based in Kigali, La Paz and Singapore whose mandate is to serve the needs of regionally based members, attract new members and develop a deep understanding of regional and country level blended finance ecosystems. As part of this, the organization is at the early stages of developing targeted strategies at the regional and country levels which reflect their analysis of the space and plot a path to developing appropriate approaches to engaging with and influencing local actors.
- V. Since 2021, Convergence has made large progress in diversifying its revenues and becoming more financially independent from GAC. Some factors may nonetheless hinder Convergence's financial sustainability goal to be 100% independent from GAC funding as expressed in its Financial Sustainability Plan (2023-2026). This is all the truer when considering the strategic views and objectives the firm intends to

achieve and its overall ambitions, which could lead to a shortage of resources in the medium term.

VI. In recent years, Convergence has dedicated a lot of efforts and resources to mainstream gender-lens investing and climate finance into its design and implementation, which has led to strong progress in these fields. However, some weaknesses may hamper mainstreaming efforts in the medium and long term.

9. Key recommendations of the evaluation*

- I. Over the next two years, it is recommended that Convergence's portfolio of support be progressively more tailored to the specific and differentiated needs of diverse stakeholders.
- II. It is recommended that Convergence develops a systematic approach to tracking an inclusive group of potential investors and stakeholders and facilitating connections with its members.
- III. It is recommended that Convergence develop a strategy to prioritize targeting policy makers in the public and private sectors to influence them to increase their country's allocations to blended finance models which can contribute to the achievement of the SDGs, with a particular focus on gender equality and climate change considerations.
- IV. It is recommended that Convergence develop a strategy to outline how it will integrate local actors across their programs, in addition to the Climate Change Facility Learning Hub, in order to demonstrate their value to the development of the blended finance market.
- V. It is recommended that Convergence review its Financial Sustainability Plan to (a) ensure the cost projections towards 2026 align with the firm's ambition and growth prospects, (b) include clear and relevant

indicators and targets that are regularly tracked and reported against in the annual report, and (c) update the revenue diversification strategy with short, medium and long-term goals, including an assessment of alternatives structures for Convergence in the long term.

VI. It is recommended that Convergence continue to mainstream gender into its design and activities by adopting a 5-year Gender Action Plan including a monitoring plan, by developing partnerships with a third party for gender expertise, and by adopting a gender-sensitive communication strategy. Convergence should also capitalize on its knowledge and experience to work at the intersection of gender equality and climate finance.

VII. To reinforce the mainstreaming of environment/ climate into its design and activities, it is recommended that Convergence reinforce the result management and accountability of its Environmental Strategy.

10. Key lessons of the evaluation*

Instead of working specifically and immediately on the expected online platform, Convergence needed to first develop a context in which further blended finance work could thrive. This is what allowed them to achieve greater results at this point.

Convergence also understands that the more they can demonstrate their support, the more they will be in a position to generate funds to further finance their activities.

As the Blended Finance team is a relatively nascent area of expertise, Convergence is always on the lookout for promising individuals to hire in their team and they then provide tailored training, coaching and mentoring

that will allow the new staff to contribute to the firm's efforts.

If you would like a copy of the evaluation report, please contact info@international.gc.ca.

Footnotes

- 1 UN News, UN chief urges 'surge in investment' to overcome \$4 trillion financing gap, April 22, 2023⁴.
 - 2 The OECD defines blended finance as “the strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries”.
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