Clarmondial awarded grant for structuring and launch of Food Securities Fund

*Fund addresses credit gap while encouraging responsible agricultural practices in developing countries*

TORONTO, 12 December 2017 – Convergence has awarded a Design Funding grant to Clarmondial AG to structure and launch an open-ended investment fund for private credit in agriculture.

The Food Securities Fund addresses a growing credit gap in the agricultural and agri-food sector, as local agricultural companies have insufficient access to credit from local banks, funds and other lenders. To close this gap, the Fund will raise capital from institutional investors to lend to responsible local agricultural aggregators (e.g. cooperatives, traders, and processors) in developing countries, primarily in the form of working capital. It will follow an innovative approach, partnering with agriculture corporates who have existing supply chain links to these aggregators.

The Fund will offer a complementary source of financing to aggregators by entering into risk-sharing arrangements with corporates. Loans will be provided to aggregators based on the quality of their supply chain relationships with corporates instead of solely relying on collateral, which many aggregators do not have enough of. This blended finance structure leverages concessional funding from private and public entities to attract private investment at scale.

To encourage responsible practices, loans will be conditional on the implementation and monitoring of good social and environmental practices, including the promotion of climate smart agriculture, deforestation free supply chains, rural development (in particular for smallholder farmers and agro-food and rural SMEs) and increased transparency.

“The Food Securities Fund uses an innovative approach to address the credit gap faced by agricultural companies operating in established supply chains in emerging markets. We have designed it with significant input from investors, companies, research and conservation organisations, to ensure a scalable and attractive offering”, said Tanja Havemann, Co-founder and Director of Clarmondial.

The Fund has received strong support to date, including from several leading agriculture corporates and asset managers. For regulatory reasons, the Fund will only accept professional (qualified) investors. A first close is expected to take place with the catalytic participation of leading private banks, family offices and foundations. Convergence’s funding will enable Clarmondial to complete the design work required to launch the Fund in Europe and North America.
Convergence Design Funding grants support the design of catalytic blended finance vehicles that attract private capital to global development. At the same time, lessons learned from grantees inspire market-wide learning. Grants have already been awarded to vehicles in a diverse range of sectors and regions, including the design of financing facilities for clean energy and smallholder livelihood projects in Indonesia, a blue bond for conservation activities in Small Island Developing States, and a holding company establishing affordable eye care clinics in a range of developing countries. This initial funding is provided by the Government of Canada.

“The Food Securities Fund is strongly aligned with Convergence’s mandate to mobilize large-scale commercial capital through blended finance into funding critical development areas, such as sustainable agricultural development. At the same time, it has a smart, simple, and scalable blended finance structure that is compelling for institutional investors,” said Joan Larrea, CEO of Convergence.

ABOUT CONVERGENCE
Convergence is an independent institution that connects, educates, and supports investors to execute blended finance transactions that increase private sector investment in emerging markets. Convergence offers feasibility study and proof of concept grant funding for practitioners to design catalytic blended finance vehicles that aim to attract private capital to global development at scale. To share what grantees have learned through their design process, Convergence, in partnership with the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town’s Graduate School of Business, will create learning briefs that outline key decisions and outcomes from the design processes to ensure practitioners considering similar instruments have access to design best practices. Visit www.convergence.finance to learn more.

Convergence accepts Design Funding applications on a continuous basis, and reviews applications every quarter. To be considered for the next review cycle, practitioners must submit their applications by February 28, 2018. Visit www.convergence.finance/design-funding to learn more.

ABOUT CLARMONDIAL
Clarmondial is an independent investment advisory company that focuses on practical, profitable and creative solutions for social and environmental businesses and their funders. Established in Switzerland in 2010, Clarmondial serves a diverse client base in financial structuring and private investments in emerging markets, in forestry & agriculture, climate and conservation finance, renewable energy and sustainable rural development. Visit www.clarmondial.com to learn more.

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