Sustainable Landscapes: Investor Mapping in Asia and Strategic Action Plan

Engagement opportunities in conservation finance

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USAID
FROM THE AMERICAN PEOPLE

Dalberg

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Introduction

Agriculture, forestry and other land use is a major source of GHG emissions, but is also a central pillar in the economies of many developing countries, making it critical to balance economic growth and climate change mitigation efforts on this sector. The study aimed to identify key investors in this space and high potential green investments in the Asia region that achieve both financial and environmental returns as well as USAID ASIA's partnership opportunities with other donors and corporate and financial investors experienced in conservation finance to facilitate new green investments while avoiding or reducing GHG emissions, particularly concerning land-based low emissions development, which faces difficulties stemming from land tenure, financial accountability, and transparency in reporting and metrics.

List of key abbreviations

AFOLU Agriculture, Forestry and Other Land Use

DIB Development impact bond

ESG Environmental, social and governance

PBC Performance based contract

RDMA USAID Regional Development Mission for Asia

REDD+ Reducing Emissions from Deforestation and Forest Degradation in Developing countries, and includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks

SL Sustainable Landscape. The goal of SL is to slow, halt, and reverse emissions from land use, including forests and agricultural ecosystems.

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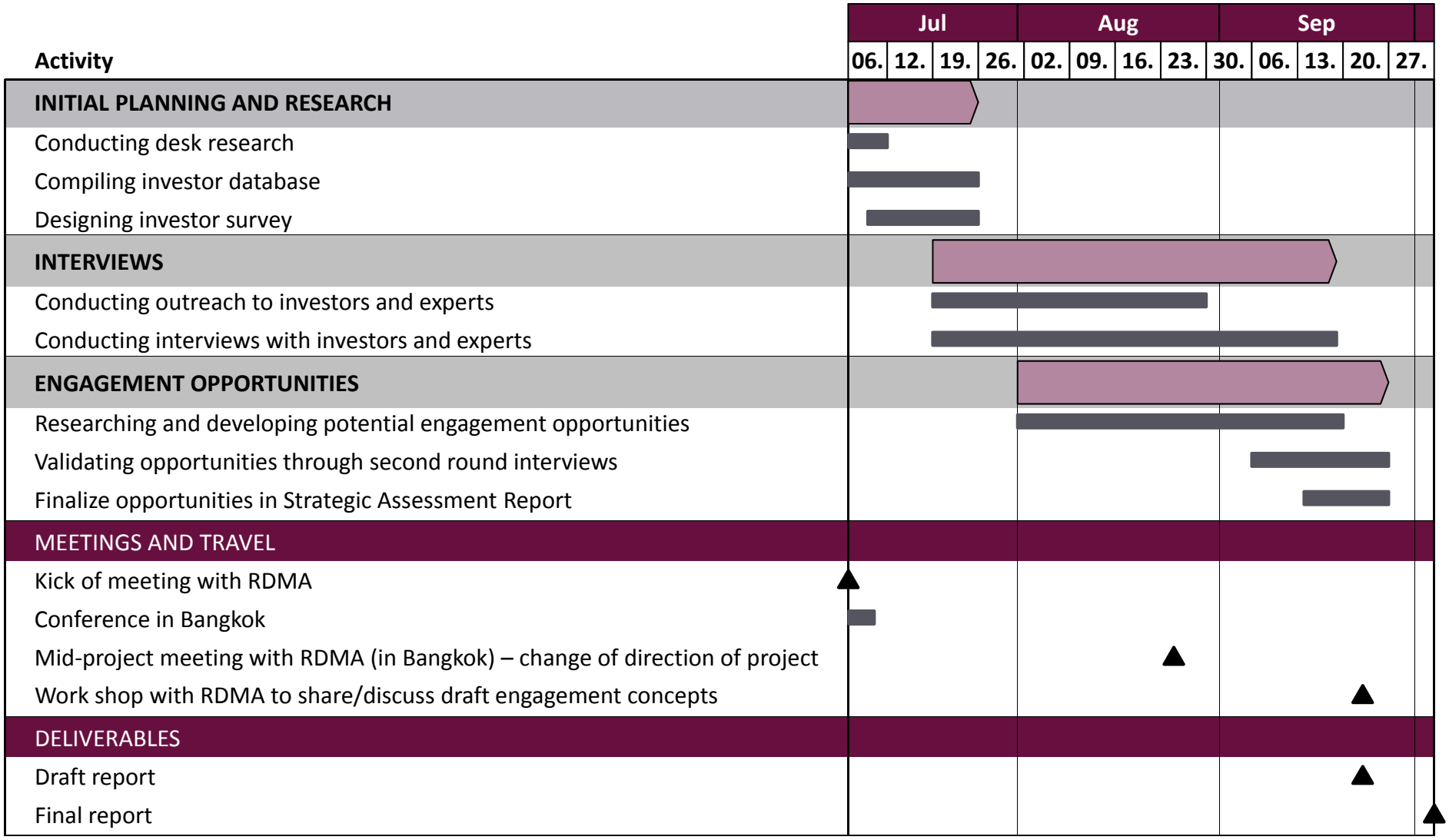
Dalberg was engaged by RDMA on a 12-week project to identify potential engagement opportunities in conservation finance in Asia



During this time, there was an important evolution in the scope and objectives of the engagement

The engagement originally took a broad scope, based on the kick-off meeting and ToR….

- The **initial objective** was to identify and define broad types of financial support ideal for RDMA to catalyze private capital inflows into conservation financing.

…but evolved after a meeting in Bangkok with the RDMA team in week 8 of the project…

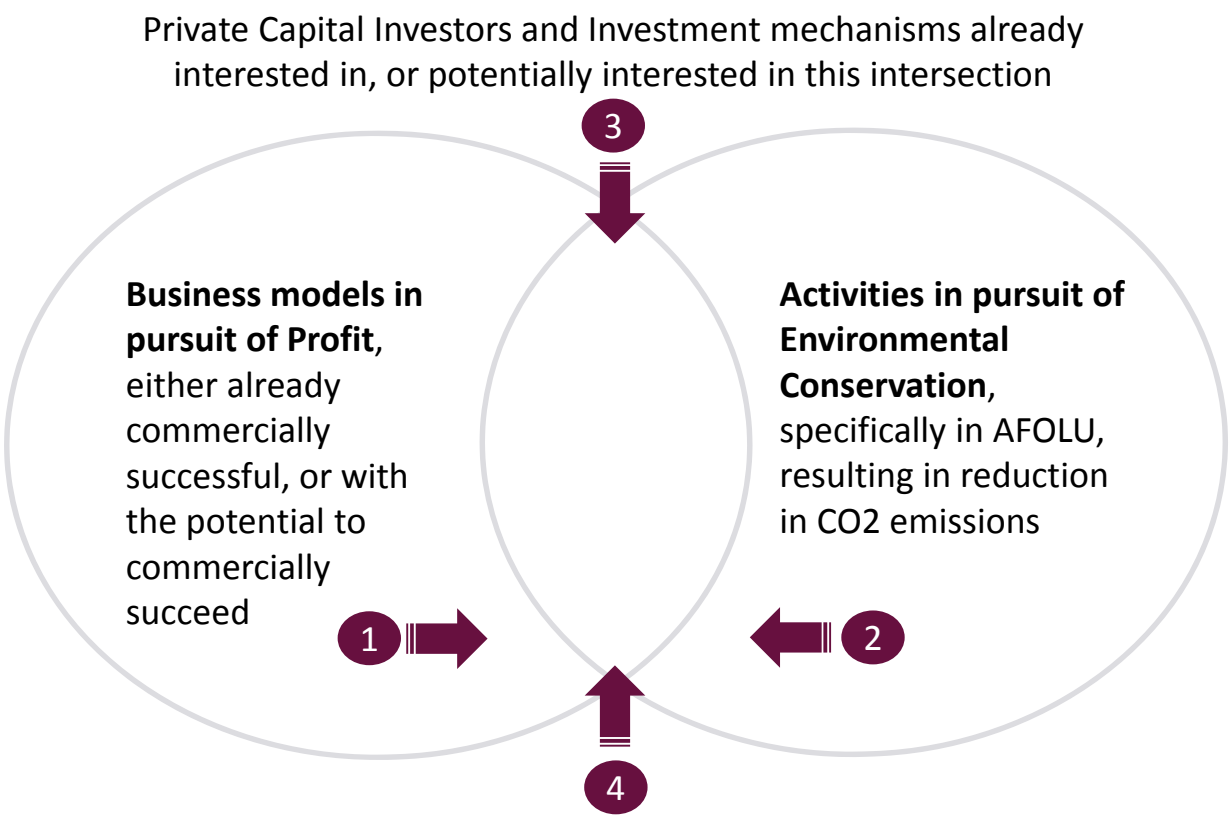
- The **objective evolved** to be a lot more specific. We were instructed to narrow our focus to identifying specific high-leverage direct investment opportunities ideal for RDMA, which have the potential to crowd-in additional investors and fund
- Further in-depth conversations confirmed that RDMA would consider (1) **non-financial engagement opportunities** (e.g. technical assistance) linked to the funding, (2) **opportunities that are innovative**

…and was narrowed further following a workshop with RDMA held in Bangkok

- The USAID team **prioritized engagement opportunities** from the long list presented by Dalberg, with particular interest in green bonds, ESG compliance for bank portfolios and accelerator and incubator funds
- This final report includes **"strawman" outlines on each of these three prioritized engagements**, and a detailed list of potential private and public partners for funding or execution of each engagement

Our goal shifted to identify and develop specific engagement concepts for RDMA to catalyse private capital flows by providing financing

The landscape of players in driving the agenda of attracting private capital to conservation and CO2 avoidance

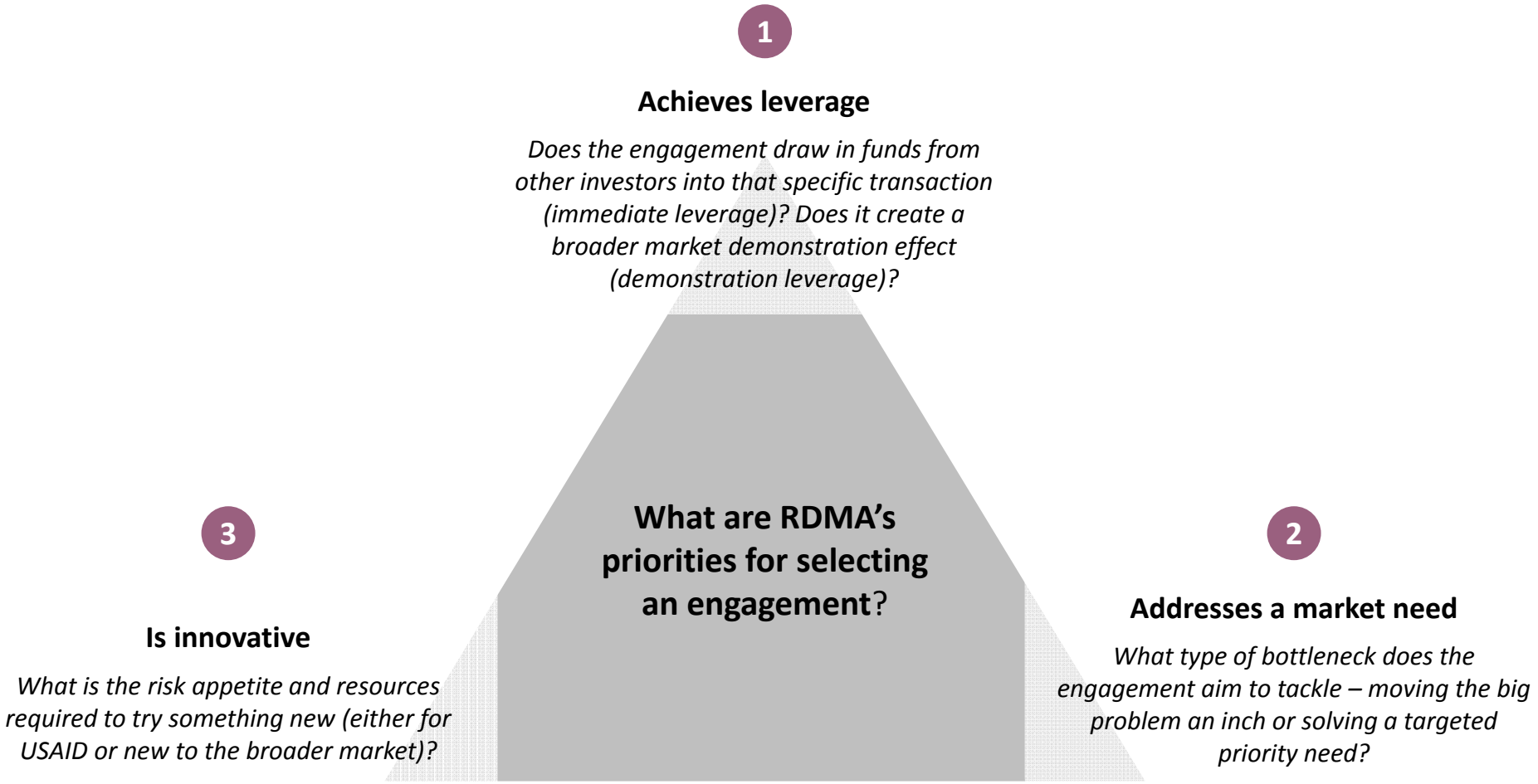


What can a 'Catalyst' do

1. **Commercial to conservation.** Help create success stories in making conservation commercially attractive and/or necessary for conventional businesses, as they pursue profit
2. **Conservation to commercial.** Help create success stories in making conservation activities / businesses commercially rewarding
3. **Provide financing** (credit guarantees, funds, liquidity, risk mitigation or assurance of returns, OR in investor enabling platforms)
4. **Ecosystem services.** Help these entities to start, succeed, expand and scale by provide assistance for business development, policy advocacy, incubation services, etc.

- Source: Dalberg analysis

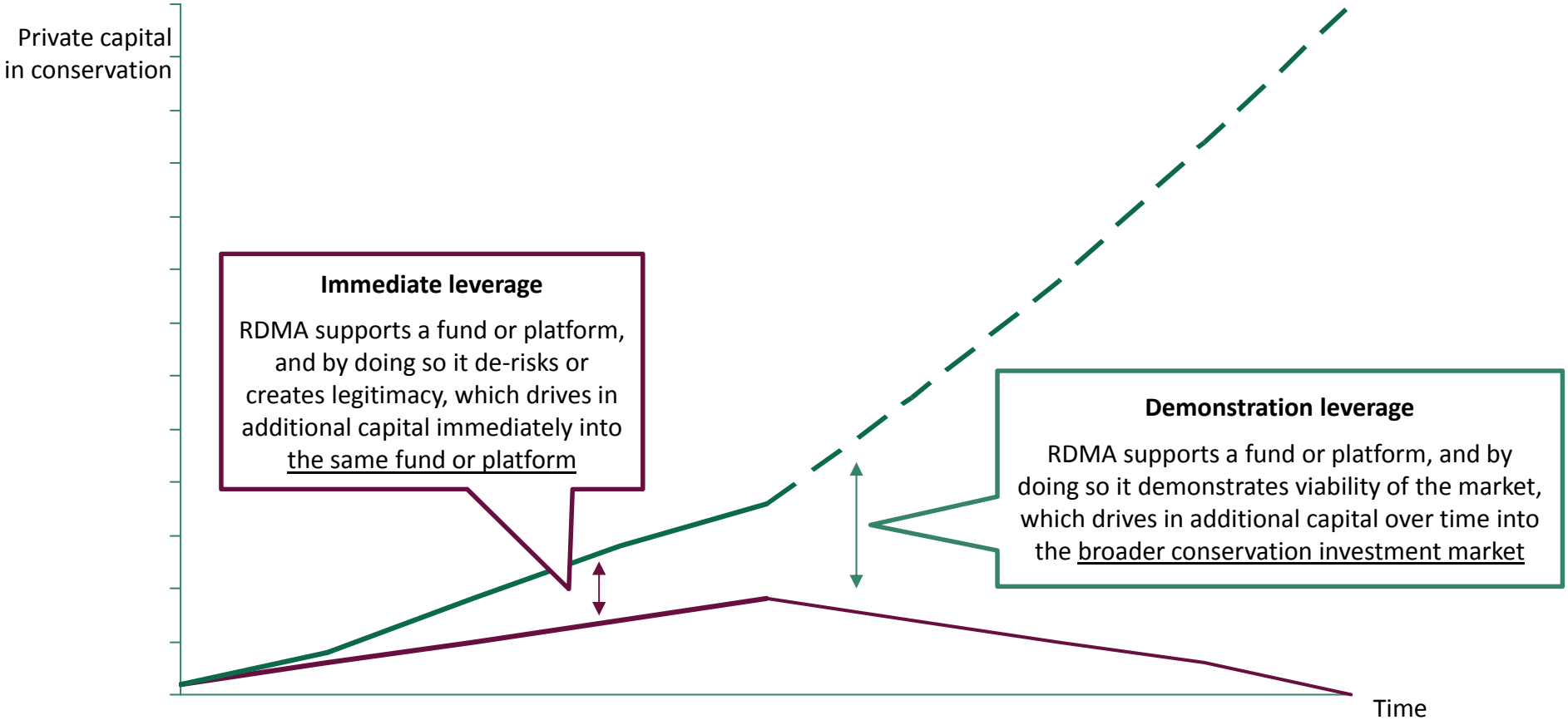
We focused on engagement concepts that achieved some combination of the following three priorities – which were identified by RDMA



- Source: Dalberg analysis

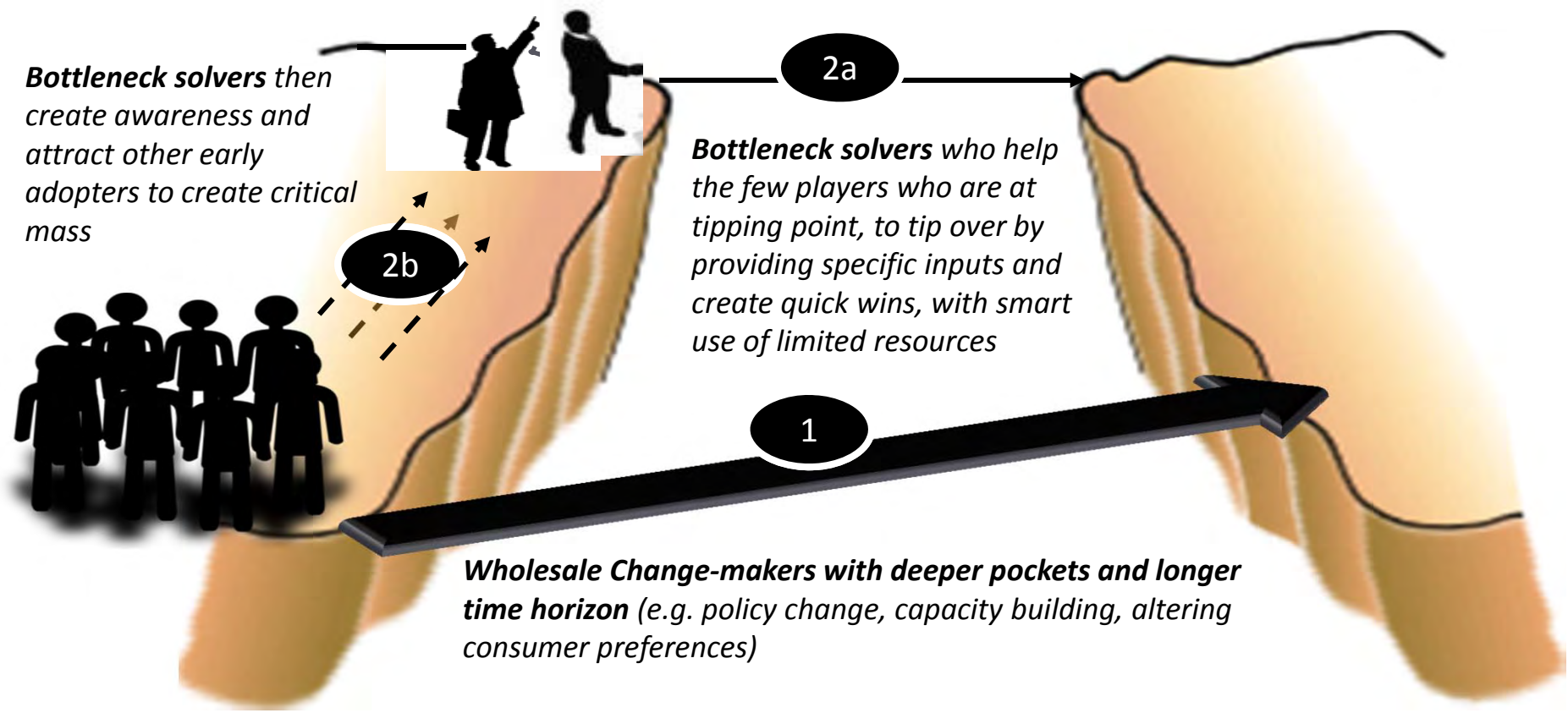
1 We considered two types of leverage effects: an immediate effect and a broader demonstration leverage

[ILLUSTRATIVE] Flow of private capital resulting from an RDMA engagement



- Source: Dalberg analysis

2 With RDMA's limited resources, we focused on engagement opportunities that address market needs on the verge of 'tipping' to a solution



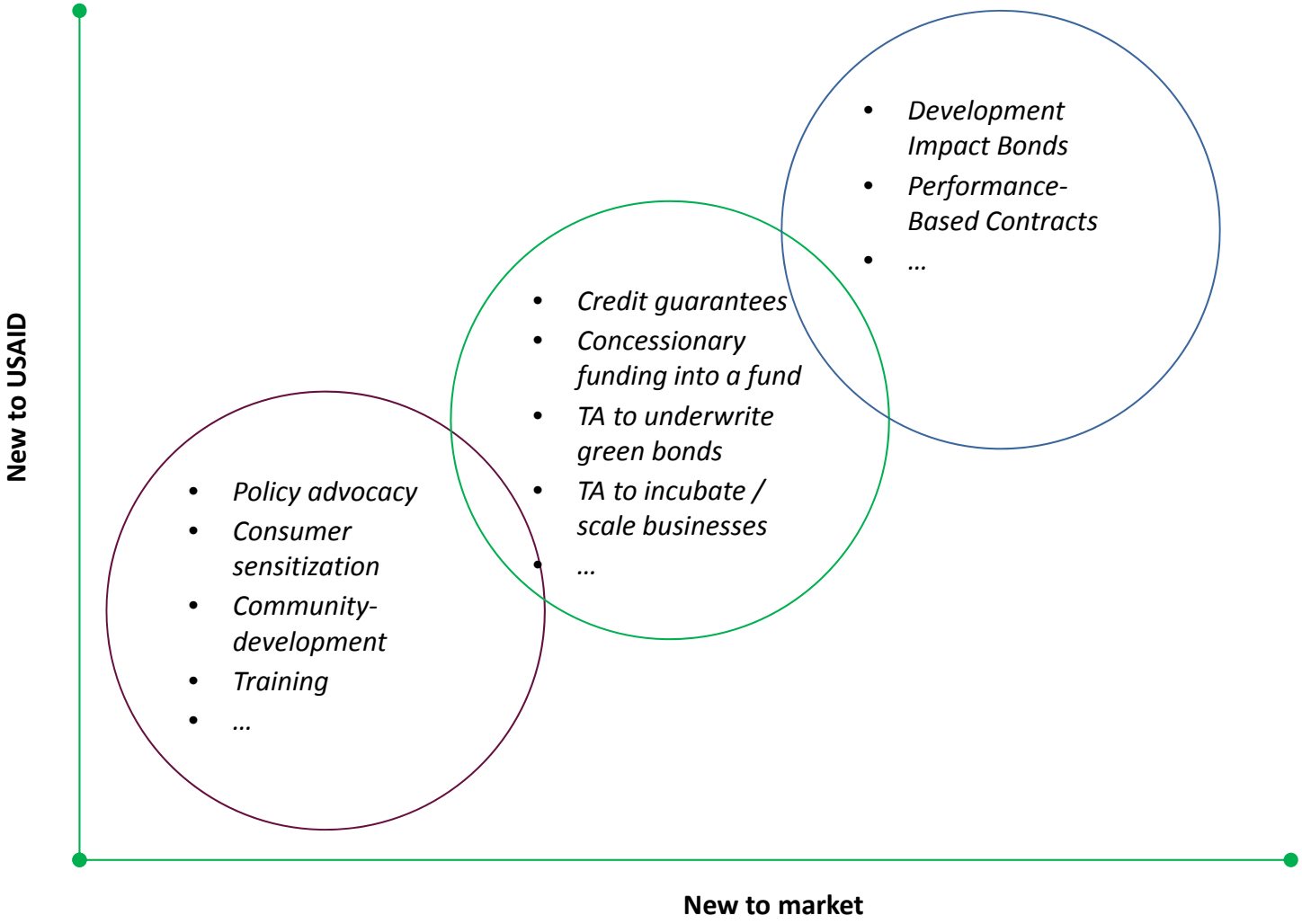
Implications for RDMA given the context of this project:

- Identify the few opportunities that are tipping point
- Be pragmatic and provide what it takes –weaving in targeted financial and non-financial support

- Source: Dalberg analysis

3 As a "bottleneck solver", blending innovative with more conventional activities is likely to be an effective way forward

Potential engagements according to level of innovation



- Source: Dalberg analysis

We conducted 40 surveys and/or interviews with investors and experts, and a broad landscape review

26 interviews and/or surveys with investors

EcoEnterprises Fund
CIFOR
MEKONG strategic partners
natureVest
FAUNA & FLORA INTERNATIONAL
ENCOURAGE CAPITAL
acumen FUND
J.P.Morgan
alterfin Investing in microfinance & fair trade
GORDON AND BETTY MOORE FOUNDATION
LGT
Calvert Foundation
HSBC
GAWA CAPITAL
THE ECOSYSTEM INTEGRITY FUND
Equilibrium Capital
natureVest
the David & Lucile Packard FOUNDATION
financeinmotion
Terra GLOBAL CAPITAL
FOREST CARBON
Bank of America
THE CLIMATE TRUST
Rabobank
rootcapital PIONEERING FINANCE FOR RURAL COMMUNITIES
BIOCARBON

14 interviews with experts

FOREST CARBON
TRUCOST
The Nature Conservancy
FOODWORKS
CIFOR
CONSERVATION INTERNATIONAL
shujog
APP
The Gold Standard
MILKEN INSTITUTE
GreenWorksAsia
CLARMONDIAL
Weather Risk
WWF
proforest

Broad review of existing literature, including the following reports

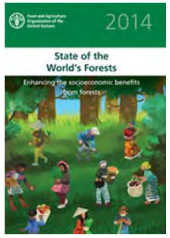
Investing in Conservation

The Little Biodiversity Finance Book

Guide to Conservation Finance

Environmental, Social and Governance Integration for Banks

The Little Forest Finance Book



State of the World's Forests 2014

- Note: Some organizations are both investors and experts. They have been categorized based on the context in which the interview was conducted and the team member interviewed/surveyed

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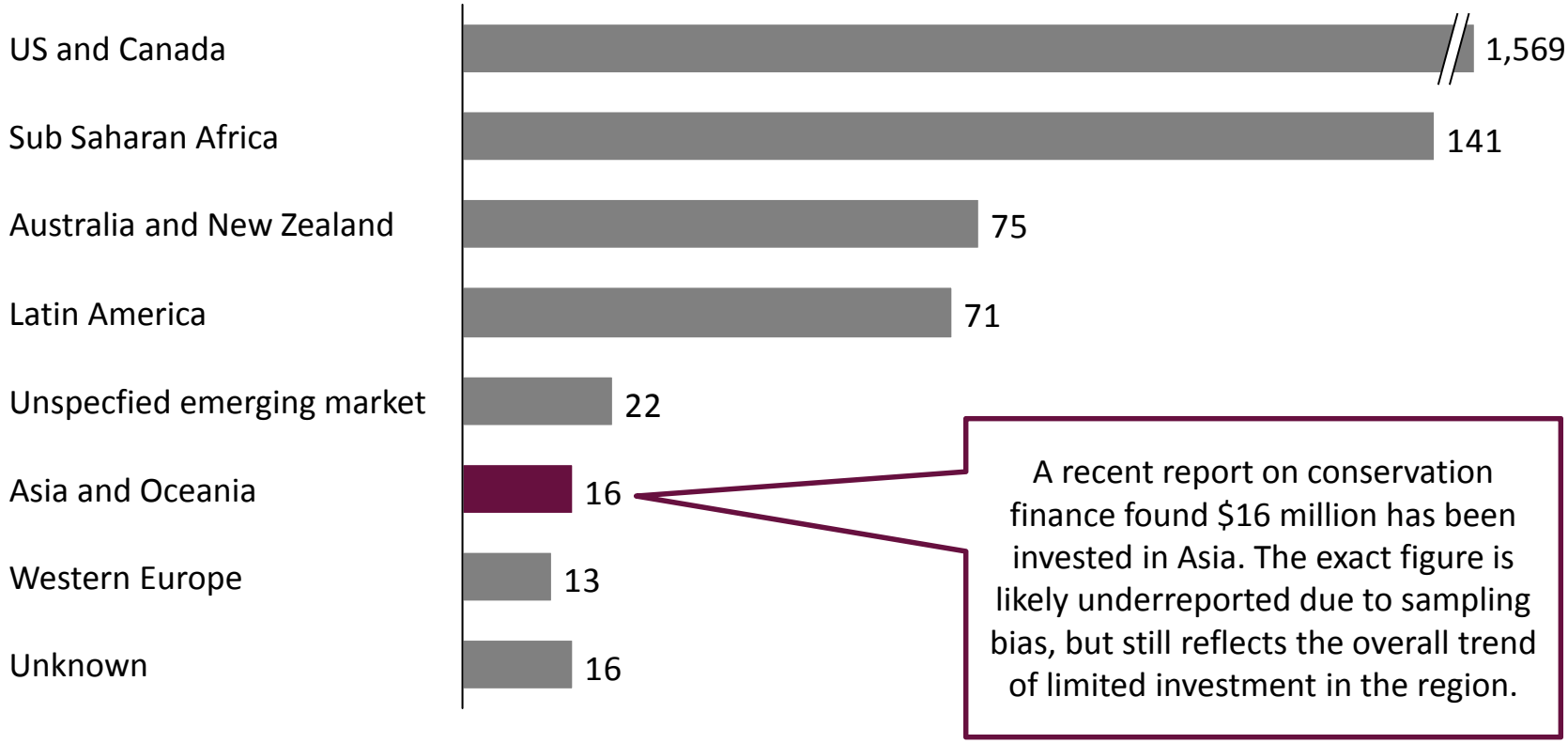
Asia is a very nascent geography for private conservation financing; based on limited data, the continent accounts for less than 1% of all global investment

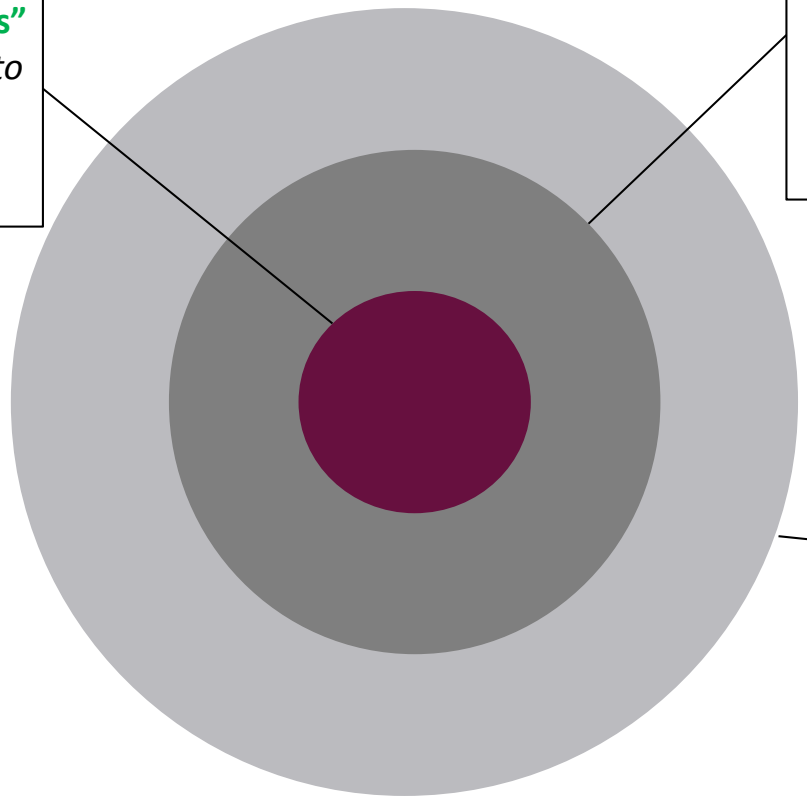
Total private capital deployed in conservation investments by geography of investment
USD millions (2014)



- Note: The study defines private investors as fund managers, corporations, foundations, non profits, family offices and HNWIs (any non-DFI investors), but does not include institutional investors. Conservation finance defined as "investments intended to return principle or generate profit while also driving a positive impact on natural resources and ecosystems - specifically, decrease pressure on a critical ecological resource and/or the preservation or enhancement of critical habitat'. The study captures investments across three conservation areas: sustainable food and fiber production, habitat conservation, and water quality and quantity conservation.
- Source: “Investing in Conservation: A landscape assessment of an emerging market”, NatureVest and EKO (2014); Dalberg analysis.

We have observed and classified three main types of investors; peripheral investors tend to focus on social impact, with limited environmental rigor

Investor typology [Illustrative]



1

"Conservation investors"
Invest with a mandate to support resource conservation

2

"Impact investors"
Investing with a mandate to achieve social and environmental impact (often with a priority on social), but that impact is not specifically low-emission and deforestation-free

3

"ESG compliant investors"
Consider environmental impact of investments, but typically with a "do not harm" approach and often not specifically low-emissions and deforestation-free

Increasing conservation investment can happen by either (i) helping "conservation investors" raise capital or (ii) moving "impact investors" and "ESG compliant investors" towards more stringent environmental intent.

- Source: Dalberg analysis

While interest in the region is growing, most private investors continue to be based outside of Asia

Active and based in Asia	Active, but not based in Asia	Scoping Asia
NewForests FAUNA & FLORA INTERNATIONAL	alterfin (Investing in microfinance & fair trade) althelia ecosphere financeinmotion (Investing in Development) LIVELIHOODS Calvert Foundation Gordon and Betty Moore Foundation	Terra Global Capital EcoEnterprises Fund Encourage Capital Forest Carbon CIFOR

Fund manager are the most common investor type, with foundations also deploying capital. Three non-profits are also looking to raise a fund from private investors.

- Note: Similar to the "Investing in Conservation: A landscape assessment of an emerging market" report, we have considered private investors as non-DFI investors, 'Scoping' includes companies that are currently raising for a fund; "Based in Asia" includes those funds that have a physical presence in Asia, although may be headquartered elsewhere
- Source: Dalberg analysis; Interviews with investors

End use of private conservation capital tends to focus on companies and market mechanisms – although both lag behind other regions

	Asset type	Description	Relative proliferation among Asian investors
1	**Companies**	Promote low-emissions/sustainable agriculture by providing financial support to agri-businesses in the form of credit guarantees, equity or debt investments, etc.	Most common investment asset for private investors in Asia, but still lacking relative to other regions and the broader impact investing market
2	**Market mechanisms**	Invest in financial instruments and/or platforms that stimulate private sector driven deforestation-free agriculture such as carbon trading platforms, securities, green bonds, etc.	Considered a high potential market for investors, but challenges for carbon markets (including price uncertainty) and limited supply in the bond market
3	**Land/forest**	Conserve forest/land by purchasing it through a fund, and preserving it for natural ecosystem services, or lease for conservation activities such as permaculture, academic research, eco-tourism, etc.	Uncommon model among private investors due to limited financial viability

- Source: Dalberg analysis; Investor interviews

Investor reluctance to enter the sector in Asia is largely driven by a lack of commercial attractiveness and a dearth of viable investment opportunities

Raising capital → Deploying capital → Managing investment → Exit

Challenges across the investment value chain

Raising capital	Deploying capital	Managing investment	Exit
Investors perceive risks as being too high due to nascent market, shortage of experienced conservation fund managers, and risks of emerging markets	Most investors are currently scoping Asia, so they do not yet have a ground presence or networks in the region, making it difficult to build a pipeline	Significant resources (time, money) required from investors to oversee investments	For equity, exit options are rather limited
Fund managers don't know how to "sell" conservation investments to broader investors, including their benefits and the potential for returns	Dearth of investment opportunities, as conservation models are uncommon and many companies would not pass due diligence due to lack of financial records, governance structures, etc.	Conservation models are often not profitable in isolation. More than one revenue stream required, for example carbon credit sales and the core business model – adding complexity to achieving profitability	Patient capital is more appropriate for most investees, but can elongate repayment periods for funds
Investors looking for impact still prioritize social impact over environmental	Mismatch in investor preferences and market needs for instruments, ticket sizes, returns (e.g. investors prefer equity, but businesses prefer or better understand debt)	Difficulty defining and measuring conservation impact	
Mismatch of return expectations of investors and actual returns	Lack of definition and clarity on conservation business models and limited understanding regarding their financial attractiveness		

Low

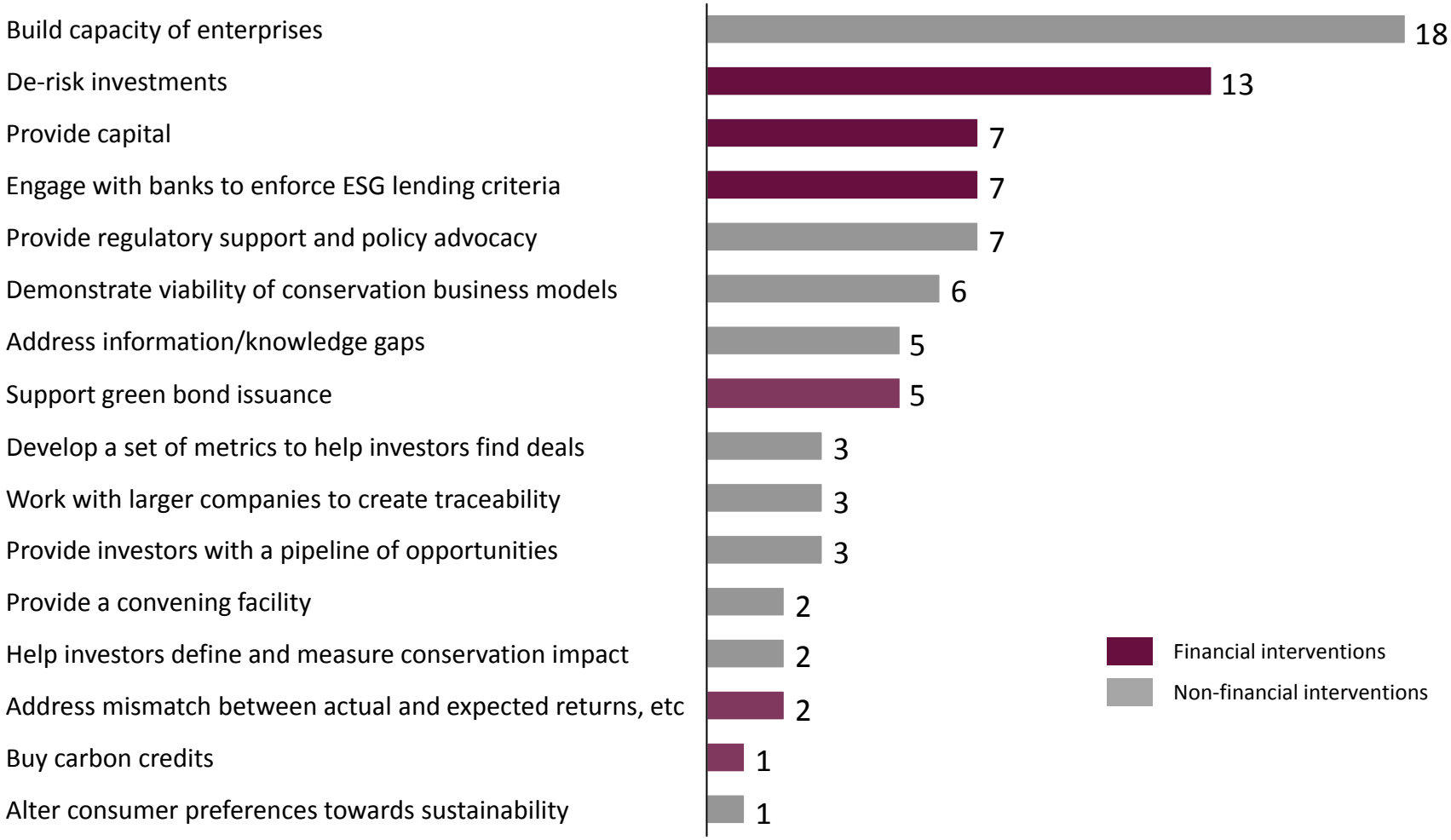
Moderate

High

- Source: Dalberg analysis

Thus, investors and experts say that support is needed in building the capacity of enterprises and de-risking investments to 'crowd in' capital

Investor and Expert perceptions on the biggest needs in conservation finance
(No. of mentions, n=37 interviews)



- Source: Investor and expert interviews

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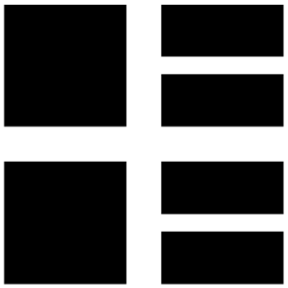
Building from the engagement concepts illustrated in the workshop, here we provide 'strawmen' of potential program verticals

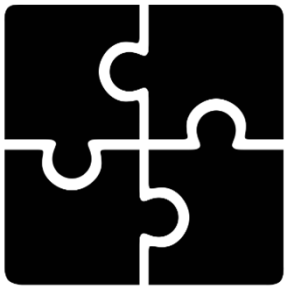


1

"Engagement concepts"

Seven individual building blocks

- The individual engagement concepts were presented to RDMA at a workshop in Bangkok, and were prioritized by the RDMA team
- These concepts can be found in the Annex, and each includes detailed deep dives with the following information :
  - Structure and design of the concept, including perspectives on leverage, market needs and innovation are indicative/directional and based off investor and expert interviews.
  - Articulation of specific partnership opportunities related to the particular concept
  - Details on RDMA's feedback on each concept, which was collected during a workshop in Bangkok on September 23, 2015



2

"Program verticals"

Initiatives composed of multiple "engagement concepts"

- Based on RDMA's prioritization, Dalberg has outlined three illustrative program verticals, which combine two or more engagement concepts, for RDMA to consider
- This three programs are detailed in the following section with the following illustrative details:
  - Description and structure of the program
  - Timeline for implementation
  - Potential partners
- Critical next steps will involve validating these examples (and underlying assumptions) with sector and thematic experts. This should precede the selection of any program vertical.

- Source: "Menu" Icon by Tahsin Tahil, thenounproject.com; "Puzzle" Icon by SooAnne, thenounproject.com

Dalberg identified a list of 7 engagement concepts for RDMA that have leverage potential, are innovative, and address a market need (1/2)

RDMA engagement concepts	Why (The bottleneck it aims to address)
1a. Make a direct investment into a fund structured as matching investment	Key constraint solved for is **'quantum of capital'** for existing funds: – By allowing investors who are willing and/or able to invest smaller amounts of capital, to participate in a meaningful way – By creating confidence amongst investors about feasibility of project – **B**y helping create a critical mass of funds for the fund managers, to facilitate more funds
1b. Make a direct investment into a fund structured as concessionary capital	Key constraint solved for are: • '**Cost of capital**' for the fund manager, by lowering the WACC • **'Return expectation**' for investors, by increasing returns possibility
2. Provide a first loss guarantee to a bank or fund	• Key constraint solved for is **'risk profile**' of the investment, by de-risking the downside and underlying uncertainty in the market
3. Support the issuance process for a green bond	• Key constraint solved for is **'transaction cost**' of investment for investors and fund managers, by paying for them
4. Provide outcome payment for (a) development impact bond (DIB) or (b) performance based contract (PBC)	Key constraint solved for is: • **'Lack of accountability'** for impact outcomes by execution agencies' by linking payment to impact results • **'Lack of returns in conservation activities'** for investors, by agreeing to paying a return to the investor, based on results • **'Lack of control & influence'** over functioning of execution agency for the private sector investor' by having them take a stake in it • '**Lack of innovation & 'skin in the game''** for the execution agencies, by creating an interest for a private sector player in attaining results, and tying some incentive to execution agency

- Source: Dalberg analysis; Investor interviews

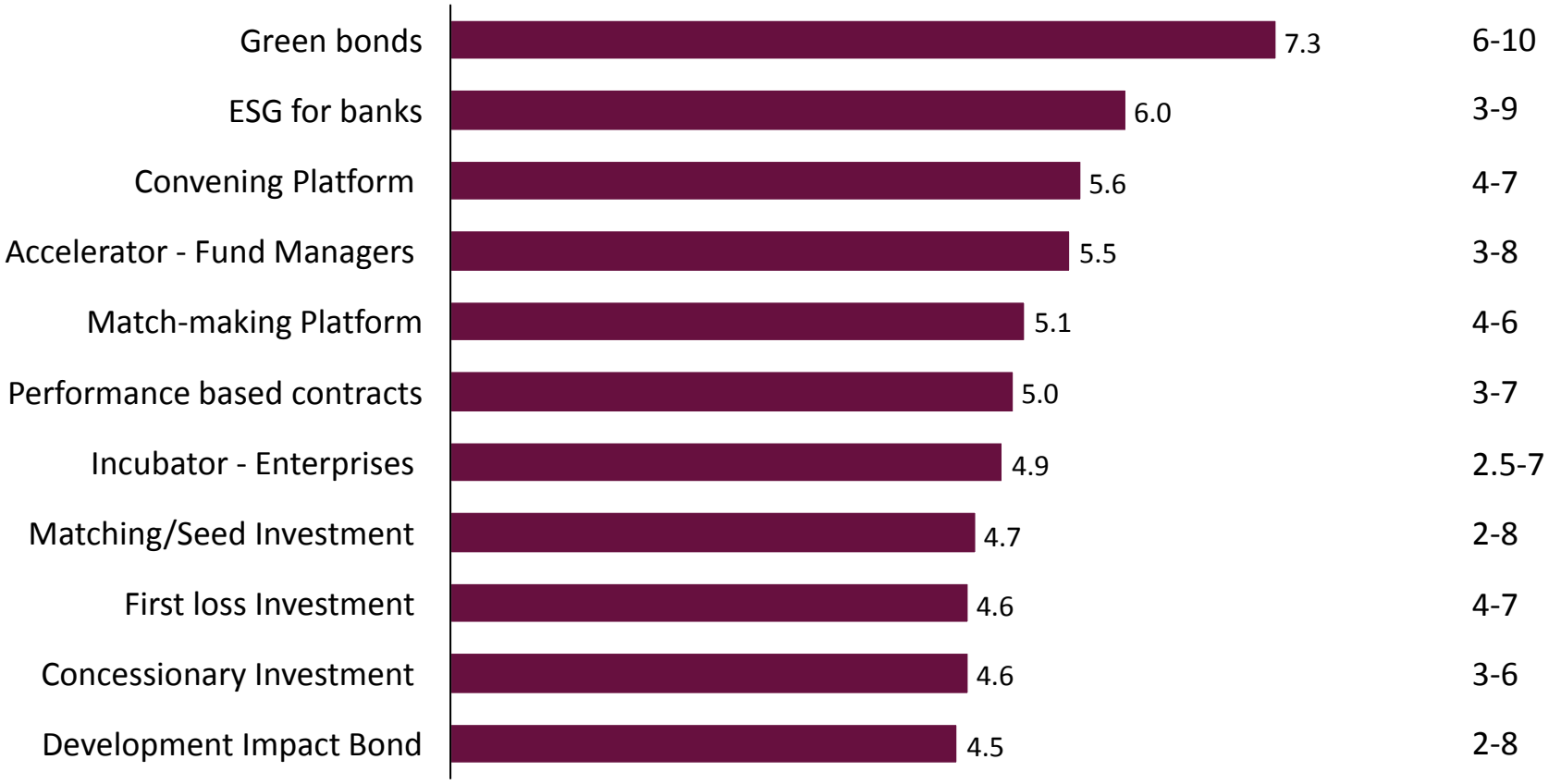
Dalberg identified a list of 7 engagement concepts for RDMA that have leverage potential, are innovative, and address a market need (2/2)

RDMA engagement concepts	Bottleneck addressed
5. Incentivize banks to implement or improve the ESG compliance criteria of their portfolio through (a) concessionary loans and (b) targeted technical assistance to banks and enterprises	Key constraints solved for are: • **'Cost of ESG compliance and monitoring'** for banks by providing TA for capacity building • '**Lack of capabilities'** to carry out ESG compliance for companies by providing TA for capacity building • '**Lack of incentives'** for ESG compliance for companies by providing preferential access to funds • '**Fear of losing clients'** for banks if ESG compliance is insisted upon commercial banks by providing access to cheaper capital
6. Fund an incubator/accelerator for (a) fund managers or (b) enterprises (and invest in parallel fund through 1a or 1b)	• **'Lack of investible opportunities'** for investors looking to invest, by funding pipeline identification process • **'Lack of seed capital, mentorship, networks, capabilities'**, etc. for enviro-preneurs by funding training and capacity building and providing access to relevant networks • **'Lack of seed capital, mentorship, networks, capabilities'**, etc. for enviro-funds by funding training and capacity building and providing access to relevant networks
7. Establish a platform for (a) convening co-investors or (b) matching investors and investees	• **'Lack of ground presence/networks, visibility of potential deals and track record'** for investors leading to high search and transaction costs

- Source: Dalberg analysis; Investor interviews

During a recent workshop, RDMA voted green bonds, ESG, convening platform and accelerator for fund managers as the most exciting options

Average rating of engagement opportunities
(1 as least excited, 10 as highly excited; n=6)



Each of these concepts constitutes a "building block" of a larger program; thus even lower scoring concepts can be combined with higher scoring concepts as part of a program vertical

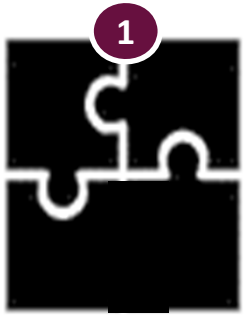
- Source: Workshop with RDMA (23-Sept-2015)

Based on RDMA's prioritization of engagement concepts, the team identified pending questions that would need to be addressed before final selection

Top engagement concepts	Pressing questions	Potential next steps
Green bonds	• Does addressing underwriting costs really solve the right problem?	• Green bonds face a variety of challenges that result in limited supply. By working directly with underwriters, RDMA can enable and support them as they address a number of these issues, including high underwriting costs, lack of awareness among issuers, and need for verification of the degree of 'green'.
ESG for banks	• How do we attract the right bank partners?	• Developing a partnership will be most effective if RDMA can work directly with senior-level decision makers within the bank that have an interest and motivation to spearhead the initiative – e.g. a CEO or Chairman looking to develop a legacy. • RDMA can align with partner organizations – such as the WWF in Bangkok – that already work with banks in the region and have identified those with a baseline ESG criteria that can be further refined.
Convening/Matchmaking platform	• Is this substantial enough on its own?	• The convening or matchmaking platform can be combined with other concepts – such as an investment into a fund or an accelerator/incubator – as part of a larger program vertical.
Accelerator/ incubator	• How do we find partners?	• Managers: RDMA can look to a number of organizations active in Asia to operate the accelerator for fund managers and/or incubator for enterprises, including existing incubator/accelerators in other sectors, fund managers with expertise in building pipelines, and advisory service providers. Selection could be through an RFP process.

- Source: Workshop with RDMA (23-Sept-2015)

Three program verticals have emerged based on RDMA's preferences, each of which combines various engagement concepts



Supporting investment in deforestation-free agribusinesses

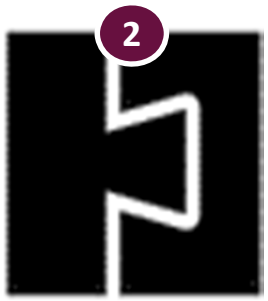
Accelerator for fund managers

+

Incubator for enterprises

+

Investment into parallel fund (with first right of refusal)

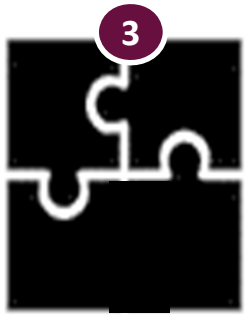


Incentivizing ESG compliance among lending institutions

Concessionary capital provided to banks for on-lending to ESG compliant enterprises

+

Technical assistance for banks in setting and monitoring ESG compliance, and for enterprises in implementing ESG initiatives



Green bond technical assistance facility

Promoting awareness and sustainability among issuers

+

Subsidizing returns or covering issuance costs

+

Verifying performance

Please note that at this current stage Dalberg has no specific recommendation on which program vertical to invest.

- Source: RDMA Workshop in Bangkok (23 Sept 2015)

1 RDMA establishes an accelerator to improve capacity of fund managers, an incubator to create investable opportunities, a parallel fund to invest

Accelerator for Fund Managers

An accelerator for fund managers trains first time fund managers to enable them to build their own portfolios

Incubator for Enterprises

An incubator providing technical assistance to enterprises to improve their business acumen and sustainability, thereby making them investment-ready

Investment into a Parallel Fund

A parallel fund provides two types of investments:

1) Seed capital to fund managers in accelerator to provide them with initial capital to invest, which allows them to build a track record and establish legitimacy in the region
2) Investments into enterprises that are successfully incubated (fund has first right of refusal)

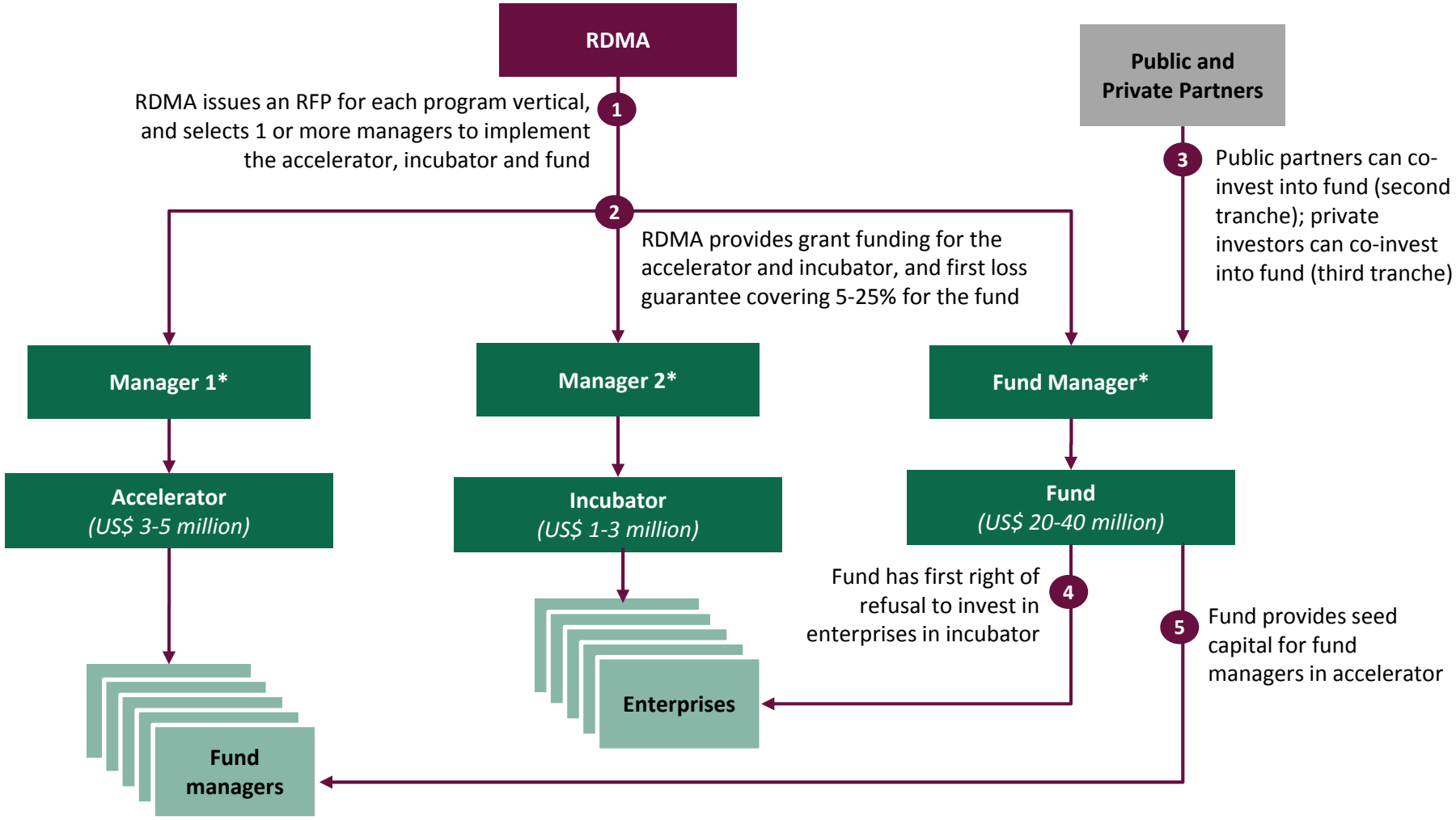
An investment fund is structured in tranches:

1) First tranche covers first loss capital, and would be provided by RDMA in form of grant, subordinated debt, or guarantees
2) Second tranche contains investment from other public entities (possibly in the form of a guarantee)
3) Third tranche contains investment from private investors

- Source: Dalberg analysis

1 RDMA could contract out operations of each vertical to 1-3 managers with relevant experience in the sector; investors and public partners can co-fund

STRUCTURE



- (*) While three separate RFPs can be issued for each program vertical (increasing competition and ensuring the best placed manager is selected), it is possible that the same manager will be selected to run one or more of the program verticals; The investment size of the incubator and accelerator, as well as the total fund size are based off average sizes across sectors.
- Source: Dalberg analysis

1 RDMA's involvement would be most intense in the first 12 months in selecting managers and overseeing program design of each vertical

	Accelerator	Incubator	Investment into a Fund
Month 0-5	• RDMA identifies potential managers of the accelerator through RFP process, and selects manager • Manager designs the structure of the accelerator and the TA materials, with inputs and approval from RDMA		• RDMA identifies potential fund managers through RFP process, and selects fund manager • RDMA and fund manager find co-investors and secures investment (likely 6-12 months to close)
Month 6	• Manager identifies potential fund managers for inclusion in accelerator and launches application process lasting ~1-2 months with final section into program	• RDMA identifies potential managers of the incubator through RFP process, and selects manager • Manager designs the structure of the incubator and TA materials, with inputs and approval from RDMA	
Month 12	• Each fund manager receives 6-12 months of TA, and in final months of program begin raising for own fund • Enrolment process for new funds opens every 6-12 months • Continual M&E on performance of program	• Manager identifies potential enterprises for inclusion in incubator and launches application process lasting ~1-2 months with final selection into program	• As fund managers near end of accelerator program, fund provides initial seed capital (fund of fund) for specific investment
Year 2		• Each enterprise receives 6-12 months of incubation including technical support on business management and strategy planning • Enrolment process opens for new enterprises every 6-12 months • Continual M&E on performance of program	• As enterprises end near of incubator, fund manager chooses to invest (has first right of refusal)
Year 3-4			• Investments ongoing, with period typically lasting up to 3 years
Year 5	• RDMA chooses to end, revamp or continue program	• RDMA chooses to end, revamp or continue program	• RDMA chooses to end, revamp or continue program

- Source: Dalberg analysis

1 RDMA can engage a range of players that are active in the region or the sector to manage, receive TA, or co-fund

	Accelerator	Incubator	Investment into a Fund

Managers
Selected through RFP process
	• Consulting firm with financial experience, particularly in impact/conservation investing
	  • D.Capital
	  • Proforest
	  • GreenWorksAsia
	  • Shujog
	• Fund managers with proven track record in conservation finance
	  • EcoEnterprisesFund
		• An existing incubator, consultancy firm, fund manager or non-profit providing training to enterprises or farmers in business skills and sustainability models
		  • EcoEnterprisesFund
		  • GreenWorksAsia
		  • Fauna and Flora
		  • SNV
			• A fund manager with experience investing in Asia (with or without a current conservation mandate)
			  • EcoEnterprisesFund
			  • LGT Venture Philanthropy

Accelerated/ incubated
Selected through application process
	• New/early stage funds looking to raise capital for conservation fund
	  • Forest Carbon
	  • CIFOR – The Landscape Fund
	  • Fauna and Flora – Oryx Impact investments
		• Enterprises with conservation models but in need of business training to improve investability
		• Investable businesses with potential to increase sustainability
			• Fund managers being accelerated
			• Enterprises being incubated

Co-funding partners *Identified through RDMA's networks*	**Public** IFC, ADB	BIOCARBON, IFC	ADB, IFC
	Private Gordon and Betty Moore Foundation, the David & Lucile Packard Foundation		natureVest, AgDevCo, HNWIs, Calvert Foundation

- Source: Dalberg analysis, investor interviews and surveys, names of the organizations are indicative

1 [Example] DFID is currently implementing a multi-part, $58 million program that includes incubation, investment and convening for social 'innovators'

- The Department for International Development (DFID) has launched a multi-part, six-year, ~$58 million program titled Innovative Ventures and Technologies for Development (INVENT). INVENT aims to provide support to inclusive businesses/social enterprises providing innovative goods and services in health, education, food security and energy sector in low income states in India and other low income countries.
- INVENT will include a number of program verticals, including an incubator, a knowledge exchange facility (convening platform), and an investment fund of returnable capital

INCUBATION

Launching pilots for innovative business ideas in order to build a pipeline of projects for future impact investing and scale-up

- **India-specific 'Grand Challenge'** Funds for health and food security
- **Supporting incubators** for innovative inclusive business ideas leading to 50 'investment ready' businesses
- Partner: Technology Development Board (TDB), Department of Science and Technology, Government of India

KNOWLEDGE EXCHANGE

Supporting knowledge-sharing on inclusive innovations between India and low income countries

- **Supporting a network** of potential investors and investees
- **Providing technical assistance and roadmaps for replication**, adaptation and adoption of innovations
- **Supporting impact assessments** undertaken on the replication of inclusive innovations

INVESTMENT

Supporting the scale-up of innovative enterprises in the low income states

- **Providing direct patient capital** investment in commercial innovations that benefits poor
- **Providing capital to a Fund of Impact investment Funds** that in turn invests in these commercial innovations

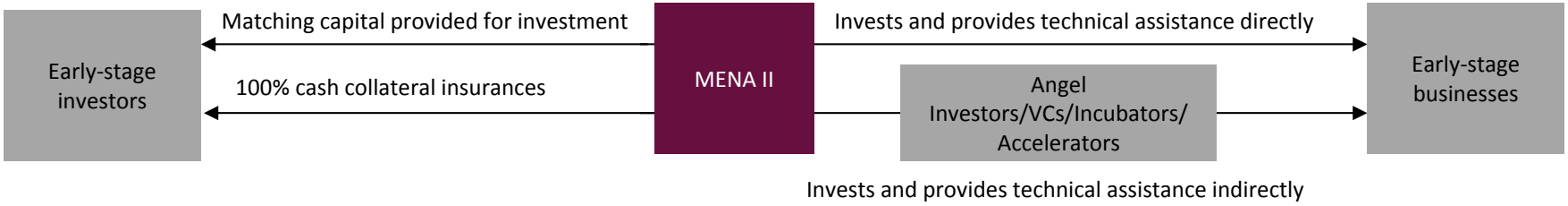
- Source: DFID's Development Tracker; Noun Project

1 [Example] The MENA II Fund is designed to simultaneously address gaps in capital and capacity in an effort to stimulate private investment

MIDDLE EAST AND NORTH AFRICA INVESTMENT INITIATIVE (MENA II)

- USAID and the Berytech Foundation (a Lebanese incubator and VC fund) have launched a **US$ 15 million five-year program** to create jobs in the MENA region and spur private investment by targeting start-ups and early stage businesses that struggle to access financing
- The funding will be distributed across three channels - matching capital, equity guarantee and technical assistance – to address a more comprehensive set of challenges for investors and investees
- IM Capital is a subsidiary of Berytech Foundation which serves as the fund manager of MENA II

STRUCTURE OF MENA II



MATCHING CAPITAL

- By matching private sector investment capital, MENAII aims to increase deployment of investment capital
- MENA II will match up to 50% of new outside private sector investment capital

EQUITY GUARANTEE

- MENAII aims to incentivize private investors by providing them with partial insurances on investments in early stage businesses
- 100% cash collateralized insurances will mitigate risk as investors will recover their losses by cash

TECHNICAL ASSISTANCE

- MENAII will provide technical assistance to investors and investment recipients
- Potential areas of assistance include: investment management, business development services, marketing and regulatory requirements

- Source: IM Capital website; FedBizOpps; Berytech website; "USAID launches MENA-II in Lebanon amidst growing landscape of support" -Wamda

2 RDMA can incentivize banks to tighten ESG compliance criteria through concessionary capital for on-lending and TA on ESG standards

Concessionary funding for banks

Concessionary funding provided to banks at low interest rates earmarked for on-lending to small to medium scale agri-businesses that meet and maintain requisite ESG standards

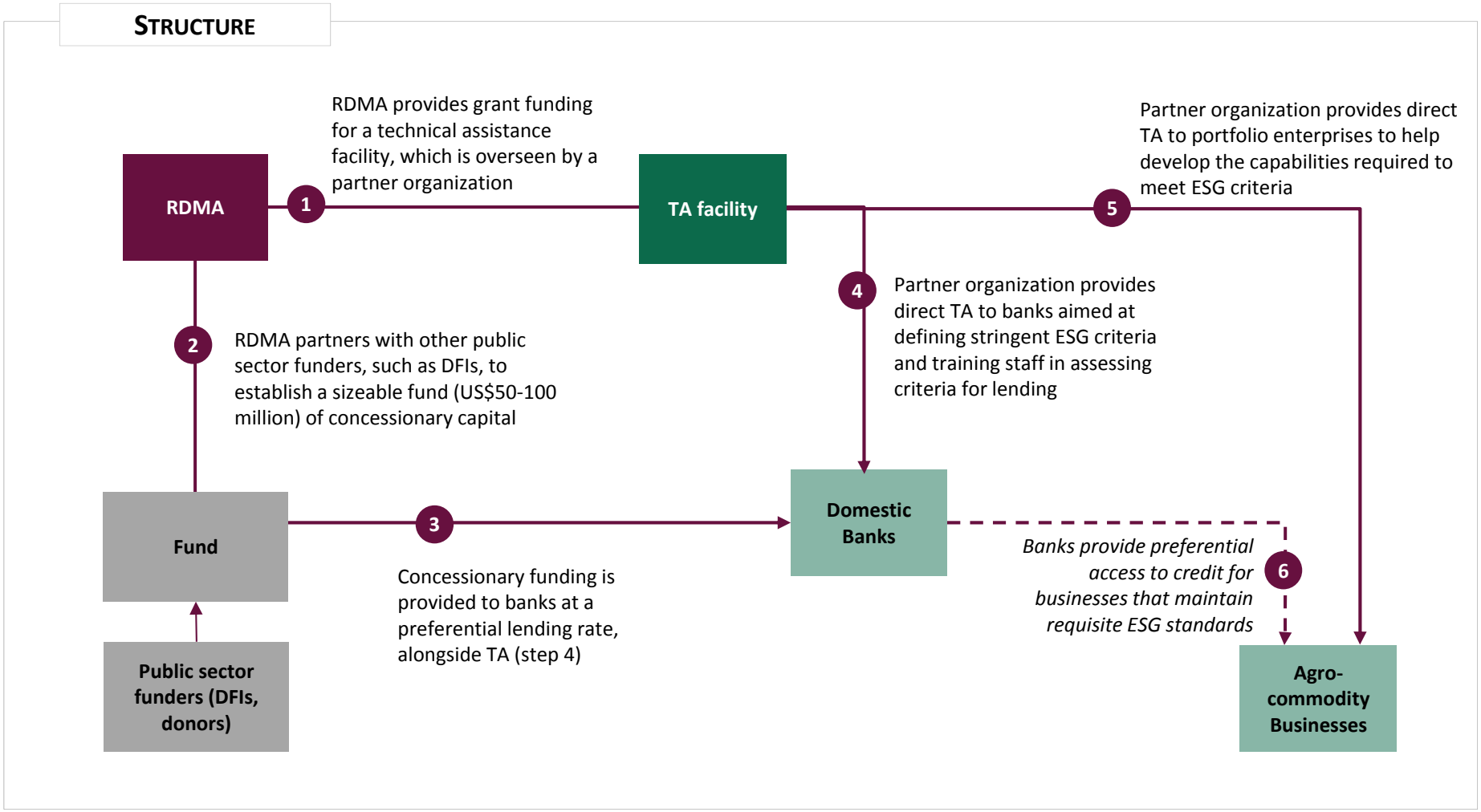
Technical Assistance (TA)

To complement financing for banks, two forms of technical assistance can be provided to facilitate effective use of financing:

(1) Technical assistance to banks designed to train staff in defining ESG compliance, identifying suitable projects, and implementing impact measurement frameworks

(2) Technical assistance to portfolio companies to enable them to meet the ESG requirements of banks

2 RDMA can pool funds with other donors or DFIs to create a concessionary fund of ~$50-100 million, and can provide targeted TA funding



- Source: Dalberg analysis, investor interviews and survey

2 RDMA could invest in banks within the first 6-12 months, and the entire program is expected to run for 3-4 years

	Concessionary fund	TA facility
Month 0-5	• RDMA initiates talks with country governments and bilateral missions for regulatory support • RDMA identifies and liaises with other public sector partners for co-investing with RDMA (such as IFC, ADB – which both lend to regional banks) • RDMA and partners develop a database of 10-15 regional banks of interest; prioritize 1-3 for piloting the concept	• RDMA selects a TA partner, potentially through an RFP process, with capacity to provide support to banks and portfolio enterprises • TA partner designs TA facility, with inputs from RDMA; final approval at end of 6 months
Month 6	• RDMA secures commitments for co-funding from other public sector partners, ideally getting total commitments of $50-100 million for lending • RDMA and partners negotiate lending terms with pilot banks	• TA partner designs TA materials for banks and portfolio enterprises
Year 1-2	• RDMA and co-funding partners distribute concessionary loans to banks, which on-lend this capital to enterprises meeting ESG criteria	• TA partner provides technical assistance to banks with a focus on defining and assessing ESG compliance; ongoing training provided at regular intervals • TA partner provides technical assistance to portfolio companies to enable them to meet ESG requirements of banks (agricultural practices training, impact measurement training etc.)
Year 3	• RDMA, co-funding partners, and banks capture lessons • RDMA and partners scale up by reaching other banks in the region	• RDMA, TA partner, banks, and enterprises capture lessons and disseminate lessons on TA support

- Source: Dalberg analysis

2 Banks with minimal ESG criteria are likely to be better positioned for partnerships

Funding partners
Identified through USAID's networks

- To raise a sizeable fund, RDMA will need to partner with other donors or DFIs with sizeable funds allocated to bank lending in the region
  - IFC
  - ADB

TA facility manager
Selected through RFP process

- Local NGO, accelerator/incubators, advisory service providers with experience working with financial institutions to enhance lending practices for SMEs
  - WWF
  - Trucost

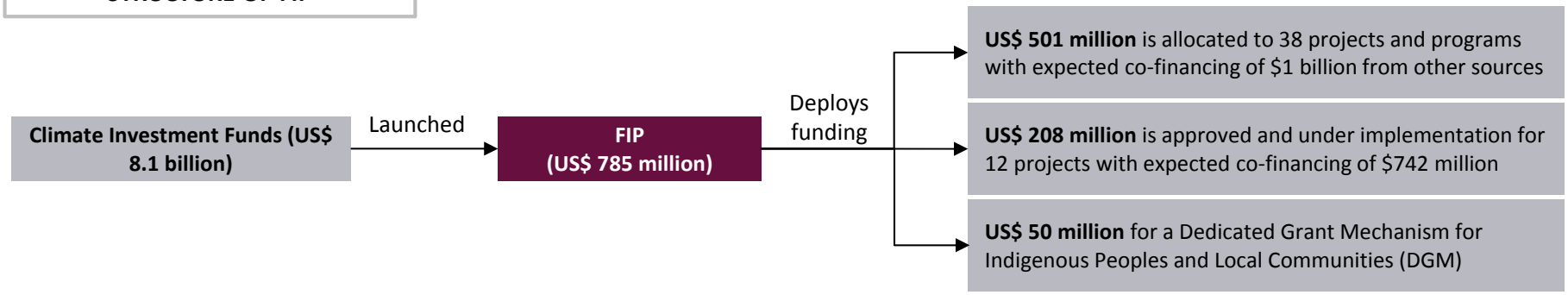
Banks
Identified through experts and desk research

- Regional and national banks with (1) large agriculture and forestry portfolios and (2) current minimum ESG criteria or (3) expressed interest in developing ESG criteria
  - Bank Mandiri
  - Rabobank
  - CIMB
  - Bank Rakyat Indonesia
  - RHB Bank
  - OCBC NISP
  - PaninBank
  - BNI
  - PermataBank

- Source: Dalberg analysis, investor interviews and survey; "Environmental, Social and Governance Integration for Banks: A Guide to Starting Implementation," WWF (2014).

2 [Example] The Forest Investment Programme (FIP) has successfully raised sizeable capital from 5 public development agencies for investment

STRUCTURE OF FIP



- **Relevant countries:** Indonesia, Cambodia, Laos, Thailand, Vietnam
- **Multilateral development banks partners:** AfDB, EBRD, IDB, IFC, WB

INVESTMENT ACTIVITIES

- Investments that build institutional capacity, forest governance and information
- Investments in forest mitigation efforts, including forest ecosystem services
- Investments outside the forest sector necessary to reduce the pressure on forests such as alternative livelihood and poverty reduction opportunities.

PROJECT EXAMPLES

- **Country**: Laos
- **Program**: Protecting Forests for Sustainable Ecosystem Services
- **Financing**: US$ 13 million grant channelled through ADB
- **Impact**: Reduction of GHG emissions by 8 million tCO2 (over 8-years)

- **Country**: Indonesia
- **Program**: Strengthening Forestry Enterprises to Mitigate Carbon Emissions
- **Financing**: US$ 2.5 million grant and US$ 32.5 million as concessional finance through ADB, WB and IFC
- **Impact**: Reduction of GHG emissions by 20 to 25 million tCO2 (over 5 years)

- Source: Climate Investment Funds website, Dalberg analysis

3 Green bonds are often oversubscribed, suggesting a shortage in supply; RDMA can establish a TA facility offering funding to issuers/underwriters

The TA facility of $20-30 million would provide funding to issuers or underwriters for any of the following three types of support, on a project-by-project basis

Promoting awareness and sustainability among issuers

(1) Building awareness about green bond opportunities and benefits among potential green bond issuers – including enterprises and governments

(2) Providing training to issuers to improve their environmental sustainability, thereby increasing the number of green investment opportunities

Subsidize returns or reduce issuance costs

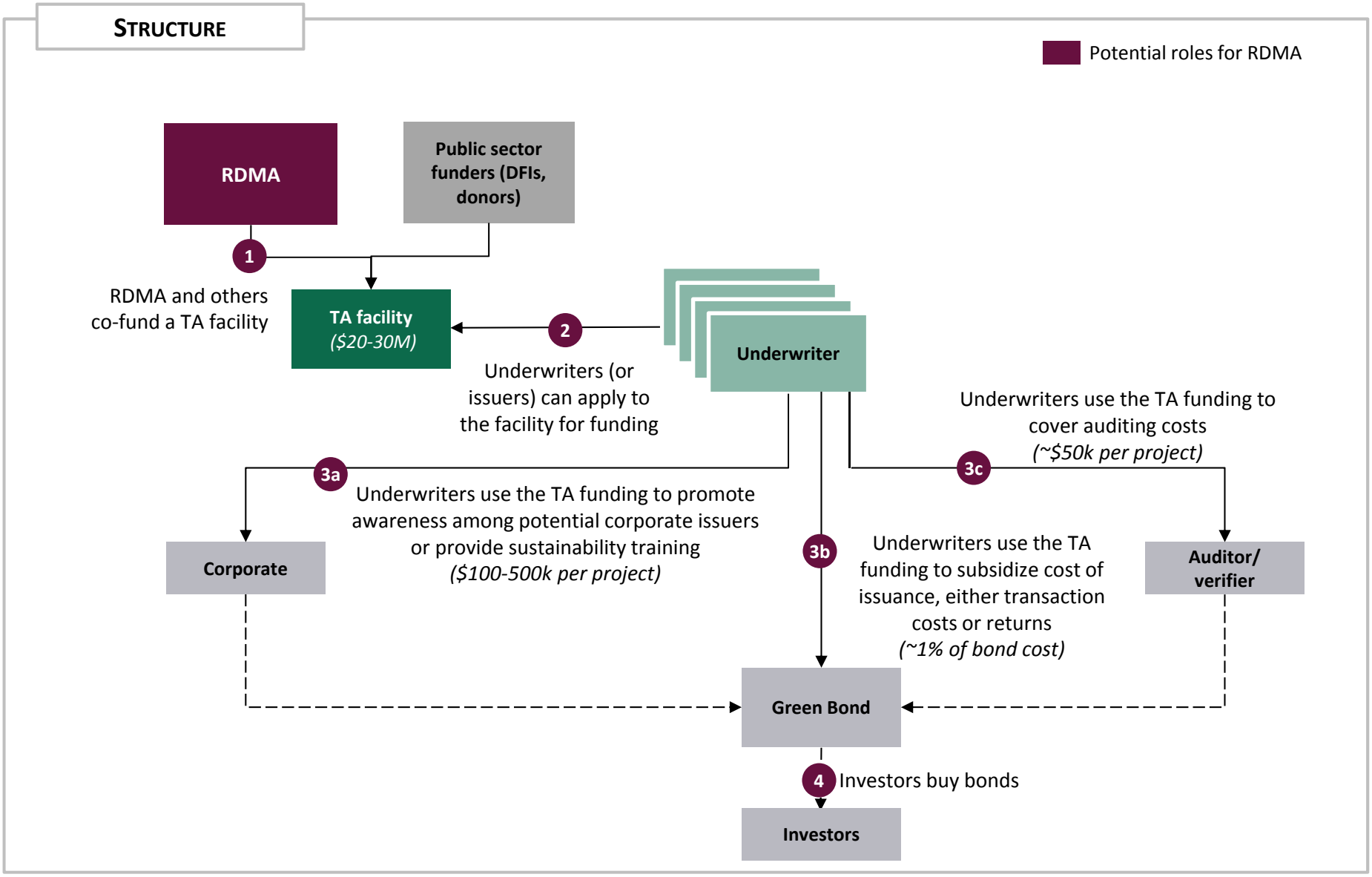
(1) Concessionary capital designed to subsidize returns (thereby reducing the cost of capital for investors)

(2) Grant funding to cover transactional costs (such as the cost of underwriting)

Verifying performance

(1) Grant funding to cover the cost of third-party auditors

3 RDMA and partners establish a fund to cover issuance costs, to which individual underwriters can apply for support on a case-by-case basis



- Source: Dalberg analysis, investor interviews and survey

3 After its launch in 6-12 months, the TA facility would have an ongoing application process for underwriters looking for support

Month 0-5

- RDMA identifies potential public sector partners interested in co-funding the TA facility; and negotiates partnership
- RDMA and partners design the TA facility, including overall budget, timelines for implementation, eligible funding criteria, M&E framework
- RDMA publicizes the TA facility through network outreach and promotional activities
- RDMA issues an RFP inviting applications from underwriters or issuers for eligible projects; Underwriters or issuers apply for a finite amount of funding for a specific initiative, detailed in the application

Month 6

- RDMA and partners assess applications, and then select underwriters or issuers to receive TA funding; TA facility provides financial support directly

Year 1-3

- Recipients of funding implement programs, and report on performance annually or bi-annually
- Application process for new initiatives under the TA facility is ongoing; Underwriters and issuers apply for a finite amount of funding for a specific initiative, and, if funding is granted, implement the program and report on performance
- At end of program period, RDMA chooses to end program or revamp

- Source: Dalberg analysis

2 Banks with minimal ESG criteria are likely to be better positioned for partnerships

Funding partners
Identified through USAID's networks

- DFIs, Sovereign Wealth Funds, or donors that have issued green bonds, or have interest in supporting conservation investment
  - IFC (issued green bond)
  - World Bank (issued green bond)
  - Norway SWF (committed to conservation investment in Asia)

Underwriters/Issuers
Selected through RFP process

- Banks or fund managers that oversee the issuance of green bonds in Asia
  - Credit Agricole
  - Credit Suisse
  - NatureVest
  - Citigroup
- Corporates that would potentially issue their own green bonds, specifically in the energy or agriculture sector
  - Asia Pulp and Paper
- Banks issuing green bonds against their portfolio
  - HSBC

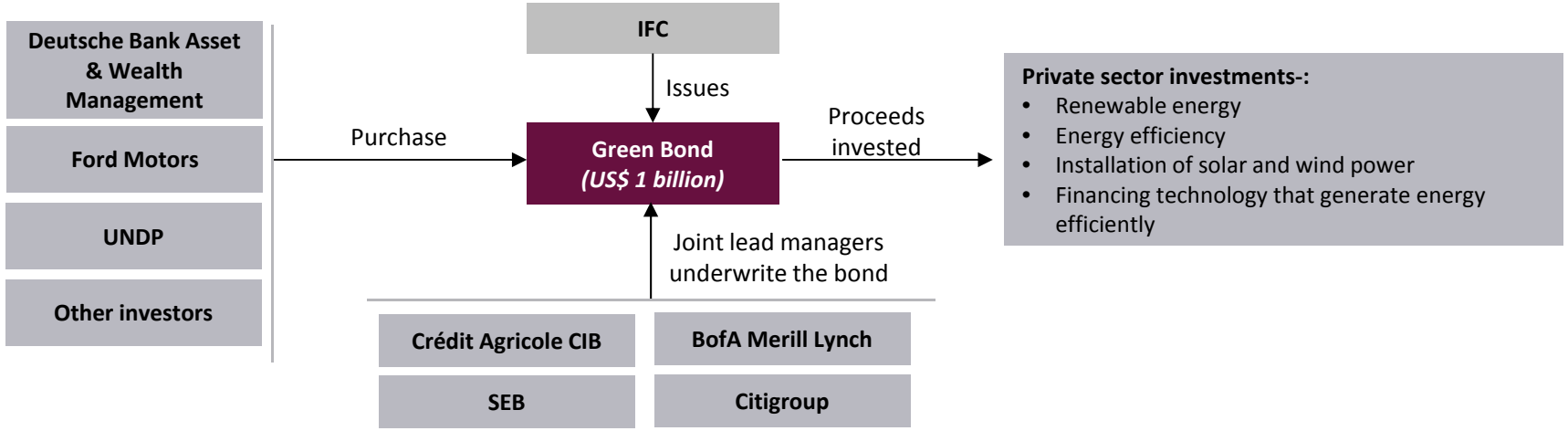
Investors
Identified by Underwriter

- Asset managers
- Institutional investors
- Sovereign Wealth Funds
- Corporates

- Source: Dalberg analysis, investor interviews and survey; "Environmental, Social and Governance Integration for Banks: A Guide to Starting Implementation." WWF (2014).

3 [Example] The IFC has overseen the issuance of a $1 billion green bond, which was oversubscribed due to high interest from private investors

STRUCTURE OF GREEN BOND



DETAILS

Investors: 74% of the bond was placed with green investors. Majority of the investors were located in the Americas (55%). Rest of the investors were placed in EMENA (37%) and Asia (8%). Other investors included BlackRock, California State Teachers' Retirement System, United Nations Joint Staff Pension Fund, etc.
Issue date: November 2013
Maturity date: November 2016

Public development agencies – such as the IFC and World Bank – have been active in stimulating supply in the green bond market

- Source: Crédit Agricole CIB press release, CIB press release

Table of Contents

Process and Methodology

Overview of the conservation finance market in Asia

Three illustrative “strawmen” programs

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Annex

Reference materials for engagement concepts

Further details on the structure, players and market trends for the seven engagement concepts

Specific investment opportunities

- *A list of 15 high, medium, and low potential partnership opportunities confirmed through interviews and surveys*
- *Detailed profiles on select opportunities*
- *A list of 14 potential partners active in Asia and globally in conservation/sustainable agriculture finance*
- *Public sector investors active in Asia (not exhaustive)*

Case studies

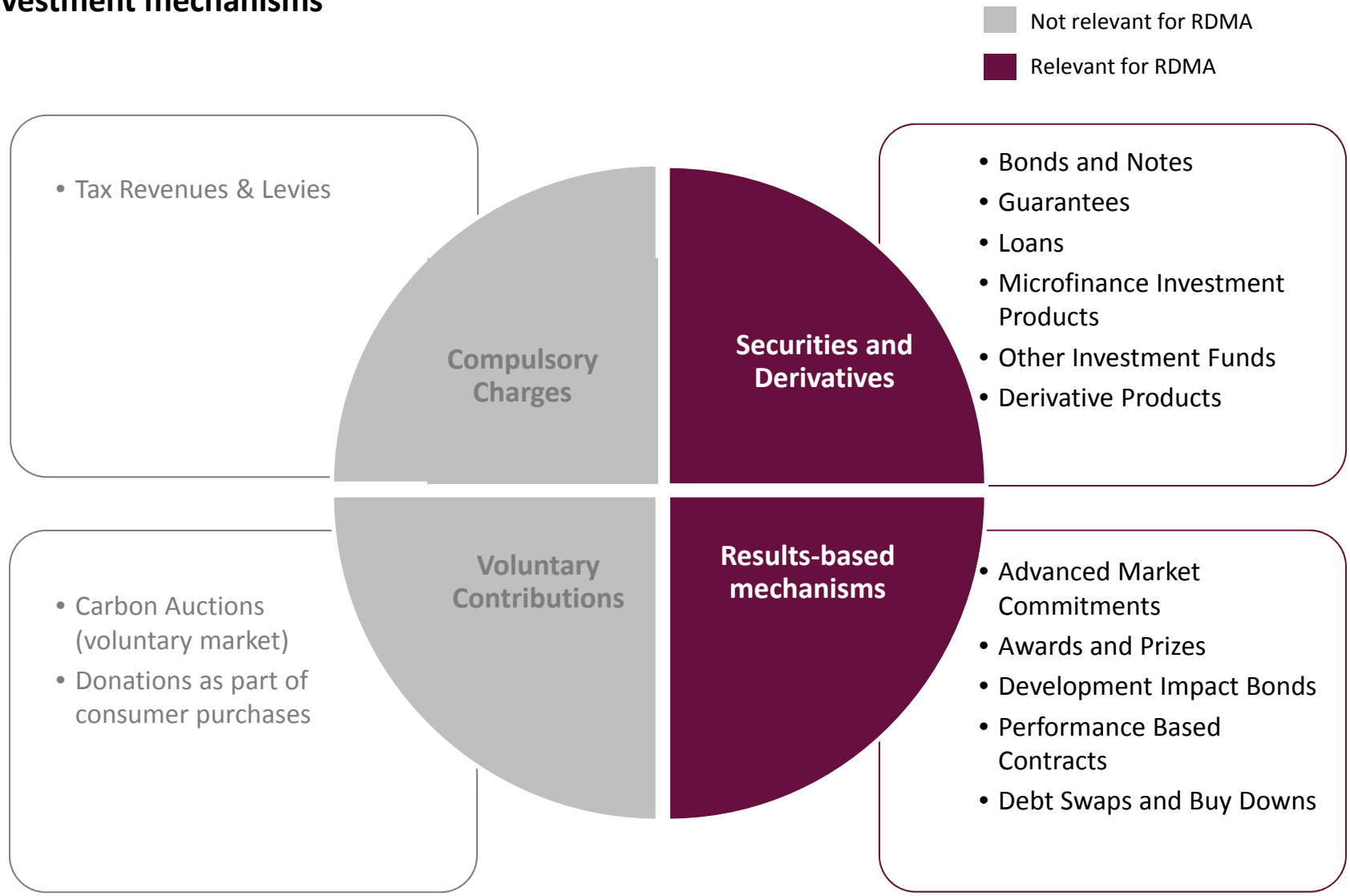
- *Green Prosperity – Sustainable Cocoa Production Program*
- *Land Degradation Fund*

Interview and survey database

- *Names and contact details of investors and experts*

A long list of innovative financing mechanisms are available to RDMA, with securities/ derivatives and results-based mechanisms most relevant

Investment mechanisms



- Source: "Iinnovative Financing for Development: Scalable Business Models that Produce Economic, Social, and Environmental Outcomes" (2014), Global Development Incubator

Among these innovative financing mechanisms, Dalberg identified a list of 7 engagement concepts for RDMA (1/2)

RDMA engagement concepts	Why (The bottleneck it aims to address)
1a. Make a direct investment into a fund structured as matching investment	Key constraint solved for is **'quantum of capital'** for existing funds: – By allowing investors who are willing and/or able to invest smaller amounts of capital, to participate in a meaningful way – By creating confidence amongst investors about feasibility of project – **B**y helping create a critical mass of funds for the fund managers, to facilitate more funds
1b. Make a direct investment into a fund structured as concessionary capital	Key constraint solved for are: • '**Cost of capital**' for the fund manager, by lowering the WACC • **'Return expectation'** for investors, by increasing returns possibility
2. Provide a first loss guarantee to a bank or fund	• Key constraint solved for is **'risk profile'** of the investment, by de-risking the downside and underlying uncertainty in the market
3. Support the issuance process for a green bond	• Key constraint solved for is **'transaction cost'** of investment for investors and fund managers, by paying for them
4. Provide outcome payment for (a) development impact bond (DIB) or (b) performance based contract (PBC)	Key constraint solved for is: • **'Lack of accountability'** for impact outcomes by execution agencies' by linking payment to impact results • **'Lack of returns in conservation activities'** for investors, by agreeing to paying a return to the investor, based on results • **'Lack of control & influence'** over functioning of execution agency for the private sector investor' by having them take a stake in it • '**Lack of innovation & 'skin in the game''** for the execution agencies, by creating an interest for a private sector player in attaining results, and tying some incentive to execution agency

- Source: Dalberg analysis; Investor interviews

Among these innovative financing mechanisms, Dalberg identified a list of 7 engagement concepts for RDMA (2/2)

RDMA engagement concepts	Bottleneck addressed
5. Incentivize banks to implement or improve the ESG compliance criteria of their portfolio through (a) concessionary loans and (b) targeted technical assistance to banks and enterprises	Key constraints solved for are: • **'Cost of ESG compliance and monitoring'** for banks by providing TA for capacity building • '**Lack of capabilities'** to carry out ESG compliance for companies by providing TA for capacity building • '**Lack of incentives'** for ESG compliance for companies by providing preferential access to funds • '**Fear of losing clients'** for banks if ESG compliance is insisted upon commercial banks by providing access to cheaper capital
6. Fund an incubator/accelerator for (a) fund managers or (b) enterprises (and invest in parallel fund through 1a or 1b)	• **'Lack of investible opportunities'** for investors looking to invest, by funding pipeline identification process • **'Lack of seed capital, mentorship, networks, capabilities'**, etc. for enviro-preneurs by funding training and capacity building and providing access to relevant networks • **'Lack of seed capital, mentorship, networks, capabilities'**, etc. for enviro-funds by funding training and capacity building and providing access to relevant networks
7. Establish a platform for (a) convening co-investors or (b) matching investors and investees	• **'Lack of ground presence/networks, visibility of potential deals and track record'** for investors leading to high search and transaction costs

- Source: Dalberg analysis; Investor interviews

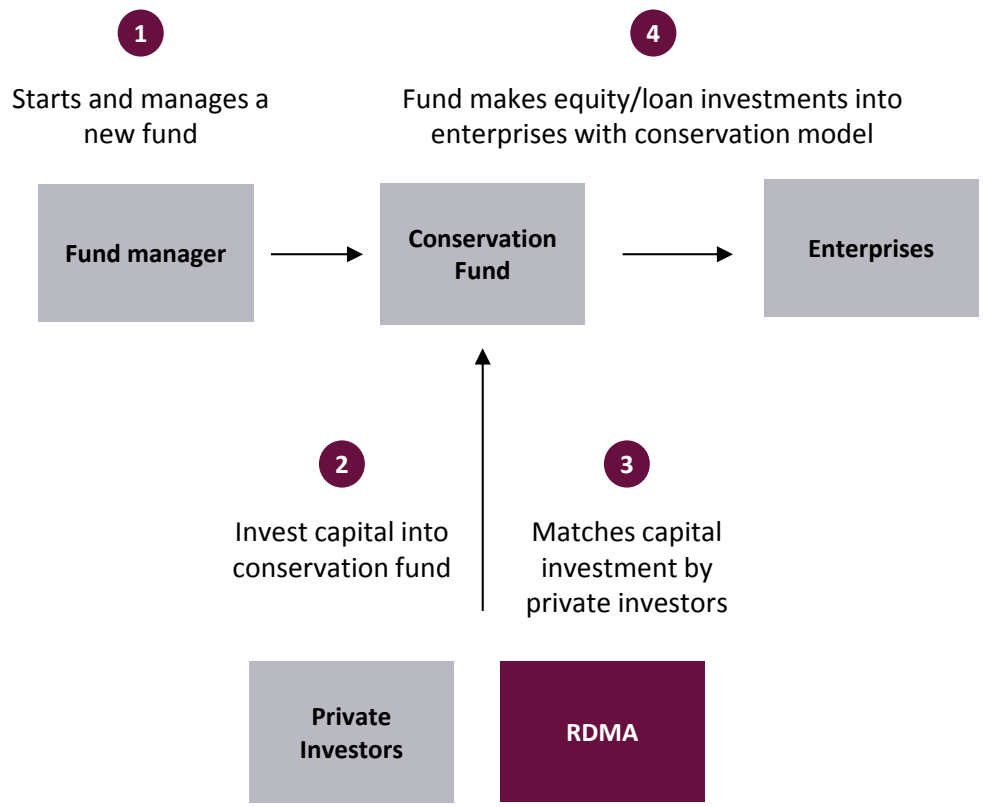
1a Direct investment into a fund – Seed or matching investment

Concept description

Objective

Key constraint solved for is **'quantum of capital'** for existing funds - by allowing investors who are willing and/or able to invest smaller amounts of capital, to participate in a meaningful way; by creating confidence amongst investors about feasibility of project; and by helping create a critical mass of funds for the fund managers, to facilitate more funds

Structure



Overview

- **RDMA funding role:** RDMA commits seed the fund, or to match a portion of every dollar brought in from private investors (typically matching 1-to-1 to 1-to-4), to help bridge the likely gap in funding, as well as attract higher commitments or more investors into the fund.
- **Leverage:** Leverage is expected to be between the range of 1:1 – 1:4[1] (i.e. RDMA would put in US$ 1 for every 1-4 dollars brought in by other investors). Demonstration is larger if fund is successful and can prove viability of the larger market
- **Market needs:** Many potential investors are currently seeking a credible/reputable "anchor" investor before pooling in their capital. By agreeing to match investor commitments, RDMA can lend its strong brand value and credibility to the fund. Matching is most useful when the gap is not due to mismatch in risks, but when investors are waiting for a signal to enter the market.
- **Innovation:** Most donor agencies provide grant capital to enterprises and projects, which is unable to crowd-in other investors with vastly different return expectations. A matching investment helps reassure investors and lend credibility

Aligned "Tip-over" mechanisms

- Offer credit guarantees or concessionary finance in addition to matching investment (Detailed as *Option 1b.* and *2*), to further reduce risk and mobilize investors
- Set up a incubator/accelerator platform for investors and fund managers (Detailed as *Option 7*), to enhance the "investment readiness" of enterprises and internal capabilities of fund

- Note: (1) Indicative estimate based on interviews with investors and experts.
- Source: Dalberg analysis; Investor and expert interviews

1b Direct investment into a fund – Concessionary capital

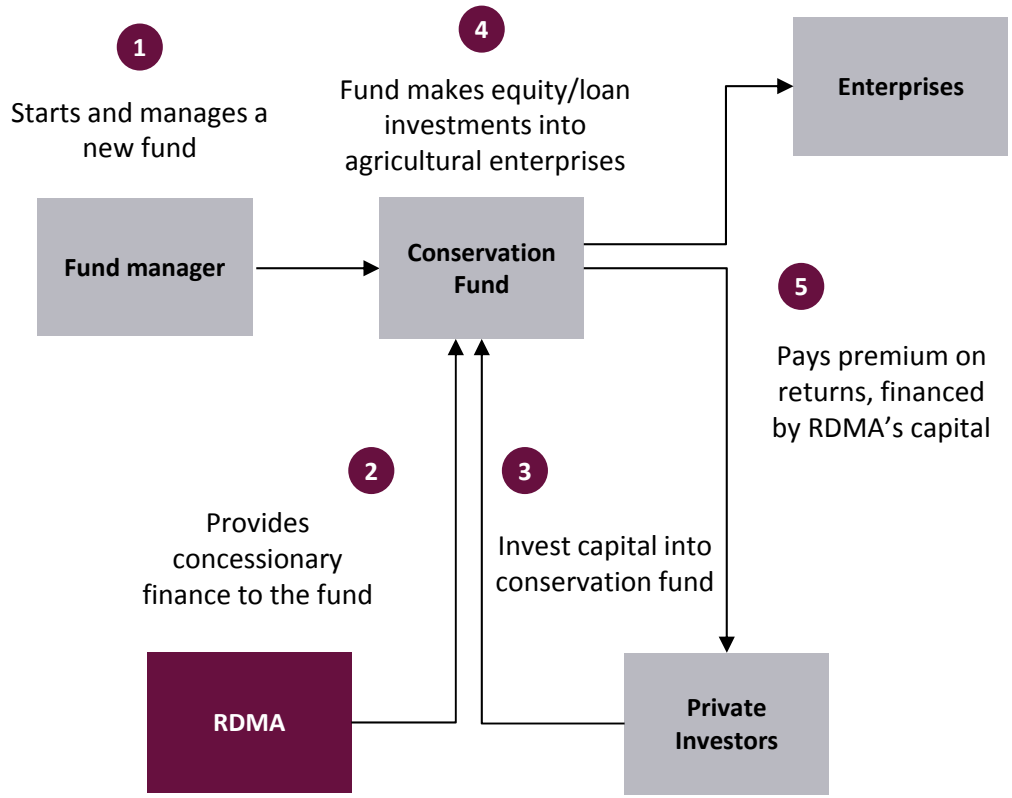
Concept description

Objective

Providing concessionary capital to a conservation fund helps address two key constraints:

- '**Cost of capital**' for the fund manager, by lowering the weighted average cost of capital
- **'Return expectation**' for investors, by increasing returns possibility

Structure



Overview

- **RDMA funding role:** RDMA will provide concessionary finance at zero or below-market interest rates, to guarantee returns to other investors, by foregoing interest on capital invested.
- **Leverage:** Leverage, will likely range from 1:2 to 1:4[1], but in this case, it is likely to be on the higher end, because of guaranteed returns to investors
- **Market needs:** Business models in this sector are few, and monetizing conservation work has been difficult, increasing risk and lowering expected returns for investor. Because of this, investors with lower risk appetites and higher expectations of returns have been hesitant to invest required amounts of capital into conservation funds.
- **Innovation**: In a nascent sector where most activity is focused on grants and public sector programs, providing concessionary finance to an investment fund is an innovative way to signal attractiveness and crowd-in private capital to finance reduction in deforestation and emissions

Aligned "Tip-over" mechanisms

- Offer credit guarantees (Detailed as *Option 2*) in addition, to further reduce risk and mobilize investors
- Set up a incubator/accelerator platform for investors and fund managers (Detailed as *Option 7*), to enhance the "investment readiness" of enterprises and internal capabilities of fund

- Note: (1) Indicative estimate based on interviews with investors and experts.
- Source: Dalberg analysis; Investor and expert interviews

1 Direct investment into a fund

Considerations for operationalization

1. Capital

- Average fund size: **US$ 20 million to US$ 40 million**
- Capital required from RDMA: **US$ 5-15 million**
- Leverage: Range from **1:1 – 1:4[1].** For matching investment, the leverage is like to be on the lower end of this range, while for concessionary finance, it is likely to be on the higher end
- Demonstration effect: **Strong short term demonstration effects** if fund is successful, but limited given it is only one fund

Specific leverage ratio would be determined by the gap in supply of finance, and the level of risk of investments

2. Resources

For investment support:

- Staff members' time to set-up and to identify and build relationships with fund managers
- Investment expertise to structure direct investment, including first-loss amount, return-sharing, timelines, disbursement, etc.

For non-investment support:

- Developing monitoring and reporting frameworks to be shared with fund manager and investors

3. Timelines

- **1-3 months:** Search and due-diligence for fund
- **6-12 months:** Fundraising period; RDMA commitment
- **Year 3 - Year 15**: Exit period (depending on the stage and size of investments)

While RDMA's exit period will be mid-long term, it will be able to see leverage effect from the first year of the program and a larger demonstration effect in 3+ years.

4. Partners

- Fund managers: Either conservation-specific or broader impact investors, ideally with some experience in Asia
  - Fauna and Flora
- Other investors: Institutional investors, HNWIs, Foundations, DFIs/donors with capital to invest alongside RDMA

- Note: (1) Indicative estimate based on interviews with investors and experts
- Source: Dalberg analysis; Investor and expert interviews

1a Direct investment into a fund – Seed or matching investment

RDMA's feedback

Excitement

- Average level of excitement: 4.6/10
- Range of excitement: 4-6
- This is perceived as doable for USAID; we know potential partners and we believe there is a pipeline
- It would be innovative for the region
- There is potential for demonstrating the appeal of the sector and region to other investors

Concerns

- Doesn't feel like we are doing anything new. We already know the players that are active in this space, and this concept feels like we are just focusing on what's already happening with the people we already know.
- Low leverage
- Doesn't feel particularly substantial

Pending questions

- How does this option appeal to potential partners, and why?
- Is this investment really different than what RDMA already does or what others are already doing?
    - How does this differ substantially from public finance investment?
- How could RDMA use this investment effectively?
- How could we help influence diversity in business models and increase number of risk takers?
- Is it possible to obtain reflows to reinvest?

- Source: Workshop with RDMA (23-Sept-2015)

1b Direct investment into a fund – Concessionary capital

RDMA's feedback

Excitement

- Average level of excitement: 5.1/10
- Range of excitement: 3-6
- This is perceived as doable, specifically because there is a pipeline of credible/bankable business models
- There is leverage to 'crowd in' other funding
- It's innovative (and more innovative than matching investments)

Concerns

- Perceived as risky to USAID
  - Negotiations with investors are likely to be complicated
- Lack of additionality
  - Other public sector investors are already doing this, and bringing much larger amounts of capital
  - With the resources available, there might not be opportunity to scale
- Uncertainty that this would actually demonstrate anything to other investors, or be a sufficient impetus to create leverage
- Performance of investors cannot be proven or guaranteed
- USAID might not have the internal appetite or interest

Pending questions

- Can we help influence diversity of business models and increase risk appetite of investors?
- How do we mitigate risk? Do we have the right tools to do so?

- Source: Workshop with RDMA (23-Sept-2015)

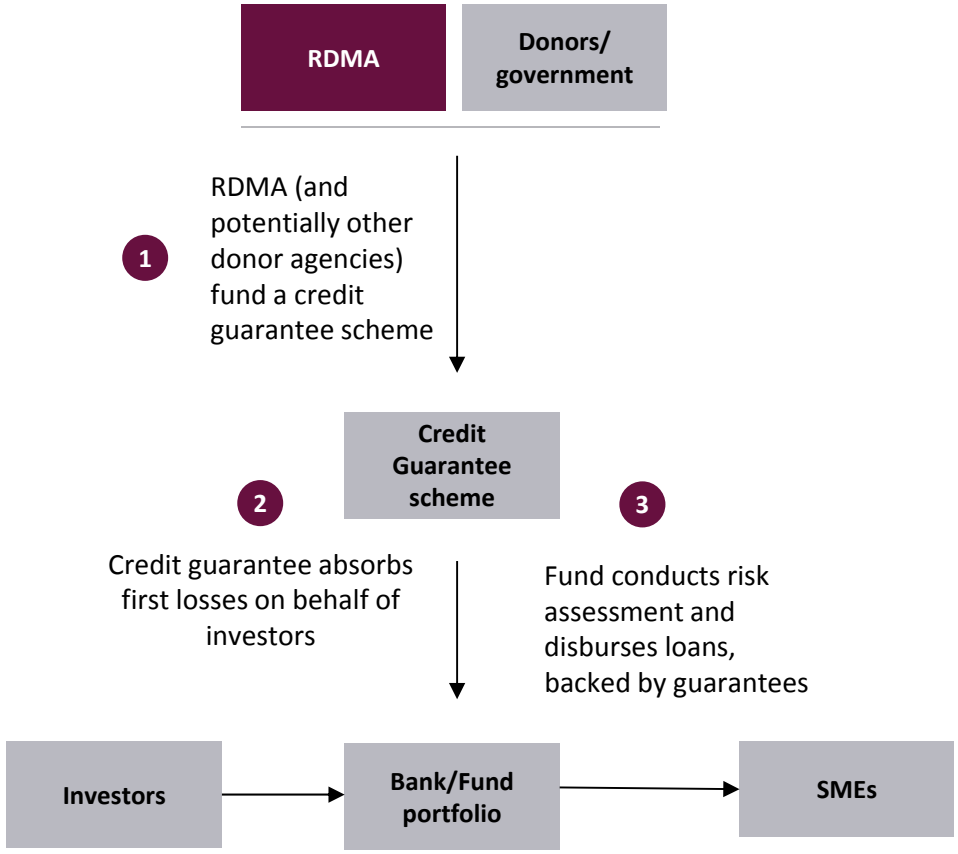
2 First loss guarantee – portfolio guarantees for funds or banks

Concept description

Objective

By funding a first loss guarantee scheme, RDMA can help solve a key constraint of mismatched **'risk profiles'** of the investment, by de-risking the downside and underlying uncertainty in the market.

Structure



Overview

- **RDMA funding role:** The scheme will disburse payments to investors when losses are reported, up to the guaranteed amount. RDMA/DCA will design the scheme to specify:
  - Criteria for qualifying loans to borrowers, including conservation impact and financial metrics, and the process of due-diligence
  - Percentage of first-loss covered by scheme
  - Process and timelines for payment of guarantee to investors
- **Leverage:** Average - **1:8**, Range - **1:5 – 1:20**[1], with a wider demonstration effect if the bank/fund is successful
- **Market needs:** A first loss guarantee scheme helps address two important needs (1) offering credit enhancement to SMEs who prefer debt investments, but are unable to access finance without a guarantee or collateral, and (2) by bridging the gap between the risk profiles of investors and investments, by shifting a percentage of losses from investors to the guarantor
- **Innovation:** First loss guarantees for private investment are rare within the conservation sector in Asia Pacific. RDMA's funding role will be an important step by a donor agency in addressing risk challenges and supply constraints in financing small enterprises in the conservation linked agricultural sector

Aligned "Tip-over" mechanisms

- Set up a incubator/accelerator platform for investors and fund managers (Detailed as *Option 7*), to enhance the "investment readiness" of enterprises and internal capabilities of fund

- Note: (1) Indicative estimate based on interviews with investors and experts
- Source: Dalberg analysis; Investor and expert interviews

2 First loss guarantee – portfolio guarantees for funds or banks

Considerations for operationalization

1. Capital

- Average size of investor loan portfolios: **US$ 20-40 million**
- Average size of bank SME loan portfolios: Bank portfolios, while quite large, are typically not conservation specific, so no average size
- Expected first loss coverage: 30-75%[1]
- RDMA contribution to scheme: US$ 6-15 million
- Leverage[1]: Average - **1:8**, Range - **1:5 – 1:20**[2]
- Demonstration effect: **Strong**. Opening up a very nascent sector to investors by de-risking a high risk market of private sector conservation agriculture

The specific percentage of losses covered and leverage, will depend on the expected size of loan portfolios, the risk assessment of borrowers, and the risk profile of investors.

2. Resources

For investment support:

- RDMA staff to build relationships with donors to pool-in funding for guarantee facility
- USAID Development Credit Authority resources to structure and manage the credit guarantee scheme
- Marketing and outreach support to lender, to advertise guarantee scheme to potential borrowers and investors
- RDMA team to design criteria for qualifying borrowers, including guidelines on business models, conservation activities, deforestation impact, etc., along with participating bank or fund

3. Timelines

- **3-5 months**: Selection of lender and portfolio
- **2-4 months**: Creation of guarantee scheme
- **6-12 months**: Building investment pipeline
- **3 – 5 years**: Disbursement of guarantees

These timelines are rough estimates that can change due to a number of factors such as investor and investee readiness, speed of loan disbursements, timeline of defaults, etc.

4. Partners

- Fund managers: Either conservation-specific or broader impact investors, ideally with some experience in Asia
  - Calvert Fund
  - Alterfin
- Donors/DFIs willing to pool capital for the scheme

- Note: (1) Indicative range. The actual first loss coverage should be the minimum amount of losses required to be covered to draw in-investors, which will depend on the risk appetites of specific investors, and risk

2 First loss guarantee – portfolio guarantees for funds or banks

RDMA's feedback

Excitement

- Average level of excitement: 4.6/10
- Range of excitement: 2-8
- Aligns with both USAID's appetite for providing capital and investors' appetites
    - DCA bring the internal capabilities
    - Expectation that USAID would be willing to approve this intervention
    - For investors, this addresses the challenge they identify: Need to de-risk

Concerns

- Potentially not successful
- Minimal demonstration effect
- Difficult to control quality

Pending questions

- How can we do this effectively?

- Source: Workshop with RDMA (23-Sept-2015)

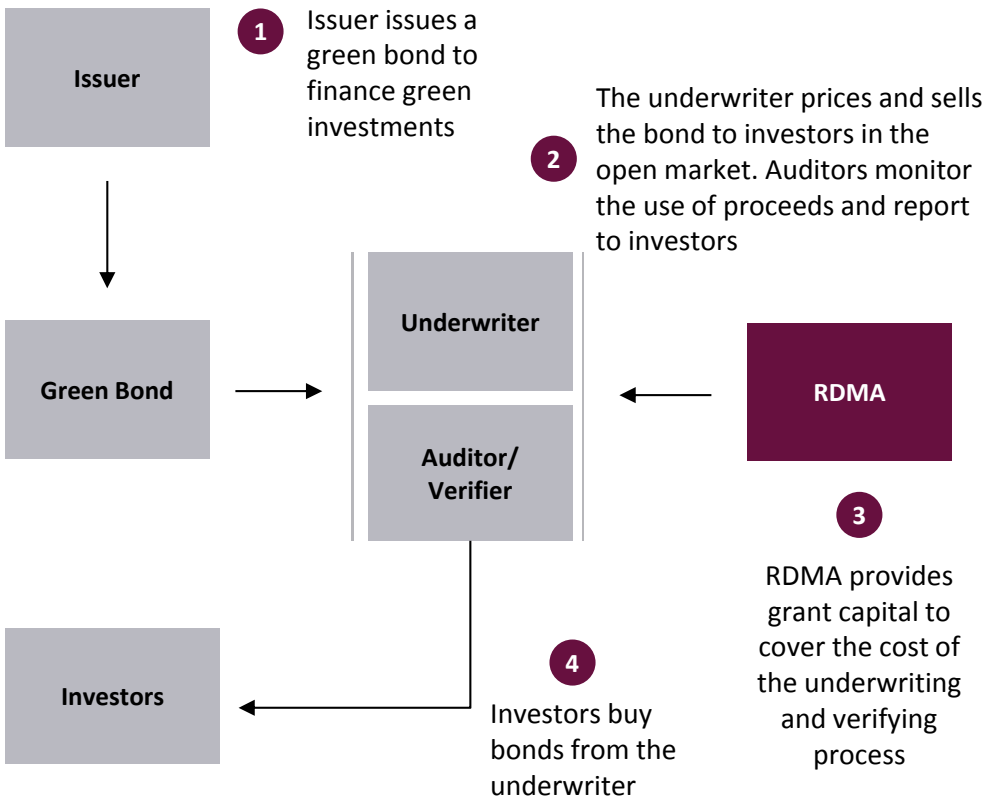
3 Green bonds – supporting issuance of green bonds

Concept description

Objective

By covering the cost of issuance, including underwriting, auditing, and monitoring, RDMA can help solve the key constraint of high **'transaction cost'** of structuring investment instruments for fund-raising entities in the conservation sector

Structure



Overview

- **RDMA funding role:** RDMA works with an issuer, either an agro-corporation, or a regional rural bank, to begin the process of issuing a green bond for conservation based investments in agriculture. RDMA can cover the cost of this issuance process, which includes covering the underwriting fees and the cost verifying and auditing activities funded by proceeds
- **Leverage:** 1:50 – 1:100[1] and potentially higher, given the cost of issuance relative to the potential market for green bonds (often over $100 M)
- **Market needs:** While green bonds have been in high demand from investors, an important challenge in the scaling of green bonds is the high cost of structuring, issuing, and monitoring a green bond, particularly prohibitive for companies and smaller banks. Donors can help address this need by covering the cost of the process and promoting the use of green bonds
- **Innovation:** Green bonds themselves are an innovative instrument in Asia Pacific, where raising finance for green investments is a relatively new concept. Covering the cost of and promoting the use of this instrument by the private sector is an innovative engagement opportunity for a donor agency.

Aligned "Tip-over" mechanisms

- Set up a convening platform (Detailed as *Option 8*), that allows managers and potential issuers to connect (addressing another challenge in the green bond market – many potential issuers are unaware of the benefits and steps to issuing a green bond)

- Note: (1) Indicative ratio based on industry averages, and interviews with investors and experts.
- Source: Dalberg analysis; Investor and expert interviews

3 Green bonds – supporting issuance of green bonds

Considerations for operationalization

1. Capital

- Average size of green bonds: US$ 200 million
- Capital required to cover issuance, monitoring/auditing: US$ 500,000 (issuance costs typically less than 1.5% of total bond size)
- Leverage: 1: 50-1:100[1], potentially higher
- Demonstration effect: Demonstrates the viability of issuing green bonds in the short-term, and the effectiveness of a relatively new instrument in raising large amounts of capital for conservation, in the long-term

The size of green bonds issued by a corporate is smaller than a bank. The size of the bond and the cost of issuance, and hence RDMA's contribution, will vary according to the type issuer

2. Resources

For investment support:

- RDMA staff to build relationships with issuers, and help support the design of conservation related investment plan
- RDMA staff to conduct outreach to select underwriter and verifier to support the issuance process
- Monitoring and reporting support to issuer, with grant financing to set up internal monitoring process if there is none

For non-investment support:

- Technical assistance to issuer, if agro-business, to design activities that have maximum impact on reducing deforestation and emissions

3. Timelines

- **3-5 months**: Identification of issuer
- **6-12 months**: Structuring bond and designing program
- **3-5 months**: Pricing, issuing and selling bond
- **5-10 years**: Maturity period for bond

These timelines are rough estimates that can change due to a number of factors such as issuer readiness, market response to bond, and completion of green investment activities

4. Partners

- Regional banks interested in issuing a green bond
- Corporates interested in issuing green bond
  - Asia Pulp and Paper
- Underwriter/verifier: Third party that manages green bond (could include fund manager or advisory firms)
  - Credit Suisse
  - CIFOR
  - HSBC
  - J.P. Morgan

- Note: (1) Indicative ratio based on industry averages, and interviews with investors and experts.
- Source: Dalberg analysis: Investor and expert interviews

3 Green bonds – supporting issuance of green bonds

RDMA's feedback

Excitement

- Average level of excitement: 7.3/10
- Range of excitement: 6-10
- Significant leverage
- Could be a substantive intervention – could lead to large investment
- "Safe" way for USAID to engage and support
- New area for USAID to engage, and could lead to new partnerships

Concerns

- Uncertain that this aligns with USAID's experiences or capabilities
- Uncertain that underwriting is the right mode of support
- Quality and quantum of pipeline opportunities may be lacking
    - May not be able to ensure depth of "green" for each bond
    - Doesn't address the lack of pipeline opportunities, so doesn't get to the root of the issue being lack of investable opportunities
- Doesn't align with USAID's expertise, and would need to bring in the right people
- Might not be high profile enough for USAID

Pending questions

- How do we simplify to make feasible?
- Are we allowed to do something like this?
- How different will this be?

- Source: Workshop with RDMA (23-Sept-2015)

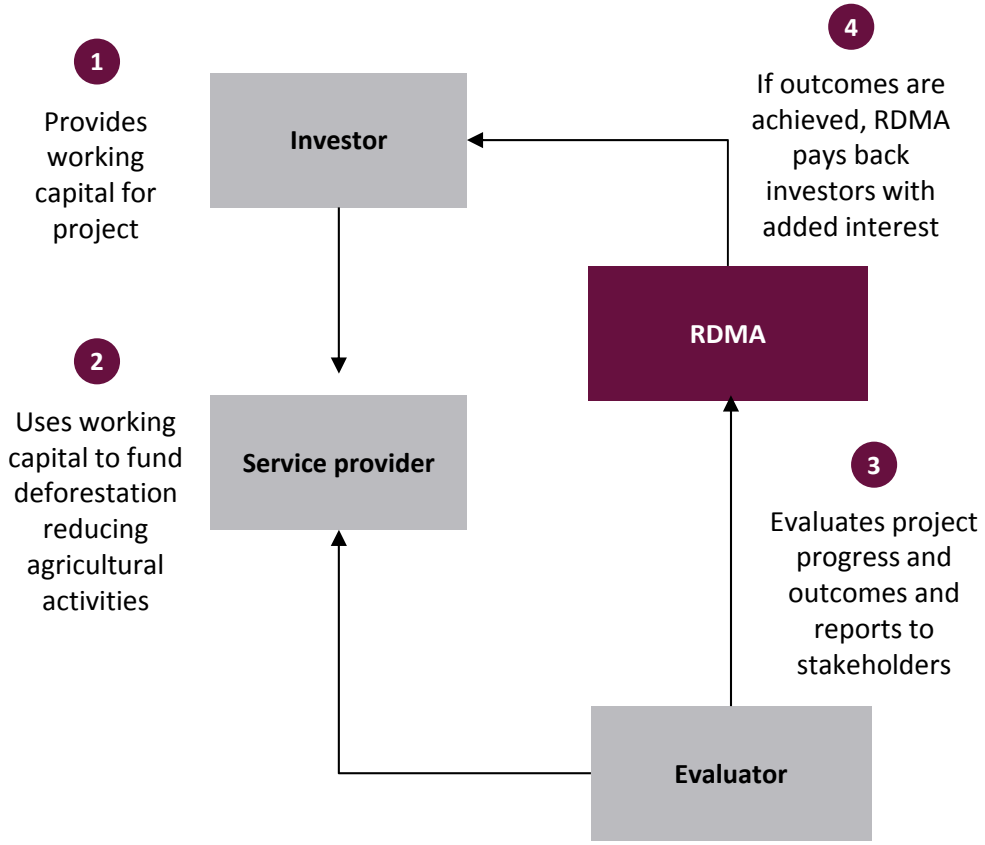
4a Development Impact Bonds – paying investors for outcomes

Concept description

Objective

Key constraint solved for is: **'Lack of accountability'** for impact outcomes by execution agencies'; **'Lack of returns in conservation activities'** for investors; **'Lack of control & influence'** over functioning of execution agency for the private sector investor'; '**Lack of innovation & 'skin in the game''** for the execution agencies

Structure



Overview

- **RDMA funding role:** RDMA will perform the role of an outcome payer, which pays back investor capital with returns, on the achievement of specific pre-defined outcomes. RDMA will also decide the performance criteria to be embedded in the contract, which will be linked to the scale of interest paid out to investors
- **Leverage:** 1:1[1], Payback is matched to the original investment (plus some return)
- **Market needs:** There is a strong need to link return-driven private investment into conservation activities, with measurable, achievable outcomes. Investors need assurance that on the achievement of results, they are able to recover their capital with some level of returns. Enterprises in need of finance need to be incentivized to create service areas that can produce measurable outcomes
- **Innovation:** DIBs are a relatively new funding model, and have only been used once in the world. Bringing the concept of DIBs into conservation is an innovative way of linking profit driven private investors to finance outcome driven service models in sustainable agriculture

Aligned "Tip-over" mechanisms

- Set up a incubator/accelerator platform for enterprises (Detailed as *Option 7*), to enhance the "investment readiness" of enterprises (and thus likelihood of outcomes being achieved)

- Note: (1) Indicative ratio based on interviews with investors and experts.
- Source: Dalberg analysis; Investor and expert interviews

4a Development Impact Bonds – paying investors for outcomes

Considerations for operationalization

1. Capital

- Size of DIB: Previous DIB was US$ 200,000; given needs of conservation enterprises, would likely range from US$ 20,000-500,000 (which is where the largest funding gap is)
- Rate of return paid to investors: 7-13%
- Leverage: 1:1[1], although can potentially drive in other investors for specific service provider if outcomes achieved
- Demonstration effect: Helps demonstrate the viability and utility of conservation business models by proving such models are able to achieve conservation outcomes.

Since DIBs have only been put in practice once before, there is no average size. Capital requirements will depend on scale, outcomes and timelines.

2. Resources

For investment support:

- RDMA staff to build relationships with investors, service providers, evaluators and other outcome payers, to crowd-in capital and structure the DIB
- RDMA staff to help in the structuring of payment contract, including outcomes, terms & conditions, timelines, and returns

For non-investment support:

- Technical assistance to service provider to help improve service model and adopt best practices in sustainable agriculture, if needed

3. Timelines

- **6 months**: Identification of service provider, investors and evaluators
- **1 year**: Structuring DIB and designing program
- **5 – 10 years:** Service delivery and bond pay-out

These timelines are rough estimates that can change depending on the design of the program, types of outcomes required, gestation period of activities

4. Partners

Potential partners include:

- Investors – Likely investors comfortable with low-returns, such as foundations
  - Citi Foundation
  - UBS Optimus Foundation
- Service Providers – Cooperatives, social enterprises, or REDD+ projects

- Note: (1) Indicative ratio based on interviews with investors and experts.
- Source: Dalberg analysis; Investor and expert interviews

4a Development Impact Bonds – paying investors for outcomes

RDMA's feedback

Excitement

- Average level of excitement: 4.5/10
- Range of excitement: 2-8
- The approach is outcome based, so USAID is paying for success
- The approach is innovative

Concerns

- Setting up and executing would be difficult and complex, as are monitoring and evaluating outcomes for determining payment
- High risk
    - There would potentially be no takers for such a mechanisms
    - If outcomes aren't achieved, could create issues

Pending questions

- How is it different from what USAID and other donors to? Is it different enough?

- Source: Workshop with RDMA (23-Sept-2015)

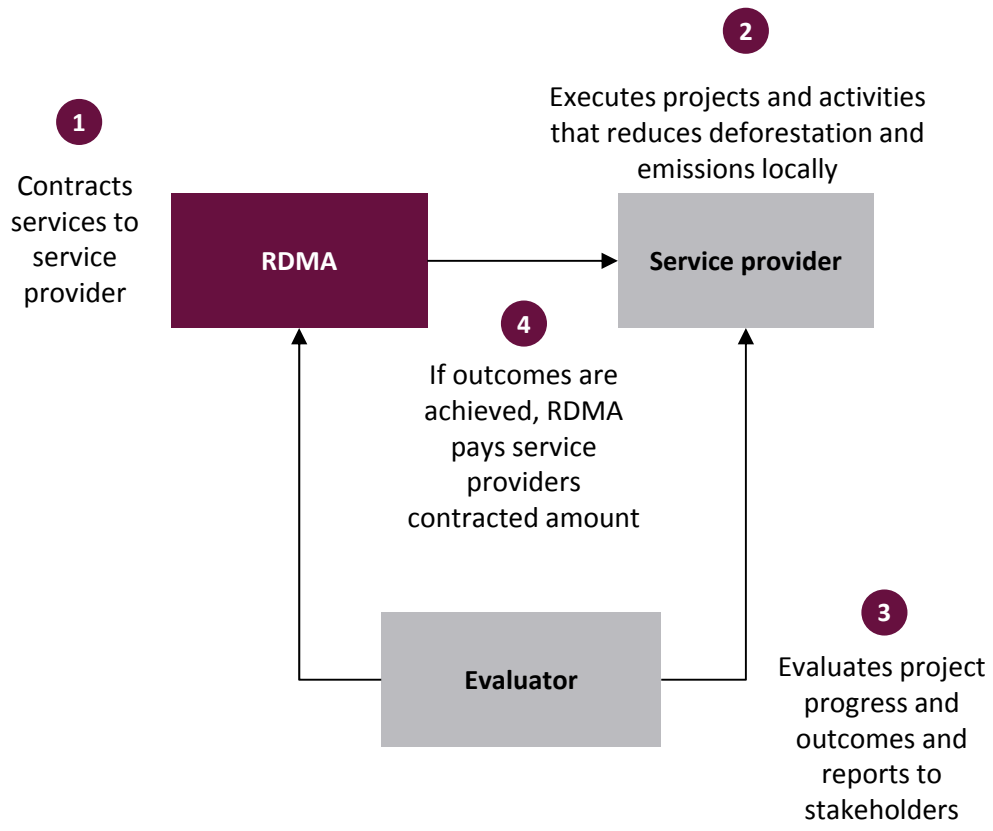
4b Performance based contracts – paying implementers for performance

Concept description

Objective

Key constraint solved for is: **'Lack of accountability'** for impact outcomes by execution agencies'; **'Lack of returns in conservation activities'** for investors; **'Lack of control & influence'** over functioning of execution agency for the private sector investor'; '**Lack of innovation & 'skin in the game''** for the execution agencies

Structure



Overview

- **RDMA funding role:** RDMA can provide a combination of zero-interest working capital, to provide seed capital to a project, in addition to grant financing to pay the final contract amount on the achievement of results
- **Leverage:** NA
- **Market needs:** A lot of donor money is currently flowing into financing projects and activities, instead of outcomes and results. This leads to poor incentives to produce measurable outcomes, and the loss of public money into infeasible projects
- **Innovation:** The most common type of donor funding is driven by the need to spend budgetary allocations to programs, instead of spending to achieve specific outcomes. A performance based contract in conservation helps make the use of donor money more effective and targeted

Aligned "Tip-over" mechanisms

- Set up a incubator/accelerator platform for enterprises (Detailed as *Option 7*), to enhance the "investment readiness" of enterprises (and thus likelihood of outcomes being achieved)

- Source: Dalberg analysis; Investor and expert interviews

4b Performance based contracts – paying implementers for performance

Considerations for operationalization

1. Capital

- Grant size: Variable. Depends on scale of interventions, type of outcomes, and timelines, **US$ 200,000-5 million**

2. Resources

For investment support:

- RDMA staff to build relationships with local communities, government bodies and service providers to structure the project
- RDMA staff to design performance based contract, including performance criteria, measurement, and timelines
- RDMA to design and release bid document to select qualified service providers at competitive rates, and conduct due-diligence

For non-investment support:

- Technical assistance to service provider to help improve service model and adopt best practices in sustainable agriculture, if needed

3. Timelines

- **6 months**: Design of performance metrics, timelines, and bid document
- **3 months**: Selection of contractor and kicking off project
- **1-3 years:** Program activities and pay-out

These timelines are rough estimates that can change depending on the design of the program, scale of interventions, and types of outcomes required

4. Partners

- Local government bodies
- Farmer cooperatives
- SMEs

- Source: Dalberg analysis; Investor and expert interviews

4b Performance based contracts – paying implementers for performance

RDMA's feedback

Excitement

- Average level of excitement: 5/10
- Range of excitement: 3-7
- USAID has the capacity to put this into action
    - It's similar to USAID's current outcome based support

Concerns

- Outcomes can be difficult to measure and sustain
    - Defining performance is challenging
- Approach could be risky; no certainty about what happens if outcomes are not achieved
- This approach isn't innovative, and is essentially what USAID already does

Pending questions

- Who can be our potential partners for performance based contracts? Who else is already doing this?

- Source: Workshop with RDMA (23-Sept-2015)

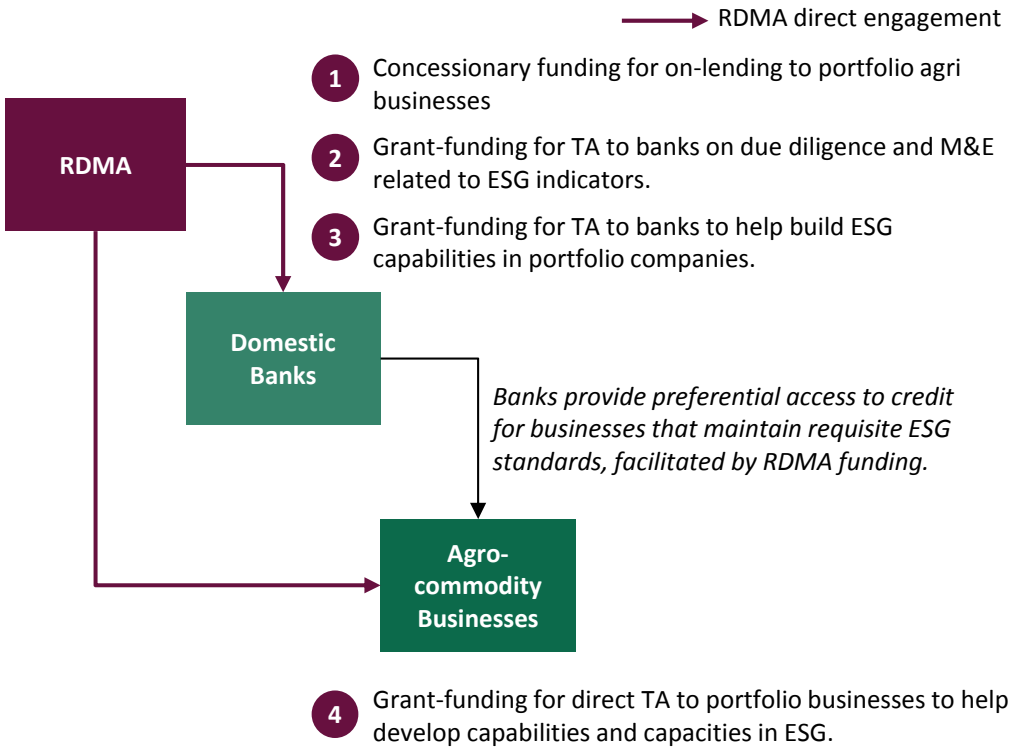
5 Incentivizing regional banks to impose better ESG in their portfolios

Concept description

Objective

Key constraints solved for are: **'cost of ESG compliance and monitoring'** for banks by providing TA for capacity building; **'lack of capabilities'** to carry out ESG compliance for companies by providing TA; **'lack of incentives'** for ESG compliance for companies through preferential access to funds; **'fear of losing clients'** for banks if ESG compliance is enforced, by providing access to cheaper capital

Structure



Overview

- **RDMA funding role:** RDMA provides concessionary finance to banks to incentivize ESG integration in credit decisions and processes. In addition, RDMA can provide grant funding for different types of technical assistance targeting investors and/or companies.
- **Leverage:** Immediate leverage may be low, and will depend on whether USAID is able to pull in other patient capital for on-lending. The demonstration leverage could be substantial if regional commercial banks can convert existing portfolios to integrate ESG.
- **Market needs:** Asian commercial banks are far behind global banks with respect to ESG integration. One major reason is that they fear losing potential customers to other banks who do not impose ESG standards. Concessionary finance from RDMA could allow banks to use the "carrot" of cheaper financing to crowd in interest from companies.
- **Innovation:** This channel/type of support has not been previously deployed by USAID in Asia or elsewhere. While the idea of ESG standards is commonly understood and deployed, specifically targeting deforestation and large-scale carbon reduction by incentivizing better ESG is innovative from a wider regional and sectoral perspective as well.

Aligned "Tip-over" mechanisms

- Offer concessionary finance to fund portfolio (Detailed as *Option 1b*), to further reduce risk and mobilize other interested investors

- Source: Dalberg analysis; Investor and expert interviews

5 Incentivizing regional banks to impose better ESG in their portfolios

Considerations for operationalization

1. Capital

- Average agribusiness portfolio size in banks: US$ 20 million to US$ 40 million
- Capital required: US$ X-Y million[1]
- Interest rate: Provide capital to banks at 6-8% interest, enabling banks to on-lend to companies at 10-12% which is below market rates in specific countries like Indonesia, Vietnam.
- Demonstration effect: Uptake from the private sector will demonstrate that commercial banks can have a substantial role in incentivizing zero-deforestation business models, and provide a best-practice model for other interested stakeholders.

2. Dependencies

- Strong regional networks with country governments in the Mekong region, since regulatory backing for ESG compliance will be important
- Networks with commercial banks and important agribusiness stakeholders in South East Asia to understand needs, challenges and types of support needed
- Access to technical expertise of various kinds including (1) to support the design the financial instrument, e.g. the rate of interest (typically below market) that RDMA should consider charging the banks, priority geographies, sectors etc.; (2) to design robust/measurable environmental standards with teeth; (3) Access to organizations/ individuals that could design and implement the required technical assistance to banks and/or portfolio companies such as the WWF

3. High-level timelines

- **1 month:** Identify and liaise with 10-15 regional banks that are interested; prioritize 1-3 for piloting the concept
- **Next 2-3 months:** Agree and co-develop 1-3 pilots in conjunction with the selected banks
- **Next 6-24 months: I**mplement/run pilots
- **Year 3 onwards:** Share lessons and attempt to scale up in other regional banks

4. Partners

- Bank partners:
  - Bank Central Asia
  - Bank Mandiri
  - Bank Rakayat Indonesia
  - …
- Technical assistance partners:
  - WWF Asia

- Note (1): To be assessed based on future interviews planned with representatives of banks
- Source: Dalberg analysis; Investor and expert interviews

5 Incentivizing regional banks to impose better ESG in their portfolios

Rationale and key open questions

	Why?	Modalities / open questions
1 RDMA provides preferential / concessionary finance to Banks to incentivize ESG integration in credit decisions / processes.	• Concessionary funds allow banks to on-lend at concessionary rates to their portfolio – mitigates competition from other banks • ESG monitoring will reduce portfolio/reputation risks for banks	• Size of funding • Rate of interest to the bank • Priority geography • Priority agri-sector • Potential pipeline • …
2 RDMA provides grant-funding for TA to banks on due diligence and M&E related to ESG indicators.	• Helps off-set higher transaction costs of ESG monitoring/ compliance • Allows banks to tap into external expertise in areas internal knowledge is limited	• Size of TA • TA process and design • TA vendors
3 RDMA provides grant-funding for TA to banks to help build ESG capabilities in portfolio companies.	• Develops essential ESG capabilities in banks, which will reduce the transaction costs of compliance and due diligence in the future	• Size of TA • TA process and design • TA vendors
4 RDMA provides grant-funding for direct TA to portfolio businesses to help develop capabilities and capacities in ESG.	• Helps companies overcome resource and technical limitations that currently prevent them from adopting environmental standards, and ensures that funds from the regional banks are put to correct use	• Size of TA • TA process and design • TA vendors

- Source: Dalberg analysis; Investor and expert interviews

5 Incentivizing regional banks to impose better ESG in their portfolios

RDMA's feedback

Excitement

- Average level of excitement: 6/10
- Range of excitement: 3-9
- Has the potential to address a critical gap; ESG is typically not prioritized among banks in the region
- Significant potential for leverage, particularly when the demonstration effect is considered
- USAID has experience with similar projects in Indonesia and Philippines – already has a relationship with banks and the government

Concerns

- Attracting banks as partners will be challenging
  - USAID has tried to engage with banks in the region, but it was a challenge
- Sustainability is a challenge, as there is no uncertainty banks will continue enforcing once project ends
- Not certain that banks will do anything more than "greenwashing" rather than truly pushing substantial change

Pending questions

- How do we complement this approach with other programs?

- Source: Workshop with RDMA (23-Sept-2015)

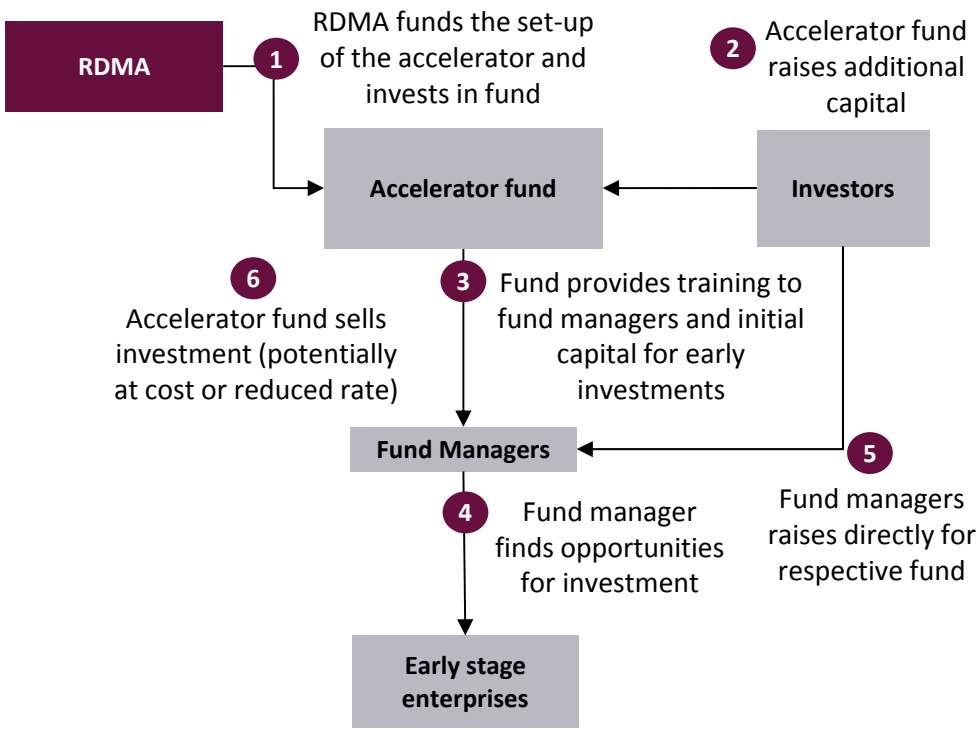
6a Establish an accelerator fund for fund managers

Concept for pilot

Objective

Key constraints solved for are: **'Lack of investible opportunities'** for investors looking to invest, by funding pipeline identification process; **'Lack of seed capital, mentorship, networks, capabilities'**, etc. for enviro-preneurs by funding training and capacity building; **'Lack of seed capital, mentorship, networks, capabilities'**, etc. for enviro-funds by funding training and capacity building

Structure



Overview

- **RDMA funding role:** RDMA sets up the accelerator fund and invests in training fund mangers and provides them initial capital for investment which is recoverable once the capital has been raised for the fund
- **Leverage:** Leverage for the accelerator fund will be marginally higher than that of a direct investment in isolation, approx. 1:4-1:6[1]. However, potential demonstration effect can be observed due to creation of a pipeline for multiple funds
- **Market needs:** Many funds in the sustainable landscapes face the challenge of deployment of funds as enterprises are not "investment ready" and funds often lack the resources and capability to bring these enterprises to the investment readiness stage. By setting up the accelerator fund, RDMA can remove this bottleneck arising in deployment of investment in this space
- **Innovation:** Rather than adopting a traditional accelerator model that directly incubates enterprises, this pilot provides training to fund managers who in turn apply their skills to find potential investment opportunities

Aligned "Tip-over" mechanisms

1. Investment into the fund can be structured as matching, concessionary or first loss (Detailed as *Options 2 and 3*), to reduce risk and further mobilize investors

- Note: (1) Indicative ratio based on industry averages, and interviews with investors and experts.
- Source: Dalberg analysis; Interviews with Investors and experts

6a Establish an accelerator fund for fund managers

Considerations for operationalization

1. Capital

- Cost to RDMA: Investment of **US$ 3-5 million** (recoverable) and accelerator set-up costs of US$ 300-500k
- Investment per deal: **US$ 50,000 to US$ 300,000**
- Leverage**:** Leverage for the accelerator fund will be marginally higher than that of a direct investment into a fund, approx. 1:4-1:6[1].
- Demonstration effect: **Strong demonstration effects** by mobilizing private investors to commit capital to the various funds managed by the trained fund managers

2. Resources

For investment support:

- Staff members and set-up time to identify and build relationships with co-investors for accelerator fund
- Staff members identify potential accelerator fund managers and design structure and details of fund
- Investment expertise to structure direct investment, timelines and sale of investment etc.

For non-investment support:

- Developing monitoring and reporting frameworks to be shared with fund managers and investors
- Scientific expertise to train fund managers in finding investable opportunities

3. Timelines

- **6 months:** Search and due-diligence for accelerator fund manager
- **6 months- 12 months:** Set up and operation of accelerator by fund manager
- **1-3 years:** Investments of early stage enterprises

RDMA will see immediate leverage of its investment, and will be able to see demonstration effect impacts from the second and third year of the program

4. Partners

- Manager of accelerator: Fund managers with strong expertise and experience in investing or consultancy/advisory firms with financial expertise

- Note: (1) Indicative ratio based on industry averages, and interviews with investors and experts.
- Source: Dalberg analysis; Investor and expert interviews

6a Establish an accelerator fund for fund managers

RDMA's feedback

Excitement

- Average level of excitement: 5.5/10
- Range of excitement: 3-8
- Doable – USAID has the relationship and capabilities necessary
    - This is similar to traditional aid approaches, and USAID has the capacity to now apply this to new partners
- The approach is innovative
- Achieves leverage
- This could be part of a larger program
- Size of investment required is reasonable

Concerns

- Concern that this does not address the underlying challenges to building a pipeline
    - Doesn't create investment opportunities, so fund managers would still be lacking places to invest
- Uncertain how to evaluate performance
- Alone this has no leverage unless they can bring in partners to invest

Pending questions

- Who will be our partners?
    - What would our partners look like?

- Source: Workshop with RDMA (23-Sept-2015)

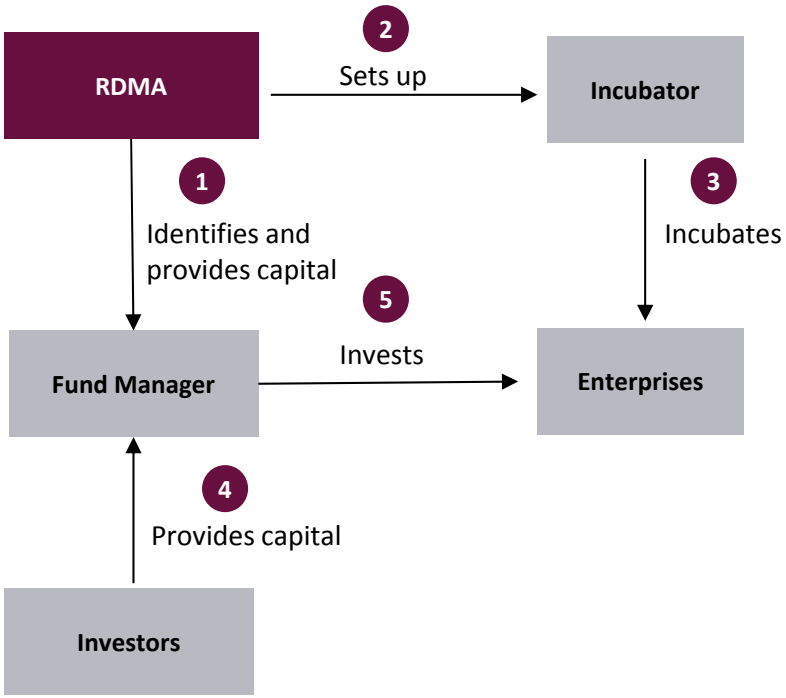
6b Establish an incubator for enterprises

Concept for pilot

Objective

Key constraints solved for are: **'Lack of investible opportunities'** for investors looking to invest, by funding pipeline identification process; **'Lack of seed capital, mentorship, networks, capabilities'**, etc. for enviro-preneurs by funding training and capacity building; **'Lack of seed capital, mentorship, networks, capabilities'**, etc. for enviro-funds by funding training and capacity building .

Structure



Overview

- **RDMA funding role:** RDMA sets up the incubator fund for enterprises. Funding is provided for technical support to businesses to improve their business acumen and sustainability
- **Leverage:** While the incubator itself has no leverage effect (because there is no investment fund), the parallel fund into which RDMA can also invest, would likely have an amplified leverage beyond a standalone fund
- **Market needs:** Many funds in the sustainable landscapes face the challenge of deployment of funds as enterprises are not "investment ready" as they lack business acumen and clear conservation business models. By setting up the incubator fund, RDMA can help build a pipeline of potential investment opportunities in the region
- **Innovation:** Although incubators are common in the impact investing space, it would be highly innovative in conservation

Aligned "Tip-over" mechanisms

1. Investment into a parallel fund, which can be structured as matching, concessionary or first loss (Detailed as *Options 2 and 3*), to reduce risk and further mobilize investors

- Source: Dalberg analysis; Investor and expert interviews

6b Establish an incubator for enterprises

Considerations for operationalization

1. Capital

- Cost of incubator set up: **US$ 1-3 million**
- Leverage: No leverage. However, parallel investment fund into which RDMA can invest would likely have an amplified leverage up to 1:10
- Demonstration effect: **Strong short term demonstration effects** by building a potential pipeline of investment opportunities in Asia

2. Resources

For non-investment support:

- Design of incubator and selection of incubator staff
- Scientific expertise to provide enterprises with technical support, business management and strategy planning
- Developing monitoring and reporting frameworks to be shared with the identified fund

3. Timelines

- **6 months:** Design of incubator and selection process for staff
- **6 months- 12 months:** Joint selection of enterprises to be incubated
- **Year 1 and Year 2:** RDMA's in-house incubation of enterprises

RDMA will be able to see demonstration effect from the second and third year of the program

4. Partners

- Fund managers with expertise in incubating enterprises in the conservation sector
- Established incubators in Asia

- Note (1): Indicative numbers based on industry averages, and interviews with investors and experts
- Source: Dalberg analysis; Investor and expert interviews

6b Establish an incubator for enterprises

RDMA's feedback

Excitement

- Average level of excitement: 4.9/10
- Range of excitement: 2.5-7
- This address the most critical gap – lack of investment opportunities in the sector
- While there isn't direct leverage, an incubator could help build a pipeline for funds in the region

Concerns

- In isolation, this may not be enough

Pending questions

- Do we have the right partners to carry this out?
- What are others doing in the sector that are similar?
- How do we design this most effectively

- Source: Workshop with RDMA (23-Sept-2015)

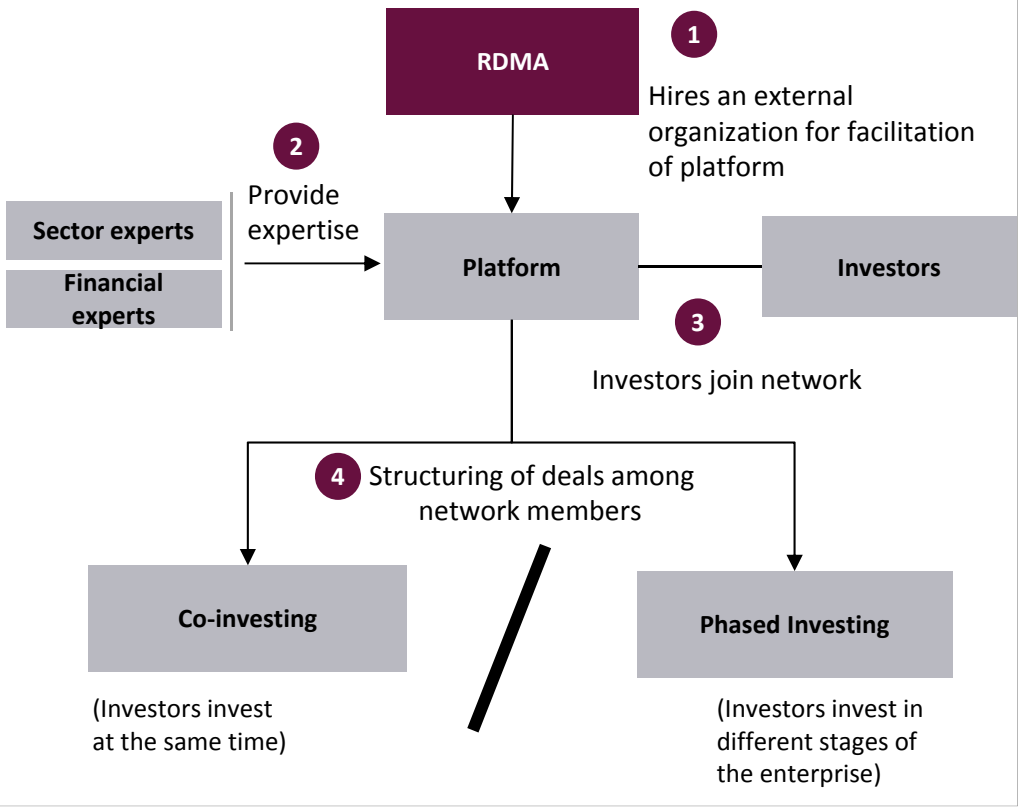
7a Establish a convening platform

Concept for pilot

Objective

Key constraint solved for is**: lack of ground presence/networks, visibility of potential deals and track record'** for investors leading to high search and transaction costs

Structure



Overview

- **RDMA funding role:** RDMA funds the establishment of the convening platform for impact investors
- **Leverage:** RDMA's grant to set up the platform could have a leverage up to 1:20,[1] but this would depend entirely on the number and success of finalized deals
- **Market needs:** Many funds in the sustainable landscapes consider the space to be nascent and risky, and find transaction costs to be prohibitively high. Often, investment opportunities don't align with investor expectations. A convening platform facilitates the deal making process by reducing transaction costs, and allows investors to structure investments in a way that shares risks returns aligned with profiles of investors.
- **Innovation:** Syndicate investing in conservation finance is relatively new and can excite investors due to reduced risk and transaction costs

Aligned "Tip-over" mechanisms

1. Investment into a parallel fund that co-invest with network members. It can be structured as matching, concessionary or first loss (Detailed as *Options 2 and 3*) to reduce risk and further mobilize investors into the same fund. This fund can take the lead investment role in risky investment opportunities

- Note: (1)
- Source: Dalberg analysis; Investor and expert interviews

7a Establish a convening platform

Considerations for operationalization

1. Capital

- Amount required to establish the platform : **US$ 1 million to US$ 2 million**
- Leverage: **Approx. 1:10-1:20**[1]
- Demonstration effect: **Strong long term demonstration effects.** Syndication of impact investors allows for reduced costs and risk and in turn greater pooling of private capital

2. Resources

For establishment of the platform

- Staff members and set-up time to identify external organization which has a strong presence in Asia and a strong network to facilitate the convening platform
- Staff members and set-up time to identify and build relationships with sector experts to facilitate the syndicate
- Staff members and set-up time to identify and build relationships with financial experts to structure the syndicate

3. Timelines

- **6 months-12 months:** Establishment of the platform
- **Ongoing platform**: There is no exit time period for a platform

  RDMA can leave the platform parallel to its exit from the investment

  RDMA can also base its exit on pre-determined decision metrics such as budget cycle, achievement of a certain amount of investment in the platform or number of impact investors part of the syndicate

4. Partners

- Potential network members: Investors active in Asia
  - Finance in Motion
  - Terra Global Capital
  - Calvert Foundation

- Note (1): Indicative estimates based on industry averages, and interviews with investors and experts
- Source: Dalberg analysis; Investor and expert interviews

7a Establish a convening platform

RDMA's feedback

Excitement

- Average level of excitement: 5.6/10
- Range of excitement: 4-7
- This takes a collaborative approach, which aligns with USAID's preferred approach
- These interventions are familiar to USAID, so more likelihood of obtaining internal support

Concerns

- In insolation, this approach does not feel substantial

Pending questions

- Would this be sufficient to address the market challenges to private investment?

- Source: Workshop with RDMA (23-Sept-2015)

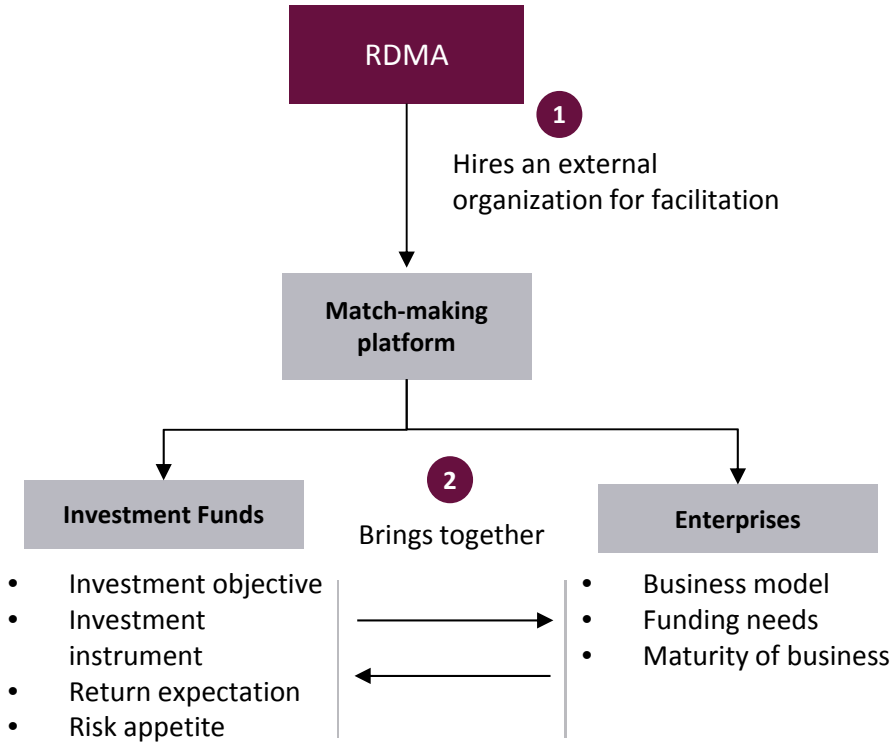
7b Establish a match-making platform

Concept for pilot

Objective

Key constraint solved for is**: lack of ground presence/networks, visibility of potential deals and track record'** for investors leading to high search and transaction costs

Structure



Overview

- **RDMA funding role:** RDMA funds the establishment of the match-making platform for impact investors
- **Leverage:** The match-making platform amplifies the leverage that is observed for a fund
- **Market needs:** There are a lot of information gaps and market asymmetries in the sector. A match-making platform will bring together investors and enterprises suited for each other and reduce the otherwise high transaction cost of investors searching for enterprises
- **Innovation:** Match-making platform brings together demand and supply in one place and enables funding needs to be matched with investing needs

Aligned "Tip-over" mechanisms

1. Investment into a parallel fund that co-invest with platform members. It can be structured as matching, concessionary or first loss (Detailed as *Options 2 and 3*) to reduce risk and further mobilize investors into the same fund.

- Source: Dalberg analysis; Investor and expert interviews

7b Establish a match-making platform

Considerations for operationalization

1. Capital

- Amount required to establish the platform : **US$ 1 million to US$ 2 million**
- Leverage: **Approx. 1:5-1:15** for RDMA's grant to establish platform and capital deployed through investments[1]
- Demonstration effect: **Strong long term demonstration effects.** Match-making of impact investors with enterprises allows for reduced transaction costs and increased deployment of investment

2. Resources

For establishment of the platform

- Staff members and set-up time to identify external organization which has a strong presence in Asia and a strong network to facilitate the match-making platform
- Staff members and set-up time to identify and define monitoring and due diligence metrics with external organization
- Staff members and set-up time to review the outcomes of the process and introduce adjustments, if required

3. Timelines

- **6 months-12 months:** Establishment of the platform
- **Ongoing platform**: There is no exit time period for a platform

  RDMA can leave the platform parallel to its exit from the fund

  RDMA can also base its exit on pre-determined decision metrics such as budget cycle, achievement of a certain amount of investment in the platform or number of impact investors and enterprises part of the platform

4. Partners

- Potential network members: Investors active in Asia
  - Finance in Motion
  - Terra Global Capital
  - Calvert Foundation
- Enterprises seeking investment – either with a conservation model or interested in employing a conservation model

7b Establish a match-making platform

RDMA's feedback

Excitement

- Average level of excitement: 5.1/10
- Range of excitement: 4-6
- This takes a collaborative approach, which aligns with USAID's preferred approach
- These interventions are familiar to USAID, so more likelihood of obtaining internal support

Concerns

- As a stand alone initiative, this is not substantive enough
- No certainty that there are enough players in the market for facilitation to occur

Pending questions

- How do we align this with another initiative to make it more substantial?

- Source: Workshop with RDMA (23-Sept-2015)

Annex

Reference materials for engagement concepts

Further details on the structure, players and market trends for the seven engagement concepts

Specific investment opportunities

- *A list of 15 high, medium, and low potential partnership opportunities confirmed through interviews and surveys*
- *Detailed profiles on select opportunities*
- *A list of 14 potential partners active in Asia and globally in conservation/sustainable agriculture finance*
- *Public sector investors active in Asia (not exhaustive)*

Case studies

- *Green Prosperity – Sustainable Cocoa Production Program*
- *Land Degradation Fund*

Interview and survey database

- Names and contact details of investors and experts

Detailed list of confirmed partnership opportunities (1/3)

High potential – Currently raising, with detailed interest in support from USAID

Investor	Details on activities	Partnership interest	Status	Contact
Fauna and Flora International (Oryx Impact Investments)	• Currently raising for a 500k pilot fund in Indonesia lending $20-500k to agri-businesses • Interest in exploring other countries in Southeast Asia, and would need to raise $5-10 million per fund	• Matching investment – has interest from investors but this would help close • Grant – Requires operating cost to build team and develop pipeline • Grant – Launching an incubator (currently in early design)	Interview and survey	Deborah Aragao Deborah.aragao@fauna-flora.org
EcoEnterprises Fund	• Currently raising its third fund of $80 million, which will in part focus on Asia	• First loss or matching - $12 million • Incubator - $3 M grant for providing TA to investees • Accelerator – Would be interested in overseeing accelerator for fund managers	Interview and survey	Tammy Newmark tnewmark@ecoenterprisesfund.com
CIFOR – The Landscape Fund	• Considering raising for The Landscape Fund, a $34 million fund in Asia • Structure not yet finalized	• Direct investment • Convening platform* – Interest in co-investing with regional funds • Incubation support for enterprises*	Interview and survey	Steve Lawry Director, s.lawry@cgiar.org
Terra Global Capital	• Currently raising for a $100 million Terra Bella Fund; $45 committed	• Matching - $5-20 million • Grant – Launching an incubator* (not yet under design	Interview	Leslie Durschinger Leslie.durschinger@terraglobalcapital.com

- Currently raising; detailed interest regarding partnership with USAID
- Not currently raising, but active in Asia; broad interest in partnership with USAID
- Scoping Asia; broad interest in partnership with USAID

- Note: (*) Opportunity identified and detailed by Dalberg based off the investor's expressed needs, rather than a specific request from the investor; Bolded investors have been further detailed through individual

Detailed list of confirmed partnership opportunities (2/3)

Medium potential – Not raising, but active in Asia, with broad interest

Investor	Details on activities	Partnership interest	Status	Contact
HBSC	• Currently the 4th largest issuer of green bonds globally; looking to increase issuance in Asia	• Incubator – Providing TA for portfolio enterprises to increase their sustainability, so HBSC can issue a green bond	Interview	Benjamin Gilmartin Benjamin.gilmartin@hsbc.com.hk
Forest Carbon	• Considering raising for a carbon finance fund similar to Athelia Fund, but with specific focus on Asia • No capital commitments to date	• Investment – Potential interest for support • General – Would be interested in exploring opportunities more in detail with USAID (regulatory support, etc.)	Interview	Gabriel Eickhoff g.eickhoff@forest-carbon.org
JP Morgan (Philanthropy Center)	• Facilitate investments and grants on behalf of HNWIs; often social focus, but growing interest in conservation impact among philanthropists	• General – Would be interested in exploring opportunities more in detail with USAID ; could offer support connecting with HNWIs active in conservation in Asia	Interview	Jean Sung Jean.k.sung@jpmorgan.com
Bio Carbon Fund	• Conducts training and support programs in agriculture worldwide • Invest and provide financial support	• Investment – Would be interested in an investment from USAID to run in parallel to training programs in Indonesia	Interview	Anita Chen-Chen Tung ctung@worldbank.org
Packard Foundation	• $180M AUM globally; $30-70M invested annually • In Asia, focus on Indonesia	• General – Would be interested in exploring opportunities more in detail with USAID	Interview	Susan Phinney Silver sphinneysilver@Packard.org
Rabobank	• In Indonesia, lending directly to smallholder farmers and SMEs	• General – Would be interested in exploring opportunities more in detail with USAID	Interview	Elies Fongers E.M.M.Fongers@rn.rabobank.nl

- Currently raising; detailed interest regarding partnership with USAID
- Not currently raising, but active in Asia; broad interest in partnership with USAID
- Scoping Asia; broad interest in partnership with USAID

- Note: (*) Opportunity identified and detailed by Dalberg based off the investor's expressed needs, rather than a specific request from the investor; Bolded investors have been further detailed through individual profiles in forthcoming slides
- Source: Investor surveys and interviews; Dalberg analysis

Detailed list of confirmed partnership opportunities (3/3)

Low potential – Scoping Asia, with broad interest in support from USAID

Investor	Details on activities	Partnership interest	Status	Contact
Finance in Motion	• Currently operate a $20 million fund in Latin America, with interest in Africa and Asia	• Matching or concessionary capital • Guarantee – Would be most effective at 'crowding in' private capital, but cost of guarantee from donors/DFI often a barrier	Interview	Sylvia Wisniwski aschifano@finance-in-motion.com (Personal assistant, Angela Schifano)
Calvert Foundation	• Not currently raising • Have $25 million deployed globally; limited focus on Asia, but would be interested in entering through local funds	• Credit Guarantee – 30% of portfolio • Convening platform – Would be interest in joining platform for facilitating co-investment • General – Would be interested in exploring opportunities more in detail with USAID	Interview	Najada Kumbuli Najada.kumbuli@calvertfoundation.org
Alterfin Fund	• Not currently raising • Limited experience in Asia, but interested in exploring market	• Guarantee – would be interested in exploring a guarantee to cover targeted risk (i.e. weather, currency) for a future Asia fund	Interview	Hugo Couderé Hugo.coudere@alterfin.be
Moore Foundation	• Not currently raising • Limited experience in Asia, but currently vetting a potential shrimp farm investment in Southeast Asia	• Guarantee – 40% of portfolio is typically sufficient to 'crowd in' • General – Would be interested in exploring opportunities more in detail with USAID	Interview and survey	Aileen Lee aileen.lee@moore.org
Root Capital	• Active investor in Africa, with limited experience in Asia; interest in exploring Asia region for entry	• General – Would be interested in exploring opportunities more in detail with USAID	Interview	Elizabeth Teague Eteague@rootcapital.org

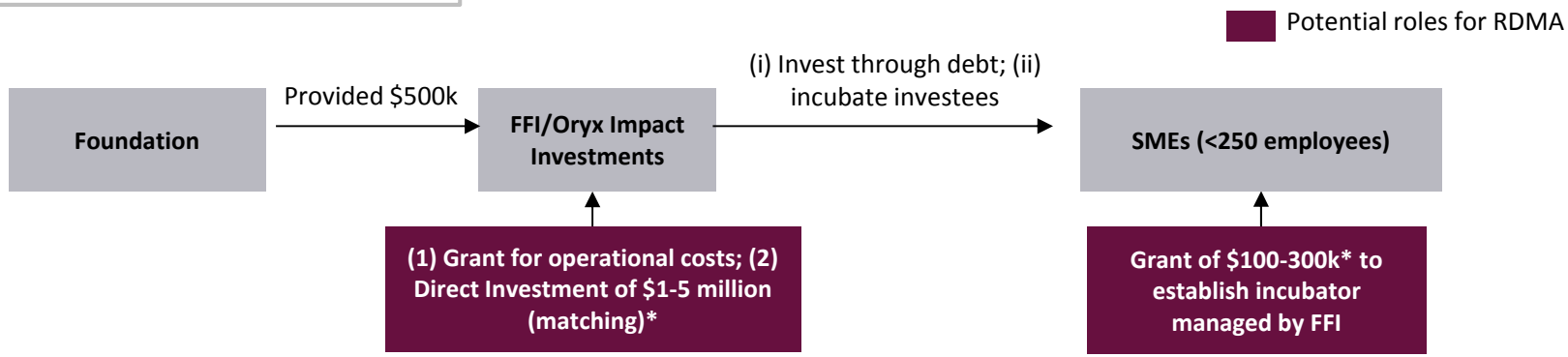
- Currently raising; detailed interest regarding partnership with USAID
- Not currently raising, but active in Asia; broad interest in partnership with USAID
- Scoping Asia; broad interest in partnership with USAID

- Note: (*) Opportunity identified and detailed by Dalberg based off the investor's expressed needs, rather than a specific request from the investor; Bolded investors have been further detailed through individual profiles in forthcoming slides
- Source: Investor surveys and interviews; Dalberg analysis

Detailed partnership opportunity

Fauna & Flora International | Oryx Impact Investments (1/2)

STRUCTURE OF FUND (IN PILOT)



- **Geographic focus**: Indonesia
- **Average ticket size**: US$ 20,000 to US$ 500,000
- **Investee:** Agro-SMEs
- **Status**: Currently piloting $500k fund in Indonesia; looking to raise <$10 million for first fund and establish an incubator in parallel
- **Instrument:** Debt
- **Expected time period**: 3-5 years
- **Expected return on investment:** <6%

INDICATORS OF DIRECT IMPACT

- Environmental impact is measured by reduction in GHG emissions and reduction in deforestation
- Social Impact is measured by job creation and improvement in livelihoods through increase in income

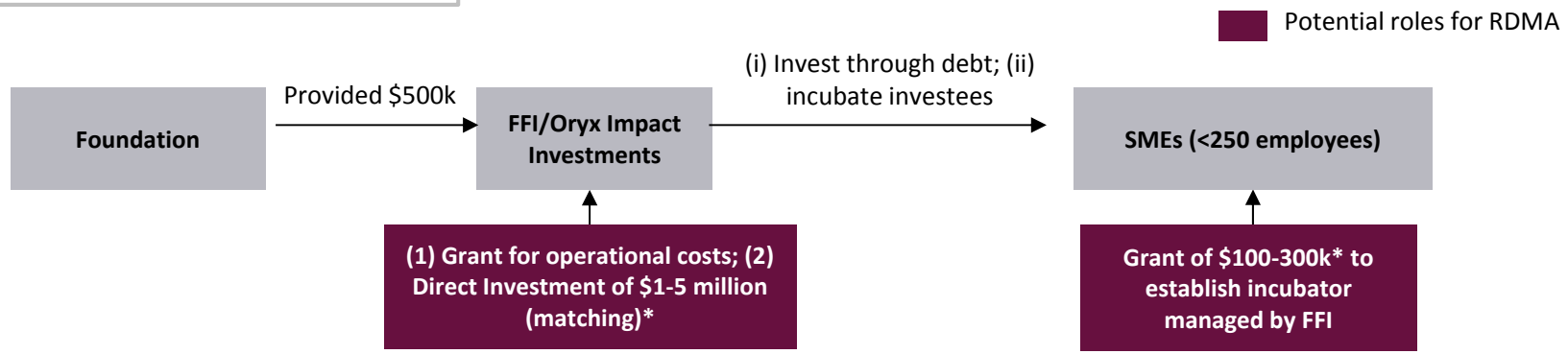
Fauna and Flora has their own impact metric system and different metrics are tailored to individual investments

- Note: (*) Indicative estimates based on interviews with investors and experts
- Source: investor survey and interviews

Detailed partnership opportunity

Fauna & Flora International | Oryx Impact Investments (2/2)

STRUCTURE OF FUND (IN PILOT)



ROLE 1: OPERATIONAL COSTS

Grant

- FFI/Oryx is seeking grant funding to cover operational costs associated with scoping new markets in SE Asia and building a potential pipeline in each country
- FFI/Oryx currently raising for a fund in Indonesia, and would require this operating cost in the next 6-12 months
- Exact amount required not specified

ROLE 2: INVESTMENT

Matching investment (debt)

- FFI/Oryx currently raising for a <$10 million fund in Indonesia, with fundraising to begin in next few months
- Fund has gained interest from investors, but FFI/Oryx has yet to secure an investment.
- FFI/Oryx believe a matching investment from RDMA would be sufficient to solidify commitments from other investors
- Investment potentially $1-5 million* structured as debt (indicative)

ROLE 3: INCUBATOR

Grant

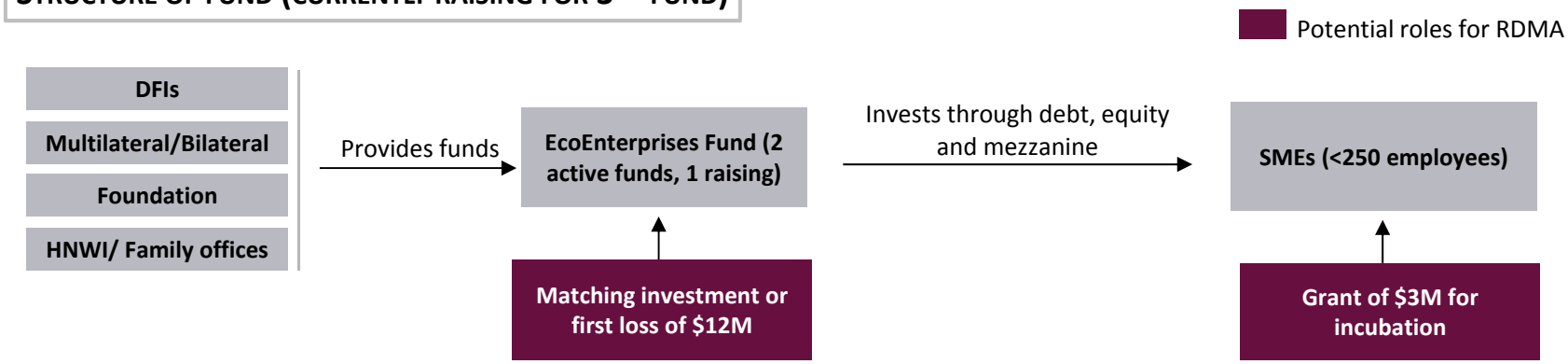
- FFI/Oryx is interested in establishing an incubator, which will produce investment opportunities for their fund.
- Incubator to be managed by FFI, and Oryx has first right of refusal
- FFI/Oryx seeking grant funding to establish incubator.
- Exact amount not specified, but could potentially range from $100k-300k* (indicative)

- Note: (*) Indicative estimates based on interviews with investors and experts
- Source: investor survey and interviews

Detailed partnership opportunity

EcoEnterprises Fund III (1/2)

STRUCTURE OF FUND (CURRENTLY RAISING FOR 3RD FUND)



- **Geographic focus**: Global, but primarily focused on Latin America, with interest to expand to Asia
- **Fund sizes:** Fund 1 - $10 million, Fund 2 - $ 35 million, Fund 3 (raising) - $80 million
- **Average ticket size:** US$ 500,000- US$ 5 million
- **Investees:** SMEs in organic agri, ecotourism, forestry, non-timber forest products
- **Stage of investees**: Growth
- **Expected time period**: 5-7 years
- **Expected return**: 10-15% (at market)

INDICATORS OF DIRECT IMPACT

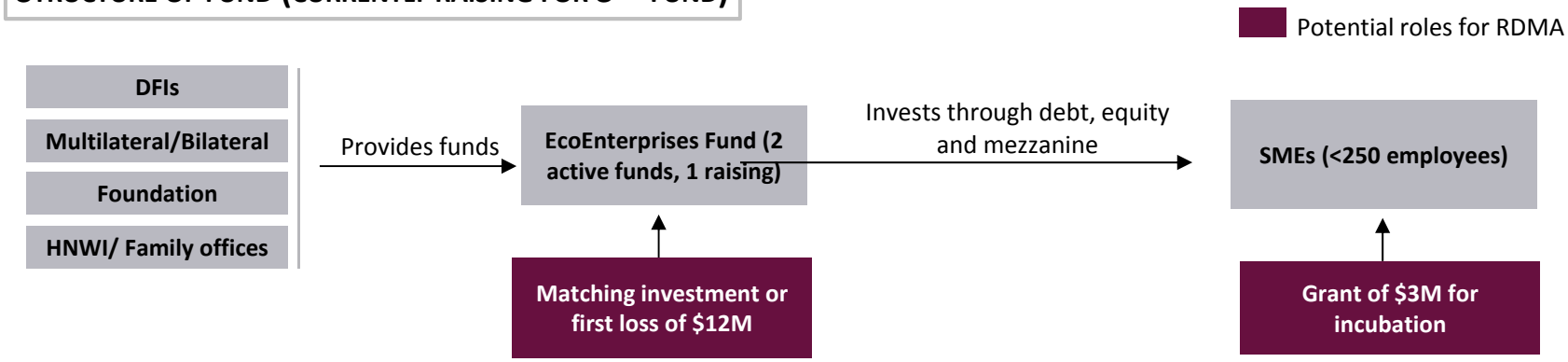
- Environmental impact is measured reduction in deforestation and reduction in pollution
- Social Impact is measured by job creation, improvement in livelihoods through increase in income
- EcoEnterprises has their own system for measuring impact

- Note: (*) Indicative estimates based on interviews with investors and experts
- Source: investor survey and interviews

Detailed partnership opportunity

EcoEnterprises Fund III (2/2)

STRUCTURE OF FUND (CURRENTLY RAISING FOR 3RD FUND)



ROLE 1: INVESTMENT

First loss or matching

- In the survey and in follow up discussions, EcoEnterprises Fund expressed interest in receiving a first loss or matching investment of $12 million as part of their EcoEnterprises Fund III, an $80 million fund being raised (with an expectation of being oversubscribed by 2017 at $100 million).
- The fund will have a global focus, and will make investments in Asia. It will have a 10 year timeline and is expected to see overall returns of 12% (with smaller niche funds earning 7%)

ROLE 2: INCUBATOR

Grant

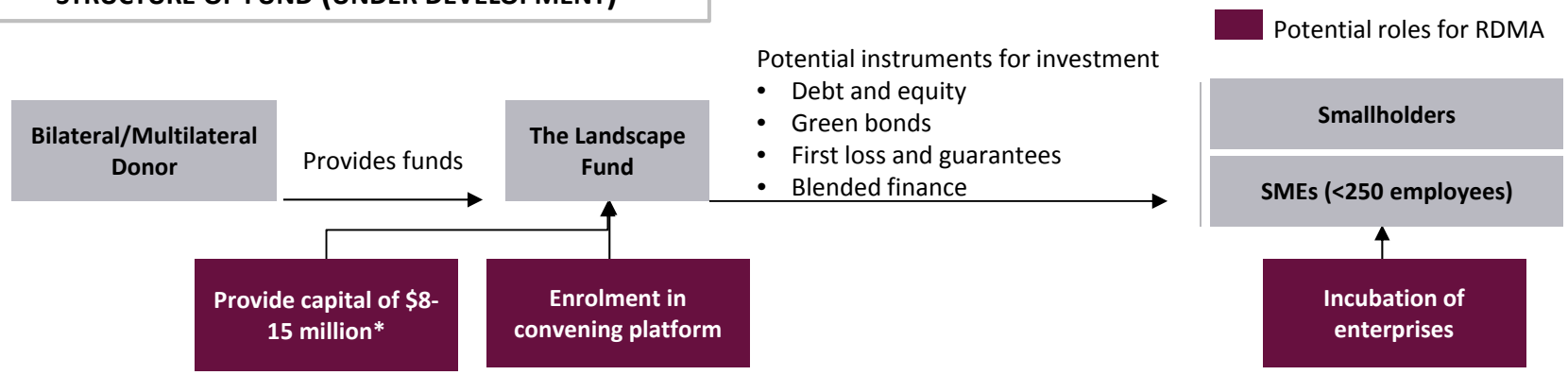
- In addition, Ecoenterprises expressed that they would be interested in receiving a technical assistance grant of $3 million to providing business strategy support to their investees
- Previous experience in providing TA along other funds

- Note: (*) Indicative estimates based on interviews with investors and experts
- Source: investor survey and interviews

Detailed partnership opportunity

CIFOR-The Landscape Fund (1/2)

STRUCTURE OF FUND (UNDER DEVELOPMENT)



- **Geographic focus:** Philippines (pending)
- **Investment type**: Direct investments or green bonds
- **Expected time period**: 10-15 years
- **Expected return**: 10-12% (below market)
- **Status**: CIFOR, a conservation non-profit, is considering raising for The Landscape Fund, a $34 million fund in Asia. The structure has not yet been finalized; CIFOR has expressed that the fund may make direct investments into companies, or could issue green bonds

INDICATORS OF DIRECT IMPACT

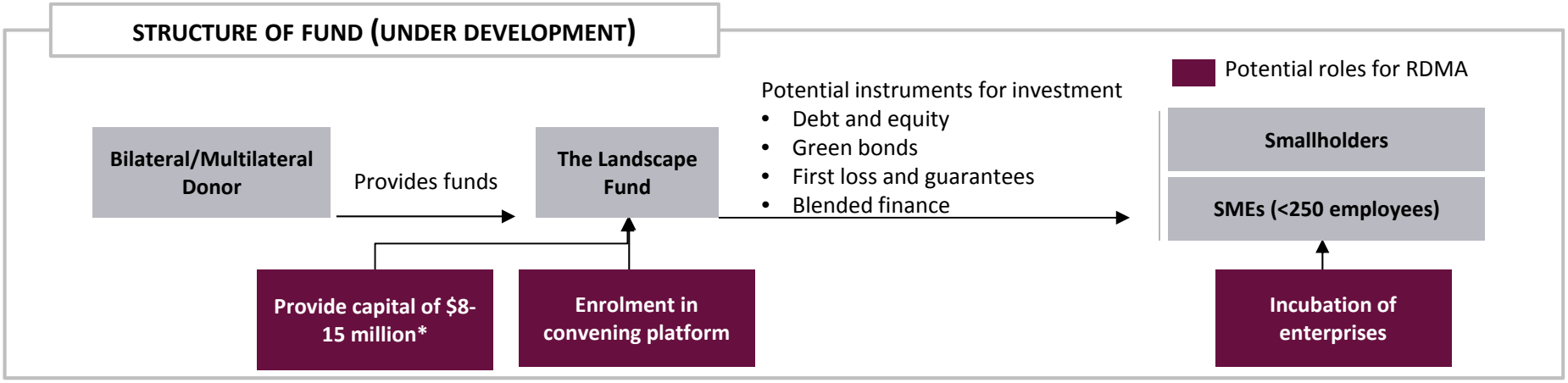
- Environmental impact is measured by reduction in GHG emissions and reduction in deforestation
- Social Impact is measured by job creation, improvement in livelihoods through increase in income

CIFOR is currently devising its own sustainability verification system

- Note: (*) Indicative estimates based on interviews with investors and experts
- Source: investor survey and interviews

Detailed partnership opportunity

CIFOR-The Landscape Fund (2/2)



ROLE 1: INVESTMENT

Direct investment - Concessionary

- CIFOR is currently raising ~$34 million for The Landscapes Fund, which is still under development
- Exact amount required from RDMA not specified, but potentially could range from $8-15 million* (indicative)
- Given the return expectations of the fund (10-12% - which is high relative to actual returns in the conservation market), an investment structure as concessionary capital could help match return expectations with actual returns

ROLE 2: CONVENING PLATFORM

Inclusion into platform

- CIFOR stated a preference for co-investment with other investors through blended financing
- The Landscape Fund could potentially be a member of a convening platform set up by RDMA, which is designed to structure co-investments

ROLE 3: INCUBATOR

Inclusion into platform

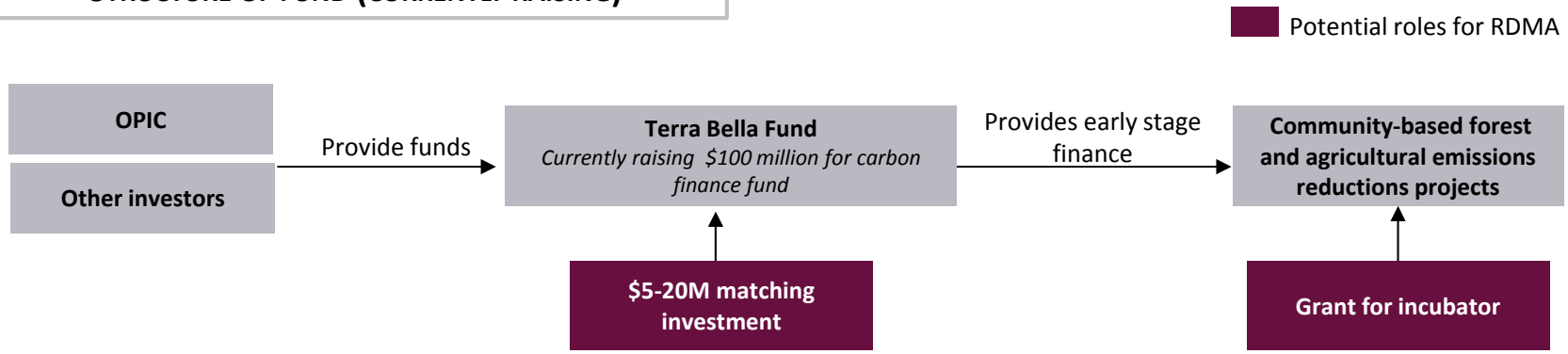
- CIFOR feels investee management is a key constraint; investees lack strategic vision and are poor at business planning
- Potential to explore the inclusion of The Landscape Fund into an incubator fund (members of fund have first right of refusal) or providing CIFOR/The Landscape Fund with grant funding to set up an incubator

- Note: (*) Indicative estimates based on interviews with investors and experts
- Source: investor survey and interviews

Detailed partnership opportunity

Terra Global Capital

STRUCTURE OF FUND (CURRENTLY RAISING)



- **Geographic focus**: Global
- **Target fund size**: $100 million
- **Committed**: ~$45 million (closing first round at $50 million)
- **Investee**: Provides early-stage project finance capital to high impact community-based forest and agricultural emissions reductions projects in developing countries

ROLE 1: INVESTMENT

Matching investment

- To help close the fundraising gap, Terra Global would request a $5-20 million matching investment from RDMA

ROLE 2: INCUBATION

Grant

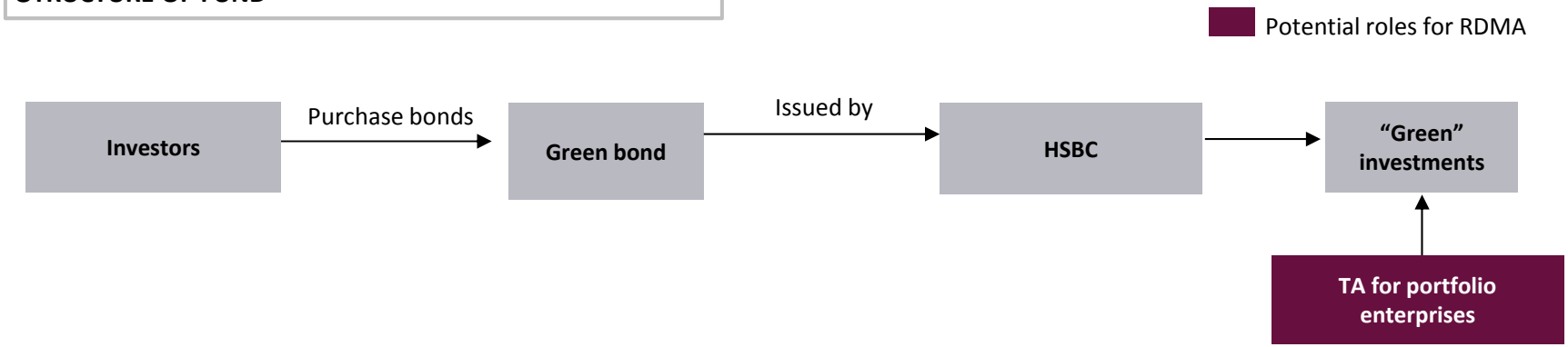
- Terra Global would be interested in partnering with RDMA to set up an incubator

- Note: (*) Indicative estimates based on interviews with investors and experts
- Source: Dalberg analysis, investor interviews and survey

Detailed partnership opportunity

HSBC

STRUCTURE OF FUND



- **Geographic presence**: Global, with a presence in Hong Kong covering Asia
- **"Green" impact:** Primarily energy/emissions (not deforestation)

ROLE 1: TECHNICAL ASSISTANCE

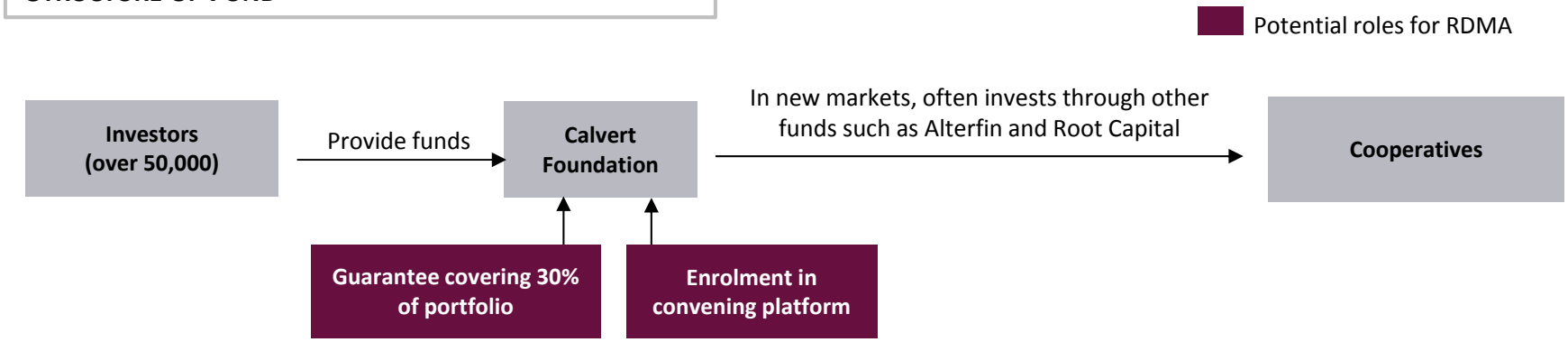
Increasing sustainability of investees

- HSBC is the world's fourth largest issuer of green bonds
- In Asia, a limited number of "green" investment opportunities reduces the feasibility of issuing green bonds
- HSBC would be interesting in partnering with USAID to provide technical assistance to enterprises and projects in Asia to improve their sustainability

Detailed partnership opportunities

Calvert Foundation

STRUCTURE OF FUND



- **Geographic focus**: Global (in Asia, Cambodia and India
- **Fund size**: $25 million deployed
- **Ticket size**: Typically $1-5 million
- **Investment focus**: Sustainable agriculture, education, housing, etc.

ROLE 1: INVESTMENT

Credit Guarantee

- In a preliminary interview, Calvert expressed interest in a credit guarantee covering 30% of the portfolio, or up to ~ US$ 7.5 million

ROLE 2: CONVENING PLATFORM

Inclusion into platform

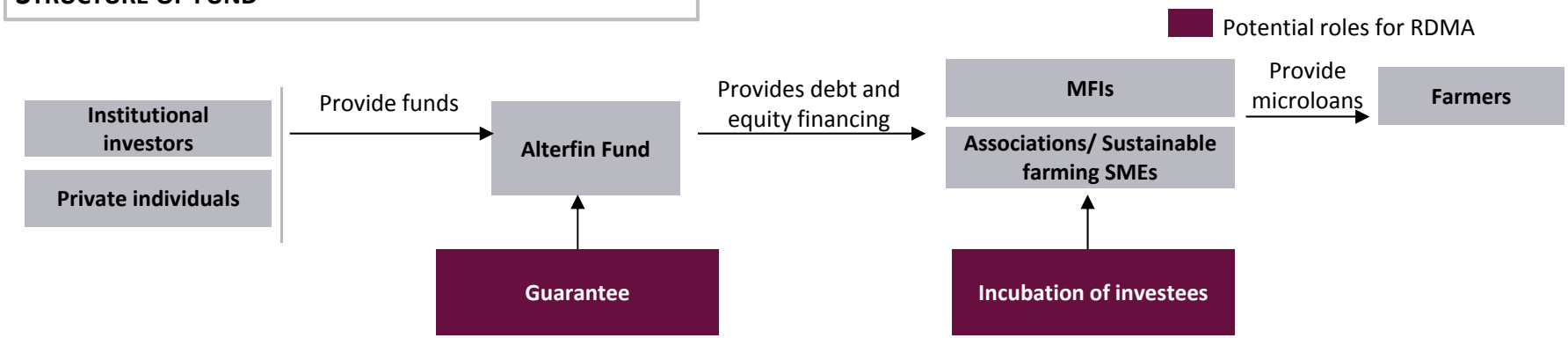
- Calvert often invests through local fund managers with a strong ground presence when entering new markets. For example, Calvert has an ongoing relationship with Alterfin and Root Capital in Africa
- As Calvert considers expanding the quantum of investment they make in Asia, they would be looking to co-invest with investors that have a stronger presence and understanding of the market
- Thus, Calvert would be interested in joining a convening platform

- Source: Dalberg analysis, investor interviews

Detailed partnership opportunity

Alterfin Fund (1/2)

STRUCTURE OF FUND



- **Geographic presence**: Strong presence in Latin America and Africa (interest in expanding into Asia, with limited experience investing in Laos and Cambodia)
- **Sector focus**: Microfinance; Fair trade (agriculture)
- **Beneficiaries**: Smallholder farmers and SMEs (through associations and MFIs)

INDICATORS OF DIRECT IMPACT

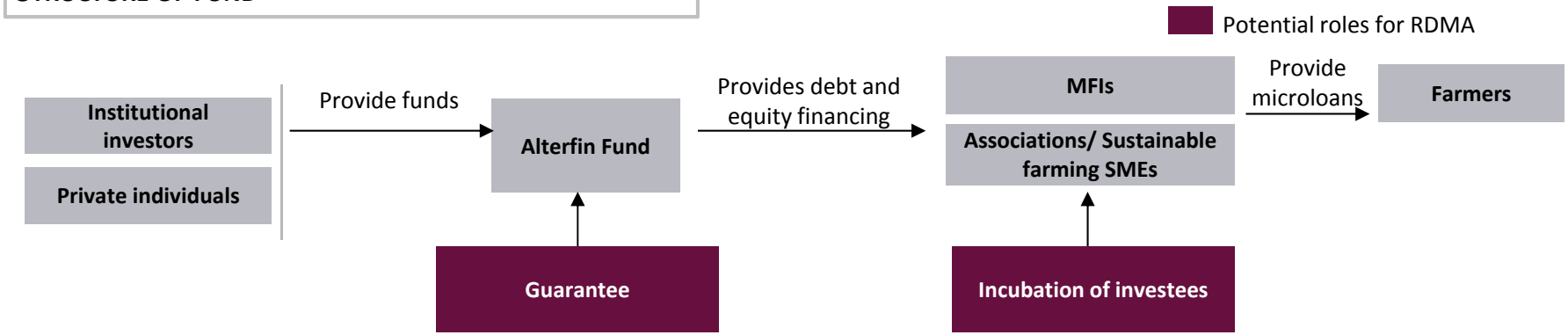
- Measures environmental performance across its portfolio, ensuring sustainability is met by its partners and its investees
  - Indicators include water quality practices, water and energy use reduction, waste reduction, hectares of land sustainably farmed
- Monitors social performance through an annual survey completed by its partners, and indicators vary from partner to partner

- Source: Dalberg analysis, investor interviews

Detailed partnership opportunity

Alterfin Fund (2/2)

STRUCTURE OF FUND



ROLE 1: INVESTMENT

Credit Guarantee

- The French developmental bank has provided Alterfin a $3.4 million guarantee against currency losses for a $34 million fund covering 24 countries in Africa (leverage ratio of 1:10), and Alterfin found addressing a targeted risk was sufficient to create appeal for investors.
- Therefore, Alterfin would be interested in a guarantee from USAID, potentially to cover weather risks (which impact harvest cycles) as it looks to expand into Asia.

ROLE 2: INCUBATOR

Inclusion into platform

- Having worked in this space across the world, Alterfin feels that enterprises need to be provided with technical assistance which can help organize farmers better and train them in better crop management practices
- European Investment Bank has provided technical assistance funds to Alterfin in Africa
- Alterfin would potentially be interested in participating in an incubator to help support its investees

- Source: Dalberg analysis, investor interviews

Additional list of potential partners (1/2)

Conservation and sustainable agriculture investors active globally and in Asia

Investor	Type	Presence	Portfolio Amount (US$)	Additional Details	Contact Details (Outreach details)
Conservation Capital	Fund manager; advisory service provider	Africa, Europe	8 million (Closed investments)	Builds enterprise driven conservation initiatives, enables commercial capital to engage with sector and move away from grant based funding	Giles Davis, gdavies@africanwildlifecapital.com, Founder (No response)
Conservation International (Verde Ventures)	Non-profit (Investment Fund)	Latin America, Africa	25 million	Provides debt and equity financing to businesses such as agroforestry, eco-tourism and sustainable harvest	Ana Lopez, alopez@conservation.org Fund Director (No response)
CQuest Capital	Carbon finance/ private equity firm	Central/South America, Sub-Saharan Africa, India	-	Leverages carbon finance to promote sustainable land use and agriculture	Mahua Acharya macharya@cquestcapital.com (Not contacted)
Level 3 Capital Advisors	Conservation investor	Mainly projects in U.S.	-	Invests through private funds or direct investments in landscape conservation and sustainable forestry	John Fullterton, Founder, John@level3cap.com (No response)
ResponsAbility	Fund manager	Europe, Africa, Asia (India)	-	Provides financing to microfinance institutions that are active in agriculture. These MFIs support small farmers, exporting cooperatives and importers and traders	Anand Chandani anand.chandani@responsability.com (No response)
Bamboo Finance/ Oasis Fund	Private Equity Fund	Latin America, Africa, Asia (Vietnam, Laos	250 million (Oasis Fund)	Specializes in investing in business models that benefit low-income communities in emerging markets	Christian christian@bamboofinance.com (No response)
Triodos	Bank	Europe	227 million (organic farming)	Finances companies in fields of solar energy, organic farming and culture. Strong focus on ethical banking	Karel Nierop Karel.Nierop@triodos.nl (No response)

Additional list of potential partners (2/2)

Conservation and sustainable agriculture investors active globally and in Asia

Investor	Type	Presence	Portfolio Amount (US$)	Additional Details	Contact Details
Climate Insurance Fund (KfW)	Fund	HQ: Mauritius ODA recipient countries	60 million	One of the objectives of the fund is to reduce the vulnerability of micro, small and medium enterprises (MSME) to weather events	Ebony Satti, Ebony.Satti@blueorchard.com, Blue Orchard (No response)
Oikocredit	Investor	Global	Average loan size: 1.4 million	Finances rural microfinance and producer organizations, such as agricultural cooperatives	Frank Rubio, frubio@oikocredit.org (No response)
SNV	Aid agency	Vietnam, Laos and Cambodia	10 million (Vietnam Business Challenge Fund)	In agriculture, focuses on value chain development, inclusive agri-business in small holder cash crops with increasing interest in climate responsive approaches	Javier Ayala, jayala@snvworld.org (No response)
Incofin Investment Management (agRIF)	Impact Investor/ Cooperative Fund	Emerging economies (Africa, Asia, LAC Region, CEE-NIS)	200 million	agRIF will invest in financial intermediaries that enhance financial inclusion of smallholder farmers and rural micro-, small and medium sized entrepreneurs (MSMEs) in the agricultural value chain	Dana Roelofs Dana.Roelofs@incofin.com (No response)
Triple Jump	Fund Manager	Global	22 million AUM (Triple Jump Innovation Fund)	Manages and advises funds that aim to invest in MSMEs in developing countries. One of the focus sectors is agriculture	Henning Haugerudbråten, henning@triplejump.eu (No response)
Moringa Fund	Private equity fund	Latin America Sub-Saharan Africa	115 million	Invests in profitable larger scale agroforestry projects with high environmental and social impacts through equity and quasi-equity investments	Hervé Bourguignon, contact@moringapartnership.com (No response)
Agdevco	Impact Investor	Africa	50 million	Invests patient capital in the form of debt and equity into early stage agribusinesses and acts as the promoter or co-promoter of greenfield agriculture opportunities	Daniel Hulls, dhulls@agdevco.com (No response)

Public sector funders in Asia (1/3)

Examples of active funders (NOT EXHAUSTIVE)

	Public sector organization	Instruments used	Details
1	ADB	• Concessionary lending to regional banks	• ADB provided a loan to Bank Mandiri for infrastructure projects • Out of the total loan amount of US$ 300 million, US$ 75 million will be financed by ADB and US$ 225 by other commercial banks
		• Issuance of Bonds	• ADB sold US$ 232 million worth of Clean Energy Bonds to support its renewable energy and energy efficiency projects in Asia and the Pacific (2010)
		• Convening Platform (Multi-tranche Financing Facility)	• ADB converts portions of the committed amount into a series of tranches to finance investments • A tranche can be a loan, grant, guarantee, or ADB-administered co-financing • In 2014, co-financing for ADB MFF tranches was highest for projects in energy (75%)
2	SNV	• Incubator Fund	• SNV was selected as the fund manager for Vietnam Business Challenge Fund by DFID (~US$ 10 million) • The fund provides grants to inclusive businesses in agriculture, low-carbon growth and infrastructure

- Source: Climate Bonds Initiative; ADB Multi-tranche financing facility ; Annual Report 2014 and ADB website; EBRD Press Release dated September 11, 2013

Public sector funders in Asia (2/3)

Examples of active funders (NOT EXHAUSTIVE)

	Public sector organization	Instruments used	Details
3	(European Bank for Reconstruction and Development)	• Issuance of Bonds	• Issued a US$ 250 million bond for environmentally sustainable projects • Proceeds used for projects in energy efficiency, water and waste management, environmental services and sustainable public transport
		• Convening Platform (Loan Syndication)	• Belarusky Narodny Bank in Belarus was provided a syndicated loan of US$ 12 million to increase the bank's SME financing activity • US$ 5 million was provided by EBRD and US$ 7 million syndicated to European Fund and Impulse Microfinance Investment Fund (Incofin)
4	giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	• ESG Support for Banks	• GIZ with YES Bank, UNEP FI and RIRA (Responsible Investment Research Association) launched the Sustainability Series in India to increase Environmental & Social (E&S) awareness in the financial sector • The first session conducted a workshop on addressing environmental and social awareness for 50 managers of private and public banks in India

- Source: EBRD Press Release dated September 11, 2013; EBRD Website; GIZ press release April 23, 2013

Public sector funders in Asia (3/3)

Examples of active funders (NOT EXHAUSTIVE)

	Public sector organization	Instruments used	Details
5	Norfund	• Investment into a fund	• Norfund's Aureos South-East Asia Fund (US$ 49 million) provided financing to SMEs in Thailand, Phillipines, Indonesia and Vietnam • FMO, CDC and ADB are the biggest investors into the fund
6	IFC International Finance Corporation WORLD BANK GROUP	• Issuance of Bonds	• IFC issued green bonds worth US$ 1 billion. Proceeds of IFC green bonds were used for investments in renewable energy and energy efficiency projects • Till date, IFC has issued green bonds worth US$ 3.8 billion
		• Convening Platform (Loan Syndication)	• IFC manages a loan syndication program with three types of products; B Loans (with commercial banks), Parallel Loans (with DFIs and Local banks) and Managed co-lending portfolio program (with institutional investors) • Portfolio comprises mainly of infrastructure, natural resources, manufacturing and agriculture focused projects
		• Concessionary lending to regional banks	• Provides capital to commercial banks to expand their portfolio for lending to rural SMEs through loans and guarantees

- Source: Norfund website, IFC website

Annex

Reference materials for engagement concepts

Further details on the structure, players and market trends for the seven engagement concepts

Specific investment opportunities

- *A list of 15 high, medium, and low potential partnership opportunities confirmed through interviews and surveys*
- *Detailed profiles on select opportunities*
- *A list of 14 potential partners active in Asia and globally in conservation/sustainable agriculture finance*
- *Public sector investors active in Asia (Not exhaustive)*

Case studies

- *Green Prosperity – Sustainable Cocoa Production Program*
- *Land Degradation Fund*

Interview and survey database

- Names and contact details of investors and experts

[Case Study] Green Prosperity - Sustainable Cocoa Production Program

A multi-partner training program for cocoa farmers in Indonesia

What is the Sustainable Cocoa Partnership?	• The Sustainable Cocoa partnership brings together funding from the Millennium Challenge Corporation (MCC) and private cocoa businesses to invest roughly US $15 million to sustain the cocoa sector and increase the incomes of smallholder cocoa producers in Indonesia • The program falls under the $332.5 million Green Prosperity Project, part of the Millennium Challenge Corporation's US$ 600 million investment in Indonesia, is designed to reduce reliance on fossil fuels, increase productivity and reduce land-based greenhouse gas emissions by improving land use practices and management of natural resources
What does it aim to achieve?	• Strengthen skills and knowledge of 2,000 farmer groups - consisting of 58,000 cocoa farmers – in environmentally friendly cocoa farming, improved nutrition practices, and application of prudent financial practices • Through trainings, it aims to reduce poverty and greenhouse gas emissions in the Indonesia cocoa sector
Who are the partners?	• Millennium Challenge Account – Indonesia (implementation agency of MMC) • Veco Indonesia • Bank Rakyat Indonesia • Rabobank • World Cocoa Foundation (WCF) • Private sector companies (member of WCF): Barry Callebaut, BT Cocoa, Cargill, Guittard, Mars, Mondelēz International and Nestlé

- Source: Swisscontact; MCC website

[Case study] Land Degradation Neutrality Fund

A global PPP rehabilitating degraded land

LAND DEGRADATION NEUTRALITY FUND *(TO BE LAUNCHED)*

- LDN is an investment platform established as a public–private partnership (PPP) among private institutional investors, international finance institutions and donors. The Fund will draw from the estimated 2 billion ha of degraded land available for rehabilitation, and will support sustainable productive uses of upgraded land
- The Fund will achieve this by providing financing (equity and quasi-equity, subordinated debt, guarantees and syndicated loans) and technical assistance. The portfolio yield is expected to be at average market return
- Geography: The Fund will operate worldwide including in developed countries but with a focus on developing countries
- Sectors: Land rehabilitation, mitigation/adaptation and sustainable production across all land-use sectors, including sustainable agriculture, sustainable forest management, renewable energy, ecotourism and conservation

FUND INVESTMENT MODEL

	SECURING ACCESS TO DEGRADED LAND	LAND REHABILITATION	SUSTAINABLE PRODUCTION/ USE	RELEASE OF UPGRADED LAND
Activities	• Rehabilitation/use rights are acquired via leasing or concession license	• Degraded land is rehabilitated for sustainable use	• Land is leased out for sustainable production/use	• Upgraded land is released to owners or transferred to new concessionaires
Cash flows	• Fund pays for land use rights to land owners	• Fund pays for rehabilitation costs and receives leasing income	• Fund pays for transaction costs and receives leasing income • Credits generated from restoration which are sold in voluntary and regulated markets	• Fund pays for transaction costs and receives income from transfer of concession

- Source: White paper by the Global Mechanism-UNCCD, June 2015

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Interviews and surveys conducted (1/3)

INVESTORS			
Organization	Contact	Organization	Contact
EcoEnterprises Fund*	Tammy Newmark CEO and Managing Partner	JP Morgan (The Philanthropy Centre) *	Jean Sung Head of the Philanthropy Centre
Flora and Fauna International*	Deborah Aragao Investment Manager Paul Herbertson Environmental Markets	Calvert Foundation*	Najada Kumbuli Investment Officer
CIFOR*	Steve Lawry Research Director, Forest and Governance	Gordon and Betty Moore Foundation*	Aileen Lee Lead, Conservation and Markets
LGT Venture Philanthropy	David Soukhasing Investment Manager, SE Asia	Terra Global Capital*	Leslie Durschinger Founder and Managing Director
The Packard Foundation*	Susan Phinney Silver PRI Program Manager	The Climate Trust	Sean Penrith Executive Director
BioCarbon Fund (World Bank)*	Anita Chen-Chen Tung Fund Analyst	Ecosystem Integrity Fund	Geoffrey Eisenberg Principal
Encourage Capital*	Eron Bloomgarden Partner	Finance in Motion*	Sylvia Wisniwski Managing Director (Personal assistant, Angela Schifano)

- Note: (*) Expressed interest in exploring partnership with USAID

Interviews and surveys conducted (2/3)

INVESTORS			
Organization	Contact	Organization	Contact
NatureVest	Marc Diaz Managing Director	Acumen Fund	Shuaib Siddiqui Director of Portfolio
Mekong Strategic Partners	John McGinley Managing Partner	Bank of America (Climate Finance Division)	Abyd Karmali Managing Director, Climate Finance
GAWA Capital	Augustin Vitorica Co-founder and Co-CEO	Equilibrium Capital	David Chen CEO
Root Capital	Elizabeth Teague Senior Associate for Environmental Performance	HSBC	Benjamin Gilmartin Director, Structured Finance
Alterfin	Hugo Couderé Senior Advisor	Rabobank	Hans Loth Head of Strategy and Business
EXPERTS			
Conservation International	Simon Badcock Chief of Party, SLP	Weather Risk Management Services	Sonu Agrawal Founder and Managing Director
FoodWorks	Geoff Quartermaine Bastin Principal Managing Partner	Milken Institute	Caitlen MacLean Director of Innovative Finance
Forest Carbon	Gabriel Eickhoff Partner and Managing Director	Clarmondial	Tanja Havemann

- Note: (*) Expressed interest in exploring partnership with USAID

Interviews and surveys conducted (3/3)

EXPERTS			
The Gold Standard Foundation	Pieter van Midwoud Director of Business Development Land Use and Forests	Shujog	Angela Ng Director, Strategic Planning and Finance
GreenWorks Asia	Agnes Safford Managing Director	Proforest	Surin Suksuwan Southeast Asia Regional Director
The Nature Conservancy	Jack Hurd Deputy Director, Asia-Pacific	WWF	Susan Roxas Head of Marketing and Corporate Relations

- Note: (*) Expressed interest in exploring partnership with USAID