**Christy**: Hi, I'm Christy, Director of USAID Green Invest Asia and I will be your host today. We are fortunate to be joined by three guests who recently partnered to launch a $200 million climate smart landscape finance fund in Southeast Asia. Iain Henderson, Managing Director of sustainable finance for ADM Capital Group. Shirin Jamshidi, Director of Investments for Asia and Middle East North Africa for the US International Development Finance Corporation or DFC and Mark Koppejan, Program Manager for Rabo Foundation in Asia. I'm very excited to discuss the ins and outs of a blended finance model with my guests, as it is often cited as a go-to solution for catalyzing private sector investment into sustainable landscapes. So first, welcome to each of you, Iain, Shirin and Mark. So to start, I just want to start I guess with Iain, can you tell me a little bit about ADM Capital for background. What is the landscapes fund? What are the objectives? What are you trying to do?

**Iain**: So Christy, ADM Capital is an investment manager headquartered in Hong Kong. We've been investing across Asia Pacific since about 1998. And there are three parts to the ADM Capital Group, and the Asia Climate-smart Landscape Fund, or ACLF, builds off all three.

We've got two investment strategies. In Asia, we lend money mostly to small and medium sized enterprises, SMEs, through private credit strategy. We've also got a private equity strategy based out of London, where we invest in companies in the sustainable food and agriculture sector, although only in OECD countries.

The third leg is the ADM Capital Foundation, which was set up by my colleague Lisa Genasci in 2006. Having a foundation and the associated knowledge and networks actually makes us quite a rare beast in terms of Asia investment managers. Our deep involvement with Indonesia and across the whole of Asia gave the founding partners insights into the social and environmental costs of the Asia growth story and the motivation to do something about it. And this partly explains the establishment of the foundation, and also why sustainability has been in our DNA for so long.

The focus on landscapes grew organically over the past decade. At a macro-level, it's hard to escape the above average role of the food and agricultural systems on patterns of development and sustainability in the region. Food and agriculture systems also stand at the nexus of a whole bunch of megatrends. The global population will expand to 10 billion by 2050. And there'll be many, many people living longer and also getting wealthier. And these trends imply pretty much doubling of food production, which needs to take place without using any net new land and at a vastly reduced greenhouse gas footprint per calorie produced.

A further challenge is this needs to happen in a hyper-connected world where society's expectations of business and also their ability to track how businesses are performing against these expectations are rapidly changing. But despite this backdrop, sustainable investment into food and agriculture has been largely overlooked compared to many of the other sustainable investment verticals we hear so much about. The required changes to how we produce food and manage our land represents a huge market opportunity. We're talking billions of dollars annually in Indonesia alone.

We also feel that there'll be a growing realization that delivering on any sustainability or even climate goal in a cost-effective and equitable manner is inconceivable without radically scaling sustainable investment in this space. So the Asia Climate-smart Landscape Fund builds off this backdrop and helps address one of the challenges we had identified in in shifting to more sustainable practices and landscapes. Over the years we've repeatedly heard from business owners in the food and agriculture supply chains about the lack of longer- term, more flexible and even more impactful capital for SMEs, providing this is what the ACLF has been designed to do. So with the brilliant support of partners, including the DFC, Rabobank Foundation and DFAT, we've started the journey to raise 200 million US dollars.

While the ACLF is ADM Capital's first impact fund, we will be harnessing all of ADM Capital's knowledge and capacity developed over 23 years of investing in the region. We'll also be using several blended finance instruments with the DFC guarantee being core among them. At a portfolio level, we'll be targeting impact in greenhouse gas, in jobs along with a strong gender dimension we'll be talking about later I hope, and land restoration. We've got letters of interest for about $40 million so far, and we hope to get to a first close in Q3 this year 2022. So I could talk more about the fund in more detail later on, but I'll pass it back to you.

**Christy**: Clearly you have a vision about what this fund is directed towards, and what it can achieve. How do you find the right partners that share that type of vision that you have? And I certainly don't imagine it's as simple as one phone call. So maybe I can turn to Shirin, just to help us start unpacking this piece to start. How do you bring the right partners to the table? So, Shirin, what attracted the DFC to the Landscapes Fund?

**Shirin**: Sure thanks, Christy. If I may also start by a bit of an overview of DFC for all everybody to know. US International Development Finance Corporation was established in January 2020. And it's the Americas’ development finance institution. I sit within the mission transaction unit office in the Office of Development Credit. Our office was set up to structure transactions that directly complement and advance the development objectives of USAID [US Agency for International Development] missions around the world and in Washington DC. There's something to be said about the value of track record and historical engagements.

DFC has [an] existing relationship with ADM through two other transactions. So when we heard from ADM on this very exciting opportunity, it wasn't the first time we're engaging with them. And so when we started the conversations in 2020, and when they brought the transaction to me, I reached out to USAID Indonesia to really have a deep dive of how this transaction could advance their development objectives.

Additionally, since this is a quite an ambitious fund with ambitious goals, environmental and socially, we didn't want to do this alone. We wanted to make sure that we have experts along the way with us. And in that respect, I reached out to Rabo Foundation as well as Australia's Department of Foreign Affairs and Trade, or known as DFAT, to get their expertise. Rabo has a historical track record of working in agriculture that sort of is their bread and butter. And then DFAT has a very clear understanding of aspects of this transaction as it relates to women’s economic empowerment. And we also have existing relationships with these two entities.

So we knew exactly what to expect from our partnerships. And [in] this transaction DFAT and Rabo takes similar financial roles. And most importantly, overall, the transaction met many of our development objectives across all partners.

**Christy**: I think you hit on some established relationships there and a clear alignment with what the DFC was looking for. And Mark, what did you think when you first heard about the Landscape Fund in terms of the fit for Rabo? Did it make a difference to have the DFC involved and interested as part of your thinking about this opportunity?

**Mark**: Echoing Shirin's comment about the relationships that are essential is we had worked together with DFC on another blended finance transaction in India, actually focused on COVID relief in the agricultural sector. And because of that, I think Shirin also knew that we as Rabo Bank’s corporate foundation and impact financier, know markets, know smallholder farmers in our 50 years of experience in working with them. And we've been in Indonesia for 20 years. We have a great team in Jakarta, and they work directly with smallholder organizations. So these range from cooperatives as SMEs to ag fintechs.

And we actually lend to them directly with loans, but also guarantees and technical assistance. But while doing this, we do recognize that there's still a gap our partners face in attracting the longer-term finance that Iain mentioned, and that local banks are not yet willing to provide and I think this is where ACLF comes in. So our role in the collaboration and infrastructure is different than our normal way of working. It's more indirect. We support along with DFAT, USAID, DFC’s cost of claims making it possible for them to provide the guarantee, thus making it possible to set up this larger fund. So our role is more that of an enabling role, which I think is quite important.

**Christy**: The roles of DFC, DFAT, Rabo, they're bringing experience to the table, they're bringing, understanding of the context. Iain, how does this fit into ADM’s strategy for building [the] Landscapes Fund, and supporting successful launch and implementation of these different roles that these three actors bring to starting the fund with you?

**Iain**: Yeah, good question. Christie. Frankly, the DFC guarantee, and the support of the partners that have enabled, it has been absolutely foundational to the ACLF. Despite being one of the more experienced regional private credit investment managers lending into Indonesia, there's always a chance that things can go wrong. In the hopefully unlikely event that we can't recover the full principle from the borrower that's got into difficulty, DFC will share 50% of any principal outstanding once we've been through our standard recovery process. This gives comfort to investors directly knowing the US government is sharing part of the risk. But a further benefit to partnering with the DFC is that investors also take comfort from knowing the fund has been through the DFC due diligence process as well as that of our partners.

In terms of other blended finance instruments, we'll be accessing various pools of grant funding to cover some of the pre-investment costs that are a feature of investments in this space. This might be feasibility studies that might link to gender or to operational activities or aspects. So one additional feature that's relatively unusual to the fund is something called the conditional carry pool. We've put together an Impact Advisory Committee of independent sustainability experts who set an impact score for each transaction. These impact scores will be weighted by the size of the transaction and will roll up to a fund level impact score. 50% of the fund carry will go into a segregated pool, and the amount paid to ADM Capital will depend on the impact generated versus the target. So fund normally receives carry entirely based on financial performance. So linking half of the incentive to impact ensures that we're financially incentivized on generating impact right throughout the life of the fund.

**Christy**: That's actually quite innovative. And I do want to pick up on those points around impact in a little bit, but before doing so I'd like to ask Shirin and Mark just a further question around some of the mechanics of creating the partnership. Specifically, how long did it take for DFC and Rabo to agree to participate in this fund? We get a fair share of questions from companies that that are in Green Invest Asia's pipeline on what is the investor side process in terms of how long they have to wait, and what do they have to do? Can you just briefly trace key decision making points in the process on this fund so listeners have an idea of what it takes to get DFC and Rabo to the table?

**Shirin**: Sure I'll start. I'll just say that, you know, we'd recognize that we are a catalyst role in fundraising, as Iain mentioned. So we know that we're coming in and sort of still working with our partners to perhaps brainstorm around some of the key factors of the structure as we move forward and to the impact that we hope to see.

The few phases early on is sort of early stage discussions. And then we go through the due diligence, and then of course, monitoring, but let's talk about the early stage because that I think, is where the key is where we start having real discussions.

When it comes to working with US government, it takes patience to go through required internal procedures, DFC’s development mandates and strong environmental and social standards mean that there are several steps we need to work through with potential partners before an investment can be approved. In the context of this transaction, the impacts are heavily driven by its environmental and social impacts. And that's very important to us if we're going to be standing behind a transaction. And so it was about four or five months from the time that we heard about this transaction to when DFC started on serious conversations and due diligence. And during this period, we were engaged with ADM on a regular basis, looking through their documents, asking questions to make sure that we had a fundamental understanding of the transactions before we move it forward.

Many of these conversations were engaged with Rabo just to make sure that even if Rabo is coming on board, Rabo has the same understanding that we have as ADM has so that we have cross understanding. And then this is to say that while it took us some time to really get into the due diligence, we remain engaged with ADM. And during this process, we mainly explored proof of environmental impacts’ alignment with USAID development objectives, and supportive of 2x challenge to advance women's economic empowerment.

I'll just briefly mention what [the] 2x challenge is. That’s an initiative supported by major DFI’s [development finance institutions] to address the unique challenges women face globally, and unlocking the multi-trillion dollar opportunity they represent. Under the challenge, our partners have to meet specific milestones within their institutions, and through their investment to unlock capital for women, economic empowerment. This transaction meets many of the 2x challenge requirements. And we're very excited about that.

On the structural side, I'll just say that, you know, of course, in addition to doing credit, due diligence, which again, that's where the history with ADM comes in very, becomes very important. We look at the social environmental due diligence. And through this process, we also engage with potential borrowers of the fund, as well as potential investors just wanting to make sure that again, all the partners have the same understanding of the expected outcomes and are not willing to compromise the economic and social impacts for financial return. Moving forward where appropriate, we work with ADM to talk [to] their ~~i~~nvestors to explain how our guarantee works. And also what was the due diligence process that DFC went through to guarantee the fund. And then of course, we have our ongoing engagement once ~~a~~ a fund starts investing to receive reporting on those development impacts from ADM and our USAID partner on the ground.

**Christy**: Mark, would you say, Rabo’s process, key decision points, kind of the engagement, and the plan for future engagement to attract additional capital are relatively the same or much different? And if so, why?

**Mark**: I think in this specific case because it is different than our normal way of working. We aligned our processes as much as possible with that of DFC. So we actually teamed up also, for the due diligence meetings, which are happening remotely due to pandemic restrictions were quite a challenge, because we had, I think, five different time zones. One, of course, in the US, ranging to Indonesia, Australia, and I was the only and lonely European in the equation, which meant that I had a few days of waking up at 2am. And yeah, getting jetlag without actually traveling. But it meant that we were all on the same page, when it came to understanding, well, both the impact that ACLF aims to achieve but also just meeting everyone on the team. And in terms of key decision points, I think everyone's focus is sometimes slightly different. But we found a way in the end to align this as much as possible. And especially on the 2x challenge, it was, for example, us that learned from DFC and perhaps on smallholders it was the other way around. So I think it was a real kind of synergy in that sense.

**Christy**: Yeah, it sounds like it. And Iain, how did ADM Capital manage things on your end while kind of waiting for DFC and Rabo to green light going forward?

**Iain**: Good question. And as Mark alluded to, that the timing was challenging for everyone, given the conversation started in earnest just as the pandemic took hold. We couldn't be in the same time zone let alone the same room. And I think we've all probably got stories we rather forget of phone calls random places at random times. But I think the fact that we got to this point speaks to the flexibility that the patience and the pragmatism of all the partners. I think more generally, if we look at ADMs Capital's core private credit strategy, right, raising a fund like this requires a different mindset to conventional fundraising, as we need to ensure that all the partners’ needs are being met. There's also a fair bit of balancing to do that you wouldn't necessarily find in in a conventional fund. For example, you need to have a slightly different conversation about an investment pipeline, to discuss with investors and stakeholders but at the same time, you don't want to over promise and under deliver to borrowers before you have clarity on when you might have capital to lend them. I think an overarching key factor is the importance of the support and motivation of senior management who see the longer term vision. An impact fund of this nature just does take longer than a conventional fund to raise. And I think it's fair to say there's lots of unexpected twists and turns on the way.

**Christ**y**:** Could ADM Capital have launched this fund without guarantees without the involvement from the public sector?

**Iain**: I think one way to respond to that is to turn the question around and ask how many sustainable food and ag funds are based in the region, focused in the region, focused on outcomes, which are ultimately enshrined in the consensus global development blueprint, which is the SDG. So we're talking about greenhouse gas, about jobs and gender, and still have a predominantly private sector investment base? And the answer to my question is that not very many exists, which represents the importance of instruments like a guarantee, and the support from all the partners linked to it and trying to crowd in private capital into these critical new markets.

**Christy**: Yeah, and I'm hearing from all of you that blended finance benefits from having supportive management backing the fund manager, catalytic public sector funding, lots of patience to work with the public sector, maybe a strong dose of coffee to conduct joint due diligence across multiple time zones, and enough of a shared vision to negotiate results framework. Which brings us to the next point.

We touched on impact earlier, and I want to come back to that now. At its best, blended finance allows organizations with different objectives to invest alongside each other well, achieving their own objectives. But the value added by each organization could also create some sticking points. So surely there are times when fund partners can't agree on what makes for successful investment. What happens when it's hard to incorporate all sides’ objectives into one impact framework, Iain?

**Iain**: ADM Capital was fortunate in that we've been historically involved in several multi-stakeholder partnerships. And we've been running money for development finance institutions, for over a decade. Several of us have even had experience working outside of private finance in the public sector and with NGOs. So I think generally, we empathize with the reasons behind differences in perspective. There have naturally been conversations that didn't progress all the way to a term sheet. But being challenged with different ways of thinking is is often a valuable experience in our eyes. So one tangible example of this is linked to gender and the focus on the 2x Challenge framework that Shirin's mentioned. This might not have been explicitly part of our ACLF impact framework if it hadn't been for the DFC focus on it.

With my ADM Capital hat on, I think it's fair to say that we're now much more aware of gender internally. And I think DFC can take credit for this. From a personal perspective, I'm currently reading a book by Matthew Syed, which I recommend called Rebel Ideas on Cognitive Diversity. And another super interesting book by Jonathan Haskel on intangible assets, which essentially highlights how ill-suited many conventional finance decision making tools and frameworks are for allocating capital in a world that's no longer about factories and widgets.

 It's probably fair to say that reading both of these books was in part related to having to think more about gender and having to do it in a different way than I'd done historically. I think we also realize that it's important to be pragmatic about impact. Conversations can easily get aspirational quite quickly. We obviously all want to be ambitious. But at the end of the day, we're lenders and we have slightly different levers of control compared to an equity fund that takes majority ownership position. The Impact Advisory Committee, which is comprised largely of external Indonesia experts , helps us determine the art of the possible within a commercial context.

**Christy:** And, Mark, do Iain's comments resonate with you? How does Rabo handle this conversation? What are the priorities in terms of impacts and benefits that are highlighted to you?

**Mark:** Yeah, no, definitely resonates with me. I mean, we've had a lot of these conversations along the way. Of course, everyone brought in their own missions’ mandates but also limitations, which should be mentioned as well, but fortunately, there was a lot of overlap. And for us, maybe to highlight what we strive for is the impact at the smallest level. So not only economically, also environmentally, and through that socially. And all those aspects actually come back into the sustainable agricultural value chains that the ACLF is trying to achieve. Because at the end of those, or at the start, are often smaller farmers. So I think that's where we met. And that's where the important part of our overlap is. Then the aspect of gender I already mentioned it, something we also have high on the agenda. But we really learned from DFC and from the 2x challenge, how to formalize that ambitious big ambition and how to make it measurable. I'm sure Shirin will be able to explain more about that.

**Shirin**: Sure, happy to. I'll just first [talk] through what we looked at, from an environmental and social perspective. We follow IFC [International Finance Corporation] standards, in many ways. So that's sort of generally accessible to see what a fund would be doing, in order to meet the IFC requirements. On the 2x front, we love to hear that we help nudge ADM along in that discussion. We will absolutely take credit for that, Iain.

A partnership with USAID becomes very handy, because through USAID missions, there are many technical assistance programs that are available. In this context, USAID Indonesia has expertise for this fund at regional focus that we can draw upon. At the same time, DFC is also has specialized offices internally on the Office of Development Policy, as well as our 2x office, our gender office, that can look at the framework, the milestones, and the sort of the objectives that the fund puts forward and provide feedback, provide assistance. So this is meant to be a collaborative discussion, and not just for us to come up with requests that we hope our partners figure out on their own.

**Christy**: I'm particularly interested in the gender element of this, I've had conversations with folks who really struggle with how to integrate gender into finance for environmental outcomes, and how does how does gender fit into climate finance. So I think a lot of people will be paying attention to what happens here and kind of the lessons that come out of it. Just a couple of final questions~~.~~ Where does the fund stand now with fundraising? What are the next steps? Iain, do you have a couple words on that?

**Iain**: Sure, yeah, we've had some good momentum over the past few months. So we stand at about $40 million of interest so far, and also have a number of promising conversations on the go. We hope to get to first close in early Q3. I think that the waters have been slightly muddied by the tragic events in Europe. But that's our goal. And we also have a number of investors who have signaled they'll come in after the first close. So in terms of next steps, I think a key phase for us after first close is getting money in the ground. And I think we've got a range of investors that are looking for our ability to do that at the cadence. We think we can.

**Christy:** And Mark from Rabo’s perspective, what are the next steps?

**Mark:** For us, after closing, we will of course together with DFC continue to monitor that the impact is achieved for the whole duration of the fund. But I think also importantly is that we will continue to connect on the borrower level to our local team, our network, and the companies we talked to, that would fit the mandate of the funds. So I think, aside from that, we also see some of our existing clients that want to scale up, that require the longer tenders that the funds can provide, to really make a transition, we'll be happy to connect them to ACLF and continue to work on that basis.

**Christy:** Sounds good. So we've covered a lot of ground, I want to before we wrap up, just give you each a chance, one, one parting thought that you would each like to leave with the listeners. And maybe we'll start with Iain and Shirin, and final word to Mark.

**Iain**: I think mine would be that we're probably at the end of the beginning for sustainable finance more generally. At a macro level, we're seeing rapidly changing investor demands, we're seeing changing societal expectations. We're seeing rapidly changing policy and regulatory developments and a more open debate about how sustainability can and should impact financial decision making. I also think sectorally, this will be a huge decade for the food and agriculture sector. If we look back to the last decade, climate change was the big theme. And two of the sort of tangible investment verticals sat under that were clean energy and clean mobility. And if we look forward for the rest of this decade, I think big emerging themes are going to be issues like biodiversity, gender, just transition and adaptation. And what's really exciting is that the food and agriculture sector captures them all.

**Christy:** Shirin, you want to jump in?

**Shirin:** There is something to be said about the fact that we look at our track record and history of working with partners, but also we're here to build new partnerships. You know, Rabo and DFC’s relationship started, there was first transaction that built the history for us to build that partnership. We're always looking to see how we can be efficient about our operations and how we can partner with the right partners in this space.

The other thing I would mention is agility and flexibility. Perhaps something that is often a criticism of working with a government agency is that it might take some time, and it's going to be many hoops. But as was mentioned here today, it's just that we try to be flexible. We try to work with our partners, we go through hoops, ups and downs of various time zones to be accommodating of our partners, but try to make sure that we drive toward a transaction that is truly meant to be receiving DFC support and advancing development objectives of the US government. So those are the two takeaways that are best exemplified through this transaction for me.

**Christy:** Thanks, Shirin. And Mark, last, but definitely not least.

**Mark:** Yeah, I think if you listen to Iain's challenges in the societal challenge that he mentioned, I think the only way to be able to address those is through these partnerships and collaborations. And that, you know, by joining forces, we can hopefully address them. And we'll be continuing that in the future with existing and, like Shirin said, also with new partners.

**Christy**: Wonderful, thank you. So that's Mark Koppejan with Rabo Foundation, Iain Henderson from ADM Capital Group and Shirin Jamshidi from the US International Development Finance Corporation. Thank you all for your insider perspectives on pulling together the ADM Climate-smart Landscape Fund, and blended finance in general. We will continue to bring you sustainable land use investment insights and updates from Southeast Asia in coming Green Invest Asia episodes. Thank you all very much.