

Early Warning System

FMO-61632

The Reforestation Fund

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Quick Facts

Countries	Brazil, Chile, Colombia, Paraguay, Uruguay
Financial Institutions	Netherlands Development Finance Company (FMO)
Bank Risk Rating	A
Borrower	The Reforestation Fund
Sectors	Agriculture and Forestry
Investment Amount (USD)	$ 40.00 million

Project Description

WHO IS OUR PROSPECTIVE CLIENT?

The Reforestation Fund (TRF) is a private equity forestry fund developed to invest in Latin America, targeting deforested and degraded lands for the purpose of protecting and restoring natural forests on 50% of its holdings, and planting sustainable tree farms on the remaining 50% of its holdings. TRF seeks to acquire degraded land in major timberland markets like Brazil, as well as Uruguay, Chile, and with opportunistic allocation to Paraguay and Colombia. TRF's investment focus will seek attractive risk-adjusted returns and seek to generate Carbon Offset Credits primarily through a portfolio of investments that convert previously deforested land used for cattle pasture to sustainable commercial tree farms whilst providing added benefits by meeting or exceeding legal limits for protected and restored natural forests (50% of project area). Additional impact will come from the sustainable manufacturing and sale of climate-positive timber products when the commercial plantations mature, next to the creation of sustainable long-term local employment opportunities.

WHAT IS THE FUNDING OBJECTIVE?

With FMO's commitment, we will be supporting the development of an innovative forestry investment model where we believe the combination of commercial forestry and conservation on previously deforested and degraded land should lead to both attractive investment returns as well as significant ecosystem and climate benefits at scale. In addition, FMO's early commitment is expected to play a strong catalytic role by attracting institutional capital to the sector.

WHY DO WE WANT TO FUND THIS PROJECT?

The Reforestation Fund is a clear fit for FMO's Forestry strategy and climate action ambitions. TRF will sequester an estimated 35m tons of CO2e during the Fund term through both the reforestation of degraded land and planting of commercial tree farms. Additionally, the large allocation towards natural forest conservation will also contribute to the recovery and protection of biodiversity and habitat connectivity in the targeted biomes

ENVIRONMENTAL AND SOCIAL RATIONALE

This is a category-A Fund given the potential materiality of E&S risks and impacts on site and landscape level, that need to be managed by subject matter experts and through sophisticated ESG-informed management measures. TRF's portfolio triggers IFC PS 1-4 and 6, whilst PS 7-8 may be triggered in future regions although TRF's policy is geared towards avoidance. Key E&S risks further stem from the planned conversion of land use into eucalyptus production stands, the managed regeneration and conservation/ protection of natural species, and the use of contracted labour (incl. from offtakers). A strong E&S management system and monitoring regime based on international best practices will be implemented to manage the risks and materialize positive impacts.

Investment Description

- Netherlands Development Finance Company (FMO)

The Investment Type was nor available at the moment of the snapshot.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	The Reforestation Fund	Client	Finance

Contact Information

ACCESS TO INFORMATION

As part of FMO's ex-ante disclosure (disclosure of transactions before contracting), you can send requests or questions for additional information to: disclosure@fmo.nl

ACCOUNTABILITY MECHANISM OF FMO

Communities who believe they will be negatively affected by a project funded by the Dutch Development Bank (FMO) may be able to file a complaint with the Independent Complaints Mechanism, which is the joint independent accountability mechanism of the Dutch Development Bank (FMO) and the German Investment Corporation (KfW). A complaint can be filed in writing, by email, post, or online. The complaint can be filed in English or any other language of the complainant. The Independent Complaints Mechanism is comprised of a three-member Independent Expert Panel and it can provide either problem-solving, compliance review or both, in either order. Additional information about this accountability mechanism, including a guide and template for filing a complaint, can be found at: https://www.fmo.nl/independent-complaints-mechanism