

 Early Warning System

FMO-63472

SA Impact Forestry Fund L.P



Quick Facts

Countries	Paraguay
Specific Location	national coverage
Financial Institutions	Netherlands Development Finance Company (FMO)
Status	Approved
Bank Risk Rating	A
Borrower	SA Impact Forestry Fund
Sectors	Agriculture and Forestry
Investment Type(s)	Loan
Investment Amount (USD)	\$ 20.00 million
Loan Amount (USD)	\$ 20.00 million
Project Cost (USD)	\$ 20.00 million



Project Description

WHO IS OUR CUSTOMER

SA Impact Forestry Fund ("SAIFF" or the "Fund") is a private equity fund dedicated to sustainable forestry in Paraguay. The Fund's investment strategy is to acquire, develop, and manage new and existing forest assets at scale. SAIFF will focus on acquiring low-productivity farmland, suitable for forestation and with limited alternative uses, and converting it into a sustainable FSC-certified, cost-efficient forestry portfolio. At least 25% of the area managed will be reserved for conservation and restoration activities. The Fund is positioned to capitalize on strong macro-economic tailwinds, producing wood for the global fiber and pulp markets, and generating new credits for the carbon offset market.

WHAT IS OUR FUNDING OBJECTIVE?

FMO invests equity as a limited partner in the Fund, thereby supporting the development of an innovative integrated forestry investment model that combines commercial forestry and conservation activities. The investment qualifies for a 100% Green label due to FSC certification and substantial carbon sequestration credentials and further contributes to decent work and job creation.

WHY DO WE FUND THIS INVESTMENT?

SAIFF is a clear fit with FMO's forestry strategy and climate ambitions. FMO's commitment allows the fund to expand its operational footprint, thereby increasing carbon sequestration, production of sustainable wood, and conservation of natural habitats.

SAIFF will also bring significant positive E&S impacts to the region. The Fund will contribute to carbon sequestration on a significant scale through the transformation of low-use land into forestry assets, in a country with one of the highest rates of deforestation globally. SAIFF's commercial operations will also help to develop infrastructure and create employment in one of the poorest regions of Paraguay.

In addition, FMO will work with SAIFF to enhance and improve E&S risk management and impact measurement and monitoring, aligning with international best practices and thereby raising standards for the forestry sector in Paraguay.

WHAT IS THE ENVIRONMENTAL AND SOCIAL CATEGORIZATION RATIONALE?

This is a category-A investment given the potential E&S risks and impacts that may exceed the boundaries of the forestry sites. Key risk areas include the planned conversion of degraded land into eucalyptus production stands and associated environmental consequences, the managed regeneration and conservation/protection of natural species, and the use of contracted labor and associated worker rights, worker welfare, and H&S matters. IFC PS 1-4 and 6 are triggered. The Fund works with external E&S advisors for baseline studies, impact assessments, and adequate site designs, whilst it aims for an innovative reservation of 25% of the areas for the conservation and natural regeneration of indigenous species (mainly grassland habitats). The plantations are all FSC certified whilst SAIFF adheres to sustainable forestry management (SFM) practices. Land acquisition is based on a willing-buyer-willing-seller scenario whilst the Fund only targets land that is not subject to right disputes or claims by indigenous people and prevents triggering physical resettlement. Going forward the Fund will establish an IFC Performance Standards-aligned E&S management system that includes a carbon integrity policy to support the marketing of high-value carbon credits.



Investment Description

- Netherlands Development Finance Company (FMO)



Contact Information

FMO

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>.