FMO
Entrepreneurial
Development
Bank

External Management Response – MFF Early Stage Programme Evaluation

Deforestation is one of the main causes of climate change and biodiversity loss, all of which disproportionately adversely affect vulnerable communities. At the same time, demand for wood is increasing, driven by population growth, income growth, and the transition to a more sustainable economy. Currently, roughly half of the global demand for industrial roundwood (timber in log form that is used for industrial purposes) is met by planted trees, while the other half is taken from natural forests. To better protect natural forests and reverse net deforestation, more responsibly managed forest plantations are needed to meet this rising demand for timber. Recognizing the need to urgently increase the amount of responsibly managed forests and plantations, FMO has committed to investing up to €1 billion in forestry and sustainable land use by 2030, with a primary focus in LAC, Africa and Asia, where the favorable growing conditions in the tropical and sub-tropical regions make growing trees both efficient and financially sustainable.

Blended finance plays an important role in catalyzing private finance for this sector. As such, the Mobilising Finance for Forests (MFF) programme was established in 2021 by FMO and the UK government and in 2024, the Dutch Ministry of Foreign Affairs (MFA) joined the MFF as the second donor. Now in its fifth year, MFF continues to build momentum in deploying capital, deepening partnerships, and generating insights that help shape the future of investing in the forestry and sustainable land-use sector. As of Q3 2025, the MFF portfolio consists of 9 transactions with a total size of USD 106 million. To provide an early assessment of MFF's implementation, FMO commissioned ADE to conduct an early-stage evaluation on behalf of MFF in 2024. This evaluation provides both an endorsement and additional important insights which will help us to further improve our work and.

First and foremost, the need for concessional finance is underscored by the evaluators as playing a pivotal role in enabling FMO (and others impact investors) to expand its investments in higher-risk forestry and sustainable land use (FSLU) and Nature-based solution projects. Furthermore, we welcome the recommendation to FMO to bring in other interested donors for MFF to further increase financial resources for the sector and create additional impact.

In general, the evaluation paints a positive picture of MFF's implementation. The evaluators acknowledge that it took FMO more time than initially planned to build up the portfolio; yet they believe that this is compensated for by the innovative nature of the programme and the groundwork laid for future replication and mobilisation. Importantly, most of the targets have been met or even exceeded; particularly the fund-level mobilisation targets, with MFF having mobilised USD 240 mln in public finance and USD

FMO
Entrepreneurial
Development
Bank

250[1] mln in private finance (as of 17 December 2024). In addition, the total hectares of farmland under sustainable management (as of 2023)[2] amounted to 145,492 thereby also significantly exceeding its target. In contrast, the target which was not met was for public and private finance mobilisation at *project* level. The role of FMO's ESG framework has been found significant in supporting robust environmental and impact objectives. By engaging with higher-risk clients structurally, and through capacity-building initiatives, FMO has raised green and inclusive standards, improved corporate governance and advanced Gender Equality and Social Inclusion (GESI) principles in MFF's portfolio. Moreover, MFF is considered as financially additional, given the scarcity of private capital in the FSLU sector, along with the need for long tenor and MFF's willingness to take higher risk positions.

Two case studies are used in the evaluation to illustrate how MFF investments are generating knowledge and show a potential for FSLU investments to scale.

Amazonia Nativa S.A.S. is a forestry and agriculture project in Colombia, focusing on 511 ha of native forest species and 20 ha of açaí plantations. With a commitment to high ESG standards, the project is active in reforestation, afforestation and conservation efforts. The pilot project is advancing people's knowledge in native forest species management, with a scale-up plan targeting 7,500 ha by 2030. This project shows how the objective of sustainability and improved livelihoods can go together with long term viability, through revenues from açaí and wood production, and carbon credit sales.

Meanwhile, Ecua America Teak (EAT) shows how sustainable teak production can generate non-financial benefits together with healthy financial returns. EAT is a company fully owned by the Arbaro Forestry Fund, and owns 1,085 ha of land plantations in Ecuador, with around 900 ha of high-quality teak. Land which was previously used for cattle ranching and agriculture is now being managed under rigorous technical and environmental standards, with teak plantations helping to mitigate soil degradation and improve quality. EAT also actively restores and conserves 95 ha of native vegetation, enhancing biodiversity. Similarly to Amazonia Nativa, EAT is able to ensure economic viability, and collaboration with industry partners, and growing interest from other forestry companies also highlights potential for replication and broader market influence.

We also welcome the recommendation to MFF liaisons at the UK government and FMO to match FSLU investments with suitable investors, which has already been reflected in the 2025 Annual Review. As 40% of our MFF portfolio is deployed (as of April 2025), we need to ensure the rest of the deployment helps to meet mobilisation and impact targets (in addition to existing customers attracting additional capital). MFF's Learning, Convening

[1] As acknowledged in the report, 2024 figures were preliminary and subject to change. In fact, final 2024 figures reflect private finance mobilisation of USD 304 mln.
[2] The year of the latest available data on this indicator at the time of the evaluation

FMO
Entrepreneurial
Development
Bank

and Influencing Platform (LCIP) will support this effort by mapping different FSLU investments and suitable investor types per investment.

We also take onboard some of the recommendations related to operational efficiency and governance. The recommendation related to strengthening ESG reporting, however, is one we do not agree with, as we already do significant impact reporting and highlight key ESG wins in our narrative reports to the UK and Dutch Governments. Beyond that, we would like to spend our limited resources on supporting our customers to make further ESG improvements, versus reporting.

Additionally, an extensive literature review included in the evaluation lists important conditionalities for reaching impact based on MFF's current activities. For example, the literature review confirmed the value of focused networking events (as organized by MFF's LCIP) in attracting potential investors towards Forestry and Sustainable Land Use investments. At the same time, networking events on their own are not sufficient to mitigate other major challenges for replication and scaling, such as commercial viability. Tailored, context-specific solutions are crucial for enhancing competitiveness of investments, and alignment with policies, regulations and governance frameworks help maximize impact. The insights from the literature review, especially the current evidence gaps, will inform our evaluation planning going forward.

We are grateful for the effort made by the evaluators and for the continued collaboration with our donor partners. The evaluation confirms that we are on the right track, while also offering guidance to improve delivery in the coming years. We will take these points forward and remain committed to mobilising greater finance for Forestry and Sustainable Land Use.