

MOBILISING FINANCE FOR FORESTS

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**A Blended Finance Blueprint
for Tropical Forest Protection
and Restoration**



MFF
managed by FMO



MOBILISING FINANCE FOR FORESTS: A BLENDED FINANCE BLUEPRINT FOR TROPICAL FOREST PROTECTION AND RESTORATION

The Mobilising Finance for Forests program is managed
by FMO and jointly funded by the UK and Dutch Governments

About this Paper

This paper was developed by the Mobilising Finance for Forests (MFF) program – a blended finance initiative funded by the UK government and the government of the Netherlands – to explore how capital can be more effectively mobilized to support tropical forest protection and restoration and the transition to deforestation-free agricultural supply chains. Established by the UK and FMO in 2021 and joined by the Dutch Ministry of Foreign Affairs in 2024, MFF aims to catalyze private investment into business models that reduce deforestation across the tropical belt.

This paper was created through MFF's Learning, Convening, and Influencing Platform (LCIP), which facilitates cross-stakeholder knowledge exchange and builds on examples of investable, forest-positive solutions. It presents a comprehensive overview of MFF's investment model, operational structure, and emerging lessons from its early implementation. It synthesizes insights from portfolio deployment, facility management practices, and technical assistance delivery, with the aim of informing future design and scale-up of similar catalytic finance programs.

By documenting both strategic choices and on-the-ground experience, the paper offers practical guidance for donors, DFIs, fund managers, and policymakers looking to apply blended finance to complex, early-stage sectors where private capital is constrained and development outcomes are critical. It also highlights the value of integrated learning and technical support functions, which can enhance impact, strengthen investee performance, and build investor confidence in nascent and undercapitalized markets.

Over the four years of designing and implementing MFF, significant resources and efforts have been dedicated to building the program's internal capacity and systems to select, evaluate and manage Forests and Sustainable Land Use (FSLU) opportunities in emerging markets. Setting up new blended finance facilities targeting nascent sectors in emerging markets is a resource-intensive process: the learnings compiled in this paper highlight the value of leveraging existing initiatives and lessons learnt to scale up finance for FSLU and other climate and nature critical sectors.

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Program Snapshot

Mandate	Unlocking private sector investment in projects that protect and restore tropical forests across Africa, Asia and Latin America
Facility Size	\$300 Mn Investment Facility: At least seventy-five percent Development Contribution Facility: Up to twenty percent Technical Assistance Facility: Up to five percent
Funding Partners	UK Government (Department for Energy Security and Net Zero's International Forests Unit (IFU)) Government of Netherlands (Ministry of Foreign Affairs)
Delivery Partner	FMO - Dutch Entrepreneurial Development Bank
Investment Instruments	Concessional Investment Capital (Equity, Mezzanine, Subordinated Debt); Early-Stage Development Capital (Repayable Development Contributions); Technical Assistance
Geographic Scope	Tropical forests countries in Latin America, Africa and Asia
Status	Active – Funded and operational since 2021

1. Deforestation Dynamics and Strategic Opportunity

Tropical forests continue to face widespread loss, driven by a mix of agricultural expansion, poor land management, and increasingly frequent fires. The combined pressures of land conversion and climate change are eroding forests' natural resilience, making recovery slower and future fires more likely. As critical carbon sinks, these forests play a vital role in regulating the climate, yet deforestation remains a major source of global greenhouse gas emissions.

The impact goes beyond the environment—forest loss disrupts the economic and ecological systems that depend on them. Forests underpin the stability of agriculture and global supply chains. They regulate rainfall, buffer temperature extremes, enrich soils, and protect water sources. When forest landscapes are degraded, these services begin to collapse, leading to volatile growing conditions, declining productivity, and greater exposure to shocks. Left unaddressed, this erosion of forest functions poses a growing risk to long-term economic stability and business resilience. Yet despite their value, forest conservation and restoration remain underfunded.

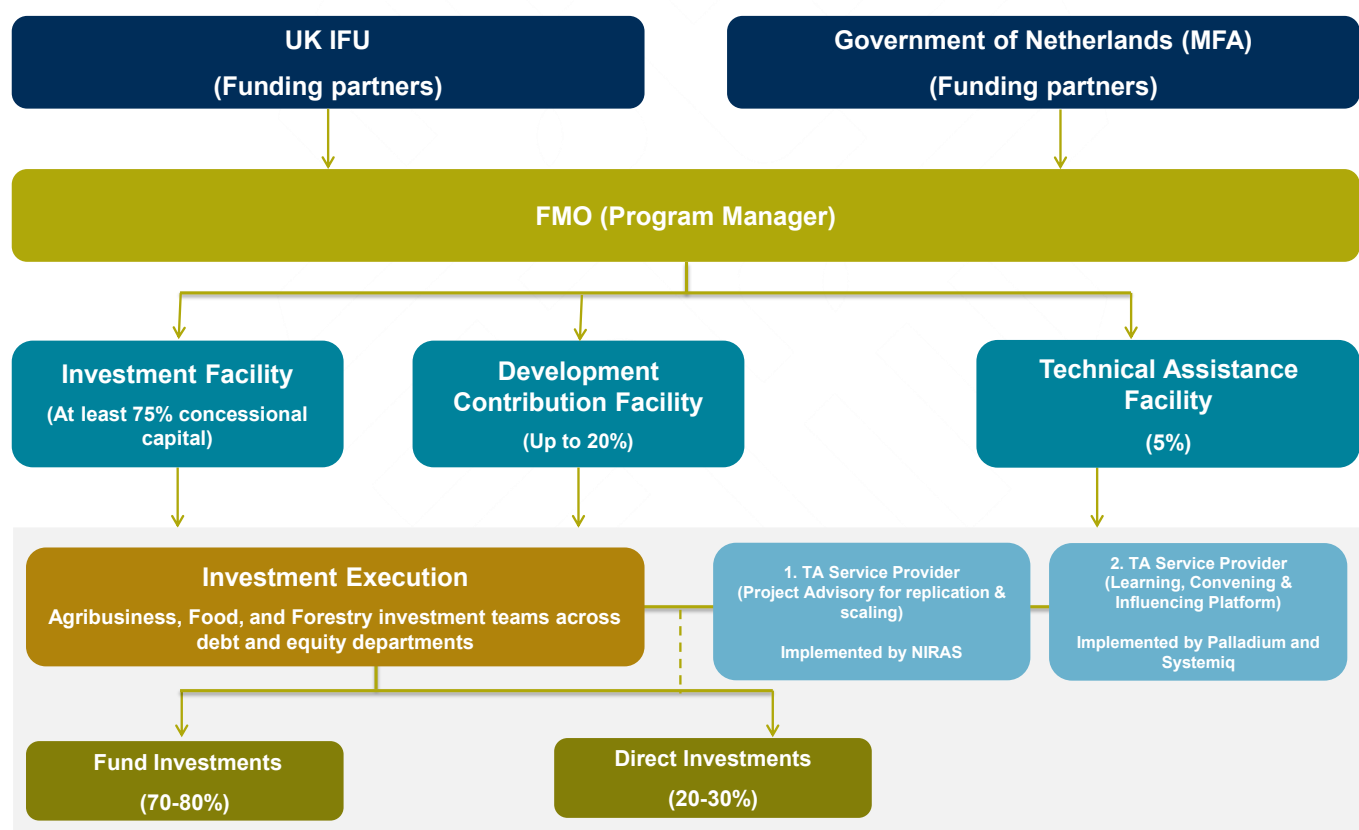
The Mobilising Finance for Forests (MFF) program is a £225 Mn (\$300 Mn) blended finance initiative launched by the UK government and FMO in 2021 to boost private sector investments in Forests and Sustainable Land Use (FSLU) projects, combating deforestation in tropical regions. The program is managed by FMO, the Dutch Entrepreneurial Development Bank, which operates as a Development Finance Institution (DFI). In 2024, the UK Government committed to a top-up of up to £48 Mn (\$64.4 Mn) in addition to the initial £152 Mn funding (\$204 Mn). MFF's investment period runs to 2028, followed by a 10-year holding period. The Dutch Government joined the program in 2024 and will provide up to \$33.5 Mn in additional funding for the remaining years. The MFF program has the potential to grow further with additional contributions. FMO sees a strong pipeline of investment opportunities in the FSLU space: the key constraint to the growth of the FSLU sector is the availability of concessional capital, highlighting the critical need for facilities such as MFF.

The MFF program directs concessional funding and Technical Assistance through Funds and direct investments to high-risk private sector FSLU projects—typically involving nascent business models, frontier markets, or jurisdictions with weak enabling conditions. These investments aim to deliver substantial mitigation potential and meaningful co-benefits, including socio-economic and biodiversity outcomes. Specifically, MFF prioritizes projects that create value from standing forests (>30%) and those that integrate forest protection and restoration into sustainable commodity production (>40%), delivering co-benefits for biodiversity and local livelihoods. MFF focuses on tropical forest countries, with Tier 1 countries (receiving at least 50% of funding) including Brazil, Colombia, Peru, Ghana, Ivory Coast, Republic of Congo, DRC, Gabon, Indonesia, and Malaysia. Tier 2 countries include Mexico, Paraguay, Ecuador, Nigeria, Ethiopia, Kenya, Tanzania, Mozambique, Zambia, South Africa, India, Myanmar, Thailand, Laos, Cambodia, Vietnam, and the Philippines.

By demonstrating the viability, profitability and impact of these projects, MFF mobilizes private and public sector investments, including through other DFIs. As of Q3 2025, MFF's portfolio includes nine investments, four of which are Funds, one is a direct (debt) investment and four are Repayable Development Contributions (RDCs).

MFF offers a uniquely flexible model, combining three types of concessional capital — 1) Equity and concessional debt, 2) Repayable Development Contributions and 3) Technical Assistance, which can be layered within the same investment, either simultaneously or sequentially, allowing capital to evolve with project maturity and risk profile. This approach is tailored to the needs of a maturing sector like FSLU, and has been iterated and honed on the basis of the facility's learnings from four years of implementation. MFF's model is deliberately scalable, offering other funders, including donors, philanthropies, and other mission-driven funders, an impactful opportunity to contribute to accelerating investment into forests and sustainable land use.

2. Program Management Model



The MFF program consists of three components: an Investment Facility, a Development Contribution Facility (DCF) and a Technical Assistance (TA) Facility.

- The **Investment Facility** provides concessional capital to de-risk sustainable land use investments and mobilizes private finance in tropical forest regions.
- The **Development Contribution Facility** provided repayable grants to early-stage projects to support them in becoming investible by MFF or other investors over the medium term.
- The **Technical Assistance Facility** provides non-repayable grants for advisory services and learning and convening activities that help to overcome the biggest hurdles to scaling investment in the FSLU sector.

The governance structure establishes close coordination between the UK's International Forests Unit¹ (IFU) and FMO, with regular strategy sessions and well-structured reviews supporting alignment on strategic, operational, and budgetary matters. Annual reviews led by the UK IFU provide ongoing guidance, with recommendations systematically followed up to support adaptive management.

Program management has evolved over time to reflect the risk profile of FSLU investments. Dedicated forestry teams operate within FMO's Agribusiness, Food & Forestry (AFF) debt and equity departments. This structure enables cross-team knowledge sharing—particularly relevant in forestry transactions, where even debt instruments can often carry equity-like risk. FMO's equity and debt investment officers and wider forestry team collaborate closely in pipeline sourcing, assessment and strategic decision-making². This structure allows MFF to tailor instruments to project risk—deploying equity or debt depending on the maturity and risk-return profile of each investment. It also enables flexible, cross-functional deal teams that combine sector, product, and ESG expertise to address the multidimensional risks typical of FSLU investments.

Environmental and social (E&S) considerations are fully embedded in execution. E&S officers are integrated within investment teams, with E&S forestry experts from debt and equity teams holding regular knowledge exchange sessions to co-develop tools and approaches. These teams maintain active coordination across investment units, ensuring consistent integration of E&S standards to ensure that E&S best practices address the risk profile of FSLU opportunities. As well as E&S, the investment teams are also supported by experts in governance, impact structuring and measurement, strategy and policy, capacity development and others in the wider forestry team.

The UK IFU contributes directly through joint development of the program's Theory of Change (outlined in Section 5 – Impact), participation in field visits, and consultations on investment selection to ensure alignment with its standard indicators for International Climate Finance (ICF) throughout the portfolio lifecycle. Since joining the MFF program as a funding partner in 2024, the Netherlands' Ministry of Foreign Affairs also participates in strategic decision-making, while delegating investment decision-making to FMO.

2A. The Technical Assistance Facility

MFF's Technical Assistance Facility (TAF) plays a central role in delivering on MFF's Theory of Change. It offers a flexible, integrated platform that supports both individual businesses and the broader forest-positive investment ecosystem. Crucially, the TA Facility is deeply embedded within the overall program structure, allowing it to operate across the full investment cycle and support both direct and fund-level investments.

Its broad mandate enables technical assistance before and after investment, across a wide spectrum of needs—from ESG performance and impact measurement, to business model innovation and operational improvement. This flexibility allows MFF to respond to evolving portfolio needs while also shaping market conditions for FSLU investment more broadly.

The TA Facility operates through two core components:

Component 1: Advisory Support to Portfolio and Pipeline Companies

The advisory component of the TA Facility has an impact objective to “contribute to the replication and scaling of MFF investments with strong ESG and impact performance”. Examples include:

- An evaluation of cattle supplier monitoring and control procedures at one of the largest beef producers in Brazil, to improve supply chain traceability.

¹ The UK International Forest Unit is a cross-departmental unit of the Department for Energy Security and Net Zero (ESNZ) and Foreign, Commonwealth and Development Office (FCDO)

² In line with FMO's competition policy, confidential or otherwise commercially sensitive client and prospect information sharing is restricted between debt and equity teams

- Support to a palm oil processor in Indonesia in developing a deforestation-free landscape sourcing model for its own operations and an outgrower program.
- A pre-investment TA project with a natural forest management company in the Republic of Congo, to develop biodiversity action plans and social engagement plans aligned to IFC Performance Standards.

Component 2: Learning, Convening, and Influencing Platform (LCIP)

The LCIP strengthens the enabling environment for FSLU investment by building knowledge, aligning and convening stakeholders, and addressing systemic barriers to investment. It delivers tools, case studies, and thematic research, hosts and contributes to key sectoral events, and convenes DFIs, investors, and market actors to coordinate efforts, share insights, and support the acceleration of capital deployment into FSLU.

Recent outputs include:

- [A reference manual for integrating ESG risk identification](#) and mitigation across the investment process for forestry deals, the 'ESG Guide for Forestry Investments', and an associated training series
- A knowledge paper, developed to highlight how investors can deploy high-impact, relatively lower-risk capital in the FSLU space. It focused on [opportunities to support corporate commodity supply chains transitioning to deforestation-free practices](#), and was accompanied by a convening during London Climate Action Week 2025
- A learning paper exploring [the role investors can play in supporting the development of high-integrity carbon markets in the FSLU sector](#). It addresses how investors can apply integrity principles, what levers they can use to implement them, and how to assess project alignment, while emphasising the need for context-specific approaches.

3. Investment Model and Blended Finance Structure

MFF deploys a blended investment model designed to unlock private capital for FSLU activities. The program uses three types of concessional capital—Capital Investment (subordinated debt, mezzanine, equity), Repayable Development Contributions, and Technical Assistance—which can be deployed individually or combined within the same transaction, depending on project maturity and risk profile.

- **Capital Investment (At least 75% of capital)**

The majority of MFF's funding is allocated to equity, mezzanine, and subordinated debt instruments. These are structured to take early or risk-bearing positions in the capital stack, improving the risk-return profile for other investors. This catalytic role can help enable FMO to co-invest from its own balance sheet and paves the way for participation by other DFIs and commercial capital providers.

- **Repayable Development Contribution (RDC) (Up to 20% of capital)**

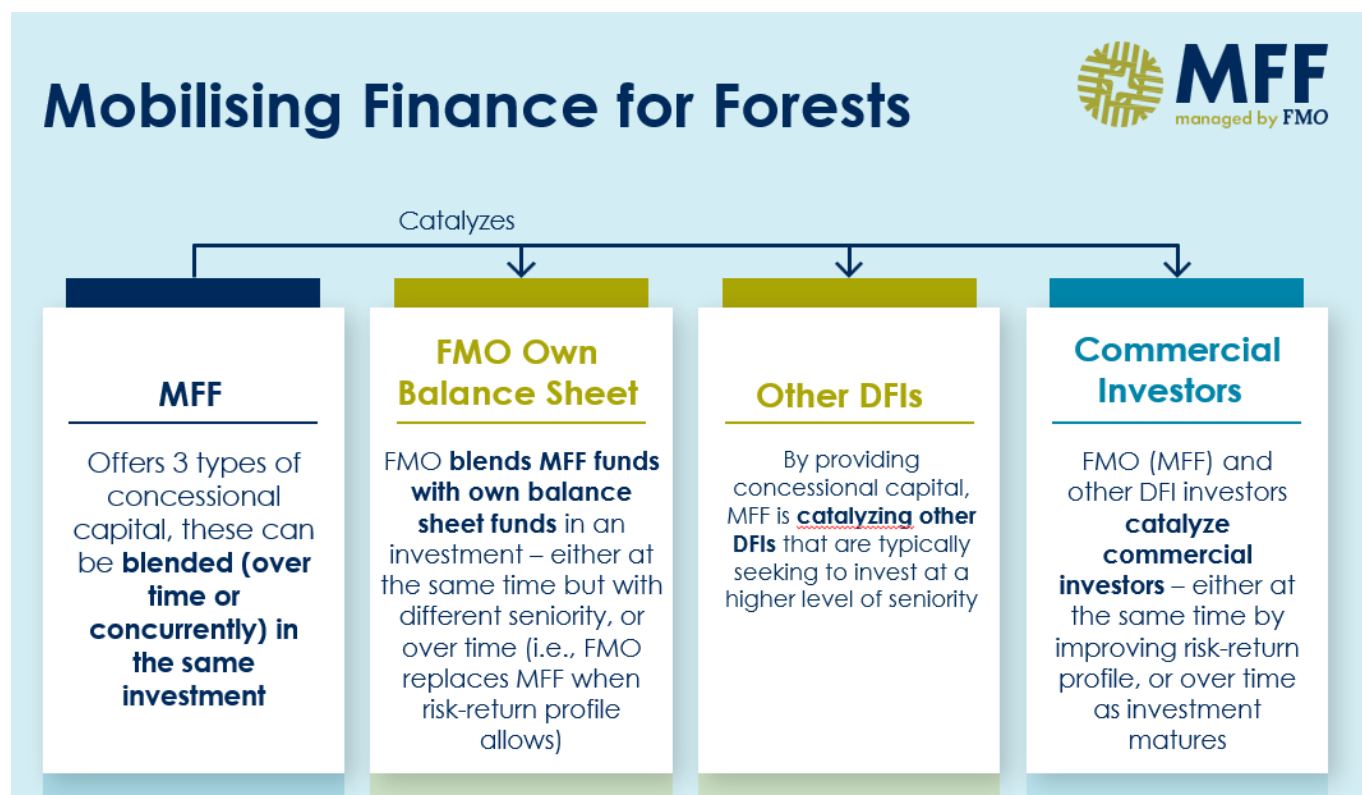
RDCs are structured as repayable grants—essentially zero-interest loans—with pre-agreed repayment triggers (e.g. financial close of scale-up financing or positive cash flows). These instruments were designed to serve a project development function for high-impact FSLU models. Their objectives are threefold:

- Support the identification, creation, and development of scalable investment models for FSLU impact, especially in underdeveloped markets where first-mover models require upfront support
- Generate and disseminate lessons among DFIs, funds, and private investors to build awareness of replicable models and conditions for success
- Mobilize follow-on investment and scaling from MFF, other DFIs and the private sector

- **Technical Assistance (Up to 5% of capital)**

The TA Facility (TAF) complements financial investments by providing technical assistance that strengthens pre- and post-investment delivery and support ecosystem-wide learning. TA projects help investees and prospects improve ESG performance, build operational capacity, and replicate successful models. Tailored towards the MFF portfolio, the work of the LCIP also supports the broader investment ecosystem through knowledge-sharing platforms and convenings.

3A. Blended Finance Structure



Alongside MFF's capital, FMO also aims to deploy capital from its own balance sheet—either by co-investing through senior instruments or by stepping in later as project risk decreases. This blended approach helps crowd in DFIs and other impact investors, enabling larger-scale investments over time. As the model matures and risk reduces, commercial investors can eventually enter on more acceptable terms—either alongside public capital or at a later stage.

This layered structure ensures that concessional capital is used efficiently and crowding-in is prioritised. MFF follows the Blended Concessional Finance Principlesⁱ. These are a set of operational principles and processes that DFIs have agreed to manage blended concessional finance and ensure that both public policy considerations and private sector commercial issues are adequately addressed. These ensure:

- **Additionality:** MFF should contribute beyond what is available, or that is otherwise absent from the market, and should not crowd out the private sector
- **Crowding-in and Minimum Concessionalality:** MFF support to the private sector should, to the extent possible, contribute to catalysing market development and the mobilization of private sector resources
- **Commercial Sustainability:** MFF support of the private sector and the impact achieved by each operation should aim to be sustainable. MFF support must therefore be expected to contribute towards the commercial viability of their clients
- **Market Reinforcement:** MFF assistance to the private sector should be effective and efficient when addressing market failures, and minimize the risk of disrupting or unduly distorting markets or crowding out private finance, including new entrants.
- **High Standards:** MFF should seek to promote adherence to high standards of conduct in their clients, including in the areas of Corporate Governance, Environmental Impact, Social Inclusion, Transparency, Integrity, and Disclosure.

Collectively, these principles guide MFF's disciplined and strategic capital deployment while maximizing climate, biodiversity, and community-level outcomes.

3B. Revenue Models³

The MFF program backs a mix of business models—from established forestry operations to early-stage nature-based solutions ventures. This blend is designed to generate steady cashflows where possible, while enabling innovative models for forest conservation and sustainable land use to be developed and scaled.

More established forest business models, such as timber plantations, can offer more predictable income and serve as financial anchors within the portfolio. In contrast, more novel and potentially higher-risk models—such as restoration-focused projects—can have uncertain cash flows but also potentially greater ecological returns. The portfolio design recognises this trade-off and intentionally finances both ends of the spectrum.

Carbon credits often serve as a supplementary but important revenue stream. In afforestation and reforestation projects in particular, credits can start to generate revenue well before trees reach commercial maturity for timber, providing earlier cash flow. However, as the carbon market matures, MFF is exploring opportunities to allocate a limited portion of its investment capital to ‘carbon-only’ models.

3C. Risk Management

The MFF program deliberately supports projects operating in frontier markets and emerging business models where traditional capital may be scarce. It takes a portfolio approach that balances risk and financial return, whilst still delivering high environmental and social impact. MFF aims to build a portfolio with mix of debt and equity, and exit pathways are tailored to the profile of each investment. In earlier-stage or high-impact models, exits may depend on attracting follow-on capital from aligned commercial or impact-driven investors.

FMO, as the Delivery Partner for MFF, applies a structured and institutional approach to risk management grounded in international banking standards. The system is built on the ‘three-lines’ model: investment teams (first line) are supported and challenged by the Risk, Compliance, and Credit departments (second line), and overseen by Internal Audit (third line). As a licensed bank supervised by the Dutch Central Bank, FMO adheres to the Basel Accords, maintains a robust capital adequacy framework, and safeguards its AAA credit rating to access low-cost capital. All MFF transactions are reviewed by FMO’s investment and credit functions. Larger or higher-risk exposures are escalated to the Financial Risk Committee. MFF operates under a defined risk appetite, separate from FMO’s own balance sheet, with exposure limits set by client group, country, region, and currency.

³ For more information on the diverse business models supported by MFF, the LCIP has produced a wide range of tools, publications and reports, [available here](#). These cover topics from established forestry operations to innovative, restoration-focused, and carbon-credit-based models, offering deeper insights into their design, implementation, and investment potential. Examples include the “[Nature-Positive Funds: An Introduction for Investors](#)” guide, which outlines how restoration and conservation models can deliver both ecological and financial returns, and the “[Estimating Carbon in Forestry Investments: A guide to available tools for climate-focused investments](#)” paper, which highlights different tools for assessing carbon-related revenue streams.

4. Existing Investments and Lessons Learned

As of August 2025, approximately \$106 Mn has been deployed across nine investments. While most investments remain in the early stages, the initial years have generated valuable strategic lessons. The table below provides an overview of these investments and the types of capital deployed by MFF and from FMO's own balance sheet, known as 'FMO-A'.

Investee	Investments – in USD Mn (FMO/MFF share)	Investment Thesis
 The Reforestation Fund (TRF) TRF is the Timberland Investment Group's (a BTG Pactual company) forestry strategy established to invest in Latin America, primarily Brazil. The strategy will acquire marginal pastureland to protect and restore 50% of the land to forest cover, and plant sustainable commercial tree farms on the remaining 50%.	Equity MFF: \$40 Mn first-loss FMO-A: \$15 Mn	Use of funds: MFF funding supports land acquisition, reforestation, conservation and carbon credit generation. The fund aims to generate strong climate, biodiversity, and community outcomes alongside commercially viable returns. Investment rationale: FMO/MFF is supporting the development of an innovative forestry investment model where the combination of commercial forestry and conservation on previously deforested and degraded land aims to both attractive investment returns as well as significant ecosystem and climate benefits at scale. FMO/MFF's commitment is expected to play a strong catalytic role by attracting further institutional capital to the sustainable forestry sector. In addition to generating attractive risk-adjusted returns, the Fund aims to sequester an estimated 32m tons of CO₂ (equivalent) over its life through the reforestation of degraded land. Furthermore, TIG projects that when fully implemented, the strategy would result in the restoration of native cover on up to 120,000 hectares over and above legal requirements and enhanced connectivity of natural habitats. TRF will also create sustainable, long-term local employment opportunities for the communities near and around the assets. Additional capital mobilized: \$304 Mn of additional private capital as of December 2024.
 &Green Fund &Green is a blended finance facility launched in 2017 by IDH and the Norwegian government, and managed by SAIL Investments. It provides debt financing to companies committed to deforestation-free supply chains in commodities such as palm oil, soy, rubber, and cattle, with	FMO-A Senior Debt: \$25 Mn MFF Concessional Debt: \$31.5 Mn	Use of Funds: MFF's capital supports projects across tropical forest countries that combine commercial agricultural production with tropical forest protection and restoration. Investment rationale: The Fund's mission is to deliver inclusive, sustainable, and deforestation free commodities-/forest products i.e. palm oil, soy, livestock, rubber, and plantation forestry. As part of its mission, these projects need to be embedded in a Landscape Protection Plan. The Fund's goal is to prove that financing inclusive, sustainable and deforestation-free commodity production can be commercially viable and replicable. With FMO and MFF's financing, &Green will further expand its portfolio of investments and mobilize funds from private and public institutions. MFF's financing is additional primarily by providing concessional debt with long tenor, which is scarcely available in the market.

operations embedded in tropical landscapes.		Additional capital mobilized: \$189.35 Mn from Green Climate Fund (facilitated by FMO in its capacity as Accredited Entity to the GCF); \$51 from Central African Forest Investment Building on the initial capital provided by FMO and MFF, &Green leveraged additional funding from GCF and CAFI who viewed the FMO investment as an important stamp of approval in their decision to invest in the fund.
 Fund IV EcoEnterprises Fund IV is a growth equity fund focused on Latin America and the Caribbean, investing in scalable, nature-positive businesses that conserve biodiversity, protect ecosystems, and generate sustainable livelihoods for local communities. The Fund will pursue equity/mezz growth capital opportunities in 15-20 impact-driven SMEs in nature-based businesses in Latin America.	Equity in first close MFF: \$15 Mn	Use of Funds: MFF's capital supports investments in regenerative agriculture, agroforestry, aquaculture, and ecotourism—advancing biodiversity protection, climate resilience, and inclusive rural development. Investment rationale: FMO/MFF will participate in the first close of the Fund as an anchor investor. With this fund participation, FMO/MFF will continue supporting a Fund Manager investing in future-proof companies that work on nature-based solutions and sustainable agricultural production. The sector has grown and is at a point of inflection where EcoEnterprises Partners IV will be able to invest ticket sizes between \$5-7 Mn to more mature companies, promising increasing impact and financial returns. The Fund's focus on nature-based solutions aligns well with FMO and MFF's climate objectives. Additional capital mobilized: \$37.5 Mn (Primarily Public capital) Finn Dev, IDB Invest, Visa Foundation among others
 Responsible Commodities Facility (RCF) Managed by Sustainable Investment Management Ltd. (SIM), the Responsible Commodities Facility (RCF) is an initiative that promotes the production and trading of responsible soy in Brazil, by creating a financially sustainable vehicle to provide incentives to farmers and help meet the growing international demand for zero-deforestation supply chains.	MFF Concessional Debt :\$10 Mn	Use of funds: MFF's funding enables RCF to provide lower-interest credit lines as a financial incentive to farmers through short-term crop financing for a one-year working capital loan, so farmers can buy input during the pre-harvesting season and repay the debt at the end of the season. Investment rationale: By providing USD 10 mn in the Junior/First Loss Tranche of the fund, MFF plays a catalytic role by enhancing credibility and providing much-needed risk capital to further scale the program and attract additional investors. The investment in RCF is fully aligned with FMO's Brazil Strategy of enabling mechanisms and programs that support sustainable intensification to reduce deforestation caused by agriculture. RCF is one of the few initiatives in Brazil that combines financing incentives with no-deforestation commitments in a region that is facing rapid deforestation and conversion. Additional capital mobilized: \$46 Mn Tesco, Sainsbury's, Waitrose, Agri3, IDB Invest and Rabobank

 Ecua America Teak is an Ecuadorian forestry company fully owned by Arbaro Fund (FMO is an investor in this Fund). EAT owns a plantation of 1,085 ha of total area, consisting of 869 ha planted high-quality teak.	MFF Concessional Debt: \$3 Mn FMO-A Senior Debt: \$1 Mn	Use of Funds: EAT intends to expand the existing plantation by another 500 ha, upgrade its sawmill and acquire new machinery and equipment within the next years. FMO's loan will finance this expansion. Investment rationale: EAT aims to build a sustainable forestry operation that is economically viable, environmentally sound and socially beneficial. Forestry plantations such as EAT managed in a sustainable way can provide a sustainable supply of wood, alongside positive environmental and social impacts. Wood plays a vital role in the decarbonisation of the economy, and the fact that there is an increased global demand for wood means that sustainable forestry, including plantation forestry, is essential to achieve a more climate-friendly economy and protect existing forests. FMO/MFF's funding is additional by filling a need for capital with a long tenure, which is a barrier to finance for the forest sector, especially in emerging markets.
 Treevive Treevive was established in 2021 by Form International in collaboration with FSC Nederland. The venture aims to address the growing demand for high-quality forest carbon projects by creating a Carbon Development Platform (CDP) to advise, structure, and finance forest-based Natural Climate Solutions (NCS).	Repayable Development Contribution: \$2.5 Mn	Use of Funds: MFF provided early-stage capital to develop the platform, enabling Treevive to expand the pipeline of investable Natural Climate Solutions projects through funding, structuring support, and technical assistance. Investment Rationale: Treevive will support FMO and MFF prospective clients and investees to develop quality forest carbon projects, as well as provide FMO/MFF and other DFIs with a possible pipeline of investible forestry businesses. The relationship also provides FMO/MFF with valuable insights into the complex and evolving universe of carbon financing. Additional capital mobilized: \$2.5 Mn from Triodos Regenerative Money Center
 LevasFlor is a natural forest management company managing 46,000 Ha of natural Miombo forest in central Mozambique. Operations consist of forest management, sawmilling and carpentry. It harvests ten native hardwood species. It employs a method of forest management known as Sustainable Natural Forest	Repayable/ Convertible Development Contribution: \$1.2 Mn	Use of Funds: MFF's contribution will help to finance a full feasibility study and product/market testing in order to develop a detailed business plan for a potential expansion and greater value addition to its wood products. Investment rationale: The Impact potential of LevasFlor's potential expansion is significant. The Miombo woodlands are a significant global carbon store, are under increasing threat and are not appropriately managed and conserved, despite their importance to livelihoods, climate and biodiversity for large parts of South and Eastern Africa. LevasFlor's model of sustainable nature forest management and reduced impact logging has demonstrated the potential to significantly reduce deforestation rates compared to other types of managed areas. The project also provides an opportunity for

Management, where less than 10% of forest regrowth is harvested, equating to one tree per 25 ha area per year.		FMO/MFF to gain deeper insight into the Natural Forest Management (NFM) sector through working with a long-established, FSC-certified African NFM company.
 Amazonia Nativa (AN) is an agroforestry-/afforestation project in Colombia with the objective to afforest suitable land (degraded pasture land primarily being used for cattle ranching) with a mix of native timber species and acai palms. The project aims to sequester carbon, improve soil fertility and biodiversity, reduce erosion, and provide livelihood opportunities to the local rural population.	Repayable Development Contribution: \$1.1 Mn	Use of funds: The Development Contribution has funded the pilot phase of the project to plant 550 ha (530 ha native timber species, and 20 ha acai palms) to demonstrate that the program is scalable to at least 7,500 ha. Investment rationale: Amazonia Nativa's model involves the afforestation of degraded ecosystems to deliver climate change mitigation outcomes, whilst supporting local economic development. The project is being delivered by a highly credible partnership between a local forestry operator with proven track record and deep knowledge of the Colombian context, and an international carbon project developer with experience, resources and a large network of potential funders and carbon credit off takers. If successful, the pilot project has high potential to be both scalable and replicable. The project also presents an opportunity for FMO/MFF to gain exposure to the native species plantations, seen as important emerging area in forestry for the protection and enhancement of biodiversity. Additional capital mobilized: The Pilot project is co-financed by an equal contribution from Impact Fund Denmark (the Danish DFI). Private investors are expected to provide scale-up financing of around \$40 Mn.
 (via EcoEnterprises Fund) Terrasos is a Colombian environmental services firm that structures and operates Habitat Banks for biodiversity offsets, aligned with Colombia's compliance market. The company plays a pioneering role in advancing market-based solutions to ecological conservation.	Repayable Development Contribution: \$0.590 Mn	Use of Funds: MFF capital supports the development of diversified revenue streams to enhance the financial resilience and scalability of Terrasos' model. Investment rationale: Terrasos' core business model involves the protection and restoration of valuable threatened ecosystems, including forested areas. By structuring the facility with existing FMO investee (EcoEnterprises Fund), FMO works with a familiar and trusted party with deep biodiversity expertise and a solid track record in managing impactful SME investments in LAC. Terrasos is an exciting opportunity for FMO and MFF to start to deliver on its biodiversity ambitions, and to gain exposure to the novel and emerging market for biodiversity credits. By backing a global frontrunner in the sector, FMO/MFF can build much needed expertise in this increasingly important focus area for results-orientated impact generation and coordinated conservation interventions.

MFF has demonstrated that its model is effective and scalable, and can serve as a reference point for future program design looking to scale investment in frontier sectors and markets. Furthermore, MFF has shown that additional concessional funding sources can be absorbed into an existing program without changing the architecture, as shown through the second contribution to the program by the Netherlands' Ministry of Foreign Affairs, and that scaling existing facilities can be more efficient and impactful than designing new programs from scratch.

4A. Lessons Learned from Capital Investment Transactions

Lesson 1ⁱⁱ: Catalytic finance programs require patient capital, institutional learning, and a tolerance for uncertainty. Deploying MFF capital in the FSLU space meant building in-house expertise, navigating unfamiliar risks, and doing so without a clear blueprint. MFF's mandate meant entering high-risk, underdeveloped sectors and geographies where commercial capital was scarce and regulatory pathways were still evolving. Early deployment was slow—reflecting both the need for new partnerships and the internal adjustments required within FMO to operationalise long-horizon, complex investments. Over time, the program proved catalytic: helping define bankable models, crowd in other DFIs, and signal to the market that blended finance can be an effective tool in this space. Progress depended on building internal capacity, being patient with returns, and adjusting the model along the way—a blend of risk appetite, learning mindset, and flexibility that future programs in frontier sectors will also need.

Lesson 2ⁱⁱⁱ: Embedding ESG frameworks can unlock both impact and institutional transformation. MFF demonstrates that robust ESG integration is not just a safeguard—it's a lever for value creation in high-risk sectors. FMO's strong institutional focus on ESG leads to intensive ESG engagement with investees in the MFF program. ESG risk assessments, mitigation plans, and impact strategies have been hardwired into project design and implementation, strengthening corporate governance, positive environmental impact, and socially inclusive practices. Through this structured engagement with higher-risk clients and capacity-building initiatives, MFF investments have raised green and inclusive standards and strengthened corporate governance.

Lesson 3: The availability of concessional MFF funding played a crucial role in enabling FMO to expand its resources dedicated to higher-risk investments in FSLU, alongside continuing to finance more mature forestry business models. The MFF program has been a catalyst for FMO to increase its in-house technical capacity for investing in the FSLU sector, particularly in more novel sub-sectors like natural forest management or models that generate revenue from carbon and biodiversity credits. Interest among other DFIs in FSLU investments is also growing, particularly among those with net-zero goals, and through MFF, FMO has played a key role in helping to enable this. However, concerns remain around broader market risks that have limited the pace of scaling.

Lesson 4: Setting up and getting a program off the ground requires a lot of work and resources, but future scaling is less resource-intensive. Building the internal capacity and systems to identify, evaluate, and manage FSLU projects in emerging markets is complex and requires significant upfront investment by the facility manager in designing and implementing a new facility. In contrast, the Ministry of Foreign Affairs of the Netherlands was able to leverage much of the work that had already been done by FMO and UK Government in the early years of setting up the MFF program and was therefore able to more easily join the program as a second contributor. Future funding for programming should look to leverage existing initiatives and facilities wherever possible in order to decrease start-up resource needs, create efficiencies, and move at pace and at scale.

Lesson 5: There is an implicit trade-off to balance between a global, broad-focused program versus more targeted sub-sectoral or regional strategies. MFF's wide sectoral and geographic scope enabled innovation, increased learning opportunities and diversification of investible models and risks, and facilitated pipeline development in the still relatively nascent FSLU sector. However, the broad focus also makes it difficult to compare transactions. More targeted mandates or the development of sub-sector-specific Theories of Change could enable more meaningful aggregation of results, and support the replication of what works, although that design may have to contend with a limited pipeline and/or higher risk inherent to a lack of portfolio diversification. A fund-level Theory of Change remains useful, but it should be matched by investment selection criteria and learning systems that reflect the differentiated pathways within broad sectors like FSLU.

4B. Lessons Learned from Development Contribution Transactions

Lesson 1: Development contributions for incubating models and advancing the bankability of pilots are most effective when closely linked with follow-up investment opportunities. MFF has identified a strategic advantage in closely linking development contributions with its investment pipeline, a practice that could similarly benefit other Funds. In practice, this has meant grants/TA professionals and investment professionals in FMO working jointly on MFF Development Contribution transactions. Close linkages increase the potential for follow-on investment, replication and scaling.

Lesson 2: The Development Contribution Facility (DCF) has allowed MFF to gain exposure to innovative business models in nascent sectors, developing relationships and knowledge in the process. The DCF design provides a pathway for pioneering more adaptive, impact-driven models, which may be outside investors' normal investment profile, strategy, and risk appetite. The MFF DCF has enabled FMO to deliver pioneer transactions into novel FSLU sub-sectors as biodiversity credits/offsets, native timber species plantations and sustainable natural

forest management. Access to a facility like the DCF can enable DFIs to finance more innovative or nascent models and learn and become more comfortable with the sub-sector in the process.

4C. Lessons learned from TAF Activities

Lesson 1: Early-stage TA to test and de-risk innovative models helps accelerate multi-investor alignment and improves investability in emerging markets. As one example, MFF's TAF supported the Smallholder Agroforestry Finance (SAF) Fund — established to finance [Acorn projects](#) — to validate key aspects of its business model and strengthen investor readiness. The TA focused on four core areas: assessing smallholder-level economic viability, evaluating environmental and social (E&S) risk management systems, reviewing the capacity of local implementing partners, and ensuring best practice in terms of client protection principles. The assignment coordinated technical input and field research across Colombia, India, and Zambia. Its outputs directly informed and improved the SAF model, while also supporting due diligence processes for potential lenders, including FMO, other DFIs and private investors.

Lesson 2: Structured and long-term peer learning platforms can accelerate strategy development and investment action in complex, fast-evolving sectors such as carbon markets. Through its Carbon Integrity workstream and DFI Community of Practice, the LCIP created a space for peer learning, tool testing, and expert engagement on supply- and demand-side carbon integrity in 2022/23. In terms of outcomes, one participating DFI used insights from LCIP sessions and knowledge products to inform its internal policy development, strengthen its investment screening practices, and ultimately to announce its first investment in a high-integrity carbon project. This demonstrates how targeted convenings and applied knowledge tools can support institutional decision-making and enable credible entry into challenging market spaces.

Lesson 3: Close integration of TA activities with learning and convening activities enhances strategic alignment and increases the value of TA. Strong collaboration — including early-stage sharing of TA project terms of reference and joint reflection mechanisms — has helped to identify learning opportunities which can effectively support both MFF investment decision making and strengthen the capacity of the wider investor ecosystem to deploy capital in FSLU. Delivering TA and learning activities as separate but complementary components requires active coordination to ensure alignment across task planning, execution, and insight capture, and to enhance the strategic value of both the TA and the learning components. As future programs are designed, intentional integration of these functions can help embed learning into program delivery and support scaling objectives.

Lesson 4: Balancing a menu of TA offerings with bespoke support can unlock greater relevance and responsiveness. While standardised service menus can improve efficiency and visibility of TA offerings, many investment contexts require tailored, context-specific solutions. The MFF experience shows that impactful TA often emerges from the ability to adapt quickly to investee needs, particularly in emerging sectors. Striking the right balance between structured options and bespoke services—supported by embedded partnerships—can enable more targeted support while maintaining delivery at scale.

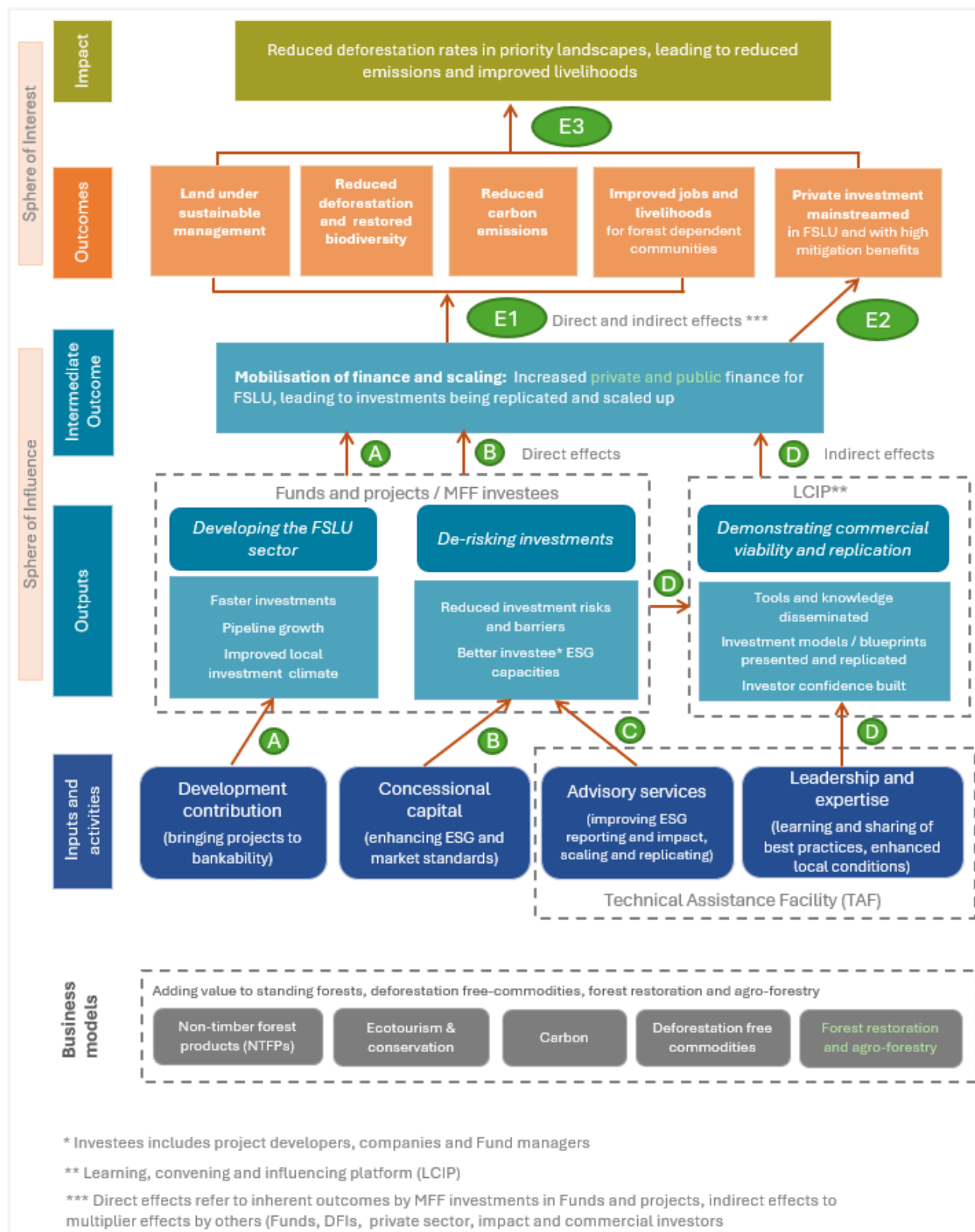
5. Impact

5A. Measurement and Reporting

MFF's impact measurement framework is anchored in its Theory of Change, which maps a clear results chain from activities to outputs, intermediate outcomes, and final outcomes. Progress is tracked through a set of defined Key Performance Indicators (KPIs), updated annually by a dedicated monitoring team that collects and validates data from investees. In line with UK government development finance-funded programs, MFF uses a logical framework to manage and report on progress and impact. This framework includes indicators at multiple levels, ensuring structured, transparent, and consistent measurement.

- **Outputs:** Measures such as investment readiness, improved ESG capacity, and enhanced enabling conditions.
- **Intermediate Outcomes:** Mobilisation of private and public capital for FSLU, and replication or scaling of investment models.
- **Outcomes and Impact:** Environmental and social outcomes—such as land under sustainable management, reduced emissions and deforestation, improved livelihoods—contribute to the program's overarching impact of climate mitigation and resilience in priority landscapes.

Furthermore, MFF's KPIs are aligned with the UK government's standard indicators for international climate finance (ICF) Theory of Change, as well as key indicators from the Netherlands' Ministry of Foreign Affairs impact framework, and are evaluated annually⁴. This ensures coherence with donor expectations and enabling ICF portfolio-level aggregation of results. The program's monitoring and evaluation function supports both accountability and learning, allowing for iterative improvements in strategy and implementation.



Source: MFF Evaluation Report, 2024

⁴ Fcd0.gov.uk. (2025). [DevTracker Program GB-GOV-13-ICF-0040-MFF Documents](#).

5B. Scalability and Replicability

MFF's structure, at its core, is a flexible facility that offers three types of concessional capital—I) equity and concessional debt, 2) Repayable Development Contributions and 3) Technical Assistance grants. These instruments can be layered within the same investment, either simultaneously or sequentially, allowing capital to evolve with project maturity and risk profile.

This architecture is intentionally replicable. It brings together a development finance institution (FMO), long-term concessional capital, and a dedicated investment platform, creating a model that can be applied to any sector where high-impact investments are held back by long payback periods, early-stage business risks, or weak enabling environments. As risk declines, the model enables a gradual crowd-in of FMO's own capital, other DFIs, and ultimately commercial investors—catalyzed not just by financial structuring, but by hands-on support to improve bankability and reduce uncertainty.

Alongside investment, MFF provides tailored advisory support, both pre- and post-investment. This includes operational support to investees to scale, replicate, or improve business models, and to integrate ESG and impact measurement systems. Complementing this is the Learning, Convening, and Influencing Platform (LCIP), which addresses systemic barriers by producing tools, guidance, and research, and convening investors to share lessons. These functions enhance the enabling environment and build investor readiness, and lay the groundwork for replication at scale.

Additional donor capital can and has already been integrated into the facility to further test and scale what works without redesigning the architecture. The model also has the potential to integrate other funding sources: foundations, philanthropies, and mission-driven funders can potentially deploy capital within the same framework, enhancing its scale and impact.

Acronyms

AFF	Agribusiness, Food & Forestry
BII	British International Investment
CAFI	Central African Forest Initiative
CDP	Carbon Development Platform
DC	Development Contribution
DESNZ	Department for Energy Security and Net Zero
DFI	Development Finance Institution
DFI CoP	Development Finance Institution Community of Practice
EAT	Ecua America Teak
E&S	Environmental and Social
ESG	Environmental, Social, and Governance
FID	Finance, Impact and Data
FMO	Dutch Entrepreneurial Development Bank
FSC	Forest Stewardship Council
FSLU	Forests and Sustainable Land Use
GCF	Green Climate Fund
ICF	International Climate Finance
IFU	UK Government's International Forests Unit
KPI	Key Performance Indicators
LCIP	Learning, Convening, and Influencing Platform
MEL	Monitoring, Evaluation & Learning
MFF	Mobilising Finance for Forests
NCS	Natural Climate Solutions

PE	Private Equity
RDC	Repayable Development Contribution
SAF	Smallholder Agroforestry Finance
SME	Small and Medium-sized Enterprise
TA	Technical Assistance
TAF	Technical Assistance Facility
ToC	Theory of Change
TRF	The Reforestation Fund
VCM	Voluntary Carbon Market

ⁱ IFC. (n.d.). [Using Blended Concessional Finance to Invest in Challenging Markets](#).

ⁱⁱ FMO MFF Evaluation – Final Report – Volume I, (April, 2025)

ⁱⁱⁱ FMO MFF Evaluation – Final Report – Volume I, (April, 2025)