

ISF

Assessment of investment funds
supporting tropical forest areas and
communities

July 2020

Purpose of this report

ISF Advisors created this report to provide insight into the landscape of investment vehicles that support forest-dependent communities and smallholder farmers in tropical forest areas.

This report presents our findings from the landscape analysis, dissects emerging trends and identifies gaps and opportunities in this space. The intended audience is the impact investing community, including donors, asset owners and managers, and advisors.

This research has been generously funded by a grant from the David and Lucile Packard Foundation.

For questions or comments on the research, please contact ISF Advisors:

Dan Zook

Executive Director

dan.zook@isfadvisors.org

Ana Raviña Eirín

Manager

ana.ravina@isfadvisors.org

Sommers Kline

Senior Associate

sommers.kline@isfadvisors.org

ISF is an advisory team for the development of financial solutions serving the rural enterprise market

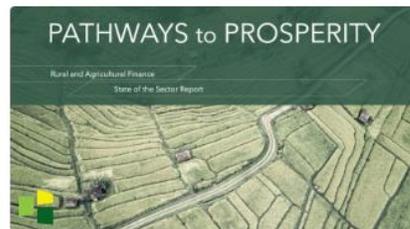


ISF is an advisory group committed to transforming rural economies by delivering **partnerships and investment structures** that promote financial inclusion for rural enterprises and smallholder farmers

ISF's primary role is to act as a "**design catalyst.**" The emphasis is on mobilizing additional financing for rural enterprises and seeding replication of innovative models

ISF's activities are backed by **deep research** into critical issues affecting smallholder finance

Recent ISF publications



[Pathways to Prosperity: 2019 Rural and Agricultural Finance State of the Sector Report](#)



[COVID-19 Emergency Briefing: Agri-SMEs operating in uncertain financial, operational, and supply chain conditions](#)



[Strategies for supporting sustainable and climate-smart advisory services](#)



[Role of Government in rural and Agri-Finance: Transitioning to private sector involvement](#)

ISF has extensive research on agricultural finance and has developed a fund database that catalogues funds in this space

ISF's [Fund Database](#) catalogues funds that focus on smallholder farmers and rural enterprises. The fund database, available on ISF's website, has been recently updated to reflect additional funds that focus on smallholder farmers in tropical forest areas

Explore our database of 100+ funds in smallholder finance to get to know different blended finance and impact investing approaches.

FUND DATABASE

Fund	Fund Manager	ISF Archetype	Investment Region	Fund Size in USD MM
		Show All ▾	Show All ▾	
Green Climate Fund (GCF)	GCF	Wholesale	Multiple	\$10,300
I&P Afrique et Entrepreneurs (IPAE)	I&P Investisseurs & Partenaires	Local/ small regional	Sub-Saharan Africa	\$60
I&P Développement 1 (IPDEV1)	I&P Investisseurs & Partenaires	Local/ small regional	Sub-Saharan Africa	\$12
I&P Développement 2 (IPDEV 2)	I&P Investisseurs & Partenaires	Wholesale	Sub-Saharan Africa	\$22
ICCO Guarantee Fund	ICCO	Wholesale	Multiple	NA
Impact Finance Fund	Impact Finance Management	Niche impact	Multiple	\$66

Table of Contents

Context and Objectives

Landscape and Analysis of Funds

Trends, Gaps, and Opportunities

Appendix: Case Studies, Fund Information and Interviewees

Tropical landscape funds have the potential to catalyze sustainable use and conservation of tropical forest areas

Project context

- **Deforestation in tropical forest areas threatens the livelihoods** of local communities
- These same communities have the **potential to manage and conserve these forest areas** while generating sustainable livelihoods, but need capital to stimulate growth
- While there is a **small and growing number of impact funds** focused on supporting these communities; shared knowledge of this space and investment in these funds still remains nascent
- **ISF has set out to assess the space of tropical forest funds** to understand best practices, gaps, and opportunities for investment to share with the broader impact investing community

Methodology

- In order to build the landscape and analyze the space, ISF Advisors performed desk research and interviewed key stakeholders
 - Conducted **20 interviews** with fund managers and experts
 - Analyzed database of **~100 funds**, identifying **26 investment structures** focused on tropical landscapes and forest-dependent communities

Executive summary: There are opportunities to make tropical forest funds more attractive to investors and reach more inclusive outcomes

Landscape assessment

- **We identified 26 funds in tropical forest areas** that benefit smallholder farmers and forest-dependent communities. These funds represent \$2.6B in capital and focus on investees generating revenue from forestry and agriculture products
- **Investors are interested in dedicating capital to this space** and are increasingly exploring blended finance approaches
 - Investors are increasingly integrating rural development, climate, and conservation agendas
 - DFIs and bilaterals are the most common investors in this space, and corporates are increasingly interested
- Fund managers are able to mobilize capital and have increasing sophistication around this space, as reflected in the myriad of unique investment strategies, but still **face challenges to scale and impact. Only a small set of funds are able to balance conservation and livelihood impacts effectively**
 - Funds often fail to include vulnerable populations, particularly women, in their impact strategy, missing out on opportunities for long-lasting impact
 - Combatting deforestation, incentivizing conservation, and improving livelihoods requires mobilization of significant capital, but funds struggle with scale, particularly the small set of funds balancing conservation and livelihood impacts
 - There is industry-wide recognition that there are limitations to traditional fund structures because of the requirement for highly tailored projects and long investment timelines
- A key challenge expressed by fund managers is the **slim pipeline of investable projects and lack of consensus** around best practices for pipeline development

Opportunities

- **“Get smarter” around pipeline development** by partnering with project developers to create investable projects on the ground, dedicate resources to develop learnings and share knowledge, and harmonize the investment process to allow for scale
- **Mobilize patient capital** through blended finance approaches, led by DFIs and/or family offices, and unlock commercial capital
- **Pursue more flexible investment structures** to explore alternative structures for capital mobilization and impact
- **Integrate gender equity and inclusivity** of vulnerable populations to create long-lasting impact and attract aligned investors

Table of Contents

Context and Objectives

Landscape and Analysis of Funds

Trends, Gaps, and Opportunities

Appendix: Case Studies, Fund Information and Interviewees

Our analysis focuses on impact funds in tropical forest areas benefitting smallholder farmers and forest-dependent communities

- Despite numerous interventions, **smallholder farmers' income remains low and unsustainable agriculture practices continue to drive forest degradation**
 - The majority of commodity-producing households have incomes below living standards and the extension of the agricultural frontier is the main cause of deforestation
 - Interventions have traditionally included provision of inputs, support of producer organizations and certification processes, and/or development of infrastructure
- Reversing the environmental degradation trend and promoting rural sustainable development for forest-dependent communities **requires working closely alongside these groups**
- Normally these populations, which have the potential to safeguard the planet's natural capital, want to conserve their land and biodiversity, but **lack the resources to sustainably manage it, while maximizing income generation**
- A critical issue in supporting smallholder agriculture is **attracting the necessary capital, particularly from the private sector, to stimulate growth** of the agricultural sector and ensure strong livelihoods, proper nutrition, and food security
 - Small producers face a number of barriers in order to access capital to invest, including weak business cases, lack of commercial management skills and small transaction sizes, among others, make projects unattractive to investors

Fund landscape analysis criteria

ISF scanned for funds that aim to generate positive financial returns, while creating impact through:

- 1 **Environmental impacts** (e.g., through conservation of tropical forest areas or sustainable land use)
- 2 **Social impacts** for communities (e.g., income increase and livelihood betterment)

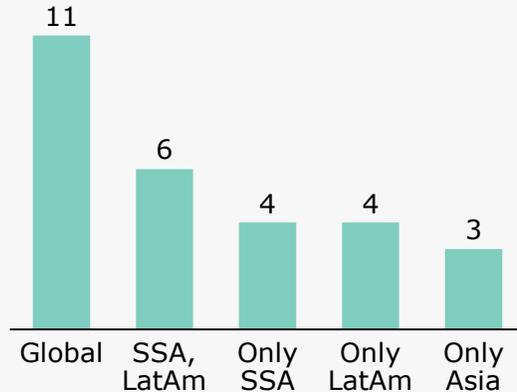
We identified 26 aligned investment funds



The majority of identified funds manage between \$50M and \$150M, invest globally and offer equity and debt

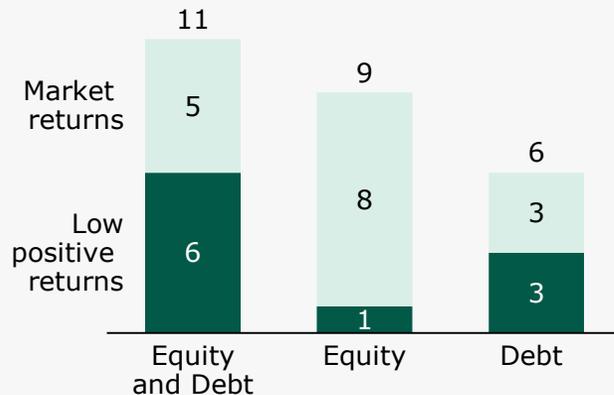
Fund characteristics

Target tropical forest regions
(# of funds¹; N=28)



The majority of identified funds focused on Asia only are forestry-focused, while most of the identified funds focused on LatAm only target investees using agroforestry practices

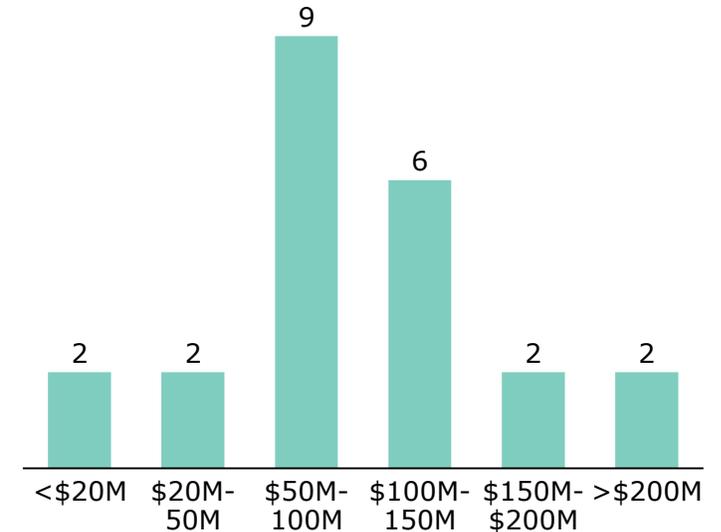
Investment instrument by return profile
(# of funds; N=26³)



Despite most funds being impact-first, they still target market-level returns

Size of fund

(# of funds; N=23²)



- Size of fund typically correlates to ticket size; identified funds on average have a minimum ticket size of \$5.2M, but for funds of >\$150M the average minimum ticket size is \$15M
- Forestry-focused funds use larger ticket sizes than ag-focused funds

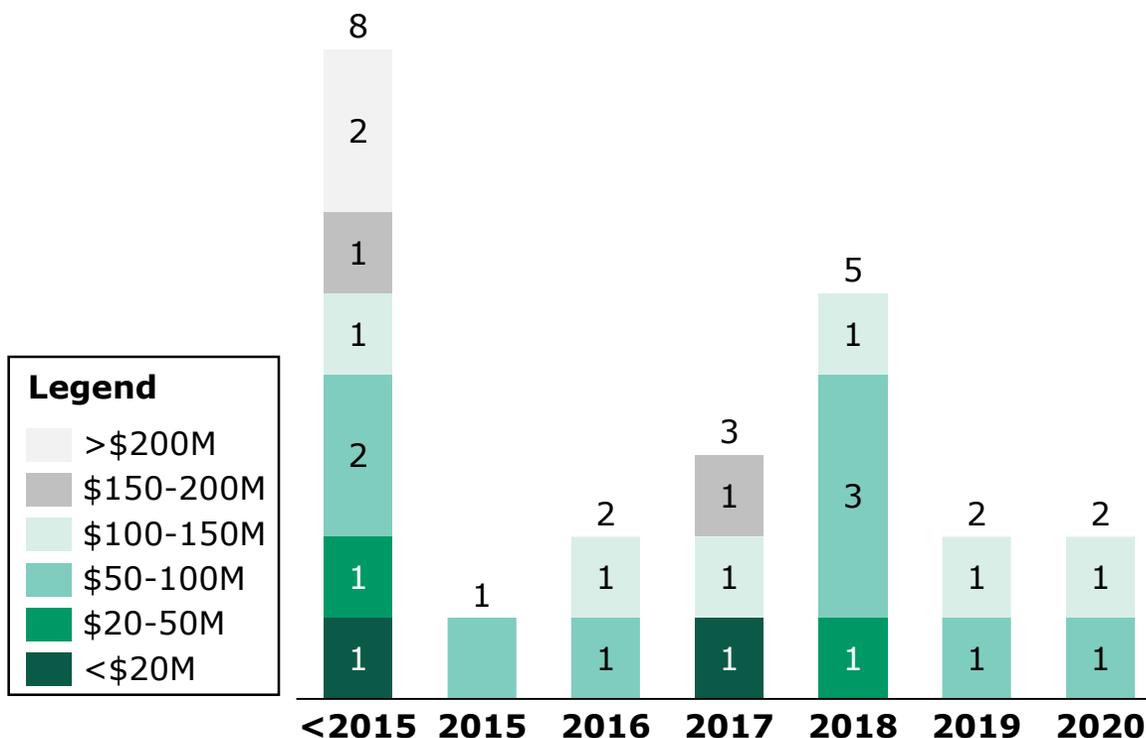
Note(s): (1) Fund iterations are disaggregated in dataset (e.g., EcoEnterprises Partners is separated into its two funds; (2) Data represents funds raised (not target fund size) and does not include L3F, LXG, Terra Bella Colombia Fund, or TAFF2 because data is not disclosed; does not include GEF because cannot disaggregate fund amount dedicated to tropical forest investments (3) The dataset does not include Terra Silva or LXG Amazon Reforestry Fund because information is not available

Source(s): ISF Fund Database

Combined, tropical forest funds in our sample represent \$2.6B in funds raised and the majority were created in the last 5 years

Year of fund inception by fund size

(# of funds; N=23¹)



Total funds raised² (\$M)

1,256 84 195 292 340 222 202

- **26 funds** aligned with the focus of the report were identified. Combined, **these funds represented \$2.6B in funding** for the space
 - **Several newer funds such as &Green, AGRI3, and IDH Farmfit Fund, aim to unlock additional capital** by co-investing or taking a junior position on investments³
- The majority of tropical forest funds were **created in the last 5 years** and manage more than \$50M
- Funds created prior to 2015 are typically forestry-focused or ag-focused; **hybrid funds (that focus on agriculture and forestry) are relatively new to this space**
- The majority of funds (c. 68%) have a TA Facility
- In this space, the average fund size is c. \$150M and there is not huge differentiation between fund sizes

Note(s): (1) Fund iterations are disaggregated in dataset (e.g., EcoEnterprises Partners is separated into its two funds); data represents funds raised (not target funds) and does not include L3F, LXG, Terra Bella Colombia Fund, or TAFF 2 because data is not disclosed; does not include GEF because cannot disaggregate fund amount dedicated to tropical forest investments (2) Total funds raised represents size of fund that was created in each year, but does not necessarily reflect year that the funds were raised; (3) More information in slide 23

Source(s): ISF Fund Database

Funds in our analysis fit into three categories depending on the revenue-generating activities of their investees

	Ag-focused funds	Hybrid funds	Forestry-focused funds
<i>Source of economic value creation</i>	Cooperatives/producer organizations or agribusinesses that source from farmers that grow produce adjacent to tropical forests	Cooperatives/producer organizations or agribusinesses that source from farmers that grow produce or harvest non-timber forest products from tropical forests	Companies that source timber sustainably for sale or for high-value timber products
<i>Source of impact creation</i>	Focused on livelihood improvements through higher incomes and more jobs created. Sub-focus on sustainable land management and/or conservation of adjacent forest areas	Focused on livelihood improvements; investments incentivize sustainable forest management directly or indirectly	Focused on sustainable forest management and livelihood improvements through income from forest-related non-agricultural products
<i>Examples of funds</i>	 <p>The IDH Farmfit Fund invests in agribusinesses in staple and cash crop supply chains to benefit farmers</p>	 <p>Moringa invests in companies that source from agroforestry plantations to benefit farmers and conserve forests</p>	 <p>New Forest's Tropical Asia Forest Fund supports companies with sustainable timber plantations to conserve forests</p>

Tropical forest funds focus on investees that generate revenue mainly from forestry and agriculture products

Source of investee revenue

Categories	Sub-categories	Descriptions	Fund types		
			Forestry	Hybrid	Agriculture
Timber	Sustainable timber	Timber sustainably harvested from tropical forests	✓		
	Value-added forest products	Timber (e.g., furniture) or non-timber products (e.g., latex) that require additional processing	✓		
Value-addition activities	Value-added ag products (in forest)	Products made from produce grown in the forest (e.g., mango juice)		✓	✓
	Value-added ag products (ex-forest)	Products made from produce grown adjacent to forests (e.g., chocolate)		✓	✓
Non-timber forest products	Non-timber forest products	Forest products that are not timber such as honeybee products, rubber, minerals, and tourism		✓	✓
Agriculture	Agroforestry commodities	Produce integrated with forested areas		✓	✓
	Agricultural commodities (ex-forest)	Produce grown outside of forest, but adjacent to tropical forest areas			✓
Carbon offsets	Carbon offsets	Carbon reductions sold as offsets; added benefit for funds, but rarely contributes significant value	✓	✓	✓

Source(s): "Scaling Impact Investment in Forestry", GIIN, April 2019; ISF Database; ISF Interviews

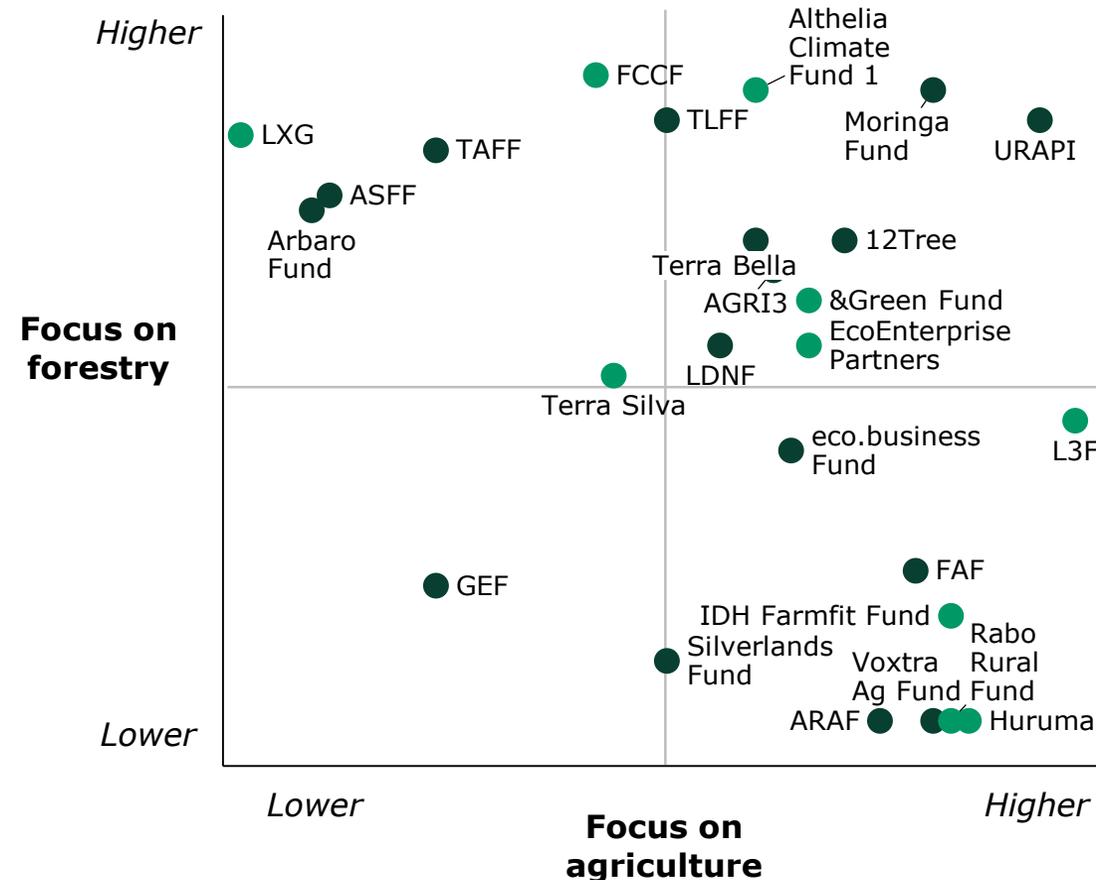
In our sample of funds, we find significant diversity in terms of vintage, size and type

Fund name	Fund manager	Type of fund	Vintage	Fund size (\$M) ⁴
1 Global Environmental Fund (GEF)	GEF Capital Advisors	Hybrid	1990	1,000
2 Silverlands Fund I and II	SilverStreet Capital	Ag-focused	2012	450
3 eco.business Fund	Finance in Motion	Hybrid	2014	383
4 Sustainable Agroforestry Fund for Latin America ¹	12Tree	Hybrid	2017	150
5 Huruma Fund	GAWA Capital	Ag-focused	2019	132
6 &Green (andGreen) Fund	SAIL Ventures	Hybrid	2017	127
7 Africa Sustainable Forestry Fund II	Criterion Africa Partners	Forestry-focused	2018	116
8 IDH Farmfit Fund	IDH Investment Management	Ag-focused	2020	110
9 Althelia Climate Fund 1 (ACF1)	Althelia	Hybrid	2013	100
10 Land Degradation Neutrality (LDN) Fund	Mirova	Hybrid	2016	100
11 Tropical Landscape Finance Facility (TLFF)	ADM Capital	Forestry-focused	2018	95 ⁵
12 AGRI3 Fund	Mirova, Cardano Development, Fount	Hybrid	2018	92
13 Terra Silva	NA	Hybrid	2019	90
14 Moringa Fund	The Moringa Partnership	Hybrid	2015	84
15 EcoEnterprises Partners II & III ²	EcoEnterprises Fund	Ag-focused	2018	74
16 Arbaro Fund	Finance in Motion & UNIQUE Group (jointly led)	Forestry-focused	2018	60
17 Fairtrade Access Fund (FAF)	Incofin	Ag-focused	2012	60
18 Rabo Rural Fund	Rabobank	Ag-focused	2011	60
19 Acumen Resilient Agriculture Fund (ARAF)	Acumen	Ag-focused	2018	50
20 URAPI Sustainable Land Fund (Urapí SLF)	ECOTIERRA	Hybrid	2018	40
21 Voxtra East Africa Agribusiness Fund	Voxtra	Ag-focused	2011	18
22 Forestry and Climate Change Fund (FCCF)	FCCF	Forestry-focused	2017	15
23 Livelihoods Fund for Family Farming (L3F)	Livelihoods	Ag-focused	2015	NA
24 LXG Amazon Reforestry Fund	LXG Asset Management	Forestry-focused	2016	NA
25 Terra Bella Colombia Fund	Terra Global Capital	Hybrid	2016	NA
26 Tropical Asia Forest Fund (TAFF and TAFF2) ³	New Forests	Forestry-focused	2020	NA

Note(s): (1) Fund size is fundraising target; (2) Fund information for EcoEnterprises Partners III; EcoEnterprises Partners II has a fund size of \$35M and began in 2014; (3) Fund information for TAFF2, TAFF has a fund size of \$150M and began in 2012; (4) NA means "not available"; (5) \$95M represents the size of TLFF's first transaction
Source(s): ISF Fund Database

Tropical forest funds typically focus on agriculture or forestry, with a group of funds balancing both focus areas

Fund Mapping



Legend ● Market returns ● Low positive returns

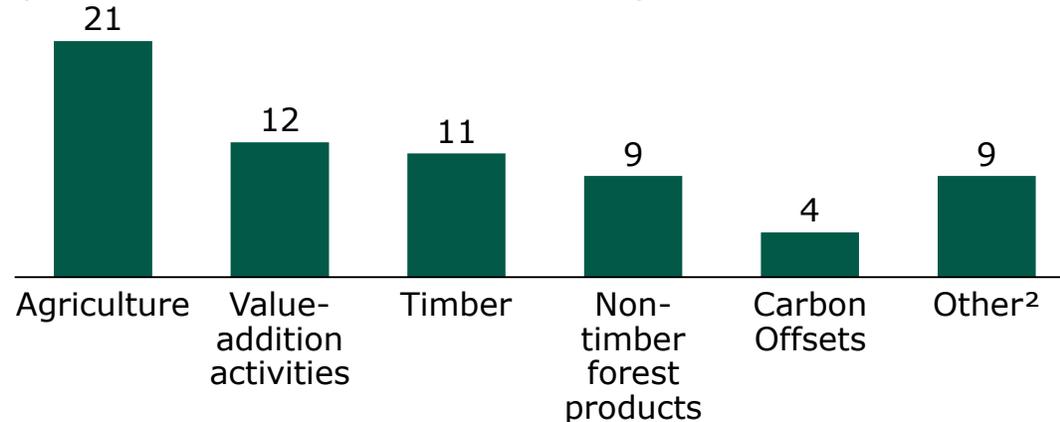
- Due to the complexity of creating economic return and impact in tropical forest areas, **fund managers have typically taken a one-dimensional approach, focusing primarily on 1) agriculture or 2) forestry**
- Recently, funds have been created with the aim to balance both focus areas, which typically requires:
 - Deep local experience
 - Tailored pipeline of projects
 - Ear-marked capital for and long periods of pre-investment project support
- Funds balancing objectives on agriculture and forestry areas **typically target investees closer to farmers in the value chain** (e.g., cooperatives, agri-MSMEs)

Note(s): (1) Fund abbreviations are TAFF: Tropical Asia Forest Fund; LDNF: Land Degradation Neutrality Fund; TLFF: Tropical Landscape Finance Facility; FCCF: Forestry and Climate Change Fund; URAPI: URAPI Sustainable Land Fund; L3F: Livelihoods Fund for Family Farming; LXG: LXG Amazon Reforestry Fund; ASFF: Africa Sustainable Forestry Fund; GEF: Global Environmental Fund; FAF: Fairtrade Access Fund; ARAF: Acumen Resilient Agriculture Fund
 Source(s): ISF Fund Database

The funds we profiled prefer investees that produce high-value timber products or commodities

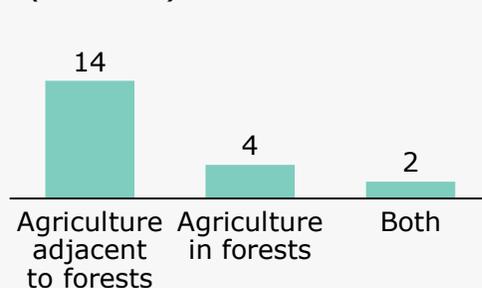
Source of investee revenue

(# funds with each source of revenue¹)

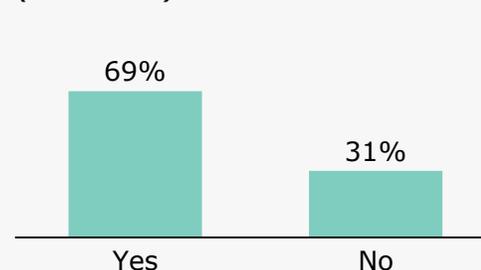


Information on funds with agriculture revenue (N=21)

Agricultural revenue in forest vs. ex-forest
(# funds)



High-value commodity focus
(% funds)



- Tropical forest funds that target investees **closer to the producer level are often able to effectively balance conservation and livelihoods goals**
 - However, targeting cooperatives and agri-MSMEs requires very tailored approaches
 - Funds often prefer to invest in larger agribusinesses and/or financial institutions that are farther upstream
- For sampled ag-focused and hybrid funds, investees typically **focus on high-value commodities**
 - Cocoa and coffee are common given the strong buyer demand for sustainably managed produce
 - Funds **rarely focus on investees targeting subsistence crops**; typically funds find value in crops that have strong growth prospects domestically or internationally
- Investees generating agricultural revenue typically **focus on production adjacent to forests** rather than agroforestry operations
- Forestry funds often **generate value from high-value timber products, but are increasingly integrating agriculture** through agroforestry

Note(s): (1) Funds target a variety of investees with different sources of revenue; count encompasses all investees; if a fund invests in companies with agriculture and timber revenue, then each instance would be counted once; (2) Other includes financial institutions and other service providers that do not generate revenue directly from forestry or agriculture products

Source(s): ISF Fund Database

While funds have overlapping impact goals, there is no common set of standards or metrics

	Impact measurement trends	Ag-focused funds	Forestry-focused funds
Common impact metrics	<ul style="list-style-type: none"> • Funds typically choose metrics that align with their mission and interest of investors • While there is limited consistency across funds they often use similar types or combinations of metrics • Notably, gender equality is not a common impact goal, nor the protection of other vulnerable groups 	<ul style="list-style-type: none"> • Farmers impacted • Jobs created • Contribution to household income • Area under improved management / restored • Biodiversity improvement 	<ul style="list-style-type: none"> • Jobs created • Contribution to household income • Area under improved management/ restored • Biodiversity improvement • Tons of CO2 mitigated¹
Third-party standards used	<ul style="list-style-type: none"> • Funds with investment strategies that generate impact in an indirect way rely on certifications as a seal of approval • Forestry funds are consistent in their use of third-party standards; most use the FSC and/or the IFC Performance Standards • Ag-focused funds do not often use third-party standards, but sometimes a sustainability certification standard will be used, particularly when it adds value 	<ul style="list-style-type: none"> • IFC Performance Standards • Fairtrade certification • Rainforest Alliance certification 	<ul style="list-style-type: none"> • IFC Performance Standards • Forest Stewardship Council (FSC) • Climate, Community, and Biodiversity Alliance (CCB) • Verified Carbon Standard (VCS)

There is a need to further standardize metrics across investment managers and work on the connection between metrics used, which normally refer to outputs, with outcomes generated by the investments

Legend Social impact metric Environmental impact metric

Note(s): (1) Ag-focused and hybrid funds monetizing carbon offsets would also use this impact metric, but are less likely to monetize carbon than forestry-focused funds
 Source(s): ISF Fund Database

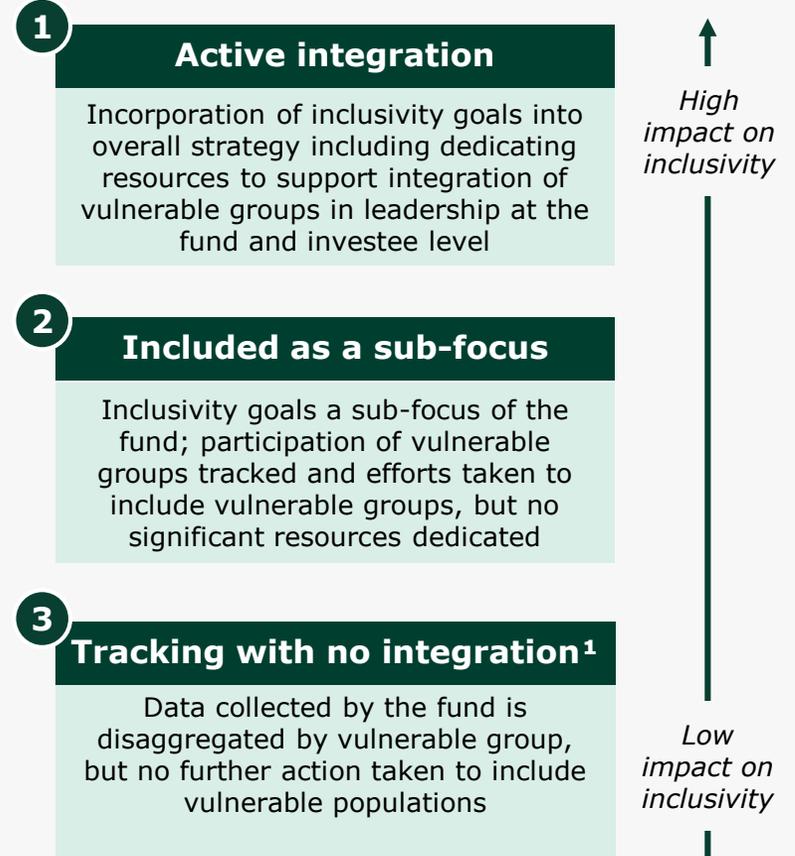
Funds rarely prioritize inclusivity of marginalized groups, but this may change as investors push for gender equality interventions

- Vulnerable groups including women, indigenous communities, and youth are important members of forest-dependent communities, but are **often given low priority by funds** in this research
- Including perspectives of women, indigenous populations, and youth in project development and value creation interventions can be key to creating long-lasting impact
 - Women, indigenous communities, and youth suffer disproportionately from the impacts of deforestation
 - These groups are also well-positioned to sustainably manage forest areas as they rely on forest products and have traditional knowledge for sustainable management
- Investors such as FinDev Canada and the Green Climate Fund are placing an **increasing emphasis on gender equality policies in their investments and incentivizing funds to incorporate gender equality as an impact goal**. Certification standards are also increasingly incorporating sex-disaggregated metrics and objectives

Best practice examples

- Assess barriers to inclusivity within investees
- Create action plans through TA facilities for women, youth, and indigenous communities
- Track and report # of women and other vulnerable groups in decision making roles
- Set investees integration objectives and tie follow-on financing to the attainment of those metrics

Fund approaches to inclusivity of vulnerable groups



Note(s): (1) Funds often track because of requirements from FSC and IFC Performance Standards

Source(s): "How to mainstream gender in forestry", FAO, 2016; "Gender and Sustainable forest Management: Entry Points for Design and Implementation", Climate Investment Funds, 2017; "The Fair Wood research project", WWF, The Eco Innovation Foundation, FSC; ISF Fund Database; ISF Interviews

Table of Contents

Context and Objectives

Landscape and Analysis of Funds

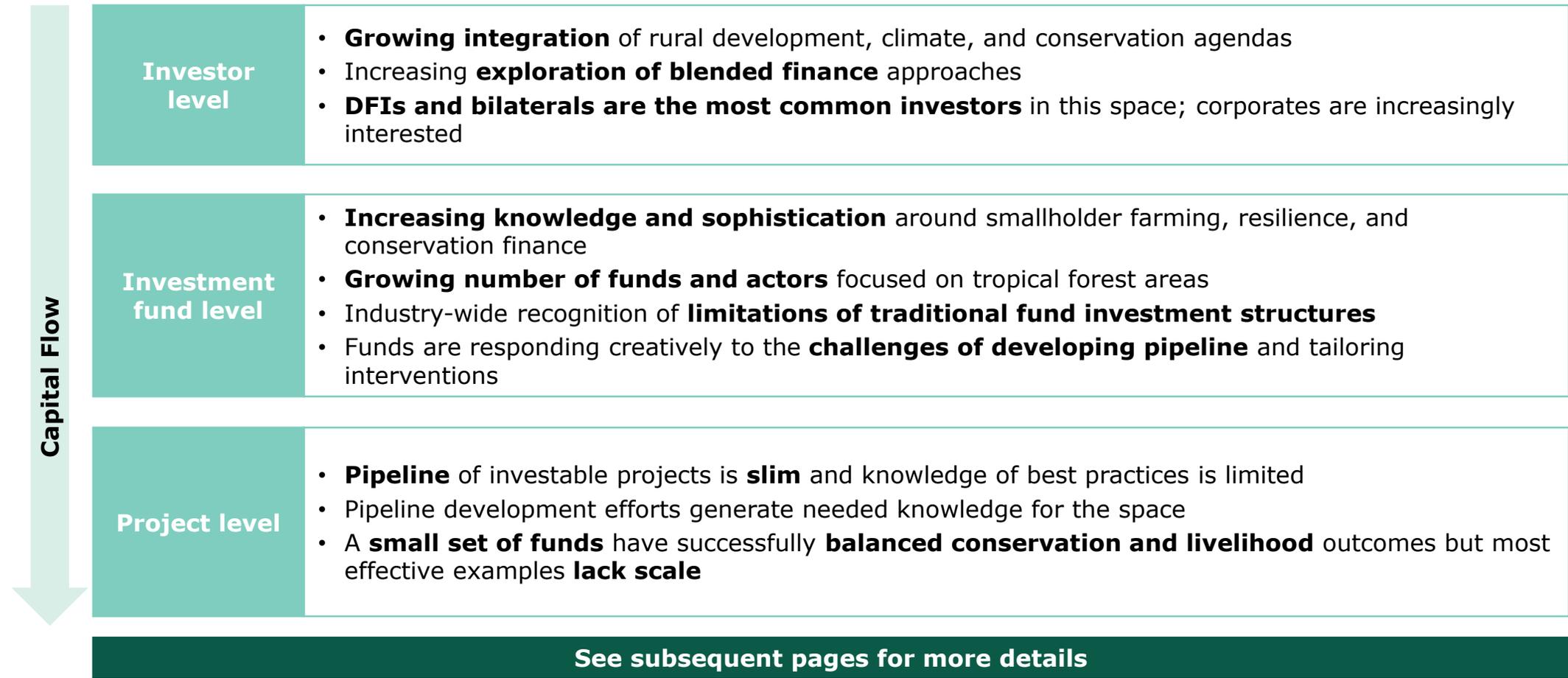
Trends, Gaps, and Opportunities

Appendix: Case Studies, Fund Information and Interviewees



Our research revealed a number of key trends and challenges in different parts of the investment space

Summary of Key Trends and Challenges



Investors are increasingly integrating their conservation and rural development agendas and exploring blended finance approaches

Investor trends

Growing integration of rural development, climate, and conservation agendas

- There is a growing awareness that climate, conservation, and rural development agendas should no longer have siloed funding and programmatic efforts, which has manifested in a stronger emphasis on landscape approaches rather than value chain approaches
- This trend is underpinned by increased urgency around the global environmental agenda and stronger business case for green and traceable products
- At the capital allocation level, in the impact-first space, this translates into moving from a traditional perspective of maximizing either environmental or social impact towards optimizing both

Increasing exploration of blended finance approaches

- Donors and investors have begun to invest more time and resources in exploring the potential of increased financial leverage through blended finance approaches, evidenced by:
 - The emergence of more sophisticated collaborations at the funder level through blended vehicles
 - The emergence of a number of innovative investment structures and models (e.g., co-investment or de-risking models, impact tranches, support for sustainability transition journey)
 - The integration of project developers and operators that can better incorporate multiple impact objectives into an investable opportunity into fund strategies¹

Examples of blended approaches

Many funds have used blended approaches, combining capital with distinct risk/return profiles with the aim to mobilize additional capital:

- Funds like LDNF, Huruma, Moringa and eco.business fund raised public capital in junior tranches. These junior tranches may rank *pari passu* to senior investors, but have lower returns *vis-a-vis* their position in the capital structure
- Packard Foundation and New Forests designed an impact tranche in TAFF2² where 10-15% of the capital structure will be used for impact activities; the tranche ranks *pari passu* with the investment tranche, but has a lower target return
- The Althelia Climate fund and IDH Farmfit Fund benefit from loss guarantees from USAID

Note(s): (1) This topic is covered in slide 25 in more detail; (2) Tropical Asia Forest Fund 2
Source(s): ISF Interviews

DFIs and bilaterals are the most common investors in this space; corporates are increasingly interested



Note(s): There are detailed investor profiles in the appendix
 Source(s): ISF Database; ISF Interviews

With the recent increase in investment funds, fund manager sophistication is increasing and approaches are diversifying

Fund trends	Examples of trends in new funds
<p>Increasing knowledge and sophistication around smallholder farming, resilience, and conservation finance</p> <ul style="list-style-type: none">• The last years have produced a notable increase in sophistication and knowledge globally around smallholders, resilience, and conservation finance as evidenced by the increase in the number of investment funds interested in the space and the fact that fund managers follow a myriad of investment strategies• In our research, we identified 26 impact funds that focus on tropical forest areas and target smallholder producers and forest-dependent communities• Funds aim to directly impact small producers and forest-dependent communities; however, there are alternative ways to generate positive, albeit indirect, impact in the space by supporting models and innovative ventures that focus on a more efficient use of resources, thus, decreasing the need to expand the agricultural frontier	<p>Mobilization efforts have brought increased funding as well as innovative investment structures and models</p> <ul style="list-style-type: none">• A number of funds, like &Green, AGRI3 and IDH Farmfit Fund, are structured as co-investment mechanisms to help unlock commercial capital• The AGRI3 and &Green funds are specifically designed to take a junior or longer-term position on the investment transactions• These two funds are also different from the rest of the sample as they aim to support the transition journey toward the implementation of sustainability practices by large-scale companies
<p>Growing number of funds and actors focused on tropical forest and rural areas</p> <ul style="list-style-type: none">• A significant portion of funds have been raised in the last 5 years• While investors' impact ambitions have mostly driven this push, commodity buyers and lenders are also a strong driving force for the integration of sustainable agriculture practices. They have used a variety of models:<ul style="list-style-type: none">• Commodity buyers have set up their own funds to generate their own carbon offsets and invest in sustainable commodity production (e.g., Livelihoods Funds)• Corporate interest and offtake commitments have enabled a capital markets issue for a sustainable land management intervention in Indonesia (e.g., Michelin in the TLFF)• Partnerships for pipeline development (e.g., Rabobank in AGRI3)	

Investment in this space requires patient, long-term capital, which can be challenging for traditional investment fund structures

Fund trends

There is industry-wide recognition of limitations of traditional investment structures

- A traditional investment fund is not the optimal structure to mobilize and deploy capital in this space
 - There is a need for patient, long-term capital, given long term nature of the assets supported and / or the need for project development, which requires additional capital and time
 - The strict, and sometime distinct, impact objectives of investors can be distracting and create mission drift
- There are inherent challenges to investing in emerging markets, such as slow transaction execution or lack of liquidity to monetize investments
- Other factors like resourcing for fund managers requiring specialist teams and higher cost structures to meet impact requirements pose additional challenges

Funds are responding creatively to the challenges of developing pipeline and tailoring interventions

- Many funds were built based on a specific pipeline demand such as (i) AGR13, which will be fed with projects from Rabobank clients, (ii) IDH Farmfit, which leverages IDH's extended network of buyers, producers and other actors, and (iii) L3F, which works with the investors' suppliers
- Given the need to tailor the interventions, specialized asset managers are common in the space. However, as the space evolves and best practices become standard, commercial asset managers' interest may increase
- Fund managers have pointed out that technical assistance for project design can be critical at this stage, where best practices are still being developed and tailored to specific contexts

Examples of tailored approaches

A number of project operators are **leveraging their project structuring abilities**, and experience and closeness to communities to sponsor investment funds and expand into a fund manager role

- **ECOTIERRA**, a Canada-based agroforestry project developer, is about to close the \$50m URAPI fund¹
- **Terra Global**, a women-run technical advisor of sustainable landscapes is currently raising the Terra Bella Colombia fund² with USAID as anchor investor

Note(s): (1) See URAPI case study in slide 49; see Terra Bella Colombia fund case study in slide 38
Source(s): ISF Interviews

Pipeline development is particularly challenging for investment funds and requires tailored approaches and local expertise

Project-level trends	Examples of public goods
<p>Pipeline of investable projects is slim and knowledge of best practices is limited</p> <ul style="list-style-type: none"> • While asset managers have succeeded in their capital mobilization efforts, they recognize that the pipeline of suitable and investable projects is slim, and that there is a notable knowledge gap on best practices and most effective models to finance • The space needs reflection and continued research on how to optimally integrate environmental and social objectives, while generating a positive financial return at scale 	<p>Investment in the design and development of technical expertise can be treated as a <i>public good</i>. As such, there are several resources available for funds in this space to develop pipeline and utilize for best practices:</p> <ul style="list-style-type: none"> • IDH’s landscapes practice is becoming a knowledge hub in the space, thanks to their work bringing together stakeholders to optimize production, protection and inclusion in their projects • The Coalition for Private Investment in Conservation (CPIC) develops scalable investment “blueprints” to help increase deal flow in conservation finances and connects investors and institutions to project developers
<p>Pipeline development efforts generate needed knowledge for the space</p> <ul style="list-style-type: none"> • Pipeline development efforts are costly and lengthy, but generate a wealth of knowledge that can be levered by a myriad of actors • Technical learnings could be treated as a common good: funded, not by investment, but grant capital, and shared among the financial, business and sustainability community following knowledge management best practices 	
<p>Most effective examples lack scale</p> <ul style="list-style-type: none"> • A small set of funds have successfully balanced conservation and livelihood outcomes. These funds typically: <ul style="list-style-type: none"> • Create very tailored projects requiring significant and continued local expertise and presence • Manage smaller pools of capital as most effective models are hard to scale • Although other approaches such as co-investment or de-risking mechanisms can achieve scale, the investment is typically removed from ultimate beneficiaries and impact is indirect • Integrated landscape projects² have the potential to attract capital at scale, but, given their inherent complexity, they are hard to execute 	

Note(s): (1) Effective examples refer to funds that prioritize creating direct environmental and social impacts and generate market (or close to market) returns; (2) See more information on integrated landscape approaches on the next page
Source(s): ISF Interviews

Investment approaches that balance social and environmental objectives are complex and difficult to replicate

Effective approaches:

Effective approaches to balancing social and environmental impact objectives are **typically highly tailored and integrate a broad set of community members and stakeholders**

Because these approaches are so tailored, **they are not easily replicable**

Integrated landscape approach

- Integrated landscape approaches take into consideration all stakeholders and sources of revenue in a specific geography and aim to generate both public and private returns
- It requires public policy alignment, coordination of rural development initiatives, access to markets, training for new practices, and financing of activities
- This approach is still relatively nascent; the main challenge to this model is complexity
- The TLFF is a good example of a landscape initiative that was able to attract capital at scale. TLFF was possible because the commodity offtaker, Michelin, had a business interest in the producing entity and incentives of these two critical actors were aligned

Project-based approach

- Project-based approaches take a holistic approach to a specific initiative, affecting different parts of a productive system to optimize for yield, quality and sustainability objectives. It integrates support to investees above typical technical assistance
- This approach does not necessarily require multiple stakeholders and normally there is no involvement of public actors
- This approach typically requires involvement of experienced project operators

Outgrower approach

- In forestry-focused funds, investees integrate producers in areas adjacent to plantations through outgrowing schemes. Communities can benefit from the operator's technical knowledge, quality inputs, financing and market access.
- This is an effective way of earning community buy-in and social license for operation
- This approach requires relatively less coordination than project-based or landscape approaches, but it is not always easy to structure in a fair and inclusive way in the forestry space and execution can be taxing for forestry companies

Higher

Level of complexity

Lower

There are opportunities for the knowledge and investment community to focus on project design to create a stronger pipeline...

Call to action

1

*"Get smarter" on
pipeline
development*

- **Partner with and utilize project developers:** Fund managers have an opportunity to invest in or partner with project developers to create investable projects on the ground
 - Project developers such as ECOTIERRA have capitalized on their position to create a fund, URAPI. Fund managers could learn from this strategy and better integrate project developers into their pipeline development process
- **Develop and share knowledge for effective pipeline development:** Despite increasing sophistication around this space, there is still a gap around the most effective approaches to finding and developing investable projects that optimize social and environmental objectives. To further develop and share knowledge, fund managers could:
 - Dedicate resources to develop learnings such as grant capital or seed capital for pilots of new approaches
 - Share technical learnings that could be levered by other actors, similar to IDH's knowledge hub
 - Convene fund managers and project developers to share learnings
- **Streamline investment criteria to allow for scale:** The complex legal documentation, impact dimensions, and investment requirements contribute to difficulties generating pipeline. To manage these challenges, fund managers could:
 - Support small project operators in their growth journey towards being able to manage large endeavors with a higher number of small producers
 - Harmonize and simplify legal (regulation and documentation) and impact dimensions for investees to allow the fund to better aggregate projects under the same investment mechanism and attract investors

...and to make tropical forest funds more attractive to investors and reach more inclusive outcomes

Call to action

2

Mobilize patient capital through blended finance approaches

- Combatting deforestation, incentivizing conservation, and improving livelihoods requires mobilization of significant capital, but many commercial investors are hesitant to participate because of the risks. Blended finance approaches, led by DFIs and/or family offices and foundations, can play an important role in unlocking patient capital in this space
 - Since DFIs and/or family offices and foundations typically have a higher risk appetite and/or long time horizon, these actors can design investment funds with long tenors and further unlock commercial or more risk averse capital
 - Consider impact-first strategies to allow for a wider scope of investable pipeline projects, particularly for blended finance funds

3

Pursue more flexible investment structures

- There is an industry-wide recognition of the limitations to traditional investment structures. There is an opportunity to explore alternative structures of capital mobilization and impact mobilization. Examples:
 - Set up investment companies (e.g., Sustainable Forestry Investments)
 - Provide capital under long-term asset management mandates to pursue a specific investment strategy
 - Design and implement smart subsidy mechanisms to encourage local financing
 - Aggregate projects under larger programs that can access traditional capital markets (e.g., TLFF)

4

Integrate gender / inclusivity into fund strategy

- Investment funds would be well-served by incorporating gender equity and inclusivity of vulnerable groups into their fund strategies to create long-lasting impact and attract aligned investors (e.g., Green Climate Fund, FinDev Canada). To address this weakness, fund managers could:
 - Amplify the common challenges of these populations
 - Further mainstream approaches to tackle gender inequality (e.g., establishment of gender action plans)
 - Identify value addition opportunities from vulnerable populations (e.g., traditional land knowledge)

Agenda

Context and Objectives

Landscape and Analysis of Funds

Trends, Gaps, and Opportunities

Appendix: Case Studies, Fund Information and Interviewees

- **Case studies**
- Funder information
- List of interviewees

We have identified ~30 investment vehicles across the return spectrum that focus on tropical landscapes (1 of 2)

Fund name	Fund manager	Fund return profile ¹	Description of fund
1 &Green (andGreen) Fund	SAIL Ventures	Low positive returns	Invests in agribusinesses in commodity value chains; aims to increase production, conservation, and reforestation of adjacent tropical forest areas
2 Acumen Resilient Agriculture Fund (ARAF)	Acumen	Market returns	Invests in MSMEs involved in the provision of innovative digital and/or financial services to enhance smallholder farmer resilience to climate change
3 Africa Sustainable Forestry Fund II	Criterion Africa Partners	Market returns	Invests in companies in forestry value chains including brownfield plantations and downstream processing; goal of the fund is to meet wood shortages while conserving forests
4 AGRI3 Fund	Mirova, Cardano Development, Fount	Market returns	Seeks to unlock commercial financing for projects that promote forest protection, transitions towards sustainable agriculture, and improved livelihoods for all farmers, including smallholders
5 Althelia Climate Fund 1 (ACF1)	Althelia	Low positive returns	Focuses on large-scale ecosystem conservation projects in tropical forest areas; aims to impact smallholder farmers in cocoa and coffee
6 Arbaro Fund	Finance in Motion	Market returns	Invests in scalable forestry projects seeking to expand plantation areas; plantations are FSC-certified and are located mostly in tropical areas with optimal biophysical growth conditions
7 eco.business Fund	Finance in Motion	Market returns	Focuses on companies using sustainable practices and involved in four sectors: agriculture, aquaculture and fishery, forestry and sustainable tourism
8 EcoEnterprises Partners II and III	EcoEnterprises Fund	Low positive returns	Invests in Latin American SMEs involved in agriculture, forestry, tourism, and/or aquaculture; goal is to generate jobs, impact local communities, and protect forest areas
9 Fairtrade Access Fund (FAF)	Incofin	Market returns	Invests in sustainability certified agribusinesses to finance trade, working capital and long-term investments; goal is to increase access to finance to businesses and SHFs alike
10 IDH Farmfit Fund	IDH Investment Management	Low positive returns	Invests in agribusinesses to improve smallholder livelihoods; no explicit focus on tropical forest areas, but the fund geography overlaps with tropical forest areas
11 Forestry and Climate Change Fund (FCCF)	Forestry and Climate Change Fund	Low positive returns	Invests in companies sourcing sustainable timber and community forestry projects; aims to conserve forests, improve livelihoods, and include women, youth, and indigenous communities
12 Global Environmental Fund (GEF)	GEF Capital Advisors	Market returns	Invests in large companies in energy and natural resource management sectors
13 Huruma Fund	GAWA Capital	Low positive returns	Focuses on financial intermediaries and SMEs in agricultural value chains; currently fundraising

Note(s): (1) Funds classified as "market returns" profile may also have tranches offering concessional returns

Source(s): ISF Fund Database

We have identified ~30 investment vehicles across the return spectrum that focus on tropical landscapes (2 of 2)

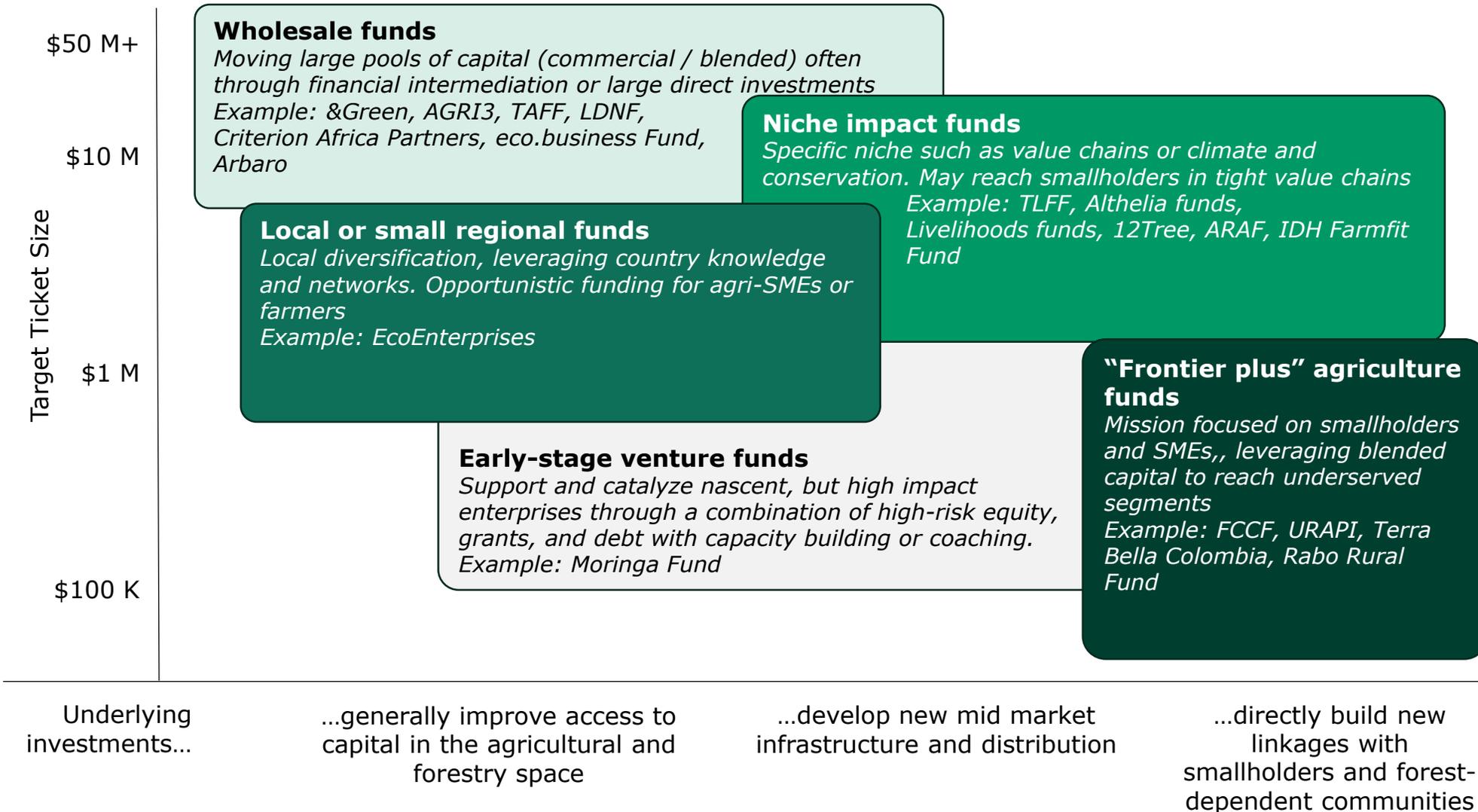
Fund name	Fund manager	Fund return profile ¹	Description of fund
14 Land Degradation Neutrality (LDN) Fund	Mirova	Market returns	Invests in other funds, banks, and MFIs to benefit their projects in conservation and land restoration; aim to reach land degradation neutrality, improve livelihoods, and reduce climate change impacts
15 Livelihoods Fund for Family Farming (L3F)	Livelihoods	Low positive returns	Provides financing for large-scale projects that allow farmers to increase yields through sustainable agriculture practices
16 LXG Amazon Reforestry Fund	LXG Asset Management	NA	Invests in forestry farms and organizations seeking to recover degraded land in the Peruvian Amazon rainforest basin
17 Moringa Fund	Moringa Partnership	Market returns	Creates companies and invests in companies that grow produce through agroforestry; aim to create impact through jobs, restored land, and inclusive projects
18 Rabo Rural Fund	Rabobank	Low positive returns	Focuses on SMEs and farmer cooperatives in commodity value chains by providing loans and loan guarantees jointly with local financial institutions
19 Silverlands Fund I and II	SilverStreet Capital	Market returns	Invests in agricultural production businesses in sub-Saharan Africa; the fund teaches conservation farming techniques to farmer cooperatives and organizations
20 Sustainable Agroforestry Fund for Latin America	12Tree	Market returns	Invests in farms producing cacao, coffee, teak, bananas, coconut, and acacia; aims to stabilize agricultural footprint, protect forests, restore degraded landscapes, and improve rural livelihoods
21 Terra Bella Colombia Fund	Terra Global Capital	Market returns	Targets smallholder agriculture, non-timber forest products, and climate change mitigation in Colombia; aims to impact livelihoods and mitigate climate change
22 Terra Silva	NA	Low positive returns	Invests in projects that accelerate reforestation, conservation, and afforestation in tropical rainforests
23 Tropical Asia Forest Fund (TAFF and TAFF2)	New Forests	Market returns	Transforms undermanaged estates into FSC certified and sustainably managed plantation forestry, and invests in projects that foster reforestation, conservation, and afforestation in and around managed plantations in Southeast Asia
24 Tropical Landscape Finance Facility	ADM Capital	Market returns	Focuses on sustainable agriculture and renewable energy; this facility's first transaction was to support the expansion of a rubber plantation in Indonesia and impact ~24k producers
25 URAPI Sustainable Land Fund (Urapi SLF)	ECOTIERRA	Market returns	Creates agroforestry projects aggregating farmer cooperatives in Latin America to monetize coffee and cocoa production as well as carbon offsets
26 Voxtra East Africa Agribusiness Fund	Voxtra	Market returns	Focuses on businesses in upstream and downstream segments of the agriculture, aquaculture and forestry sectors; financed activities must directly benefit smallholder farmers

Note(s): (1) Funds classified as "market returns" profile may also have tranches offering concessional returns

Source(s): ISF Fund Database



We have mapped the sampled funds in ISF's archetype of investment approaches



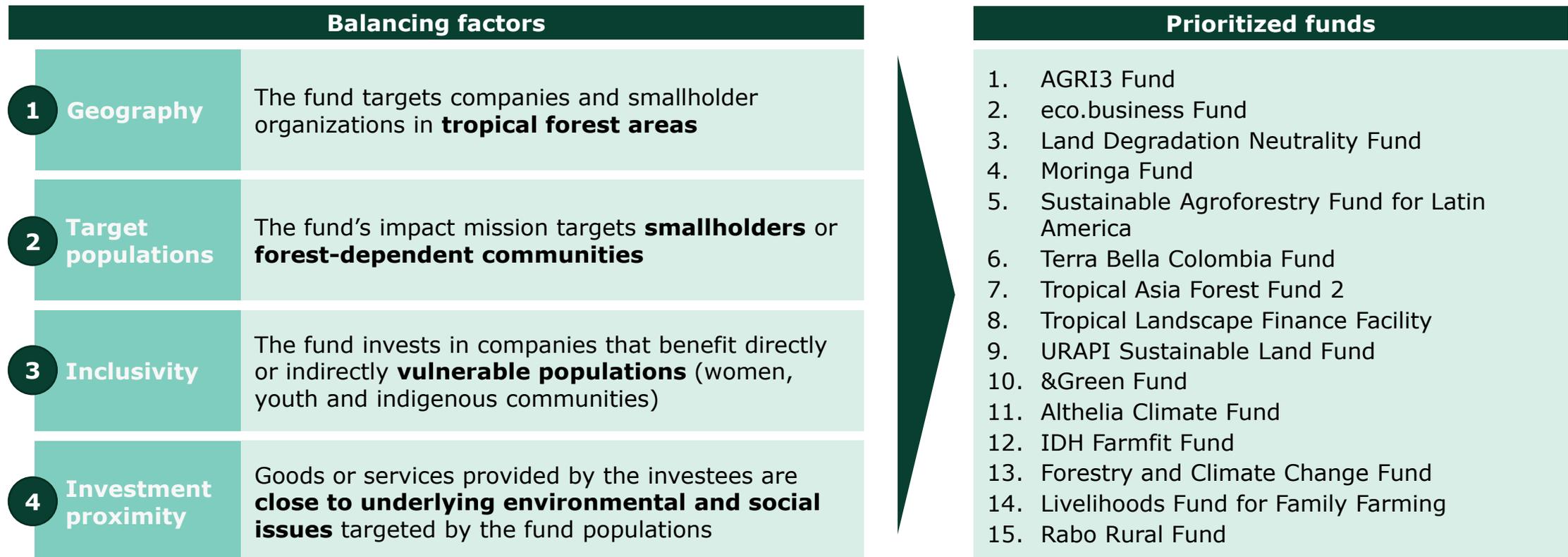
Source(s): ISF framework from "The fund manager perspective: Moving the needle on inclusive agribusiness briefing note", ISF, May 2017; ISF Analysis

Sampled funds support a variety of forestry and agriculture revenue-generating activities

Fund name	Timber	Non-timber forest products	Agriculture	Value-addition activities	Carbon Offsets	Others	Do not know
1 &Green (andGreen) Fund			✓			✓	
2 Acumen Resilient Agriculture Fund (ARAF)			✓			✓	
3 Africa Sustainable Forestry Fund II	✓			✓			
4 AGRI3 Fund			✓	✓		✓	
5 Althelia Climate Fund 1 (ACF1)	✓	✓	✓		✓		
6 Arbaro Fund	✓			✓	✓		
7 eco.business Fund	✓	✓	✓	✓		✓	
8 EcoEnterprises Partners II & III	✓	✓	✓				
9 Fairtrade Access Fund (FAF)			✓			✓	
10 IDH Farmfit Fund			✓	✓			
11 Forestry and Climate Change Fund (FCCF)	✓	✓		✓			
12 Global Environmental Fund (GEF)	✓		✓			✓	
13 Huruma Fund			✓			✓	
14 Land Degradation Neutrality (LDN) Fund			✓			✓	
15 Livelihoods Fund for Family Farming (L3F)			✓				
16 LXG Amazon Reforestry Fund	✓						
17 Moringa Fund			✓	✓			
18 Rabo Rural Fund		✓	✓	✓			
19 Silverlands Fund I and II			✓	✓			
20 Sustainable Agroforestry Fund for Latin America			✓				
21 Terra Bella Colombia Fund			✓		✓		
22 Terra Silva							✓
23 Tropical Asia Forest Fund (TAFF and TAFF2)	✓	✓		✓			
24 Tropical Landscape Finance Facility		✓	✓	✓		✓	
25 URAPI Sustainable Land Fund (Urapi SLF)			✓		✓		
26 Voxtra East Africa Agribusiness Fund			✓				
Total	11	9	21	12	4	9	1

ISF created 15 case studies to reflect the diversity of investment approaches at the intersection of agriculture and forestry

From an initial list of 26 relevant funds, ISF prioritized those that are **innovative and effective in balancing a focus on agriculture and forestry** by meeting a series of four balancing factors to showcase the diversity of funding and impact approaches in this space



The AGRI3 Fund

A blended finance fund seeking to unlock commercial financing for projects that promote forest protection, transitions towards sustainable agriculture, and improved livelihoods for all farmers, including smallholder farmers

Strategy

- The AGRI3 fund aims to invest in sustainable agriculture and forestry projects
- The fund was initiated by Rabobank, UN Environment, FMO, and IDH and supported by \$40M commitments each from the Dutch Government and Rabobank
 - Rabobank provides the pipeline of projects
 - IDH manages the \$5M TA facility, which provides technical training and supports E&S framework and programs and research and feasibility studies; TA facility still fundraising
- The fund was designed as a co-investment mechanism. AGRI3 intends to provide debt and guarantees to de-risk local commercial investment
- The fund will initially focus on South America and Asia for their impact potential; other jurisdictions will be progressively considered
- AGRI3 has a two-tiered capital structure made up of junior or “first-loss” capital and senior or mezzanine
- The fund has three impact goals: (i) forest protection and restoration, (ii) sustainable agriculture and (iii) improved rural livelihoods

Pipeline example



- The AGRI3 Fund is exploring offering a loan guarantee to **Grupo Scheffer**, a livestock and agriculture family farm in Brazil, to unlock financing to implement sustainable soy farming techniques that decrease environmental impacts and improve yields
- The loan guarantee will enable commercial financing from Rabobank Brazil

Profile

Fund manager	Mirova Natural Capital, Cardano Development, and Fount Investment Advisor
Return	Market returns
Fund vintage & term	2020 (evergreen)
HQ	Paris, France
Size	\$ 92M (\$ 250M target)
Regions	Global
Sectors	Agriculture and forestry
Investee	Agribusinesses that prevent deforestation, stimulate reforestation and improve rural livelihoods
Ticket size	\$ 2M-15M
Instrument	Debt and first-loss guarantees
Investors	Dutch Government and Rabobank

Note(s): All currency values expressed in USD

Source(s): AGRI3 marketing materials; Rabobank and IDH websites; ISF Interviews; ISF Fund Database

The eco.business Fund

Both through financial intermediation and direct investments, the fund focuses on companies using sustainable practices and involved in agriculture, aquaculture and fishery, forestry and sustainable tourism in LatAm and Sub-Saharan Africa

Strategy

- The eco.business fund capitalizes local financial institutions and businesses that pursue sustainable agriculture, aquaculture, forestry or ecotourism contributing to biodiversity, conservation and climate change mitigation
 - It invests in highly biodiverse regions whose ecosystems are vulnerable to these activities
- The fund's impact mission is to contribute to the development of sustainable land management practices, reduce CO2 emissions through agroforestry, and implement improved water management practices
 - Investees must hold an eligible sustainability standard, implement one of the practices in the fund's "Green List", or support a mission-aligned practice
 - Its TA facility supports the adoption of sustainable practices by investees
- Through a 4-tier capital structure, public investors and donors provide a risk cushion for private investors
- The fund has two sub-funds, one for Latin America and the Caribbean and the another for Sub-Saharan Africa

Investee example



- The eco.business Fund provided a loan of \$ 12.5M to Banco **Davivienda** as part of a larger transaction of \$100M arranged by the International Finance Corporation to capitalize the bank's agricultural lending program for certified producers that commit to best environmental and social practices
- This is the third investment in Davivienda Costa Rica, having successfully completed two loan programs to extend financing to companies certified through labels such as Fairtrade and UTZ

Profile

Fund manager	Finance in Motion
Return	Market returns
Fund vintage & term	2014
HQ	Luxembourg
Size	\$ 383M
Regions	Latin America and the Caribbean, Sub-Saharan Africa
Sectors	Agriculture, forestry and tourism
Investee	Financial institutions and companies in commodity or timber value chains
Ticket size	\$ 10M-35M
Instrument	Debt
Investors	GLS Bank, DEFRA, KfW, FMO, ASN Bank, Calvert Impact Capital, OeEB, EU, Raiffeisenbank International, IDB Invest, among others

The Land Degradation Neutrality Fund (LDNF)

UN-led fund providing patient and concessional capital to projects actively addressing SDG 15.3, which has the goal to reverse land degradation

Strategy

- Launched by the United Nations to address land degradation neutrality (SDG 15.3), the LDNF invests in businesses, funds and financial institutions that are able to produce positive financial returns and contribute towards (i) land degradation neutrality, (ii) climate change mitigation and adaptation, (iii) improved livelihoods, and (iv) improved biodiversity
- The Fund aims to be allocated: 60% in sustainable agriculture, 30% in sustainable forestry, and 10% in other sustainable land management projects. The geographic scope is global, but at least 80% has to be invested in developing countries
- The LDNF offers patient and concessional capital to blended finance structures where the fund usually takes a junior position to senior investors
- The LDNF is a blended 2-tranched fund: the senior investors (70% of the capital structure) target commercial returns, while junior investors (the remaining 30%) will receive concessional returns
- The LDNF has a TA facility managed by IDH, that supports (i) project preparedness, (ii) post-investment value creation, (iii) impact monitoring and (iv) knowledge management

Investee example



- The LDNF took an equity stake in the **URAPI sustainable land use fund** alongside the Canadian Government to increase access to finance for smallholder farmer cooperatives in Latin America
- Through a local implementer, the URAPI fund is able to verify that the funds are being used to promote sustainable land use practices that restore and conserve the Western Amazon rainforest

Profile

Fund manager	Mirova
Return	Market returns
Fund vintage & term	2016 (closed-end fund, 15 years)
HQ	Paris, France
Size	\$ 100M (\$ 300M target)
Regions	Global (100% developing countries)
Sectors	Sustainable agriculture, sustainable forestry and other sustainable land management projects
Investee	Funds, financial institutions, cooperatives, agribusinesses
Ticket size	\$ 10M-20M
Instrument	Equity and debt
Investors	AFD, European Investment Bank, Fondation, Fondation de France, Natixis IM, Garance, Government of Luxembourg, BNP Paribas

Note(s): All currency values expressed in USD

Source(s): Company websites; ISF Interviews; ISF Fund Database

The Moringa Fund

Supports transformation companies that source from smallholder farmers using sustainable agroforestry practices in LatAm and SSA

Strategy

- The Moringa Fund aims to generate financial returns by investing in companies that produce value-added agricultural products sourcing from plantations sustainably managed by small producers and/or using agroforestry schemes
 - It was conceived as a partnership between Edmond de Rothschild Private Equity and ONF International, a forestry company
- The fund’s main impact objective is to help preserve forests while supporting local communities. The fund aims to be gender-sensitive
- With a focus on tropical areas in SSA and Latin America, the fund invests in or creates companies that source agroforestry produce (e.g., fruit, cashews) from smallholder farmers
 - Investees normally engage in value-adding activities like transformation
 - Moringa’s investees aim to fulfill local and international demand for organic and climate-smart agricultural products
- Moringa’s portfolio approach relies on supporting companies that work closely with farmer organizations to source from sustainably managed land. Portfolio companies support providers with technical assistance
- One of Moringa’s key success factor is their ability to provide tailored patient and flexible capital

Investee example

	<ul style="list-style-type: none"> • Moringa took a 40% equity stake in Malian mango processor ComaFruits and a 46% stake in beverage company SOBEMA • They source from >1K SHFs that use agroforestry practices. Investees provide farmers with technical assistance • Investees aim to grow locally and expand product offering, ultimately providing farmers with a diversified income stream
---	--

Profile

Fund manager	The Moringa Partnership
Return	Market returns
Fund vintage & term	2015 (closed-end fund, 15 years)
HQ	Paris, France
Size	\$ 84M
Regions	Latin America and Sub-Saharan Africa
Sectors	Agroforestry
Investee	Companies that source and sell agroforestry products
Ticket size	\$ 4M-10M
Instrument	Equity and quasi equity
Investors	AfDB, FISEA, CAF, FinnFund, Spanish Cooperation (FONPRODE), FMO, La Compagnie Benjamin de Rothschild (CBR), Korys

Note(s): All currency values expressed in USD; information was not vetted by the Moringa Fund team

Source(s): Fund website, PROPARCO, WEF Landscape Survey of Blended Finance Investment Vehicles, Africa Assets, ISF interviews

The Sustainable Agroforestry Fund (SAF)

A German investment fund seeking commercial returns alongside high social and environmental impacts through investments in agricultural production-end operations in tropical areas

Strategy

- The Sustainable Agroforestry Fund (SAF) is a fund managed by asset manager and German project operator 12Tree
- The SAF investment thesis revolves around investing in profitable, sustainable and inclusive agricultural production models that have the potential to achieve productivity gains, economies of scale and reduced impact on natural resources while generating attractive returns
 - 12Tree identified sustainable premium cocoa production (min. 70% of investments) and other climate-smart agroforestry products as investment opportunities to focus on
 - The fund seeks to invest 80% in companies in Latin America
- The fund's investor base consists of multiple pension funds aiming to generate a commercial financial return alongside strong environmental and social outcomes
- The fund's impact statement is aligned with the UN SDGs and aims to (i) produce long-term mixed forest while restoring degraded land and conserving primary forests, (ii) optimize yield through mechanization and improved management, (iii) improved social and environmental conditions in the plantations and (iv) create international demand and markets for sustainably produced tropical agricultural products
- The fund has so far invested \$ 50M and is actively seeking new investments as well as seeking to hold one final fundraising closing by December 2020

Investee example



- The SAF invested \$ 9.3M in 2018 to acquire **Platanera Rio Sixaola**, a 291 ha banana plantation in Southern Costa Rica
- The investment by the SAF allowed the plantation to transition from a conventional production model to an organic plantation scheme in addition to the expansion of the plantation acquiring 27 ha

Profile

Fund manager	12Tree
Return	Market returns
Date	2017 (closed-end fund, 12 years)
HQ	Berlin, Germany
Size	\$ 150M
Regions	Global
Sectors	Agroforestry
Investee	Large sustainable agroforestry farms
Ticket size	Minimum \$ 5M
Instrument	Equity
Investors	Multiple German pension funds

Note(s): All currency values expressed in USD

Source(s): Company website; 2019 Sustainability report; ISF Interviews; ISF Fund Database

The Terra Bella Colombia Fund

A Colombia-focused private equity fund managed by a seasoned investment manager, the fund invests in smallholder agriculture and forest conservation to increase rural incomes and produce climate change mitigate benefits

Strategy

- The Terra Bella Colombia Fund mobilizes private equity investments to finance smallholder agriculture projects that also contribute to climate change mitigation through forest conservation
- Terra Global Capital is a women-owned, women-run seasoned fund manager with more than a decade of experience in agriculture, forestry, and land-use emissions reductions program development
- The Fund creates substantial income growth through investing in smallholder groups that grow crops in and around forest areas, to increase yields and improve post-harvest processing allowing them to capture more of the value chain
- The Fund jointly finances forest management to reduce deforestation and degradation as well as increase tree cover to produce a second income stream of carbon credits that are sold in Colombia's new carbon market
- Target geographies include post-conflict areas in Colombia, and the fund aims to support vulnerable populations including Afro-Colombians
- A linked TA facility provides \$ 5K-25K grants for investment readiness support (e.g., institutional set up, improve investment viability, quantification of emission reduction potential, improvement of local partner capacity)

Pipeline commentary

Terra Bella project pipeline has over 53 projects, 10.7 million hectares of forest and agriculture land, 516,000,000 tCO2 reductions/removals, 19 departments and high value crops including cacao, acai, coconut, coffee, natural rubber, annatto and sacha inchi.

Profile

Fund manager	Terra Global Capital
Return	Market returns
Fund vintage & term	2020 expected (closed-end fund, 12 years)
HQ	San Francisco, CA, USA
Size	\$ 50M (target)
Regions	Colombia
Sectors	Agriculture (crop-agnostic) Verified Emission Reductions (reduced deforestation / degradation)
Investee	Smallholder producer community groups
Ticket size	\$ 1M-4M
Instrument	Hybrid-Debt
Investors	Private investors, DFIs

The Tropical Asia Forest Fund 2 (TAFF2)

Timberland fund that aims to sustainably manage forests by investing in commercial forestry companies to improve management of forest areas in Southeast Asia. TAFF2 is New Forests' second round fund in the region, following the 2012 vintage Tropical Asia Forest Fund

Strategy

- TAFF 2 invests in companies with forest land concessions to manage sustainable and certified timber plantations
 - The fund will carry on a similar strategy as TAFF, which was the first dedicated timberland fund in Southeast Asia. The fund focuses on Indonesia, Malaysia, Vietnam, Laos and Cambodia.
 - The fund's investment strategy is to target undermanaged plantations to generate return from improved operations, silviculture practices, access to market, and ESG processes
- Although the TAFF2 investment strategy is similar to the 2012 vintage TAFF, TAFF2 will use a blended finance structure to enhance the impact targets of the fund
 - TAFF2 has carefully chosen its environmental and social impact metrics to reflect not just smallholders engaged and jobs created, but value created through community development programs, gender representation, and biodiversity improvements
- The capital structure also reflects TAFF2's commitment to impact. The Packard Foundation and New Forests designed an impact tranche in TAFF2 where 10-15% of the capital structure will be used to finance additional impact activities
 - Class A shares in the fund target market rate returns for commercial investors, whereas Class B targets concessional returns to allow the fund to undertake additional impact activities

Investee example (TAFF¹)

Hijauan Group

- In 2013 TAFF invested to obtain a majority interest in **Hijauan Group**, a forestry company in a joint venture with a local state forestry agency to manage a timber plantation
- TAFF worked to expand the company's FSC-certified timber export operations, implement a participatory mapping program and community-based natural resource management workshops, and develop a community forestry program to deliver local livelihoods benefits

Profile

Fund manager	New Forests
Return	Market returns
Fund vintage & term	2020 expected (closed-end fund, 10 years)
HQ	Sydney, Australia
Size	\$ 300M (target)
Regions	Southeast Asia
Sectors	Forestry
Investee	Commercial forestry companies
Ticket size	\$ 5-50M
Instrument	Equity
Investors	Packard Foundation, institutional investors, DFIs, foundations, family offices

Disclaimer: Interests in TAFF2 generally will only be offered or sold to professional investors domiciled in an EEA Member State to the extent that TAFF2: (i) is permitted to be marketed into that EEA Member State pursuant to Article 42 of the AIFMD (as implemented into local law); or (ii) can otherwise be lawfully offered or sold

The Tropical Landscape Finance Facility (TLFF)

A public-private partnership that creates large-scale blended finance solutions for sustainable land use and renewable energy projects in Indonesia

Strategy

- The TLFF invests in large scale commercial sustainable land use and renewable energy projects supported by stakeholders including the Indonesian Government, local producers, corporate offtakers and private investors
- The facility’s impact objective includes forest retention; improved rural livelihoods; peatland restoration and rehabilitation, sustainable supply chains, reduced emissions, biodiversity protected, and pollution reduction
 - TLFF seeks to increase the participation of women as part of the paid labor force in the facility’s projects
- The TLFF has a series of key distinguishing success factors:
 - The physical presence of the fund manager in the region where the investees are located has created a strong network and pipeline of investable projects
 - The specific focus on Indonesia allows for a tailored approach that fits regional regulation and investment constraints
- The facility has one project to date (TLFF I): the PT Royal Lestari Utama (RLU) deal, which is a good example of how the TLFF has been able to match the interests of the government, a corporate offtaker and a producer
- The TLFF is currently designing a side-car TA facility

Investee example



- The TLFF raised \$95M for PT RLU to develop a natural rubber plantation across 90K ha of heavily degraded concessions
- TLFF issued a long-term corporate sustainability bond with a diverse range of risk-return and tenors. These notes were bought by a range of investors² including institutional investors, private bank clients and impact funds
- The project targets 34% of the land for natural rubber. The rest is set aside for conservation and community livelihoods

Profile

Facility¹ manager	ADM Capital
Return	Market returns
Fund vintage & term	2016 (5-15 year tenor on TLFF I bond)
HQ	Hong Kong
Size	\$ 95M (TLFF I transaction)
Regions	Indonesia
Sectors	Sustainable land use and renewable energy
Investee	Various
Ticket size	Context specific
Instrument	Debt
Investors	Various including PG Impact and &Green

*Note(s): All currency values expressed in USD; (1) TLFF is a facility rather than a fund; (2) TLFF partners include BNP Paribas, UNEP, and ICRAF
Source(s): Conservation Finance, Convergence Finance, Interviews ISF*

The URAPI Sustainable Land Fund (URAPI SLF)

URAPI aims to tackle deforestation and implement sustainable practices and is managed by an experienced project operator

Strategy

- The URAPI fund aims to generate financial returns by financing and supporting cooperatives and farmers in their transition from unsustainable land use practices to more efficient and sustainable land use models in Latin America
- Its main impact objective is to mitigate land degradation and climate change via the development of agroforestry projects in tropical rainforest countries. Anticipated uses of funds are (i) loans to cooperatives to onlend to farmers, (ii) investments in infrastructure and (iii) design and setup of carbon sequestration initiatives
- ECOTIERRA, a project operator with experience in working alongside local communities, is the fund manager and operator of the projects receiving investment. ECOTIERRA also manages URAPI’s technical assistance facility
 - A key component of the fund’s ability to make investments is its symbiotic relationship with ECOTIERRA, which feeds the fund pipeline and executes impactful projects on the ground
 - Leveraging ECOTIERRA’s experience, URAPI can structure investments that fit both the investor and investee needs and overcome hurdles normally faced by investors (e.g., lack of guarantees, weak market access, lack of managerial skills)

Investee example



Café Selva Norte

- **Café Selva Norte**, a consortium of six coffee cooperatives in Peru, received a \$9M loan for renovation and rehabilitation
- URAPI SLF invested in the joint venture consortium and extended debt financing to the underlying farmers
- The dividends from debt repayment are divided between the consortium and the fund, with the consortium keeping a portion as collateral for the debt provided by the fund

Profile

Fund manager	ECOTIERRA
Return	Market returns
Fund vintage & term	2018 (closed-end fund, 15 years)
HQ	Sherbrooke, Quebec, Canada
Size	\$ 40M (\$ 50M target)
Regions	Latin America
Sectors	Agroforestry (coffee, cocoa, nuts)
Investee	Cooperatives, agri SMEs
Ticket size	~\$ 10M
Instrument	Equity and debt
Investors	Land Degradation Neutrality Fund, Canadian foundation (undisclosed), 2 US investment funds (undisclosed)



The &Green Fund

A fund investing in large scale agricultural operations and financial intermediaries following strict forest conservation and peatland restoration practices in commodity value chains in tropical forest areas

Strategy

- &Green invests in large scale plantations, farming businesses and financial institutions managing agriculture portfolios, service and input providers and supply chain companies sourcing from land users, all of which must employ forest and/or peatland protection strategies and participate in commodity value chains
- Designed as a co-investment mechanism to provide junior and/or longer term capital (loans or guarantees of 5-15 year tenor), the fund leverages capital from private investors.
- The impact goals of the fund are to protect or restore 5M ha of tropical forest, benefit 500K small farmers, and catalyze \$ 2B of private capital
 - The fund monitors all projects through (i) satellite monitoring of the landscape area and (ii) independent on-the-ground verification of the environmental and social performance
 - The fund has set up a \$ 1M TA Facility
- It is set up as an evergreen term structure reinvesting recouped funds
- The fund was originally created between IDH and the Norwegian Climate & Forestry Initiative

Investee example



- In 2020, the &Green Fund invested \$ 10M in an 8-year loan to **Agropecuaria Roncador Ltd**, a livestock and farming operation in the Brazilian Amazon rainforest, alongside a BRL 150M (~\$ 28M) loan of a Brazilian commercial bank
- The fund's financing aims to be a proof-of-concept of a sustainable farming system that integrates crops and cattle at scale, and that will restore and conserve 71K ha of degraded pastures

Profile

Fund manager	SAIL Ventures
Return	Low positive returns
Fund vintage & term	2017 (evergreen)
HQ	The Hague, The Netherlands
Size	\$ 127M (\$ 400M target)
Regions	Tropical forest regions
Sectors	Agribusinesses
Investee	Companies in tropical forest regions with progressive forest and/or peat protection strategies involved in commodity production
Ticket size	\$ 5M-30M
Instrument	Debt and guarantees
Investors	Norwegian Climate & Forestry Initiative, Unilever and GEF

Note(s): All currency values expressed in USD

Source(s): Company websites; ISF Interviews; ISF Fund Database



The Althelia Climate Fund I

Sponsored by an international conservation organization, the fund aims to promote conservation by investing in large-scale agriculture and agroforestry projects with a strong rural community development component

Strategy

- The Althelia Climate Fund I invests in commercially-viable projects that reduce deforestation, mitigate climate change, protect biodiversity and provide sustainable livelihoods to rural communities
- The fund originated as an initiative of Conservation International, orienting its impact and investing strategy toward projects that promote best-in-class tropical land conservation initiatives
 - The fund intentionally focuses on impacting local rural communities including indigenous groups and smallholder farmers
 - Geographically, the fund targets biodiversity-rich forests under threat from growing populations and deforestation
- The fund’s pipeline of projects was built using Conservation International’s large network of partners including NGOs, private actors and public sector entities
- The fund has been fully deployed across 10 projects worldwide

Investee example

Sumatra Merang Peatland

- Althelia invested \$ 5.8M in the **Sumatra Merang Peatland** project to rehabilitate 22K ha of highly biodiverse forest
- Over its 25-year license period, the project is expected to generate 30M tons of Verified Emissions Reductions (VERs) to allow partial or total cost recovery on Althelia’s investment after its monetization

Profile

Fund manager	Mirova – Althelia
Return	Low positive returns
Fund vintage & term	2013
HQ	Luxembourg
Size	\$ 100M
Regions	Sub-Sahara Africa, Latin America and the Caribbean
Sectors	Agriculture and agroforestry
Investee	Large-scale ecosystem conservation projects
Ticket size	\$ 5M-10M
Instrument	Debt
Investors	Conservation International, EIB, USAID

IDH Farmfit Fund

Sponsored and managed by an expert sustainable trade organization, the fund seeks to position farmer finance as a new asset class by catalyzing investments through a blended finance structure

Strategy

- The IDH Farmfit Fund invests in companies in smallholder value chains through a risk sharing structure between USAID, the fund and senior lenders
- With a focus on commodity value chains, the fund aims to impact smallholder livelihoods by increasing access to finance and helping agribusinesses improve farmer engagement
- IDH Farmfit Fund operates alongside IDH’s Farmfit Business Support and IDH Farmfit intelligence: (i) IDH Farmfit Fund engages in deal preparation and design and provides financing and de-risks investments; (ii) IDH Farmfit Intelligence provides access to data, business modeling and actionable insights for investees, and; (iii) IDH Farmfit Business support, a technical facility, provides business analytics, innovation and connects partners
- Designed as a co-investment mechanism IDH Farmfit Fund takes the most junior positions in an investment, absorbing any first losses. The fund is supported by a second loss guarantee facility from USAID (of up to \$ 250M)
 - The \$ 110M fund is expected to unlock over \$ 1.1B in additional financing
- Investees are sourced through IDH’s partner network and country offices worldwide
 - Once an investee has been identified, IDH Investment Management seeks a senior lender to co-invest with the Fund. The fund takes the junior position in a transaction and the Senior lender can access to the guarantee provided by USAID to covers 50% of its investment
- Investors supporting the fund include major value chain companies
- The fund is currently seeking investable projects having reached its first close in early 2020

Profile

Fund manager	IDH Investment Management
Return	Low positive returns
Fund vintage & term	2020
HQ	Utrecht, The Netherlands
Size	\$ 110M (EUR 100M)
Regions	Latin America, Sub-Saharan Africa and SE Asia
Sectors	Agriculture
Investee	Companies engaged in food value chains that benefit SHFs
Ticket size	\$ 1.1M-10.1M (EUR 1M – 10M)
Instrument	Equity, mezzanine debt, subordinated loans and guarantees
Investors	USAID Guarantee Facility and corporate investors

Note(s): All currency values expressed in USD

Source(s): Company websites; ISF Interviews; ISF Fund Database



The Forestry and Climate Change Fund (FCCF)

Using a bottom-up approach, FCCF develops forestry partnerships that are scalable, are commercially viable and promote land restoration in community-managed secondary degraded forests in Central America

Strategy

- The FCCF invests in commercially-viable forestry companies, community forestry entities and owners of small forested lands who focus on the management of secondary degraded forests in Central America
- Through a bottom-up approach, the fund invests in companies that are able to fulfill unmet local demand for timber products leveraging local and regional value chains
- The investment strategy follows a three-stage approach:
 1. In a grant-funded preparatory phase, the fund identifies promising geographic areas and develops business plans with community forestry entities
 2. In the second phase, the fund invests and holds investments for 10 years
 3. In the third phase, the fund scales projects leveraging external co-financing
- The fund aims to demonstrate that commercially-viable forestry management schemes are compatible with land restoration and climate change mitigation activities
- The fund’s key to success is starting with small projects and creating partnerships that are scalable and allow for effective and significant growth
- The fund is currently finishing its project origination and investment stage to focus on managing the investee portfolio

Investee example



- FCCF took an equity position in Costa Rican forest management company Operaciones Forestales Sostenibles (OFS) and wood flooring processor **BluWood Industries** to expand forestry management and processing operations
- OFS manages 320 Ha of secondary forest sharing value with the community through a fair sourcing policy
- BluWood sources timber from OFS to convert it into premium flooring

Profile

Fund manager	Forestry and Climate Change Fund (FCCF)
Return	Low positive returns
Fund vintage & term	2017 (closed-end fund, 10 years)
HQ	Luxembourg
Size	\$ 15M
Regions	Central America
Sectors	Forestry and agroforestry
Investee	Companies that manage and source from secondary and degraded forests
Ticket size	\$ 200K-1M
Instrument	Debt, mezzanine debt and equity
Investors	Luxembourg Ministries of Finance and Sustainable Development and Infrastructure, BCEE, BIC, Foyer

Note(s): All currency values expressed in USD

Source(s): Fund website, Initiative 20x20, 50 Climate Leaders, ISF interviews

The Livelihoods Fund for Family Farming (L3F)

Investing large-scale agriculture projects through a fund financed by corporate actors interested in making their value chains sustainable

Strategy

- The L3F is an evergreen fund set up by corporate investors. It aims to strengthen commodity supply chains in which investors have a commercial interest (cocoa, palm, mint, vanilla, milk, sugar, carrageenan)
 - Corporate actors have offtake agreements for the production of the supported agribusinesses and partner smallholder farmer organizations
 - Geographic focus spans Africa, Asia and Latin America
- L3F provides upfront financing for projects development. Implementation is done by local project developers and overseen by the core team of the Livelihood's agronomists
 - Investees increase yields and attain higher prices due to improved crop quality
 - L3F uses results-based payment schemes in which governments and/or public funders pay L3F upon achievement of objectives
- The impact mission of L3F is to intervene in large-scale agricultural projects to improve farmer incomes, biodiversity preservation, water resource management and CO2 sequestration
- The fund has invested in 6 projects and is seeking to conduct 3 additional investments before the end of 2020

Investee example



- In 2017 the L3F Fund structured the intervention with **Fanamby**, a Madagascan NGO, to improve vanilla bean tracing and processing techniques, as well as food security for farmers through the promotion of crop diversification, and biodiversity conservation
- The project is benefiting 3K farms over a 10 year period during which gains from premium pricing will be used to repay L3F's investment

Profile

Fund manager	Livelihoods
Return	Low positive returns
Fund vintage & term	2015 (evergreen)
HQ	Paris, France
Size	Undisclosed
Regions	Africa, Asia and Central America
Sectors	Agriculture
Investee	Agricultural producer organizations and NGOs in commodity value chains
Ticket size	NA
Instrument	Upfront capital investment
Investors	Danone, Firmenich, Mars, Veolia

Note(s): All currency values expressed in USD

Source(s): Livelihoods website; ISF Interviews; ISF Fund Database

The Rabo Rural Fund

Unlocking local commercial rate loans for sustainable agribusinesses in commodity value chains by offering concessional financing, the fund aims to bridge the funding gap between micro-loans and commercial debt

Strategy

- The Rabo Rural fund invests in profitable growth-stage cooperatives and agribusinesses in developing countries, bridging the gap between small micro-loans and larger-scale commercial debt usually out of reach for growing SMEs
- With a focus on sustainable commodity value chains, the fund invests in businesses seeking to strengthen links with farmers and expand processing lines
- The fund offers short-term trade financing and long-term fixed asset financing
 - It also provides a credit guarantee and/or debt at concessional rates to unlock commercial loans by local banks to reach the loan size requested by the investee
 - The fund leverages the presence of offtaking contracts for short term financing
- The fund's shareholders and the Rabobank partner network provide support to the fund and investees in managing price, management and marketing risk
- Its main beneficiaries are agribusinesses engaging directly with poor rural populations that are dependent on agricultural production to support their livelihoods
 - By unlocking financing to scale local businesses, the fund aims to increase crop demand, expand farmer networks and improve production practices

Investee example



- The Rabo Rural Fund provided a \$ 1.7M loan to **Equatorial Nut Processors (ENP)**, a macadamia exporter based in Kenya, to pay farmers upon delivery of produce
- Thanks to having an export offtake agreement, ENP is able to borrow 70% of the contract value from the fund to pay farmers upfront

Profile

Fund manager	Rabobank
Return	Low positive returns
Fund vintage & term	2011
HQ	Utrecht, The Netherlands
Size	\$ 60M
Regions	Latin America, sub-Saharan Africa and South East Asia
Sectors	Agriculture
Investee	Commercially-viable agri-SMEs in export commodity value chains
Ticket size	\$ 200K-3M
Instrument	Debt
Investors	Rabo Foundation and Rabobank

Note(s): All currency values expressed in USD

Source(s): Company websites; EMFP; ISF Interviews; ISF Fund Database

Table of Contents

Context and Objectives

Landscape and Analysis of Funds

Trends, Gaps, and Opportunities

Appendix: Case Studies and Fund Information

- Case studies
- **Funder information**
- List of interviewees



Funds in this research are largely supported by public capital from DFIs and IFIs

Many identified funds have used blended approaches, combining different catalytic capital from DFIs, IFIs and philanthropic investors with distinct risk/return profiles to mobilize additional capital.

Public capital (DFIs and IFIs)

Investor	Description and interests	Investments
BIO	The Belgian Investment Company for Developing countries (BIO) is the Belgian government's development finance private sector arm, working to promote sustainable growth in Africa aligned with the SDGs. Recently, BIO has begun investing in businesses that fight against climate change and preserve natural resources besides providing local economic growth	EcoEnterprise Partners, Africa Sustainable Forestry Fund II
DFID	The Department for International Development (DFID) is the UK's bilateral DFI working on poverty reduction. It works across geographies with a strong regional emphasis on Africa, and a thematic focus on climate and agriculture. DFID invests in initiatives that support the development of smallholder business models	IDH Farmfit Fund (TA Facility), Aceli Africa, DFID Impact Fund
Dutch Ministry of Foreign Affairs/FMO	The Dutch Ministry of Foreign Affairs invests alongside Dutch entrepreneurs, financial institutions and NGOs in sustainable commodity value chains through FMO, the Dutch development bank. FMO is the Dutch development bank investing in emerging markets to support job creation and income generation. The Ministry has recently focused on co-investing in agricultural initiatives that mitigate climate change	IDH Farmfit Fund ¹ , AGR13 Fund, Moringa Funds, EcoEnterprises Fund, eco.business fund, Africa Sustainable Forestry Fund, Tropical Asia Forest Fund, Fairtrade Access Fund
EIB	The European Investment Bank (EIB) is the lending arm of the European Union with the aim to create jobs, promote equality and improve the lives for EU citizens and people in developing countries. Under the climate policies adopted by the EU, the EIB has begun investing in initiatives that mitigate climate change, particularly through the generation of carbon credits and reduced deforestation in agricultural and forestry systems	Althelia Climate Fund, EcoEnterprises Fund, Africa Sustainable Forestry Fund II, Rural Impulse Fund II
FinDev Canada	FinDev Canada is the Canadian Government's DFI that aims to enable access to finance to entrepreneurs in developing markets seeking to support their communities. FinDev's goals focus on local development, women's economic empowerment and climate action	EcoEnterprises Fund, Africa Sustainable Forestry Fund II
Finnfund	Finnfund is the Finnish development finance arm investing responsible and profitable businesses in developing countries, particularly Africa, Asia and Latin America. Finnfund investees are in renewable energy, sustainable forestry, sustainable agriculture and financial institutions	Moringa Fund, Tropical Asia Forest Fund, Silverlands I and II
Government of Luxembourg	The Government of Luxembourg, including the Ministries of Finance and Sustainable Development and Infrastructure, provides concessional capital to investment funds that focus on restoring degraded land in developing countries, particularly those with tropical rainforests	Land Degradation Neutrality Fund, Forestry and Climate Change Fund, ABC Fund

Note(s): (1) The Dutch Ministry of Foreign Affairs invested directly in the IDH Farmfit Fund through a redeemable grant rather than through FMO; (2) List is non-exhaustive given many funds do not disclose participating investors

Besides public investors, a number of mission-aligned foundations support the space

Public capital (DFIs and IFIs)		
Investor	Description and interests	Investments
Green Climate Fund	The Green Climate Fund (GCF) is part of the UN Framework Convention on Climate Change (UNFCCC) that provides financial support to developing countries in undertaking climate change adaptation and mitigation projects. Historically, the GCF has focused on energy, water and transport infrastructure, but has recently expanded to include agriculture and forestry within their scope of work	Acumen Resilient Agriculture Fund
KfW	KfW is the German development bank providing financing on behalf of the German Federal Government The bank administers projects in Africa, Asia, Latin America, the Middle East and the Caucasus. Its priority areas are education, healthcare, climate and the environment through investments in MFIs	eco.business Fund, Fairtrade Access Fund, LAFCO
Norwegian Government	Through Norfund and the Norwegian Climate and Forestry Initiative, the Norwegian Government is investing in projects in developing countries and projects that reduce and reverse the loss of tropical forests while contributing to a stable climate respectively	&Green, Voxtra East Africa Agribusiness
USAID	The United States Agency for International Development (USAID) is an agency of the US Federal Government responsible for administering foreign aid. In the ag and forestry finance space, in addition to investment capital, USAID provides credit guarantee agreements to encourage private lenders to extend financing to underserved borrowers in frontier markets and regions	IDH Farmfit Fund, Althelia Climate Fund, TLFF, Terra Bella Colombia Fund
Private capital (Foundations)		
Grantham Foundation	The Grantham Foundation for the Protection of the Environment supports organizations and individuals working to find solutions to environmental issues worldwide. Usually providing aid through grants, the Grantham Foundation moved to providing investments to funds focused on reversing environmental degradation in developing countries	Africa Sustainable Forestry Fund
Packard Foundation	The David and Lucile Packard Foundation invests through its mission investment arm. The foundation focuses on providing debt and equity investments to further the foundation's focus on climate, ocean, land, science, agriculture, livelihoods and conservation among others. More recently, the foundation has placed a particular interest in climate-smart solutions and innovations	Terra Silva Fund, Tropical Asia Forestry Fund II
MacArthur Foundation	The MacArthur Foundation focuses on providing grants and investments to solutions in climate, criminal justice and nuclear energy. As part of the Catalytic Capital Consortium, an investment initiative from Omidyar Network and The Rockefeller Foundation, MacArthur has begun investing in initiatives that are able to leverage catalytic capital that is aligned with the foundation's programmatic priorities	Terra Silva Fund, Aceli Africa
Rabobank Foundation	The Rabobank Foundation is the philanthropic arm of Dutch bank Rabobank. The foundation pools financial resources, expertise and networks to fund initiatives that promote people self-sufficiency in the Netherlands and in developing countries. Given the bank's focus on commodity value chains, the foundation is also heavily focused on sustainable agriculture and forestry initiatives	Rabo Rural Fund
Rockefeller Foundation	The Rockefeller Foundation provides grants and investments in food security, healthcare, energy, economic opportunity and frontier opportunities for development. More recently, the foundation has provided grant funding for the operation of the Coalition for Private Investment in Conservation (CPIC) and related investment funds in agriculture and conservation	Africa Agricultural Capital Fund, Omnivore Partners India Fund II

Note(s): List is non-exhaustive given many funds do not disclose participating investors

Table of contents

Context and Objectives

Landscape and Analysis of Funds

Trends, Gaps, and Opportunities

Appendix: Case Studies and Fund Information

- Case studies
- Funder information
- **List of interviewees**



This piece of research was informed by the views of a broad range of stakeholders

Name of Interviewee	Title	Organization
Agnes Johan	Head of Blended Finance	Rabo Partnerships
Andrea Braun	Consultant in the Forestry Division	UNIQUE Forestry and Land Use
Boris Spassky	Investment Director	Mirova
Etienne Desmarais	CEO	ECOTIERRA
George McPherson	Managing Director	Criterion Africa Partners
Guillaume Bouculat	COO	Livelihoods
Herve Bourguignon	Director	The Moringa Partnership
Iain Henderson	Managing Director, Tropical Landscapes Finance Facility	ADM Capital
Jaume Martorell Lenny Martínez	Cocoa Sales Specialist and Product Control Associate Head of Sustainability Department	12Tree
Johnny Brom	Founder and CIO	SAIL Ventures
Kevin Tidwell	Program Officer	The Grantham Foundation
Leslie Durschinger	Chief Investment Officer	Terra Global Capital
Liisa Smits	CEO	Ignitia
Luca Torre	Cofounder and CEO	GAWA Capital
Mary Kate Bullen	Director of Sustainability and Communications	New Forests
Michael de Groot	Investment Manager	Rabo Rural Fund
Nienke Stam	Senior Program Manager and Head of Landscape Finance Team	IDH Sustainable Trade Initiative
Paul Hol	Chairman	Form International
Pierre Rousseau	Strategic Advisor Sustainable Business	BNP Paribas
Tanja Havemann	Director/Founder	Clarmondial AG
Timm Tennigkeit	Managing Director	UNIQUE Forestry and Land Use
Zachary Taylor	Investment Analyst	The Grantham Foundation



ISF
ELEVATING RURAL ENTERPRISE

