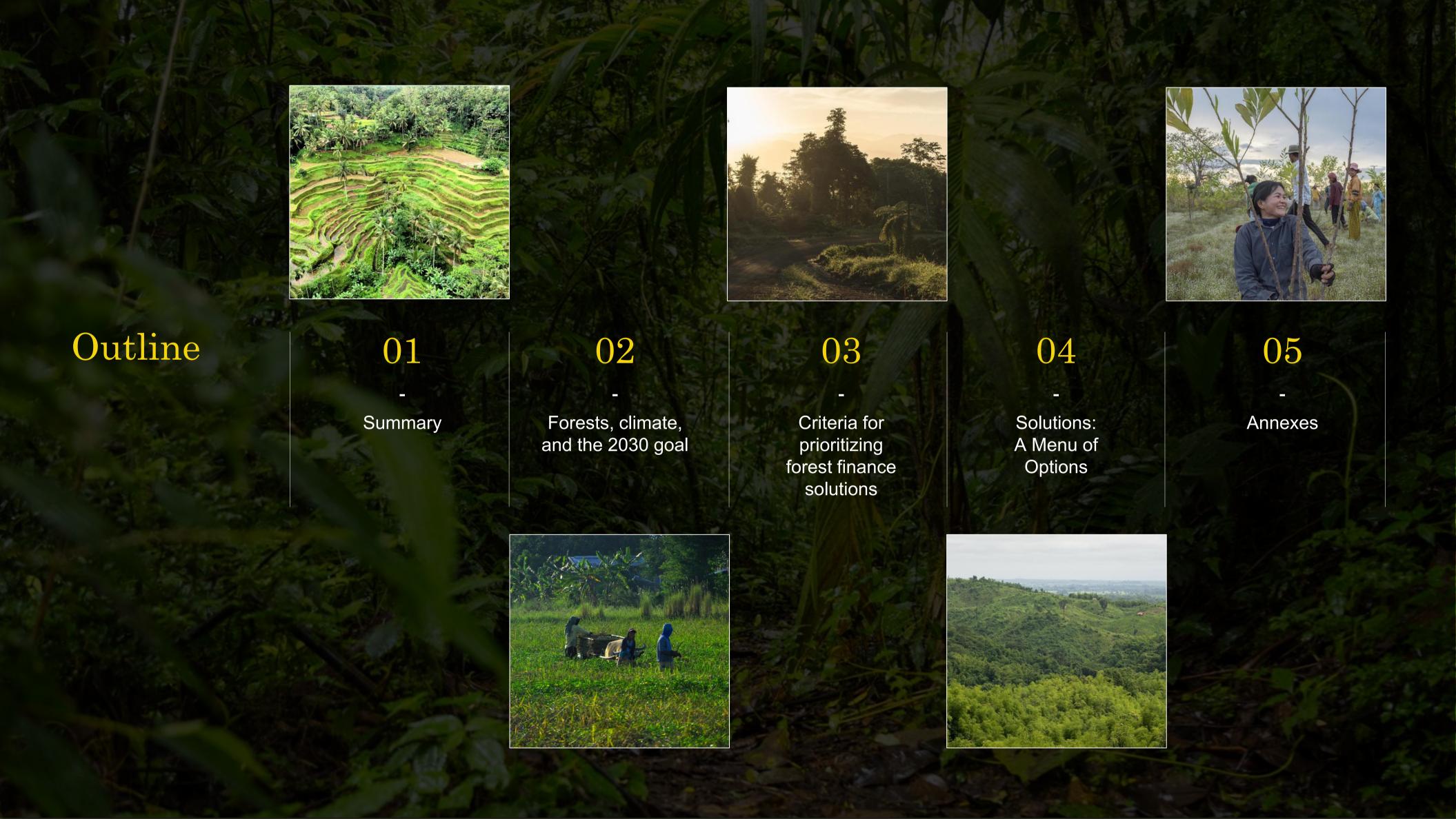
### Unlocking Forest Finance

### A Roadmap for Action







#### Why A Roadmap for Action?

COP30 comes at a pivotal moment for tropical forests. Progress towards the internationally agreed goal of halting and reversing forest loss by 2030 is off track, putting the climate, biodiversity and the lives of millions of people at risk. Forest finance is key to getting back on track.

We will not be able to deliver on that goal without ensuring that there is sufficient investment in supporting the transition to a forest positive future. That is why the COP30 Presidency has made investment in forests a key objective.

It can be difficult to see how we get from where we are now – a world in which it pays to clear forests – to one where it pays to keep forests standing. That is why after initial discussions with the COP30 Presidency, the Forest & Climate Leaders' Partnership (FCLP), in collaboration with the Government of Brazil, and with the support of the United Nations Environment Programme (UNEP), have supported the development of this Roadmap for Action. It aims to provide a clear path to bridge the current gap in forest finance, identifying six feasible

strategies that together can deliver the volume of finance needed in the relevant timeframe.

The Roadmap is designed to provide ministers, government officials, the private sector and civil society with a comprehensive plan and, where possible, identifies relevant initiatives that can help to execute that plan and bring promising sources of finance to scale.

The Roadmap is designed to inform discussion and debate among governments, the private sector and civil society, and does not represent the views of any single government or member of the FCLP. We hope, however, that the Roadmap will enable various stakeholders to see how the different pieces of the forest finance puzzle could come together to deliver on our shared goal.

Summary



#### Summary -1/5

#### Key Messages

- Tropical forests are essential to achieving global climate and biodiversity goals, as well as to maintaining food, water, and energy security and public health. However, forest loss continues to increase, jeopardising all of the services forests provide, both globally and to national economies.
- The international community has agreed to halt and reverse forest loss by 2030. To achieve that goal means delivering a just transition to a new forest economy.
- Realizing that goal will require closing the \$66.8 billion gap in annual capital and operational investment estimated by UNEP to be needed by 2030, less than the world spends on ice cream each year.
- It is possible to bridge the gap: solutions are available that are compatible with national development aspirations and equitable for Indigenous peoples and local communities, but additional public and philanthropic funding is needed to establish the enabling conditions that can bring those solutions to scale.
- A new forest economy is emerging, but we need to go further, faster by involving all stakeholders.
- This Roadmap identifies six priority solutions that governments, the private sector, and civil society are already advancing to deliver the change we need. It is an invitation to us to use the momentum of the COP30 Action Agenda to translate those solutions into actions and achievement of the 2030 goal.

• The six priority solutions are:

#### **Innovative Financial Mechanisms**

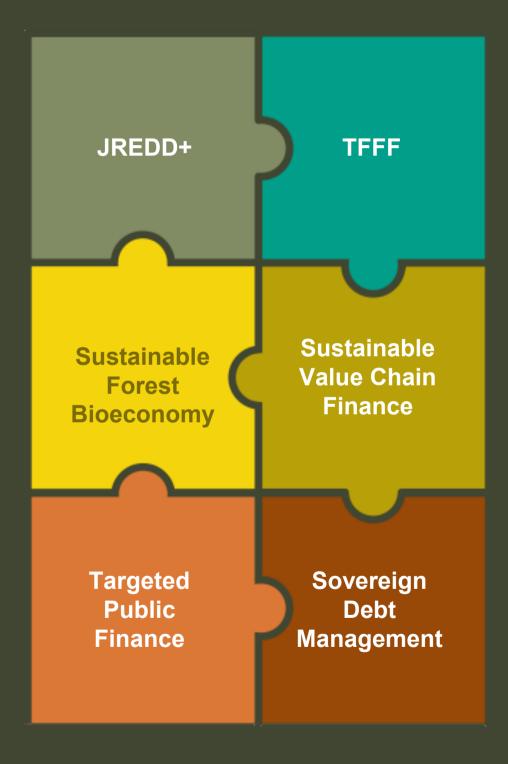
- Increase demand for high-integrity jurisdictional forest carbon credits
- Establish the Tropical Forest Forever Facility

#### **Mobilizing Private Investment**

- Accelerate private investment in the new forest bioeconomy
- Align value chain finance with sustainability, including through increased corporate disclosure of forest-related risks

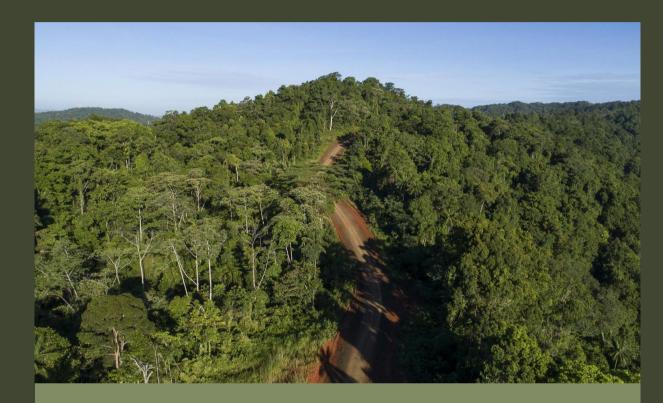
#### **Aligning Fiscal Policies**

- Target public finance toward rewarding forest stewardship and use fiscal tools to incentivize private investment in sustainability
- Reduce and manage sovereign debt in ways that reward investment in resilience



#### Summary -2/5

Achieving the 2030 goal of halting and reversing forest loss requires shifting financial incentives



Tropical forests are essential to achieving global climate mitigation and adaptation goals as well as to...

- achieving global biodiversity goals and realising synergies across the Rio Conventions
- maintaining food, water, and energy security and public health
- securing the rights and livelihoods of Indigenous peoples and local communities



The goal of halting and reversing forest loss by 2030...

- was endorsed in the Glasgow Leaders Declaration at COP26
- was an outcome of the Global Stocktake at COP28
- is a key objective of the COP30 Action Agenda



Unlocking the potential of tropical forests to support sustainable economic development requires shifting financial incentives so that they reward investment in forests in ways that...

- support the development aspirations of forest countries and communities
- are coordinated at national and sub-national scales
- are consistent with relevant principles and norms such as the inclusion of IP&LCs

Unlocking Forest Finance Summary Forest, climate and Criteria for prioritizing a forest Solutions Annexes

#### Summary -3/5

UNEP estimates that tropical regions need \$66.8 billion in annual investment in forests by 2030

#### \$15.8 bn

for tropical forest protection

would make significant cost-effective contributions to the goals of the UNFCCC Paris Agreement and the CBD Kunming-Montreal Biodiversity Framework while conserving a suite of ecosystem services important to food, water, and energy security

#### \$33.2 bn

for tropical forest restoration

would restore millions of hectares of degraded forest land annually while creating new economic opportunities and enhancing carbon removals

#### \$17.8 bn

for agroforestry in tropical forest regions

would enhance local livelihoods and supply chain resilience

Forest finance must be mobilized as part of the Baku to Belem Roadmap aimed at scaling up \$1.3 trillion of international climate finance by 2035

## Forest finance is a small but critical share of global climate and biodiversity finance needs

#### **Share of Global Climate Finance Needed for Tropical Forests**



Mitigation Offered by Tropical Forests

**Share of Cost-Effective** 

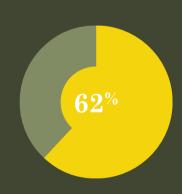


Tropical forests require about
1% of the \$6.3-6.7 trillion
needed for climate finance
(IHLEG) while delivering 20%
of cost-effective mitigation
potential (UNEP Emissions
Gap report)

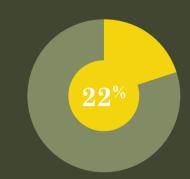
#### **Share of Global Biodiversity Finance Needed for Tropical Forests**



**Share of Terrestrial Vertebrate Species Harbored in Tropical Forests** 



Tropical forests require less than 10% of \$.72-.97 trillion needed for biodiversity (Deutz et al 2020) while harboring 62% of global terrestrial vertebrate species (Pillay et al 2021)



Tropical forests require only 22% of the \$300 billion annual investment in natural capital and sustainable agriculture needed by 2030 to stay on track (IHLEG)

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Unlocking Forest Finance

Summary

O1

Forest, climate and
2030 Goals

Criteria for prioritizing a forest
finance portfolio

#### Summary – 4/5

Six solutions can help bridge the annual finance gap by 2030 and provide a menu of options for tropical forest countries

### Innovative financial mechanisms

#### JREDD+

Increasing demand for highintegrity jurisdictional-scale forest carbon credits

Could generate \$3-6 billion

Assuming 300 million credits sold at an average price between \$10-20/tonne

#### **TFFF**

Establishing the Tropical Forest Forever Facility

Could generate **\$4 billion** 

Assuming \$25 billion sponsor capital and \$100 billion senior debt tranche raised

### Mobilizing private investment

### Sustainable Forest Bioeconomy

Accelerating private investment in restoration and other forest-based enterprises

Could generate \$15 billion

Assuming \$5 billion public finance available for de-risking

### **Sustainable Value Chain Finance**

Alignment of agricultural and other investments, including through increased disclosure of forest-related risks

Could generate \$10 billion

Assuming companies invest the equivalent of 20% of reported value at risk and 20% of what's necessary to capture financial opportunities from the transition

### Aligning fiscal policies

05 Annexes

#### **Targeted Public Finance**

Using fiscal tools to reward and incentivize private investment in sustainability

Could generate \$8 billion

Assuming only 10% of current annual agricultural subsidies were aligned with forest objectives

#### Sovereign Debt Management

Reducing and managing sovereign debt in ways that reward investment in resilience

Could generate \$4.9 billion

Assuming only 1% of current debt service payments by developing countries were released and invested in forests

8

01 02 05 04 03 Summary Annexes 2030 Goals finance portfolio

#### Summary -5/5

#### COP30 provides an opportunity to translate solutions into action

Active initiatives are in place to deliver on this agenda which could be harnessed by the Activation Group on Stewarding Forests, Oceans, and Biodiversity, and provide the solutions needed to deliver on the 2030 forest goal.

These solutions are aligned with the priorities of the COP30 Circle of Finance Ministers and can be advanced through the **Activation Group** 

JREDD+

- SCALE
- Race to Belem
- LEAF Coalition
- JREDD+ Coalition
- Green Climate Fund -Results-Based Payments
- VCMI's Coalition to **Grow Carbon Markets**
- FCLP's working group on Forest Carbon Credits and Results

Maps to Objectives

#5 and #23

(carbon markets)

#5, #6 (protect and restore nature), and #8 (land restoration)

 Innovative Brazil-led proposal under consultation with

TFFF

prospective sponsors, investors, tropical forest countries and other stakeholders to be launched at COP30

Maps to Objectives

Sustainable Forest **Bioeconomy** 

- Brazil Restoration & Bioeconomy Finance Coalition
- Capital for Climate NbS Investment Platform
- Principles for Responsible Timber Construction
- FCLP's working group on Greening Construction with Sustainable Wood
- The &Green Fund

Maps to Objectives #5, #8, #12 (sustainable buildings), and #29 (bioeconomy)

Sustainable **Value Chain** Finance

- IFACC and Catalytic Capital for Agricultural Transition (CCAT)
- Finance Sector Deforestation Action Initiative
- Deforestation Investor Group
- The Taskforce on Naturerelated Financial Disclosures (TNFD) and The International Sustainability Standards Board (ISSB)
- PRI Spring Initiative
- Investor Policy Dialogue on Deforestation (IPDD)

Maps to Objectives #5,#6, #8, #9 (resilient food systems, and #20 (mainstreaming)

**Targeted** Public **Finance** 

Sovereign Debt Management

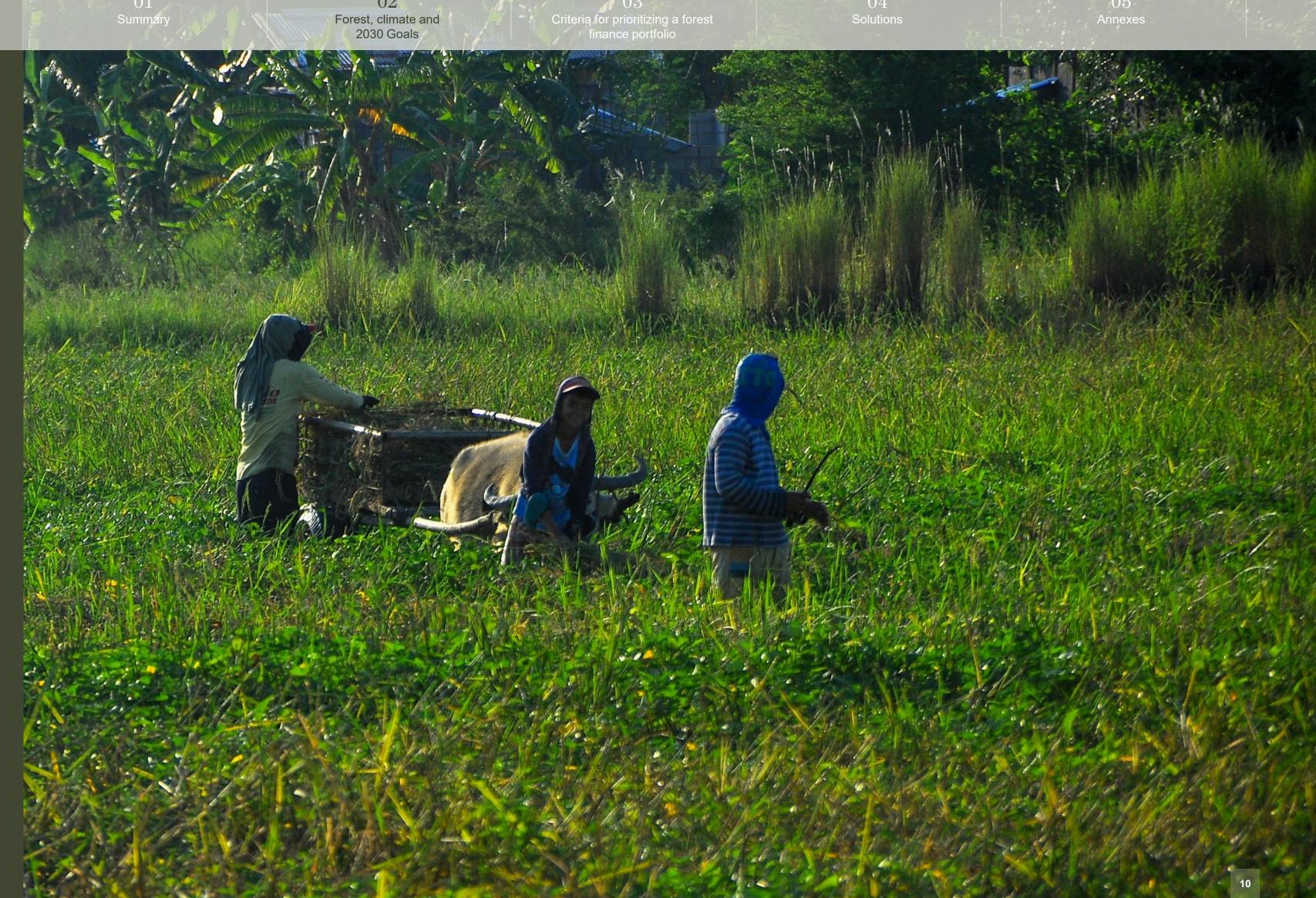
- Just Rural Transition Initiative
- Global Challenge Program
- The Bridgetown Initiative 3.0
- Global Expert Review on Debt, Nature and Climate
- Taskforce on Credit Enhancement for Sustainability-Linked Sovereign Finance for Nature and Climate
- Coalition on Sovereign **Debt Conversions for** Nature

Maps to Objectives #5 and #20 (manstreaming)

Maps to Objectives #5 and #8 (sustainable agriculture)

## 02

Forests, climate, and the 2030 goal



01 Summary

Forest, climate and 2030 Goals

U3 Criteria for prioritizing a forest finance portfolio 04olutions 05 Annexes

COP 30 in Belem provides a timely opportunity for a fresh look at forest finance





...as 2025 represents the halfway milestone towards the 2030 goal to halt and reverse forest loss

#### The goal:

- Was endorsed by 145 heads of state covering 90% of the world's forests
- Is based on what the IPCC says is needed to keep the 1.5 C temperature goal alive
- Was embedded in the first Global Stocktake of the Paris Agreement, in which all Parties to the Agreement called for an end to deforestation and forest degradation by 2030

...with a focus on the tropics

#### Where:

- 95% of forest loss is taking place and financing needs are greatest
- Reducing forest-based emissions offers the largest mitigation opportunity
- Countries and communities are most vulnerable to the adverse effects of climate change and deforestation
- Investment in forests provides an opportunity for producers, investors, and
   financiers to increase agricultural supply chain resilience and promote food security

...and feasible options for closing the finance gaps are within reach

#### Including:

- Innovative financial mechanisms to reward forest stewardship
- Mobilising private investment toward sustainable agricultural and forest production systems
- Aligning fiscal policies with climate and nature objectives

Tropical forests are essential to achieving global climate and biodiversity goals, as well as to maintaining food, water, and energy security and public health



### Forests offer up to 4 GtCO2eq/year of cost-effective mitigation potential

- Deforestation is responsible for 11% of global emissions and 45% of total land sector emissions (IPCC AR6 2021)
- The land sector faces the largest climate finance gap, requiring a 30-fold increase, to reach its mitigation potential (CPI 2025)
- Reducing deforestation provides the largest potential contribution to emissions reductions in the land sector (IPCC AR6 2021)



### Tropical forests harbor the preponderance of the world's terrestrial biodiversity

- Tropical forests harbor 62% of global terrestrial vertebrate species, of which up to 29% are endemic to tropical forests, and 20% at risk of extinction (Pillay et al. 2021)
- Tropical forest biodiversity is essential to the food security, health, and cultural integrity of IP&LCs (Swiderska and Ryan 2021)
- Forest disturbance increases the prevalence of malaria in the near term, and increases the risk of the transfer of pathogens from animals to humans (MacDonald and Mordecai 2019)



Tropical forests generate rainfall across countries and continents that sustains agricultural production, municipal water supplies, and hydroelectric power generation

- Forests in the Amazon and Congo Basins transport moisture to globally significant centers of agricultural production
- Congo Basin forests contribute approximately half of the rain that falls in the city of Kinshasa's watershed (Keys et al 2017)
- Brazil's two largest hydroelectric power plants have a combined annual loss of 3.8 thousand GWh of energy due to deforestation (Pinto and Arbache 2025)



Tropical forests provide local cooling; deforestation elevates local average and extreme temperatures, exposing crops, livestock, and agricultural workers to heat stress, as well as increasing the risk of wildfires

- In Brazil, soy revenue lost due to extreme heat from native vegetation loss (1985–2012) totaled \$99 per ha for 2012-2013 growing season (Flach et al. 2021)
- 11 million people in Brazil could experience extreme heat-related health risks with continued deforestation and greenhouse warming (Alves de Oliveira et al. 2021)

U1 Summary Forest, climate and 2030 Goals

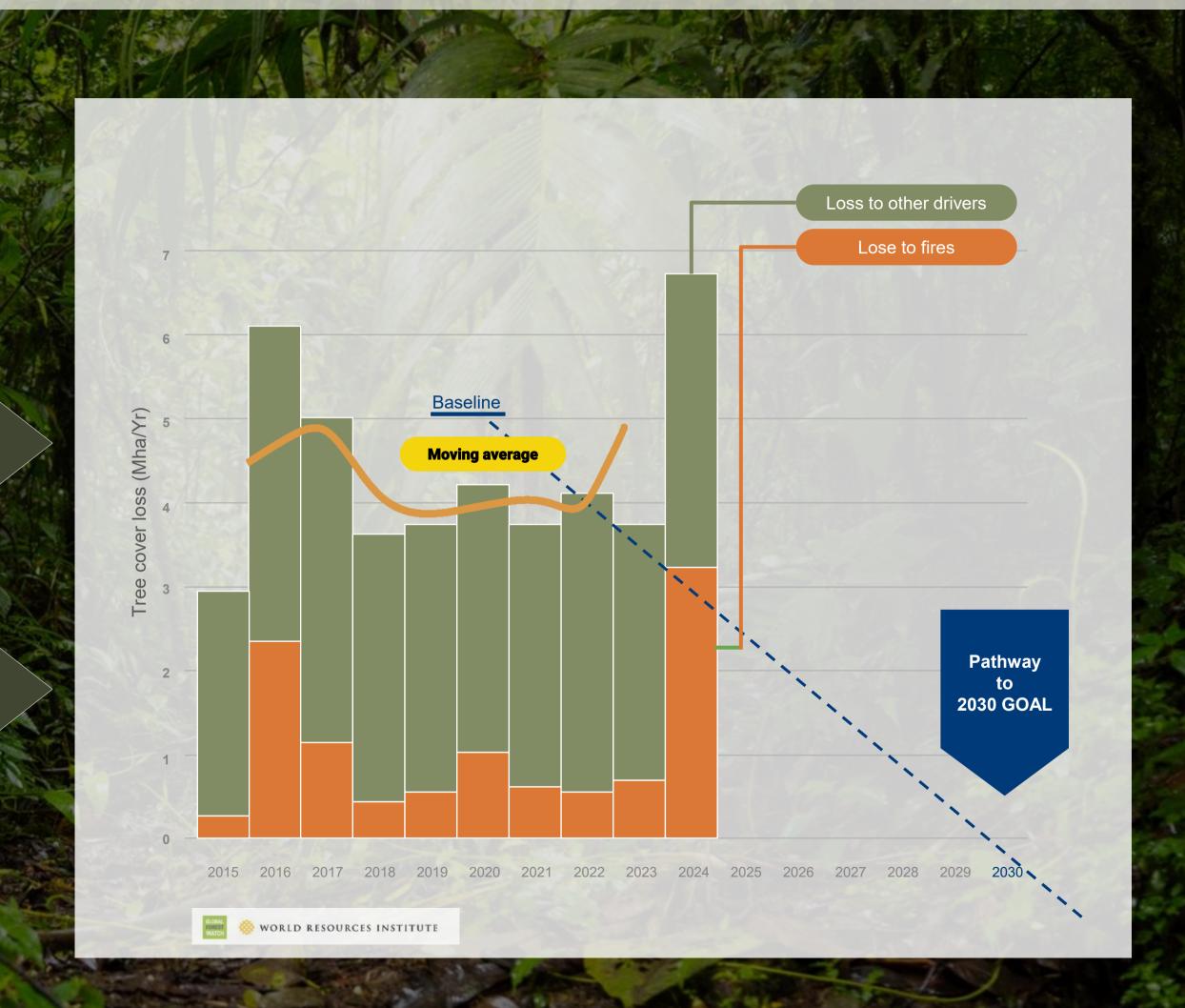
03
Criteria for prioritizing a forest finance portfolio

04 olutions 05 Annexes

Yet forest loss continues, jeopardizing achievement of the 2030 goal

Deforestation is primarily due to clearing for permanent agricultural uses including annual crops, tree crops, and pasture (Stanimirova et al. 2025)

Catastrophic fires in 2024 show how forests themselves are becoming more vulnerable to the effects of climate change, risking changing a net carbon sink into a net carbon source



We know the interventions that are needed to keep the 2030 goal within reach

UNEP estimates that by 2030 \$66.8 billion in annual capital and operational investment is needed in tropical forest regions to finance those interventions

A portfolio of solutions can help close the gap if complemented by \$3.4-6.7 billion in public and philanthropic funding to establish the enabling conditions needed to mobilize investment

# \$15.8 bn for forest protection

including avoided deforestation and peatland conversion and protected areas management) (UNEP 2025a)

## \$33.2 bn

for forest restoration

(UNEP, 2025a)

## \$17.8 bn

for agroforestry

(UNEP, 2025a)

### \$3.4-6.7 bn

for enabling conditions

including forest monitoring, law enforcement, capacity-building, and improved governance not included in the UNEP estimates above (World Bank, forthcoming) Despite delivering disproportionately large benefits, tropical forests require less than 1% of global climate finance needs and less than 10% of global biodiversity finance needs by 2030

Global climate finance needs, all sectors (CPI 2025)

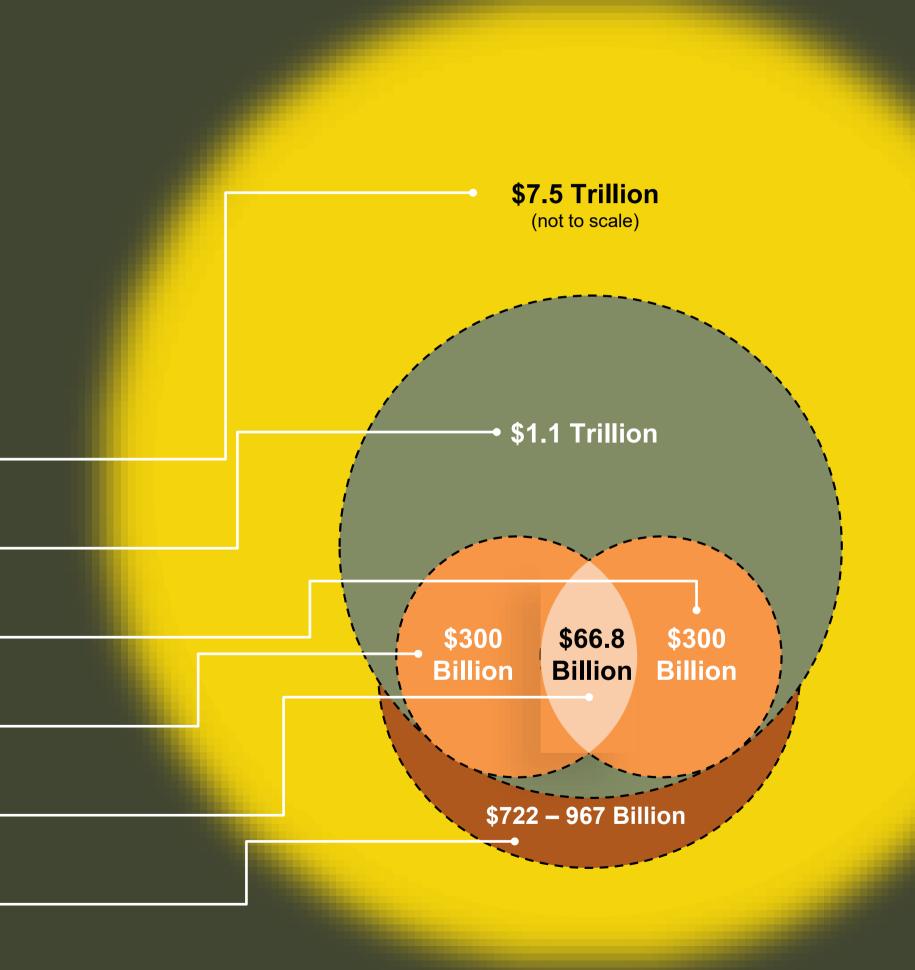
Global AFOLU sector climate finance needs (CPI 2025)

Global forest finance needs (UNEP 2025b)

Land use sector climate finance needs in developing countries other than China (IHLG 2022)

**Tropical regions/countries forest finance needs (UNEP, 2025a)** 

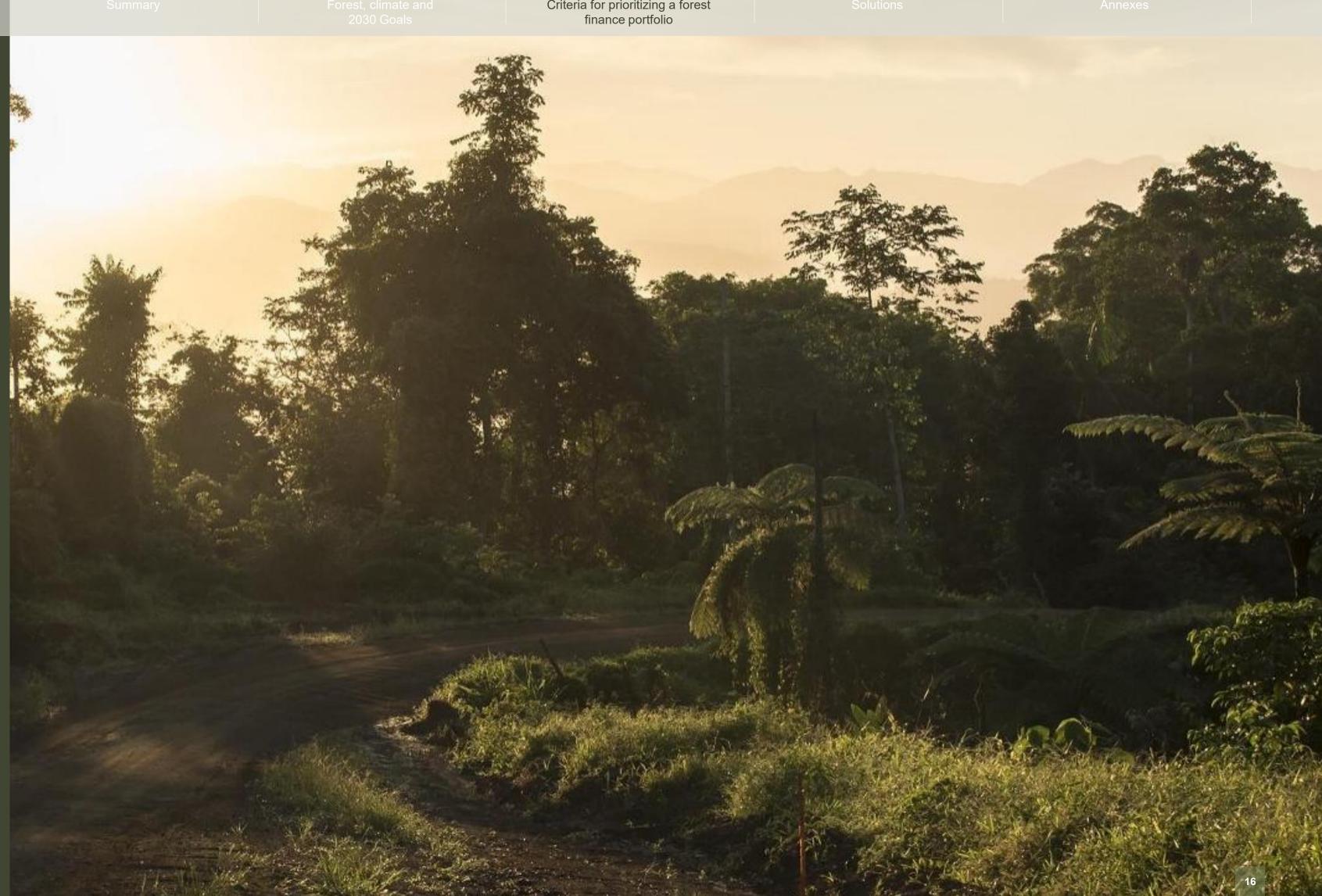
Global biodiversity finance needs (Deutz et al 2020)



Criteria for prioritizing a forest finance portfolio

03

Criteria for prioritizing forest finance solutions



To be effective, a portfolio of solutions designed to close the forest finance gap must meet the following criteria:



## Development compatible

The timing and sequencing of options within the portfolio must be compatible with the pursuit of legitimate development aspirations by forest countries and communities and not increase debt burdens



#### Complementary

The limited fungibility of sources of finance and financial instruments to address needs related to enabling conditions, forest conservation, sustainable management, and restoration, means that solutions within the portfolio must complement each other



## Mobilization potential

Solutions must have the potential to generate significant volumes of finance and be feasible to implement in the timeframe necessary to meet the 2030 goal



## Coherence potential

Solutions must be amenable to coordination at national and/or subnational scales to ensure the coherence of forest-related activities across the landscape



#### Aligned

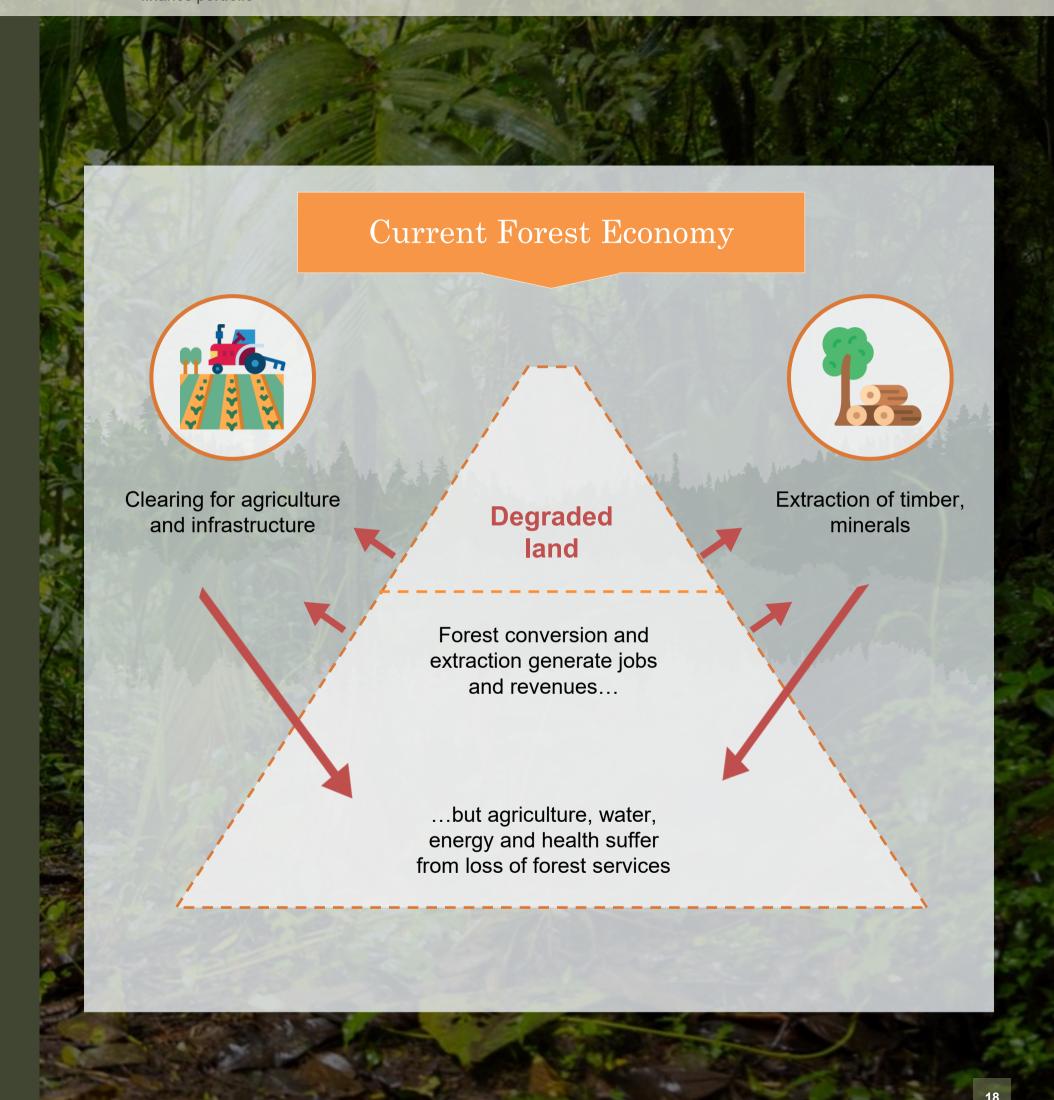
Solutions must align with broader climate finance principles and goals, inclusion of IP&LCs, and other COP30 Action Agenda objectives

#### Development compatible -1/3



Current development models create jobs, revenue streams, and economic growth, but impose costs and threaten long-term sustainability through forest loss

- Over 90% of the population of the Democratic Republic of Congo relies on charcoal for cooking. In Lubumbashi region, the sector has an annual value add of \$50 million, while forest cover was halved between 1990 and 2022 (Mukendi et al. 2025)
- 57% of deforestation in Bolivia between 2010 and 2022 has been attributed to cattle ranching (CEDLA, 2024). Bolivian beef exports were worth \$189 million in 2023 (COMTRADE, 2023)
- Research in East Kalimantan, Indonesia revealed reduced productivity, cognitive impairment, and increased morbidity and mortality of agricultural workers exposed to deforestation-enhanced heat stress (Masuda et al. 2024; Wolff et al. 2021)
- Projected loss of upstream natural forests would dry out soils and reduce crop yields, resulting in a GDP decline of around \$379 billion in developing nations, or 7.8 percent of global agricultural GDP (Damania et al. 2025)

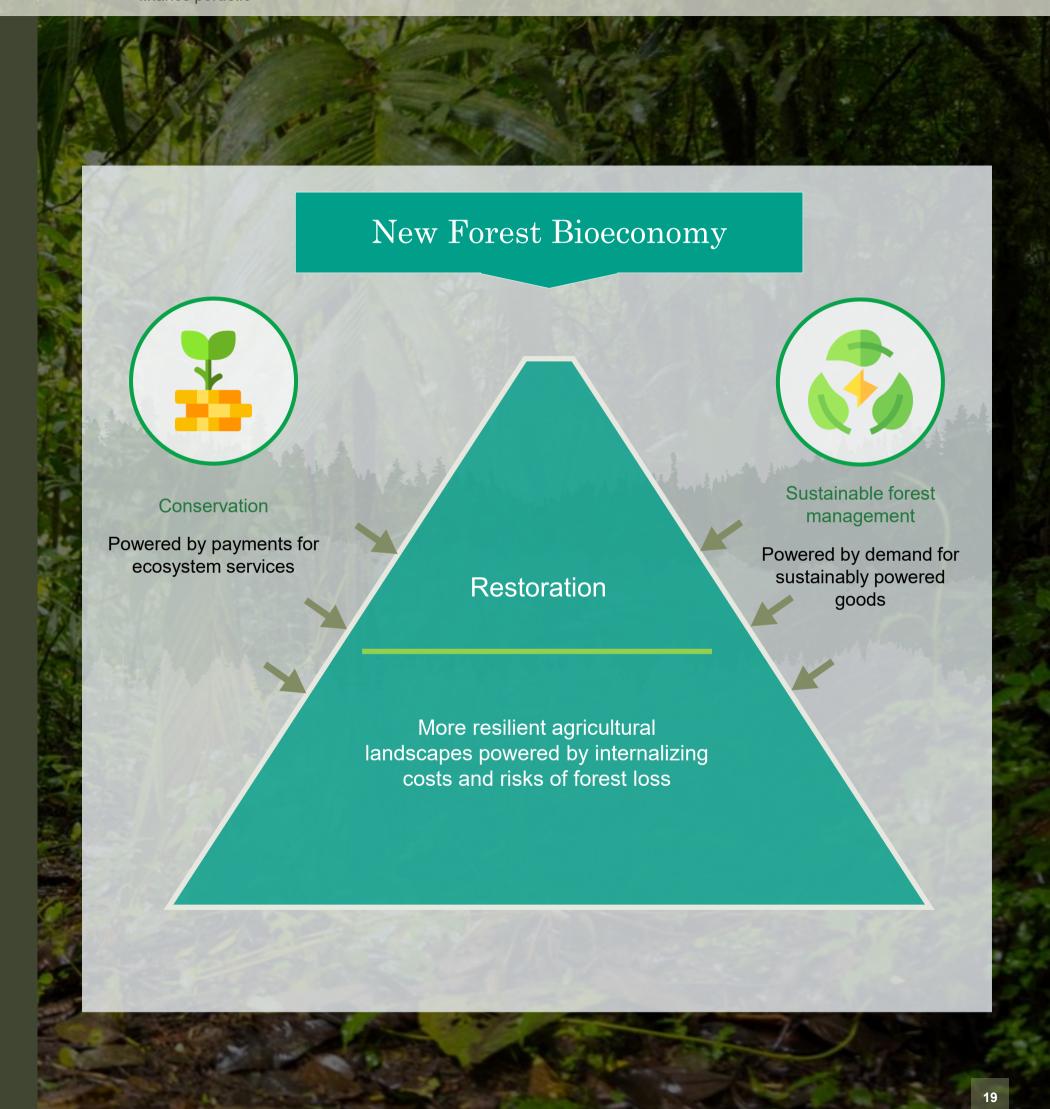


#### Development compatible -2/3



New forest bioeconomies are emerging that create jobs and revenue streams while maintaining forest-based ecosystem services essential to sustainable economic growth

- As part of global transition to a "New Nature Economy", forests can generate \$290 billion in revenues from eco-tourism, and \$165 billion in revenues from sustainable forest management by 2030 (WBCSD 2020)
- Costa Rica is using revenues from carbon credits to scale up conservation efforts while increasing resilience and supporting Indigenous communities (World Bank 2025)
- Kenya is stimulating the use of sustainably produced wood in green construction for low-carbon, resilient development (UNDP)
- Brazil's Plano Safra is offering reduced interest rates to producers who adopt sustainable agricultural practices, including reforestation (Brazil 2025)
- The International Model Forests Network provides examples of inclusive landscape governance approaches to improve equitable access to the benefits of nature-based solutions (IMFN 2023)
- Transparency and disclosure can motivate companies to internalize the costs and risks of forest loss and degradation, while fiscal incentives can stimulate investment in resilient landscapes



### Development compatible – 3/3 💭

New approaches to forest finance can accelerate transitions to sustainable forest bioeconomies

Current Forest Economy

Finance Solutions

New Forest Bioeconomy

 Limited financial return for conserving, managing, restoring forests

Recognize forest values through innovative finance mechanisms



 Financial reward for conserving, managing, restoring forests

Risks and costs not accounted for

Internalize risks and costs of forest loss into mainstream finance



 Incentives to invest in resilience to reduce risks and costs

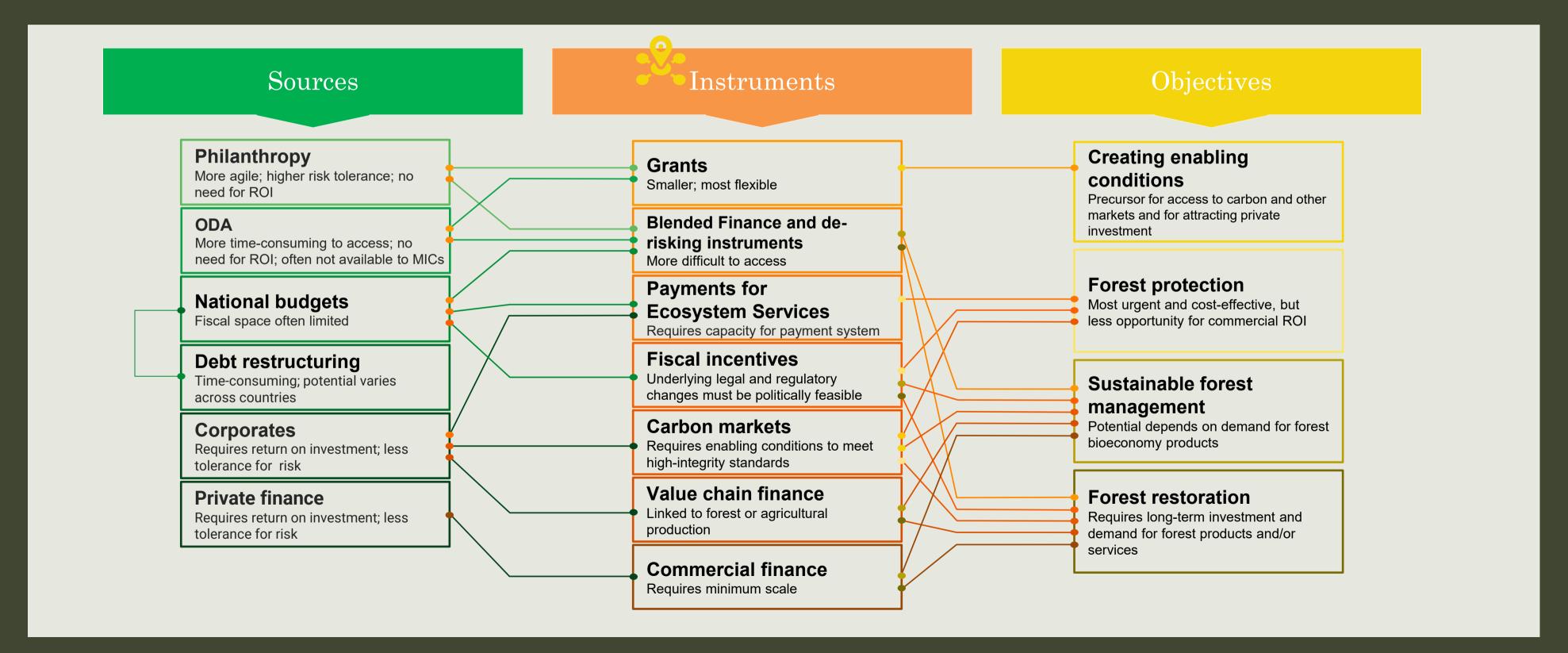


- Forest finance must support development pathways where forest conservation and economic growth are perceived and experienced as going hand in hand; the transition won't be politically viable unless people see reliable and sustainable economic alternatives to current livelihoods.
- Achieving this transition demands a balanced, sequenced approach to forest finance that supports sustainable forest management practices while addressing harmful ones.

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### Complementary 2

Forest finance solutions and instruments often cannot substitute for each other, so a portfolio of complementary solutions is needed to address various objectives



01 05 Criteria for prioritizing a forest finance portfolio

### Mobilization potential

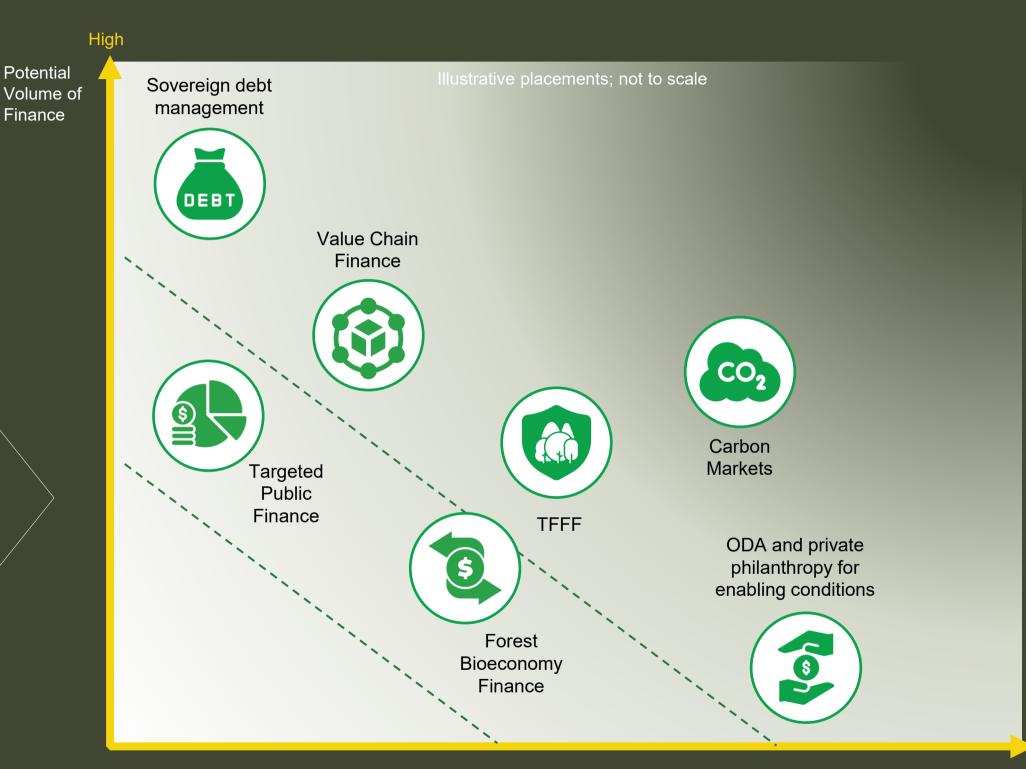


An "all of the above" menu of options should be prioritized by the potential volume of finance generated by various sources and instruments and the nearterm feasibility of implementation

Assessment of the potential and feasibility of each solution would reflect its relevance to the national circumstances of each country

#### For example:

- High integrity forest carbon credits are already being issued for use in voluntary and compliance markets at attractive prices, but markets may be difficult for some countries to access.
- Sovereign debt management could yield large volumes of finance and reduce pressures on forests, but may be less appropriate or not feasible in the near term for many countries.



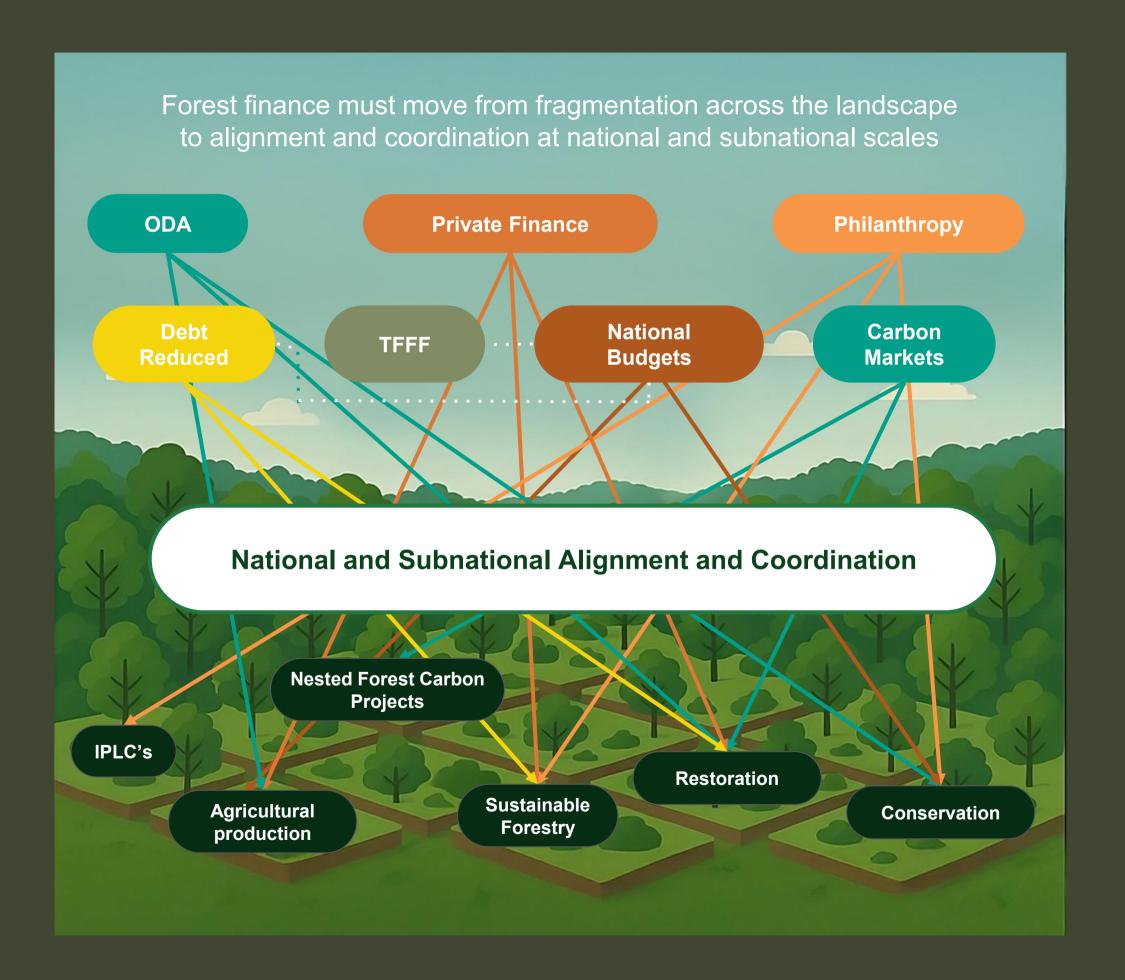
Low Near Term Feasibility

### Coherence potential



Country platforms and other mechanisms for government-led coordination can increase impact and efficiency

- Ensure policy coherence across sectors, especially between forestry and agriculture
- Realize economies of scale, e.g., in monitoring forest cover for results-based finance and implementation of deforestation-free value chains
- Enable aggregation of projects to match the scale of commercial investment opportunities
- Ensure nested accounting for forest carbon crediting activities
- Establish inclusive processes for IP&LC and other stakeholder engagement in program design and collaboration in implementation
- Target public finance to incentivize private investment in priority areas and activities





Solutions must align with broader climate finance principles and goals, IP&LC inclusion, and COP30 Action Agenda objectives

#### Climate Finance

- Common but differentiated responsibilities
- Country-driven strategies
- Balance between mitigation and adaptation
- Transparency and predictability
- Baku to Belem Roadmap
- **Investible Nationally Determined** Contributions (NDCs)

#### IP&LC Inclusion

- Recognition of territorial sovereignty and tenure rights, with communities as governance actors and beneficiaries
- Free prior and informed consent
- Involvement as full partners in program design and benefit-sharing arrangements
- Direct access to finance

#### Commitments from other fora

- Targets from the CBD Kunming-Montreal **Biodiversity Framework**
- Development finance commitments included in the Seville Compromise

#### COP30 Action Agenda Objectives

- #5 Investments to halt and reverse deforestation and forest degradation
- #6 Efforts to conserve, protect, and restore ecosystems
- #8 Land restoration and sustainable agriculture
- #9 More resilient, adaptive, and sustainable food systems
- #20 Climate and sustainable finance
- #29 Bioeconomy and biotechnology





#### Solutions must align with COP30 Circle of Finance Ministers priorities for scaling up climate finance

1

Reforming multilateral development banks to enhance their support for climate action

**Relevance for Forests:** 

Need continued efforts to incorporate nature in MDB and IMF operations, including Belém Alignment 2

Expanding concessional finance and international climate funds while simplifying access

**Relevance for Forests:** 

Need concessional funding for establishing enabling conditions from GEF, GCF, bilateral, and philanthropic sources 3

Creating national investment platforms and strengthening domestic capacity to attract sustainable capital and implement climate commitments

**Relevance for Forests:** 

Need for financing partners to align fragmented landscape interventions with country-led forest strategies

4

Developing innovative financial mechanisms to scale up private investment

**Relevance for Forests:** 

Need for financing mechanisms that monetize the value of forest ecosystem services which are often undervalued or provided for free 5

Strengthening regulatory frameworks including for carbon market mechanisms

**Relevance for Forests:** 

Need for frameworks and carbon market rules that account for the value of forests as well as for the risks of forest loss

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O4
Solutions:
A menu of options



nlocking Forest Finance Summary Forest, climate and Criteria for prioritizing a forest Solutions Annexes

#### Jurisdictional-scale forest carbon crediting (JREDD+) - 1/2

Expand demand for jurisdictional forest carbon credits

Potential volume of finance delivered annually by 2030

\$3-6 bn



#### Impact pathway



Provides financial incentives for reducing emissions from deforestation, forest degradation, sustainable forest management, and conservation and enhancement of forest carbon stocks

#### **Consistency with criteria**



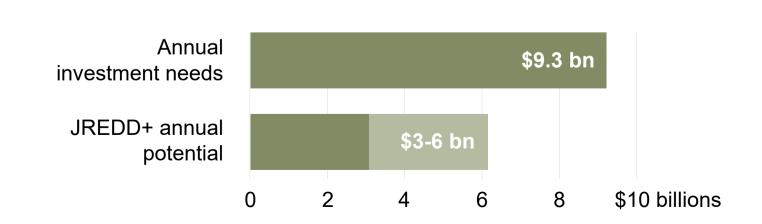
- **Development compatible.** Provides near-term alternative revenue source
- Complementary. Complements TFFF by rewarding changes in carbon flows
- Mobilization potential. Could provide between 1/3 and 2/3 of UNEP-estimated needs for avoided deforestation and peatland conversion
- Coherence potential. Crediting at jurisdictional scale supports national and subnational leadership
- Aligned. Framework negotiated under UNFCCC; Cancun safeguards support inclusion of IP&LCs; aligned with COP30 Action Agenda Objective #5 and harmonization of carbon markets (#23)

#### Sources of finance



- Private corporations seeking costeffective ways to meet compliance obligations and voluntary commitments to compensate unabated emissions
- Countries seeking to purchase ITMOs under Article 6 of the Paris Agreement

JREDD+ could deliver between 1/3 and 2/3 of UNEP's estimate of annual investment needs for avoided deforestation and peatland conversion



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#### Jurisdictional-scale forest carbon crediting (JREDD+) - 2/2



#### Near-term feasibility

- Guyana pioneered first issuance in 2023; three other prospective issuances under validation and verification
- Potential supply of 300 million credits certified to ART/TREES standard (EDF 2024), with a pipeline of jurisdictions "graduating' from resultsbased payments offered through bilateral (NICFI), plurilateral (REDD Early Movers), and multilateral (Green Climate Fund, FCPF)
- Credits certified to ART/TREES and Verra JNR eligible for ICVCM CCP label and ICAO/CORSIA
- Conservative estimate of price: \$10-20+/tonne (based on LEAF Coalition floor price and Guyana's sale of ART/TREES credits to airlines at CORSIA procurement event for \$21.70/tonne in late 2024 (IATA 2025)
- More than 29% of listed companies have set netzero targets and more than 60% have set climate targets for 2025 and beyond (MSCI 2025)



#### Action needed

- MDBs, bilateral and philanthropic donors can provide up-front investment and results-based payments as an on-ramp to market readiness, "last-mile" technical assistance to jurisdictions for compliance with standards especially Cancun safeguards and negotiation of payment agreements, and support for effective stakeholder participation
- Governments can provide a global signal to investors and markets outlining the importance of jurisdictional approaches to crediting, and clarification of acceptable corporate use cases to address demand-side integrity concerns
- Compliance markets can develop rules that accommodate JREDD+ credits
- Private corporations can integrate high-integrity credit use into Net Zero transition plans and provide clear demand signals, including through ERPAs with advance payments
- Supplier jurisdictions can provide visibility on prospective volume, price offers, and availability of corresponding adjustments

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#### Initiatives underway

- SCALE
- Race to Belem
- LEAF Coalition
- JREDD+ Coalition
- Green Climate Fund Results-Based Payments
- VCMI's Coalition to Grow Carbon Markets
- FCLP's working group on Forest Carbon Credits and Results.

Jnlocking Forest Finance

U1 Summary U2 Forest, climate and 2030 Goals 03
Criteria for prioritizing a forest

04 Solutions

Generate longterm area-based payments for standing forest Potential volume of finance delivered annually by 2030 \$4 bn

#### **Impact pathway**



Provides governments with long-term, predictable finance for conserving standing tropical forests, rewarding conservation. It channels resources through innovative financial instruments, dedicates at least 20% of funds to Indigenous Peoples and Local Communities, and supports national forest strategies and monitoring systems.

#### **Consistency with criteria**



- **Development compatible.** Provides near-term alternative revenue source.
- **Complementary.** Complements JREDD+ by rewarding the full suite of services provided by standing forests (not only carbon ones) and can build on existing JREDD+ institutional infrastructures to deploy implementation.
- Mobilization potential. \$25 billion in sponsor loans and guarantees could potentially leverage \$100 billion in private finance; annual \$4/ha payout to eligible countries could provide between 1/4 of estimated investment needed for forest protection
- Coherence potential. National-scale reward supports national leadership
- COP 30 Aligned. Part of the solution plan of COP30 Action Agenda Objective #5: Investments to halt and reverse deforestation and forest degradation. Also aligned with objective #6 (Efforts to conserve, protect, and restore nature and ecosystems with solutions for climate and biodiversity) and #8 (Land Restoration and Sustainable Agriculture).

#### Sources of finance



- Sovereign loans and guarantees for the junior tranche of sponsor capital.
- Bond issuance to raise senior capital from international debt markets.
- Returns from capital markets, where
  the payout is generated by the spread
  between returns on long-dated
  emerging market bonds and the debt
  service on senior and sponsor capital,
  with this difference distributed to
  tropical forest countries as payments
  per hectare.

TFFF could deliver 1/4 of annual investment needs for forest protection



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#### Tropical Forests Forever Facility (TFFF) - 1/2



#### Near-term feasibility

- Design process well advanced.
- Supported by Norway; United Kingdom; Germany; United Arab Emirates (UAE); France; Amazon Cooperation Treaty Organization (Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, and Venezuela); Democratic Republic of the Congo; Ghana; Indonesia; and Malaysia.
- Hosting by the World Bank under consideration.
- Monitoring will build on countries' own systems for forest monitoring and revenue management.



#### Action needed

- Prospective sponsors can make pledges toward the \$25 billion capitalization needed
- Financial institutions can send a demand signal for prospective contribution to senior debt tranche
- MDB shareholders can decide on host institution
- MDBs, bilateral donor agencies, and philanthropies can establish a TFFF access support platform to provide technical assistance to tropical forest countries to meet eligibility criteria, particularly related to IP&LCs, as well as direct support to civil society to play independent accountability roles



#### Initiatives underway

- Concept Note 3.0 released in August
- Consultations with prospective sponsors and private investors
- Consultations with IP&LC and CSOs
- Declaration of interest to be signed by Tropical Forest Countries
- Financial pledges by sponsor countries
- Regional dialogues (Amazon and Asia/ASEAN).
- Paper on TFFF & REDD+ complementarities

#### Sustainable Forest Bioeconomy - 1/2

Unlock private investment in sustainable forest-based enterprises such as green timber for construction

Potential volume of finance delivered annually by 2030

\$15bn

in private investment (conservative)



#### **Impact pathway**



Modest levels of public support attracts new private investment in sustainable forest management, forest restoration, and downstream processing by removing current constraints through blended finance and policy measures

#### **Consistency with criteria**



- Development compatible. Supports transition to new forest economy and creates new employment opportunities
- Complementary. Focusses on sustainable forest management
- Mobilization potential. High leverage from limited use of public funds and policy incentives
- Coherence potential. Public investment component allows spatial targeting
- Aligned. Aligned with G20 Bioeconomy Principles; investments can be targeted to IP&LC community-led enterprises; aligned with COP30 Action Agenda objectives #5, ecosystem restoration (#6); land restoration and sustainable agriculture (#8); sustainable and resilient constructions and buildings (#12), and bioeconomy (#29)

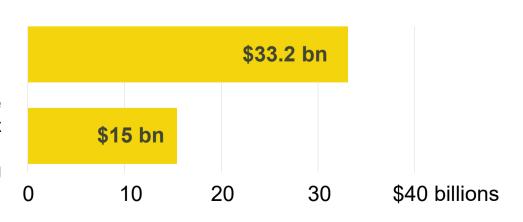
#### **Sources of finance**



 Private commercial investment leveraged by catalytic investment from public budgets, ODA, DFIs, and philanthropy

The private sector could deliver the equivalent to almost half of annual investment needs for forest restoration Annual investment needs for forest restoration

Annual potential of private investment leveraged for forest bioeconomy activities by \$5 billion in public support for de-risking



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#### Sustainable Forest Bioeconomy - 2/2



#### Near-term feasibility

- High-level Principles for Responsible Timber Construction gaining endorsements
- Brazil Restoration & Bioeconomy Finance Coalition has mobilized \$2.6 billion in commitments toward a \$10 billion target by 2030; with \$500 million in potential identified for community-based bioeconomy
- PRI Spring, Nature Action 100 demonstrate the ability to catalyse the corporate transition



#### Action needed

- MDBs, DFIs, bilateral donors, and philanthropies can provide concessional and patient capital to de-risk, stimulate, and scale private investment
- MDBs, DFIs, bilateral donors, and philanthropies can support forest countries with finance and technology for value-added processing and forest landscape restoration
- Governments can advance green public procurement policies to create early demand for sustainably produced forest products
- Governments, private corporations and others can endorse the Principles for Responsible Timber Construction
- Governments, private corporations, and others can support expansion/replication of IFACC and BRB-FC models to other regions.
- **Governments, supply chain actors, and civil society** can educate consumers and cultivate demand for sustainable forest products such as green timber

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#### Initiatives underway

- Brazil Restoration & Bioeconomy Finance Coalition
- Capital for Climate NBS Investment Platform
- Principles for Responsible Timber Construction
- FCLP's working group on Greening Construction with Sustainable Wood
- The &Green Fund

Align corporate land sector investment with forest goals through increased disclosure of forest-related risks and opportunities

Potential volume of finance delivered annually by 2030

\$10 bn

Conservative estimate if companies invested 20% of the value at risk and what's needed to realize 20% of identified opportunities resilience



#### Impact pathway



By integrating forest-related impacts and risks into corporate and financial reporting, private investment by value chain actors will be redirected towards forest protection, restoration, and agroforestry to reduce material, transition, and reputational risks and increase value chain resilience

#### **Consistency with criteria**



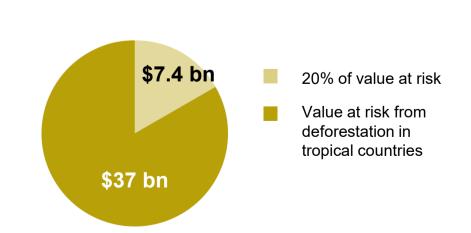
- Development compatible. Aligns existing and stimulates new investment in forest-related resilience
- Complementary. Focuses on restoration and agroforestry activities
- Mobilization potential. Large current private financial flows to the agriculture sector
- Coherence potential. Motivates value chain actors to engage at landscape/jurisdictional scale
- Aligned. Aligns with COP30 Circle of Finance Ministers climate finance priorities related to disclosure; aligns with COP30 Action Agenda objectives #5, ecosystem restoration (#6); land restoration and sustainable agriculture (#8), more resilient food systems (#9); and climate and sustainable finance (#20)

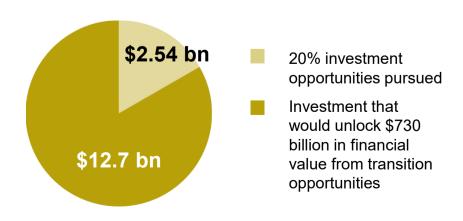
#### Sources of finance



- Private corporations in forest-related agricultural commodity value chains
- Financiers investing in forest-related agricultural value chains

Private investment to address small shares of deforestationrelated financial risks and opportunities could generate significant forest finance





Based on 2024 CDP data

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#### Sustainable Value Chain Finance - 2/2



#### Near-term feasibility

- Voluntary frameworks (TNFD, CDP, DCF Finance Roadmap, deforestation-free value chain commitments) are well developed
- Companies spent \$660 million in 2023 on certification of palm oil, coffee, cocoa, soy, and rubber alone (UNEP)
- Investor demand for disclosure of nature-related risks is growing rapidly; At COP26, 30 financial institutions representing \$8.7 trillion assets under management committed to eliminate commoditydriven deforestation from portfolios
- 3,500+ companies disclosed against climate change, water security and forests through CDP in 2024, a 316% increase on 2023
- Large companies voluntarily reporting have identified \$37 billion in financial effects of risks in tropical forest countries related to deforestation, and \$730 billion in opportunities in those countries to transition away from deforestation risk (CDP)
- Many suppliers are already considering how to comply with new requirements in consumer countries
- ISSB-TNFD collaboration offers a pathway to global coherence in reporting standards



#### Action needed

- Governments and corporations can integrate forest-related impacts into mandatory disclosure frameworks, including as part of Net Zero transition plans
- Governments and multistakeholder initiatives can ensure interoperability between global and regional standards on nature disclosure
- MDBs, bilateral donors and others can facilitate technical assistance for companies transitioning from voluntary to mandatory disclosure
- Governments, value chain actors, and civil society can educate consumers and cultivate demand for sustainable forest products and deforestation-free commodities

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#### Initiatives underway

- IFACC and Catalytic Capital for Agricultural Transition (CCAT)
- Finance Sector Deforestation Action Initiative
- Deforestation Investor Group
- The Taskforce on Nature-related Financial Disclosures (TNFD) and The International Sustainability Standards Board (ISSB)
- PRI Spring Initiative
- Investor Policy Dialogue on Deforestation (IPDD)

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Unlocking Forest Finance Summary Forest, climate and Criteria for prioritizing a forest Solutions Annexes

#### Targeting Public Finance - 1/2

Targeting public finance to align land-use incentives with forest objectives

Potential volume of finance delivered annually by 2030

\$8bn

if only 10% of current annual agricultural subsidies were aligned



#### **Impact pathway**



Use national budgets to align incentives such as access to subsidized credit with forest-related objectives; implement Payment for Ecosystem Services schemes

Agriculture subsidies are responsible for the loss of 2.2 million hectares of forest per year - or 14% of global deforestation (Damania et al. 2023)

#### **Consistency with criteria**



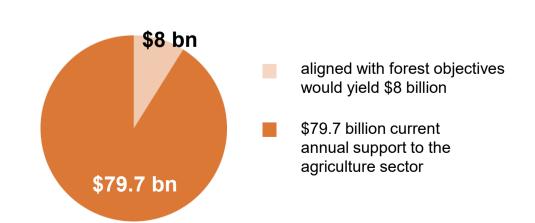
- Development compatible. Requires timing, sequencing, and targeting to ensure that legitimate development objectives of repurposed subsidies are not compromised
- Complementary. Helps create enabling conditions for other solutions and serves as a mechanism for channeling new sources of revenue and increased fiscal space toward investments that support forest objectives
- Mobilization potential. Significant in some countries with large agricultural support programs
- Coherence potential. Coordinated by government at national and sub-national levels
- Aligned. Aligned with Seville Compromise commitment to take the environment, nature, climate and food security into account when planning national budgets; aligned with the Global Biodiversity Framework's Target 18 which sets a goal to reduce environmentally harmful subsidies by \$500 billion annually by 2030; aligned with COP30 Action Agenda Objectives #5 and #8 (sustainable agriculture)

#### Sources of finance



- Current domestic budgets; data from 28 tropical forest countries suggests total annual support to the agriculture sector of \$79.7 billion (Damania et al. 2023)
- Increased revenues from taxes and fees and other fiscal reforms
- New revenues generated by carbon markets, TFFF, and sovereign debt management

Small shifts in current budget support to the agriculture sector could generate significant finance aligned with forest goals



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#### Targeting Public Finance - 2/2



#### Near-term feasibility

- Initial steps have already been taken by some governments (including Brazil the Plano Safra) to target subsidies to households and companies to encourage forest-friendly land-use practices
- As awareness of the adverse impacts of deforestation on agricultural productivity increases, shifts in public finance to support resilient land-use practices are likely to become more politically feasible



#### Action needed

- Bilateral and multilateral donors can increase available funding via concessional and innovative international finance and sovereign debt reduction
- Governments can review current fiscal policies to identify opportunities for alignment of taxes and subsidy regimes with forest objectives in ways that are compatible with development goals and politically feasible
- Various actors can Invest in data collection and analysis to support improved targeting for efficiency, effectiveness, and equity
- Governments can publish implementation pathways for integrating deforestation-related risks into fiscal and economic planning

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#### Initiatives underway

- Just Rural Transition Initiative
- Global Challenge Program on Forests

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#### Sovereign Debt Management - 1/2

Manage sovereign debt in ways that reward investment in resilience while taking pressure off forests to generate short-term revenues

Potential volume of finance delivered annually by 2030

\$4.9bn

(conservative estimate if only 1% of current debt service payments invested in forests)



#### Impact pathway



A comprehensive approach to reducing debt can reduce current pressures to generate short-term revenues from forest exploitation, while incorporating nature-related risks and benefits into macrofiscal policies and debt sustainability assessments can increase fiscal space for investment in resilience

Empirical estimates suggest IMF programs are linked to a 9.2% annual rise in deforestation. (Taskforce on Climate, Development and the IMF, Forster et al. 2024)

#### **Consistency with criteria**



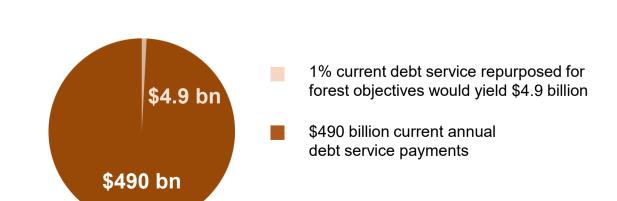
- Development compatible. Strengthens domestic macrofiscal alignment with nature and climate commitments while improving economies' resilience against environmental vulnerabilities
- Complementary. Focuses on an underlying driver of forest loss; provides fiscal space for use of public funds to leverage private investment, including by improving the overall investment climate
- Mobilization potential. Large volume of current flows means relatively small adjustments can free up significant fiscal space
- Coherence potential. National governments direct the use of enhanced fiscal space to invest in resilience and leverage private finance
- Aligned. Builds on the G20 Roadmap Towards Bigger, Better and More Effective MDBs; builds on Seville Compromise commitments to alleviate sovereign debt burdens and the Seville Platform for Action initiatives; aligns with key recommendations of the Global Expert Review to integrate the value of nature in macro-fiscal frameworks; and COP30 Action Agenda Objective #5 and #20 (mainstreaming)

#### Sources of finance



- Reduced debt service burden, including from innovative instruments, can free up considerable domestic fiscal space
- Enhanced credit access from international and multilateral financial organisations
- Enhanced credit access from global capital markets crowded in

Repurposing a small percentage of current debt service payments could free up significant funds for investment in forest resilience



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#### Sovereign Debt Management - 2/2



#### Near-term feasibility

#### Systemic reform

- Bridgetown Initiative advocates for integration of systemic climate and nature risks across global financial architecture
- The Global Expert Review Final Report sets out recommendations towards a virtuous cycle by changing how sovereign debt is treated in the current global financial architecture

#### Innovative financial tools

- Uruguay was the first nation to issue a Deforestation-Linked Sovereign Bond in [year] linking coupons to KPIs related to climate and deforestation
- The World Bank issued the Amazon Reforestation-Linked Outcome Bond, a 9-year USD 225 million bond, in 2024 to finance reforestation
- In the early 2000s, Bolivia received substantial debt cancellation through the HIPC and MDRI framework, in exchange for commitments to protect social and environmental spending. The resulting fiscal space helped fund the titling of more than 11 million hectares of collectively held Indigenous territories, many of them forested. (Bogota Group briefing 2025)

#### Debt swaps

- Spain and World Bank launched Global Debt Swap Hub in Seville
- Italy's Debt-for-Development Swap initiative supports implementation
- Since 2021, 8 debt conversions for nature have refinanced \$6 billion of debt, providing \$2.3 billion of debt relief and providing approximately \$2 billion of additional climate and nature funding (Barbados, Belize, Gabon and Seychelles in 2021; Ecuador in 2022; Joint African and Caribbean countries and El Salvador in 2024)



#### Action needed

- The IMF and the World Bank, in collaboration with Credit Rating Agencies, can maintain the momentum around the integration of economic benefits and risks of nature into Debt Sustainability Frameworks (DSF) and strengthening Debt Sustainability Analyses (DSAs) in order to generate access to credible methodologies and more transparent assessments of sovereign creditworthiness.
- MDBs, DFIs and governments can tie debt restructuring/refinancing to climate and nature including credit enhancement, guarantees, and concessional finance where feasible and sensible.
- Private sector, MDBs, DFIs can design innovative financial tools and best practices for debt swaps and credit enhancement strategies that include incentives and rewards for nature and climate KPIs.
- **Governments** can ensure strategic and sustainable use of debt management for financing nature policies and commitments in the long run.

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#### Initiatives underway

- The Bridgetown Initiative 3.0
- Global Expert Review on Debt, Nature and Climate
- Taskforce on Credit Enhancement for Sustainability-Linked Sovereign Finance for Nature and Climate
- Coalition on Sovereign Debt Conversions for Nature

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## Additional public and philanthropic finance is essential to create the enabling conditions needed to realize the potential of the six priority solutions

## Investment in enabling conditions is necessary for tropical forest countries to:

- meet eligibility requirements for participation in innovative finance mechanisms such as JREDD+ and TFFF
- attract private investment for the forest bioeconomy and through value chain finance
- build institutions with the capacity to make effective, efficient and equitable use of funds made available for targeted public finance and fiscal space opened through sovereign debt management

Finance from ODA and philanthropy is needed to support activities such as:

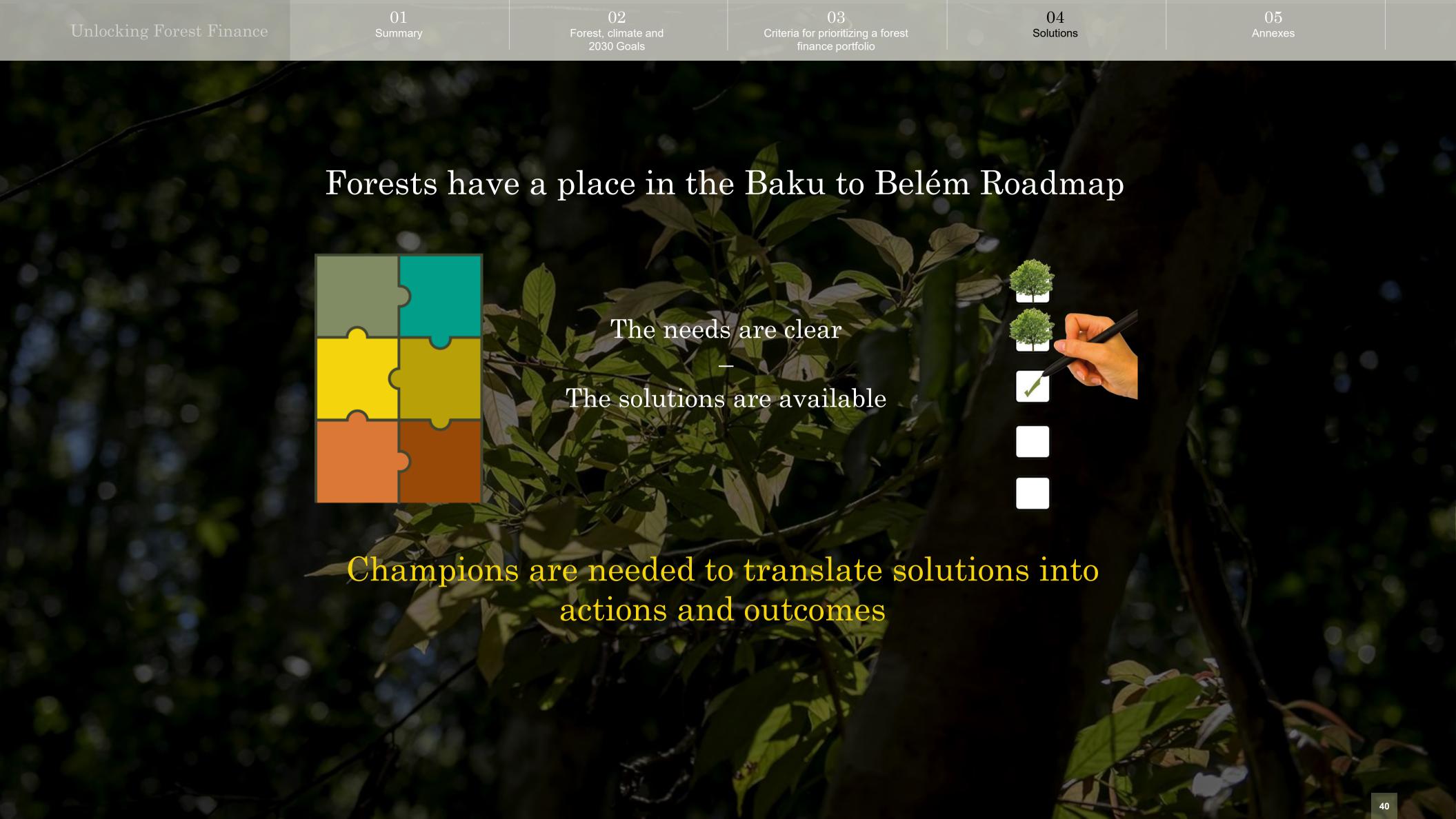
- strengthening national forest monitoring systems
- enforcement of laws and regulations
- recognition of IP&LC forest tenure

Current international initiatives designed to meet these needs include:

- The IP&LC Tenure Pledge 2.0
- The Congo Basin Pact
- MDB Joint Statement 2.0

The costs of establishing enabling conditions are not included in UNEP's estimate of \$66.8 billion needed for annual capital investment and operational costs associated with forest protection, restoration, and agroforestry by 2030

The World Bank (forthcoming) estimates that an additional \$3.4-6.7 billion is needed annually for "enablers" in the Global South by 2030 to leverage needed investment in reforestation, restoration, conservation, and forest-based value chains



Annexes



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## Thank you

