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Unlock. Unleash.

Realizing forest potential requires tripling
investments in forests by 2030

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State of Finance for Forests
2025

Unlock. Unleash.

Realizing forest potential requires
tripling investments in forests by 2030



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Acronyms

AFOLU	Agriculture, Forestry, and Other Land Uses
ARR	Afforestation, Reforestation and Revegetation
ART-TREES	Architecture for REDD+ Transactions (ART) and its standard, TREES (The REDD+ Environmental Excellence Standard)
AUM	Assets under management
CCP	Core Carbon Principles
CIF	Forestry Incentive Certificate
CIV	Collective investment vehicles
COP 26	26th United Nations Climate Change Conference
COP 30	30th United Nations Climate Change Conference
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
DCF	Deforestation-free and conversion-free
DFI	Development Finance Institutions
EM	Ecosystem Marketplace
EHS	potentially environmentally harmful subsidies
EU ETS	European Union Emissions Trading System
FAO	The Food and Agriculture Organization
FCPF	Forest Carbon Partnership Facility
FPIC	Free, Prior and Informed Consent
GBF	Global Biodiversity Framework
GCF	Green Climate Fund
GEF	Global Environment Facility
GIIN	Global Impact Investing Network
IDA	International Development Association
ICVCM	Integrity Council for the Voluntary Carbon Market
IFM	Improved Forest Management
IPs and LCs	Indigenous Peoples and local communities
JREDD+	Jurisdictional REDD+
MAgPIE	Model of Agricultural Production and its Impact on the Environment
Mha	Million hectares
NbS	Nature based solutions
ODA	Official development assistance
ODF	Official development finance
OECD	Organisation for Economic Co-operation and Development
OOF	Other Official Flows
PES	Payments for ecosystem services
PINE	Policy Instruments for the Environment
PSI	Private Sector Instruments
REDD+	Reducing emissions from deforestation and forest degradation
R&D	Research and Development
SFF	State of Finance for Forests Report
TFFF	Tropical Forest Forever Fund
TSPDF	Tax for Forest Preservation and Development
UNEP	United Nations Environment Programme

A photograph of a woman, Cornelia Flores, standing in a lush green forest. She is wearing a red shirt with a decorative lace collar and is holding a small tree seedling in her right hand. Another person is partially visible behind her. The background is filled with dense tropical foliage.

Executive summary

Cornelia Flores, leader of the Jovai Teju holding a tree seedling during a field trip to the Mbya Guaranies communities of Isla Jovai Teju, Ypa'u Señorita and San Juan in Paraguay

Source: Copyright 2019 UNEP/Leti Galeano | Envato Elements: Matthew Williams-Ellis

Executive summary

US\$ **84** billion

were channeled to forests in 2023,
91 per cent of it came from public sources.

US\$ **8.9** trillion

in active financing
was provided by private financial institutions
to companies with the highest deforestation
risk as of November 2024.

US\$ **362** million

of international public finance for forests
reached IPs and LCs in 2023.

1 billion

hectares must be expanded
by 2030 to meet global climate and
biodiversity goals.

The first edition of the State of Finance for Forests (SFF) report provides an overview of global public and private financial flows to forests in 2023, comparing these finance flows to the investment needed to unlock forests' potential to address climate change, biodiversity loss and land degradation.

What sets the SFF report apart from other assessments is its effort to track 2023 forest finance flows by incorporating key private finance channels and nature-related asset classes¹. These include certified commodity supply chains, impact investing, carbon markets, biodiversity credits and offsets, private philanthropic contributions to forests and private investments mobilized by public finance. While data availability remains a significant challenge, the report adopts a pragmatic approach, working with available data and maintaining transparency about methodological limitations and assumptions.

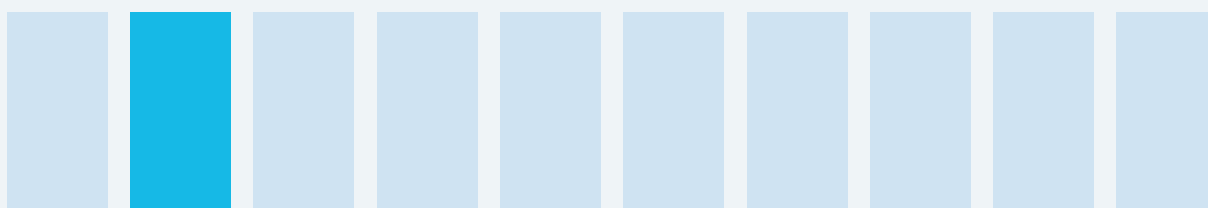
The main finding of SFF is that forests are significantly underfunded. To achieve the Rio Convention targets related to climate change, biodiversity and land degradation², annual forest investments need to more than triple from US\$ 84 billion in 2023 to US\$ 300 billion per year by 2030 and reach US\$ 498 billion per year by 2050. The forest finance gap that needs to be closed with both public and private sources of capital between now and 2030 is therefore US\$ 216 billion per year.

Governments were the primary source of forest funding, accounting for 91 per cent of total flows in 2023. Of this, over 96 per cent (US\$ 75 billion) came from domestic government spending, while international public finance accounted for just 4 per cent (US\$ 2.9 billion) of global public investment in forests. Approximately 80 per cent of public international forest finance was offered on concessional terms, primarily through official development assistance (ODA) grants.

¹ Refers to financial instruments or investment categories whose value is based on nature and natural systems, such as carbon credits, biodiversity credits, and offsets.

² Primarily limiting global warming to below 1.5°C, halting biodiversity loss (including protecting 30 per cent of land and sea by 2030), achieving land degradation neutrality by 2030.

Less than 1 in every 10 dollars for forests comes from private investors – the rest is from public sources



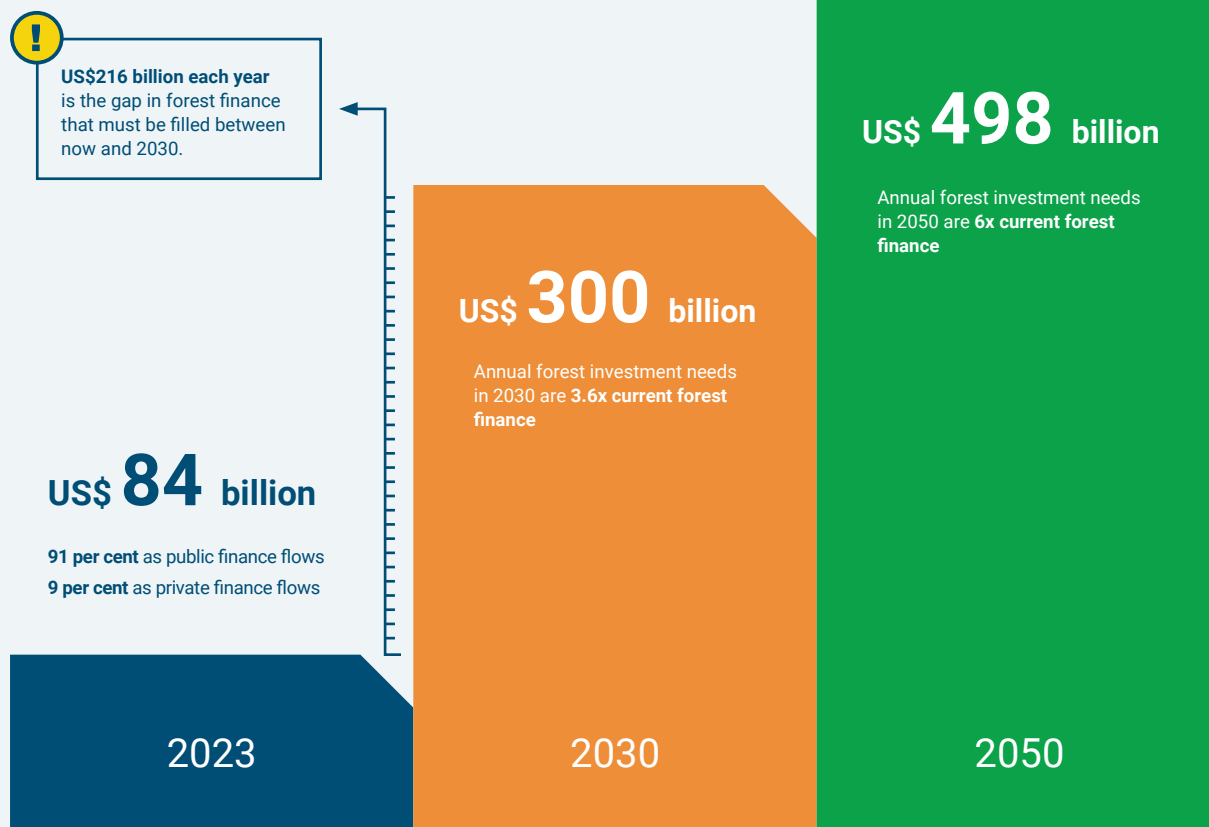
Based on the SFF analysis of domestic government spending, forest finance is highest in advanced economies or higher income countries, while the greatest needs occur in low- and lower-middle-income countries with limited public spending. For instance, it is estimated that 31 tropical forest countries allocated a total of US\$ 12.9 billion to forests, only 17 per cent of total global domestic government spending on forests (US\$ 75 billion).

Similarly, the SFF finds that some tropical forest countries spend far more on forests than they receive in official development assistance for forests. In 2023, 22 countries spent on average 36 times more than the external support they received, highlighting a structural imbalance and the critical role of domestic public finance in forest-rich countries.

The SFF analysis suggests that Indigenous Peoples (IPs) and local communities (LCs) have limited access to international public finance flows for forests. Despite the strong interconnection and proximity of IPs and LCs to forests, only US\$ 362 million of international public finance flows to forests was directed to IPs and LCs-related projects in 2023. Direct access to finance was even more limited.

Women - including Indigenous and rural women - are essential to forest management, yet they face structural barriers to land tenure, participation, and access to finance. Targeted initiatives can address these gaps: for example, a 2023 gender-responsive credit line in Ecuador directed US\$ 3.9 million to 228 women, enabling their active engagement in forest protection and sustainable land management.

Forest finance flows and investment needed to meet Rio Convention targets



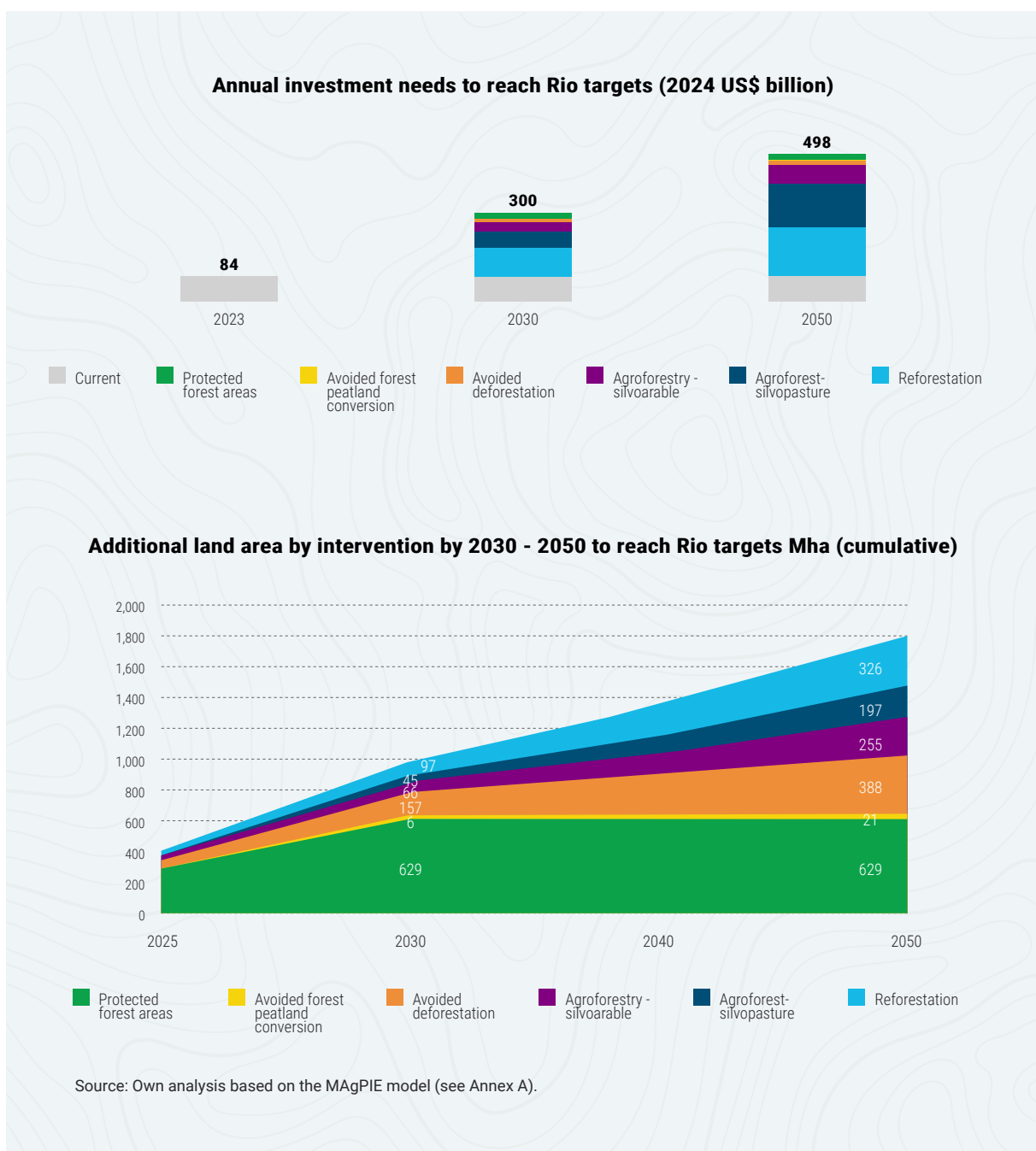
Sources: Own analysis (see Annex A).

Private sector forest finance was limited in 2023. Despite increases in corporate commitments, i.e. zero-deforestation pledges in the agri-food sector, private finance flows to forests were just US\$ 7.5 billion in 2023. Thirty-nine per cent (US\$ 2.9 billion) was through certified commodity supply chains, of which nearly 80 per cent goes to forest products in Europe and North America, while high-risk tropical commodities receive far less despite driving 97 per cent of global deforestation. Impact investing accounted for 23 per cent (US\$ 1.7 billion). Emerging asset classes such as carbon markets attracted US\$ 1.3 billion.

Harmful financial flows continue to undermine forest conservation efforts. In terms of financial flows which potentially harm forests, private financial institutions provided US\$ 8.9 trillion in active financing to companies with the highest deforestation risk as of November 2024 (Global Canopy 2025). In addition, environmentally harmful agricultural subsidies reached approximately US\$ 406 billion in 2023.

Despite modest forest finance in 2023, forests present significant environmental, economic, and investment opportunities. Meeting global climate and biodiversity goals requires expanding nature-based solutions by 1 billion hectares by 2030 and 1.8 billion by 2050, with forest investment increasing from US\$ 84 billion in 2023 to US\$ 300 billion by 2030 and US\$ 498 billion by 2050. To meet forest investment needs by 2030, investing in forest NbS can be highly cost-effective. Covering 80 per cent (792 million hectares Mha) of the additional land needed by 2030, annual investment needs in forest protected areas and avoided deforestation is estimated at US\$ 32 billion. This is a conservative estimate as it does not fully account for all ecosystem service values. In contrast, reforestation of around 100 Mha, 10 per cent of the land needed by 2030, will require significantly higher investment, reaching US\$ 96 billion per year due to higher input, transaction and opportunity costs.

Figure 3.1. Investment needs for forests





CHAPTER 01

Introduction

The State of Finance for Forests offers a 2023 global overview of public and private forest finance, supporting efforts to reduce deforestation and advance climate, biodiversity, and restoration goals. It examines potentially harmful subsidies and projects investment needs for 2030 and 2050, highlighting the finance gap.

Kiborisho Leintoi, an indigenous mother of 8 children, from the Maasai community displays tomatoes grown on her farm in Majimoto settlement, Narok County, Kenya.

Source: Copyright 2019 UNEP/Leti Galeano | Envato Elements: ArtRachen

01

Introduction



The need to scale up forest finance is clear, but limited data—especially on private and domestic public funding—hinders a full understanding of global forest finance.



Source: Envato Elements: IZE | andriymedvediuk

1.1. Why is forest finance needed?

The global objective to halt and reverse deforestation by 2030, set out in the Leaders' Declaration on Forests and Land Use (2021) at the UN Climate Conference in Glasgow (COP26) and established by the REDD+ Framework (2009), New York Declaration on Forests (2014), Paris Agreement (2015) and the Kunming-Montreal Global Biodiversity Framework (2022)³, demands a rapid increase in forest financing. However, current levels of investment in forests are far below what is needed. Forests face growing threats from climate stressors and rising product demand, even as deforestation slows (FAO 2024).

Forests cover 30 per cent of the Earth's land area and are critical to climate stability, biodiversity, and human well-being. Around a quarter of the global population, including an estimated one billion women, depends directly on forests for their livelihoods and wellbeing (FAO n.d.). Forests are home to roughly 80 per cent of terrestrial species (FAO 2020). Despite providing essential ecosystem services, forests continue to disappear at alarming rates. Between 2015 and 2020, roughly 10 million hectares of forest were lost each year, with agriculture as the primary driver of deforestation (FAO 2020). Deforestation increased by 4 per cent from 2021 to 2022, reaching 6.6 million hectares, 21 per cent above the 5.4-Mha limit set for 2022 to stay on track to eliminate deforestation by 2030 (Forest Declaration Assessment 2023).

³ Other frameworks such as the UN Strategic Plan for Forests (UNSPF) 2017-2030 calls for the increased mobilization and effective use of financial resources for sustainable forest management.

Key insight

30

per cent of the
Earth's land

is covered by forests
between 2015 and
2020 we lose 10 million
hectares every year

-FAO, 2020

1.2. Why is this report needed?

There is growing recognition of the need to significantly scale up forest finance to meet global targets. However, a persistent lack of reliable and comprehensive data, particularly on private finance and public domestic finance, hampers informed decision-making. Existing assessments tend to focus on international public finance, with gaps in the full picture of forest finance (see Table 1.1).

Given that private finance to forests is poorly documented, an effort has been made to estimate its scale by examining key private forest-related finance channels and asset classes: certified commodity supply chains, impact investing, carbon markets, biodiversity credits and offsets, private philanthropy for forests and private investment leveraged by public finance.

While data availability is a major challenge, this analysis has taken a pragmatic approach to work with what data exists and to be transparent about limitations on methods and assumptions made. Where quantitative data is lacking, qualitative material is included to provide context and relevant detail.

Table 1.1 summarizes the scope and findings of key forest finance studies. Due to methodological differences and year of analysis, these studies are not fully comparable. **The State of Finance for Forests is presented as the most comprehensive study of finance flows from public and private sources for 2023, with investment needs and the forest finance gap estimated.**

1.3. What is measured?

There is not a commonly agreed definition of forest finance. The Forest Declaration Assessment (2023) considers forest “green finance” as finance “*provided by the public or private sector that aligns with objectives for the conservation, protection, restoration, or sustainable use of forests – including REDD+ finance, and finance for Indigenous Peoples (IPs) and Local Communities (LCs)*”, including direct investments, capacity building, technology development and transfer, results-based finance or support for the development of forest strategies and green economy pathways, action plans, policies, and measures. REDD+ finance refers more narrowly to financing emission reductions or removals from deforestation and forest degradation, conservation, sustainable forest management, and the enhancement of forest carbon stocks in developing countries (UNFCCC n.d.). These finance flows address readiness, implementation and results-based finance phases, including results-based payments and forest carbon markets.

The State of Finance for Forests provides a global estimate of current finance flows (public and private, domestic and international) for 2023. These flows also support broader climate, biodiversity and restoration objectives, including the conservation, protection and sustainable management of forests^{4,5}, as well as policy initiatives that enhance forest resilience and protection. In addition, the report offers projections of the investment required to achieve global forest goals by 2030 and 2050, highlighting the finance gap as the difference between current funding and the resources needed.

⁴ The scope of finance flow tracked covers broadly forest-related activities, which may go beyond the forest definition of FAO, and includes peatlands, agroforestry, watershed protection, or activities relevant but not exclusively about sustainable forest management, for instance, protection of animal species within forests.

⁵ This analysis is consistent with the broader Forest Declaration Assessment definition.

Table 1.1. Comparing coverage of forest finance studies

	State of Finance for Forests (SFF), 2025	Forest Declaration Assessment, Finance for Forests, 2023 (Chapter 3)	FAO State of the World's Forests, 2022 (Chapter 4)	CPI Global Landscape of Climate Finance for AFOLU, 2022	CPI Landscape of Climate Finance for Agrifood Systems, 2025
 Scope	Tracks all financial flows (public/private) that support forests and the 2030 goal to halt and reverse deforestation, including conservation, restoration, sustainable management, and related policies.	Assesses green finance (supporting forest conservation, protection, restoration and sustainable use), gray (potentially harmful) finance, policies and innovative finance mechanisms for forests.	Tracks climate finance flows to agriculture, forestry and other land-use sectors. Examines investment options to scale up action along three forest pathways: halting deforestation, restoring land/ agroforestry and sustainable forest use.	Tracks climate finance to agriculture, forestry and land use, with less focus on forests.	Analyses finance flows and investment needs for agrifood systems more broadly, including forestry.
 Year(s) of analysis	Public flows: 2023 Private flows: 2016-2023 (expressed in 2024 US\$)	Green: Average of 2010-22 Gray: Between 2013-2018	Between 2000 and 2019	Between 2013 and 2020	Between 2020 and 2022
 Public domestic finance flows	✓ Includes national government expenditures on forests from agriculture, forestry, and environment protection functions.	✓ Includes domestic REDD+ readiness and implementation finance.	✓ Public expenditure and ODA in forestry in 13 Sub-Saharan African countries for 2016 – 2019.	✓ Includes climate AFOLU finance from public funds, national DFIs and governments (no sectoral disaggregation).	✓ Includes national DFIs, and government forestry finance (aggregated with public international finance).
 Public international finance flows	✓ Includes forest-related climate, biodiversity and restoration official development finance flows in sustainable agriculture, forestry, and other sectors ⁶ .	✓ Includes climate mitigation ODA in the forestry sector and international REDD+ readiness and implementation finance	✓ Focuses on climate mitigation and adaptation ODA in the forestry sector.	✓ Includes climate AFOLU finance from bi-/multi-lateral DFIs and multilateral climate funds (no sectoral disaggregation).	✓ Includes climate forestry finance mostly from bi-/multi-lateral DFIs (aggregated with domestic public finance).
 Private finance flows	✓ Includes forest finance from sustainable commodity supply chains, impact investing, carbon markets, biodiversity credits and offsets, private finance mobilized by public actors and philanthropy.	✗	✗	✓ Includes philanthropy funding for AFOLU without sectoral disaggregation.	✓ Includes agrifood finance from corporations, commercial financial intermediaries, institutional investors, others, but without clear details for the forestry sector.
 Potentially harmful finance flows (public and private)	✓ Review of existing literature	✓ Includes public subsidies to agriculture and private credit and investment to companies in deforestation-risk commodity supply chains and mining in 3 largest tropical forests.	✗	✗	✗
 Investment needs	✓ Estimated based on modeling	✓ Estimated based on UNEP 2021; FOLU 2021; McKinsey 2021; TNC 2020.	✓ Estimated based on UNEP 2021 data	✓ Estimated based on FOLU 2019; Hansen et al. 2019 ; UNEP 2021	✓ Estimated based on FOLU 2019; UNEP 2023 ; Thornton et al 2023; others
Comparison overview  Estimated  Partially estimated or derived from third-party research  Not estimated					

6 See Annex D.

A group of people, including a woman in a blue shirt and a man in a brown shirt, are standing in a lush green forest. They are looking at a map or document held by one of the men. The forest is dense with various types of trees and plants, creating a vibrant green background.

CHAPTER 02

Current finance flows to forests

Current forest financing remains insufficient. This chapter offers the most comprehensive 2023 overview of global public and private forest finance, outlines key private finance channels, and assesses potentially harmful flows to forests.

Source: Envato Elements: CIFOR | Jeungchopan

02

Current finance flows to forests



US\$ 84 billion flowed to forests in 2023, **over 90 per cent from public sources.**

Private finance was just 9 per cent, while harmful subsidies and high-risk investments far outweighed positive flows.



Source: Envato Elements: ckstockphoto | YuriArcursPeopleimages

This analysis estimates that finance flows to forests were roughly US\$ 84 billion in 2023 (Figure 2.17). Public finance flows (domestic and international) are the main source with 91 per cent (US\$ 77 billion) of global finance flows to forests. Over 96 per cent (US\$ 75 billion) is through domestic government spending, mainly channelled to the agriculture and forestry sectors. International public finance flows for forest protection, restoration or sustainable use in developing countries make up 4 per cent (US\$ 2.9 billion) of total public expenditure on forests⁸ and are a comparatively small contribution compared to domestic public expenditure.

Private finance flows to forests are estimated at roughly US\$ 7.5 billion (9 per cent of forest finance). About 39 per cent (US\$ 2.9 billion) of tracked private forest finance is channelled through certified commodity supply chains and 23 per cent (US\$ 1.7 billion) through impact investing. Carbon markets, biodiversity offsets and credits, despite being smaller in volume (17 and 16 per cent of private forest finance respectively), are emerging asset classes with potential to scale finance for forests.

⁷ a = Private finance mobilized by public interventions, US\$ 0.3B; b = Private philanthropy, US\$ 0.1B. n.e.c = not elsewhere classified

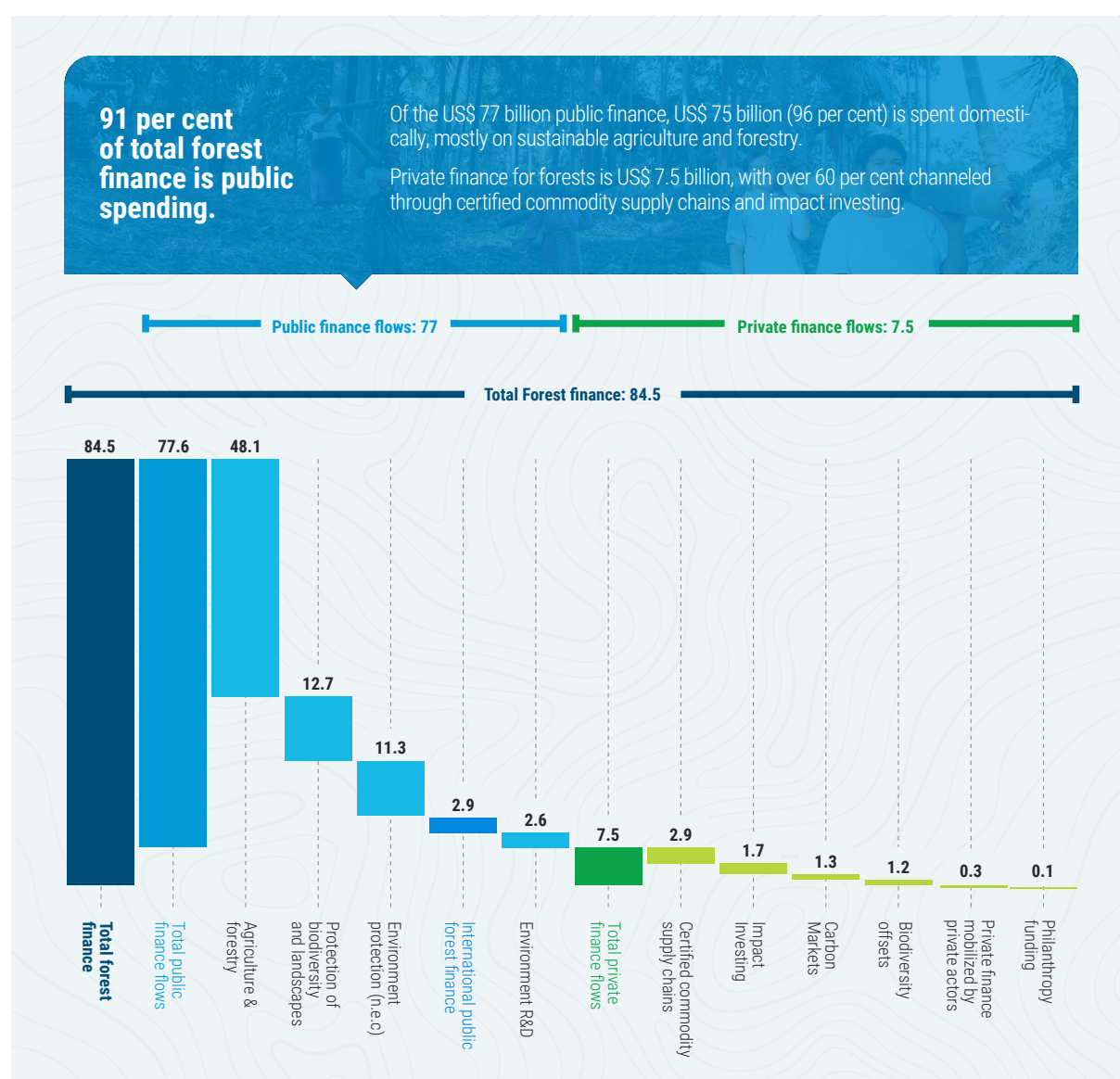
⁸ Note that there is an overlap between reported domestic government expenditure provided by developing countries and the reported public international finance provided by developed countries, amounting to US\$ 544 million. This amount was deducted from the estimate of global public forest finance to minimize double counting (see Annex A for details).

2.1. Public forest finance flows

2.1.1 Public domestic forest finance

Domestic government expenditure accounts for most forest finance. In 2023, US\$ 75 billion⁹ was spent domestically on forests in 99 countries containing 79 per cent of global forest area. Sixty-four per cent (US\$ 48.1 billion) is channelled through domestic support to sustainable agriculture and forestry (Figure 2.1). Funding for biodiversity and landscape protection (US\$ 12.7 billion) and environmental protection (n.e.c.)¹⁰ (US\$ 11.3 billion) together absorb a further 32 per cent. Environmental research and development (R&D) received 3 per cent (US\$ 2.6 billion). This distribution indicates that the largest share of the public finance to forests is integrated into broader land-use sectors including enabling conditions rather than dedicated to conservation efforts.

Figure 2.1. Public and private finance flows to forests in 2023 (2024 US\$ billion)



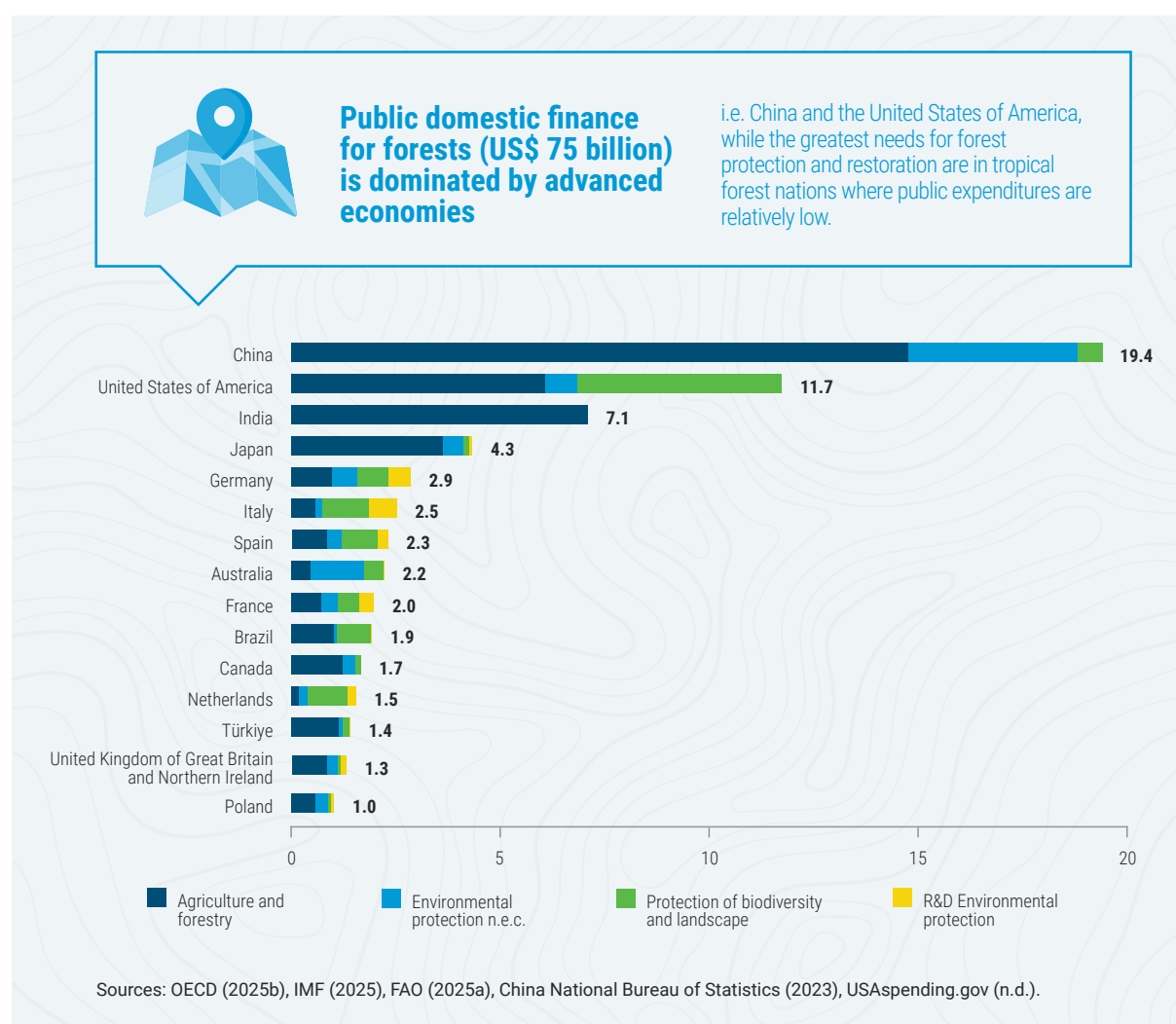
⁹ Public domestic expenditure estimates are based on IMF (2025), OECD (2025b), and FAO (2025a) Classification of Functions of Government (COFOG) data. More details can be found in Annex A.

¹⁰ Includes general environmental programs not covered under specific categories.

Governments support forests through a wide range of policy instruments. These include Payments for Ecosystem Services (PES) schemes, subsidies for sustainable agriculture or forest management, reforestation and afforestation programmes and tax incentives for forest conservation activities. These instruments, if designed and implemented with gender-responsive criteria, has the potential to advance the inclusion and leadership of women, Indigenous Peoples, and local communities in forest governance and benefit-sharing (WRI 2025). These policy tools may be embedded in both land-use and environmental budgets, blurring the boundaries between forest-specific and broader land-use finance.

Approximately 41 per cent of the tracked domestic government spending on forests occurs in just two countries: China (US\$ 19 billion) and the United States of America (US\$ 12 billion)¹¹ (Figure 2.2), which prioritize the agriculture and forestry sectors. China's expenditure is driven by extensive afforestation efforts, ecological restoration programmes and policies like the Grain for Green program, which aims to convert cropland back to forests. In the United States of America, forest expenditure is linked to federal and state-level wildfire management, sustainable agriculture and forestry programmes and conservation initiatives.

Figure 2.2. Countries with highest public domestic expenditure on forests in 2023 (2024 US\$ billion)

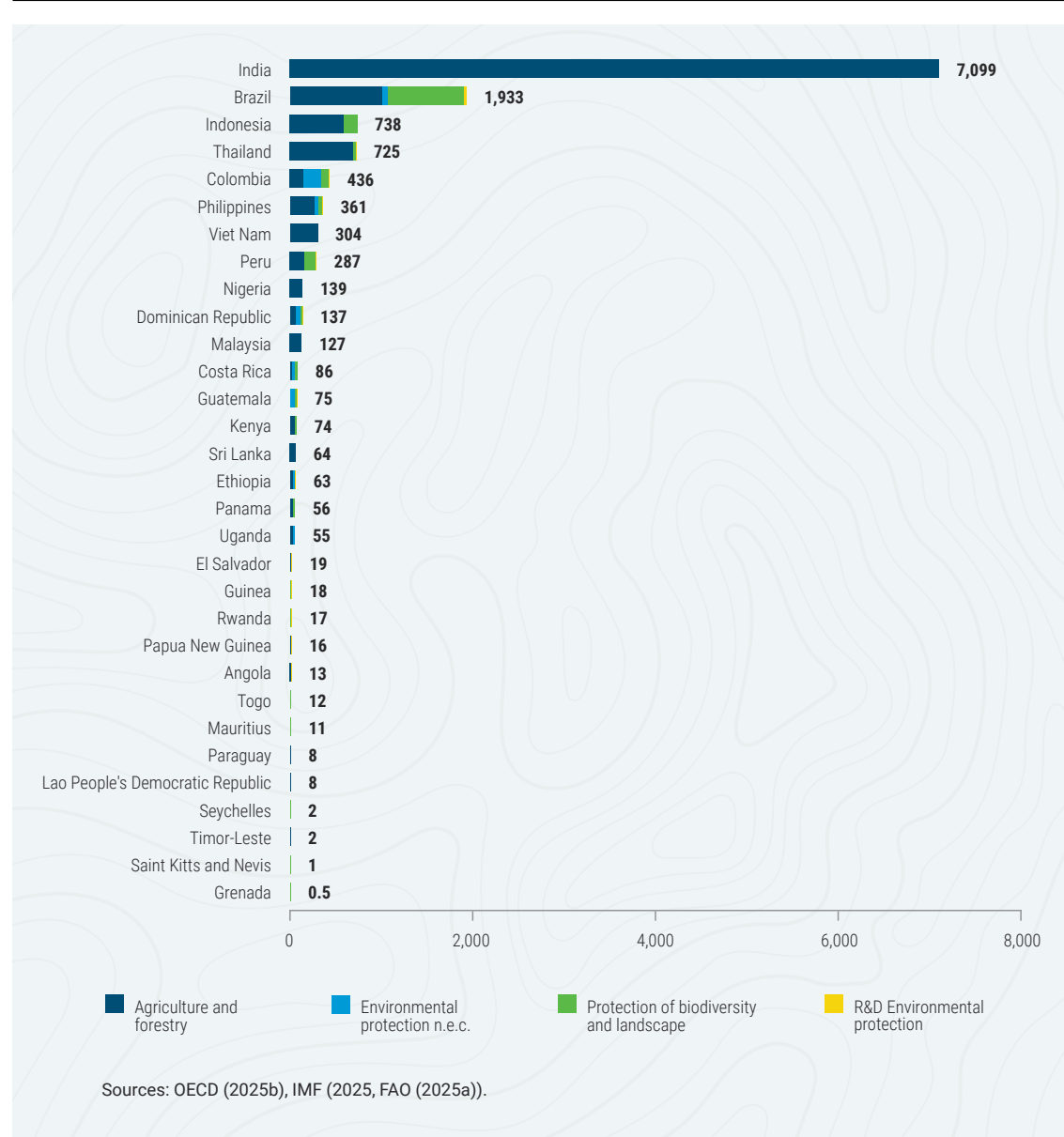


¹¹ Data for the United States of America and China is sourced from national statistical datasets rather than from IMF or OECD COFOG databases. Details in Annex A.

Box 1 – Public domestic finance flows to forests in tropical forest countries

Public domestic finance flows to forests are highest in advanced economies or higher income countries, while the greatest needs for forest protection and restoration are predominantly in low and lower-middle income countries where public expenditure is relatively low (Figure 2.3). In 2023, of the total US\$ 75 billion in domestic government expenditure, only US\$ 12.9 billion (17 per cent) was allocated within 31 tropical forest countries with available data. This is likely due to limited fiscal capacity, competing budget priorities, insufficient political commitment to the sector and weaker institutional capacity and governance frameworks. (FAO, 2018, IMF, 2017, Whiteman, et al., 2014).

Figure 2.3. Public domestic expenditure on forests in tropical forest countries in 2023 (2024 US\$ million)



12 Tropical countries and regions are defined as having tropical climate and situated within the tropics (World Population Review, 2025). Data was extracted from the OECD (2025b), IMF (2025), and FAO (2025a) COFOG databases.

Despite budgetary constraints, some tropical forest countries spend significantly more on forests than they receive in international development support targeting forests. The analysis above estimates that these governments spent on forests on average 36 times what they received in international public finance flows in 2023¹³. A 2021 FAO study of 13 sub-Saharan African countries estimated that between 2016 - 2018, governments except Burkina Faso, Mali, Malawi and Rwanda, spent on forestry an average 3.5 times more than official development assistance (ODA) received (FAO, 2022, Pernechele et al. 2021). **This suggests a structural imbalance: despite fiscal constraints, most countries with high value forest ecosystems dedicate relatively more public resources than the external support they receive. This underscores the significance of domestic public finance compared with other sources of finance.**

Box 2. Forest policy instruments

Forest loss is partly driven by market failure: essential ecosystem services provided by forests - climate regulation, soil protection and habitat - are not reflected in market prices, leading to overconsumption and environmental degradation. To address these failures, governments can deploy policy instruments to internalize environmental externalities in economic decision-making. Some measures, such as environmental taxes and fees, are mandatory, while others, like payments for ecosystem services (PES), are voluntary.

OECD's Policy Instruments for the Environment (PINE) database (OECD 2024b) compiles information from over 90 countries on instruments including taxes, fees, tradable permits, offsets, environmentally beneficial subsidies and payments and voluntary approaches¹⁴. Of the 178 active forest-related policy instruments, 62 per cent occur in Europe and North America, followed by Latin America and the Caribbean.

Fifty-seven per cent of featured instruments are environmentally beneficial subsidies and payments—primarily one-off grants, particularly in Europe (Figure 2.4). For instance, Finland offers grants for forest nature management projects and for afforestation of fields and peat production areas excluded from agricultural production. In Colombia, the Forestry Incentive Certificate (CIF) provides financial support to promote direct investment in protective and productive reforestation (FINAGRO n.d.).

The use of PES has increased over the past decade, with 23 active forest PES schemes, of which 10 are government-financed. Latin America and the Caribbean host most, followed by Asia and Africa. Many date to the early 2000s and are still operational, such as Costa Rica's Payments for Environmental Services Programme. In Brazil, the Bolsa Floresta program offers conditional payments to households in selected sustainable development reserves of the Amazon if they commit to zero net deforestation.

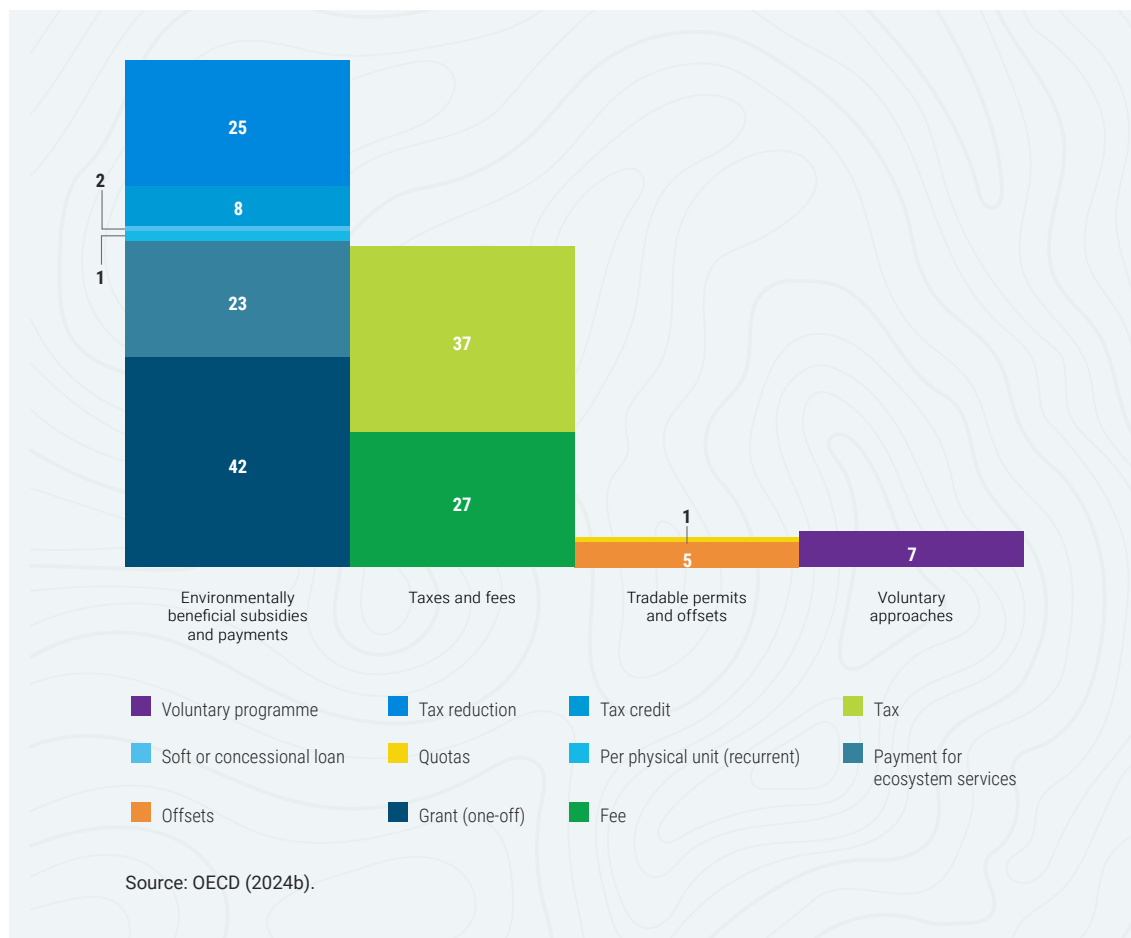
Taxes and fees account for 36 per cent of forest policy instruments. In 2022, forest-related environmental taxes generated approximately US\$ 1.6 billion globally¹⁵ (OECD 2024c). Examples include Côte d'Ivoire's Special Tax for Forest Preservation and Development (TSPDF) on log deliveries, aimed at financing the restoration of national forest cover to 20 per cent by 2030 as well as forest product valorisation initiatives (Forest Governance and Policy 2024).

¹³ Own analysis, from a sample of 22 countries, with a median of 4.

¹⁴ This database may not capture all existing active instruments. Instruments are classified by country and environmental domain, including forests. The dataset categorizes policy instruments as forest-related based on a keyword search in the description of instruments. The full methodology can be found on the OECD website.

¹⁵ This amount is indirectly nested in the public domestic finance flows and were not accounted for separately to avoid double counting.

Figure 2.4. Number of active forest policy instruments by category and type



2.1.2. Public international forest finance

Public international finance flows to forests, including Official Development Assistance (ODA), Other Official Flows (OOF) and Private Sector Instruments (PSI)¹⁶, are estimated at US\$ 2.9 billion in 2023 (in 2024 US\$)¹⁷.

Public international forest finance by sector

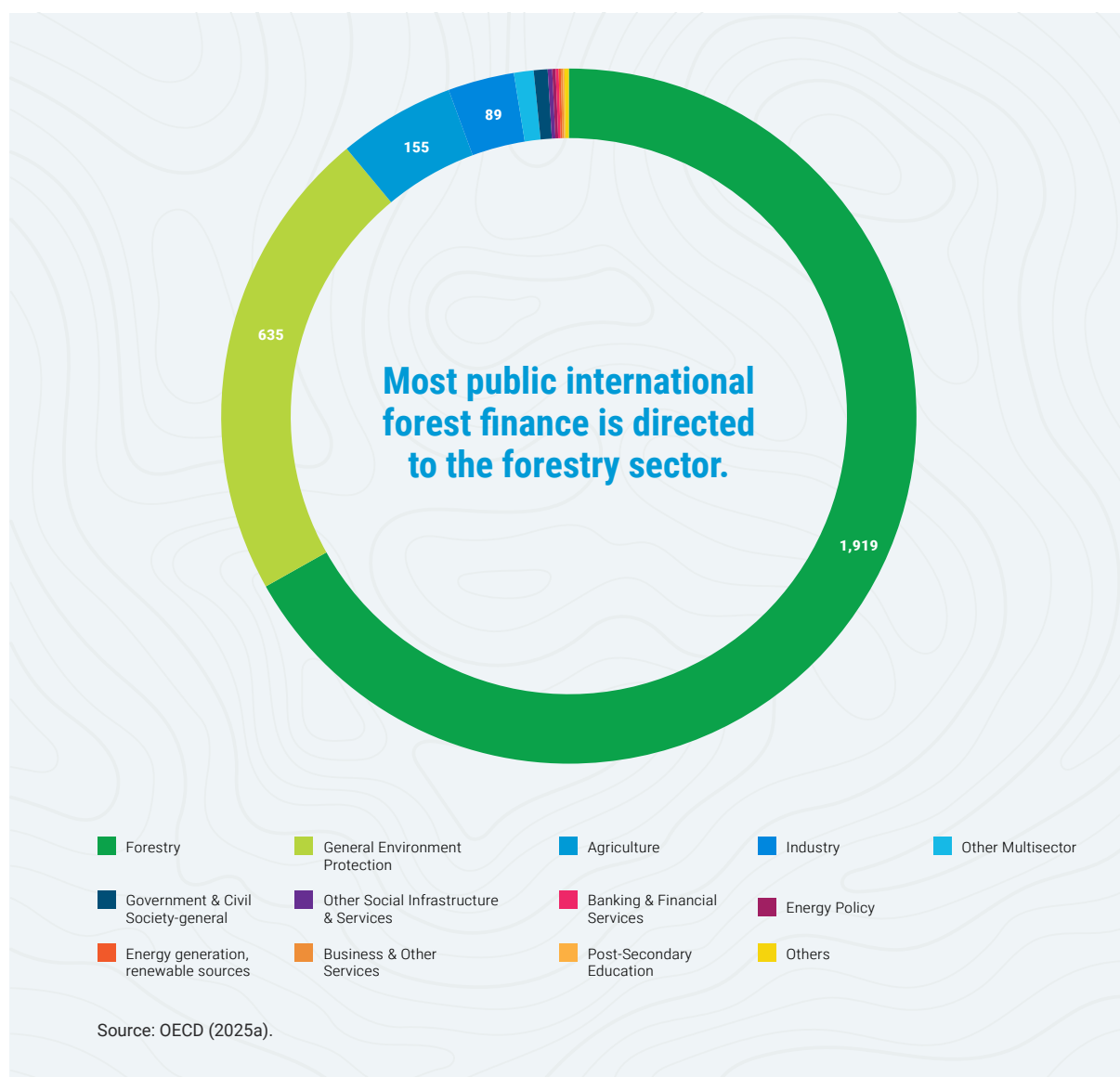
Looking at sectoral allocation in recipient countries, of the total US\$ 2.9 billion public international forest finance, 67 per cent (US\$ 1,919 million) targeted the forestry sector, with 22 per cent going to general environment protection and 5 per cent to agriculture (Figure 2.5)¹⁸.

¹⁶ ODA is financial support from official providers to low- and middle-income countries in areas such as health, education, and infrastructure. OOF are official sector transactions that do not meet ODA criteria. PSIs are non-concessional financial tools used by donors to mobilize private sector investment for development purposes.

¹⁷ Data from the OECD (2025a). Only expenditures marked with at least 1 of the 4 Rio markers (biodiversity, climate mitigation, climate adaptation, desertification) and whose descriptions contain forest-related keywords are included (see Annex A for details).

¹⁸ Data from the OECD (2025a). Spending beyond the forestry sector was included to ensure broader coverage, such as expenditures on policy development, agroforestry, tenure rights, or education on forest protection, all of which contribute to global forest goals.

Figure 2.5. Public international forest finance by sector in 2023 (2024 US\$ million)



Public international forest finance by recipient

Africa was the largest recipient of public international forest funding, receiving US\$ 1,044 million in 2023, about 36 per cent of total international public finance flows (Figure 2.6). Latin America and the Caribbean received roughly 26 per cent (US\$ 753 million), followed by Asia at 18 per cent (US\$ 513 million).

Around 58 per cent (US\$ 1,671 million) of public international forest finance in 2023 was allocated to tropical countries and regions¹⁹. Of finance flows attributable to specific countries²⁰, the Democratic Republic of Congo, Peru and Brazil were the largest recipients (Figure 2.7), reflecting a concentration of resources in countries with extensive tropical forest cover and elevated deforestation risks.

¹⁹ The data covers finance received by 65 tropical forest countries and 7 tropical regions.

²⁰ About 45 per cent of ODA, OOF and PSI finance is directed to regional initiatives or reported without a specific country designation. These amounts have been excluded from Figure 2.7 to better highlight the largest individual recipient countries.

Figure 2.6. Public international forest finance by recipient region in 2023 (2024 US\$ million)²¹

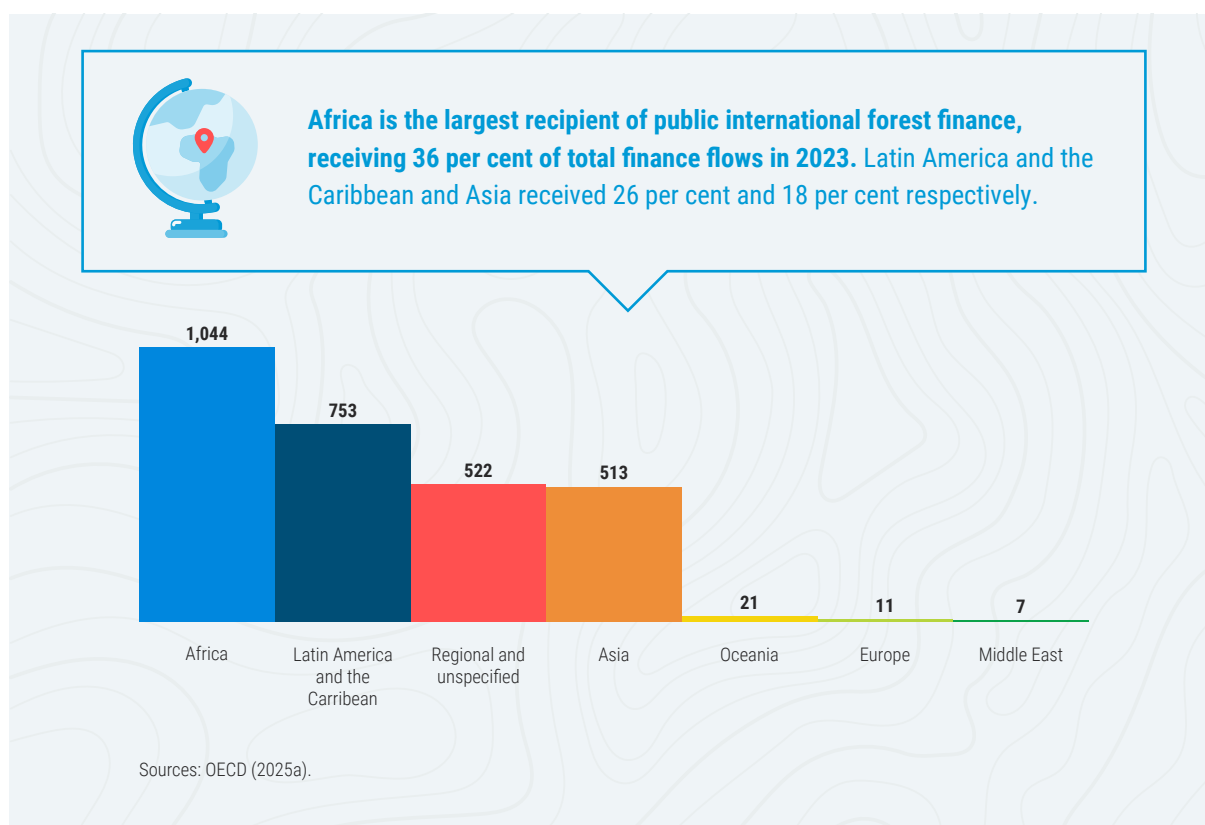
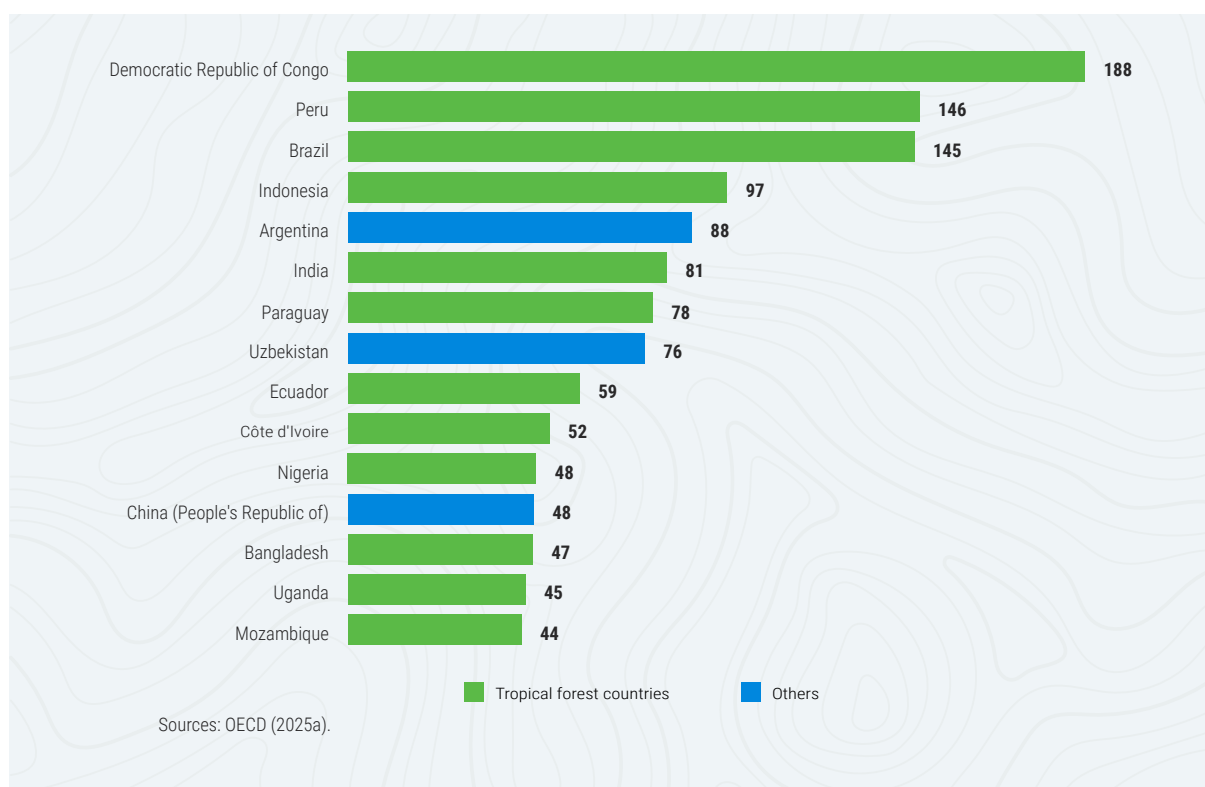


Figure 2.7. Top 15 recipients of public international forest finance in 2023 (2024 US\$ million)



²¹ Disbursements classified as 'Regional and Unspecified' refer to expenditures targeting multiple regions or lacking specific country attribution.

Public international forest finance by donor

Bilateral donors provide 58 per cent (US\$ 1,662 million) of public international forest finance, with multilateral organizations contributing 42 per cent (US\$ 1,209 million) (Figure 2.8). Germany and United Kingdom are the largest bilateral donors, together providing almost half (49 per cent) of public international forest finance.

Among multilateral sources, the International Development Association (IDA) provides 65 per cent of the total, followed by the International Bank for Reconstruction and Development²² and European Union Institutions. The Green Climate Fund (GCF) and Global Environment Facility (GEF) account for smaller shares (5 and 1 per cent respectively). However, this is based on finance reported to the OECD for 2023 and may not capture the long-term distribution of donor contributions.

Figure 2.8. Public international forest finance disbursed by donors in 2023 (2024 US\$ million)

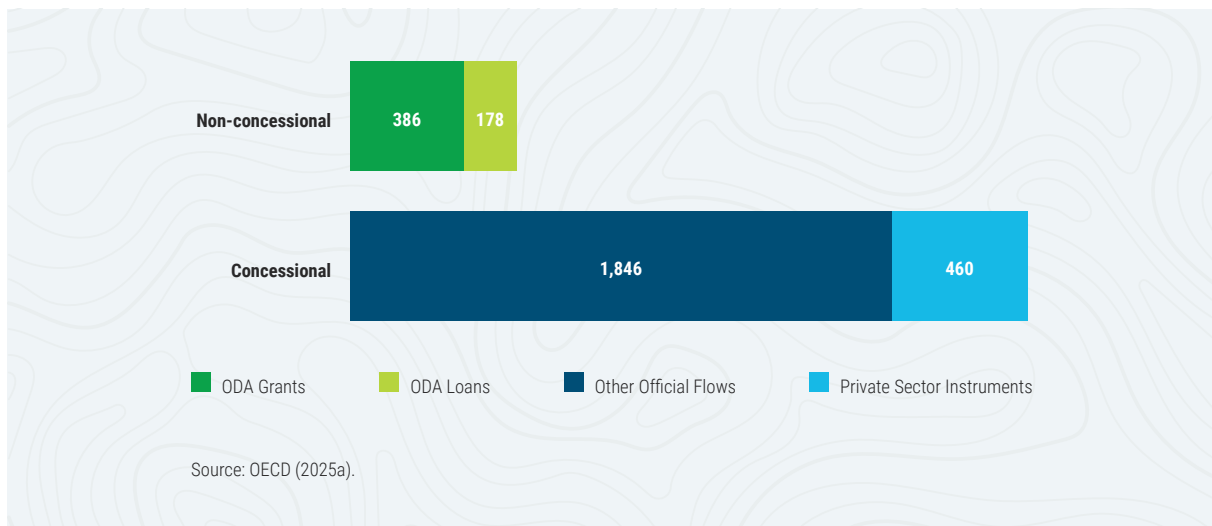


²² International Development Association (IDA), part of the World Bank, focuses on assisting low-income countries. IDA complements the World Bank's original lending arm, the International Bank for Reconstruction and Development (IBRD).

Public international forest finance by flow type

Roughly 80 per cent (US\$ 2.3 billion) of public international forest finance is concessional, primarily provided through official development assistance (ODA) grants²³ (Figure 2.9). In contrast, non-concessional finance, i.e. finance that does not meet ODA concessionality thresholds²⁴, including other official flows and private sector instruments, accounts for only US\$ 564 million.

Figure 2.9. Public international forest finance disbursed by donors in 2023 (2024 US\$ million)



Box 3. Public international forest finance to Indigenous Peoples and local communities

Indigenous Peoples and local communities (IPs and LCs)²⁵ are vital to the protection, restoration and sustainable management of forests. As proven stewards, they safeguard roughly 36 per cent of the world's intact forest landscapes (World Bank, 2023). Their proximity, deep knowledge and connection to forest ecosystems make them essential partners in global conservation efforts, including the Kunming-Montreal GBF's 30x30 goal, which aims to protect 30 per cent of land and sea by 2030 through equitably governed systems.

Yet despite their proven effectiveness as forest guardians, IPs and LCs face disproportionate risks from biodiversity loss and destructive industries. Their dependence on nature for livelihoods, subsistence and health makes them vulnerable to environmental degradation and violence from extractive mining, fossil fuel and agricultural industries.

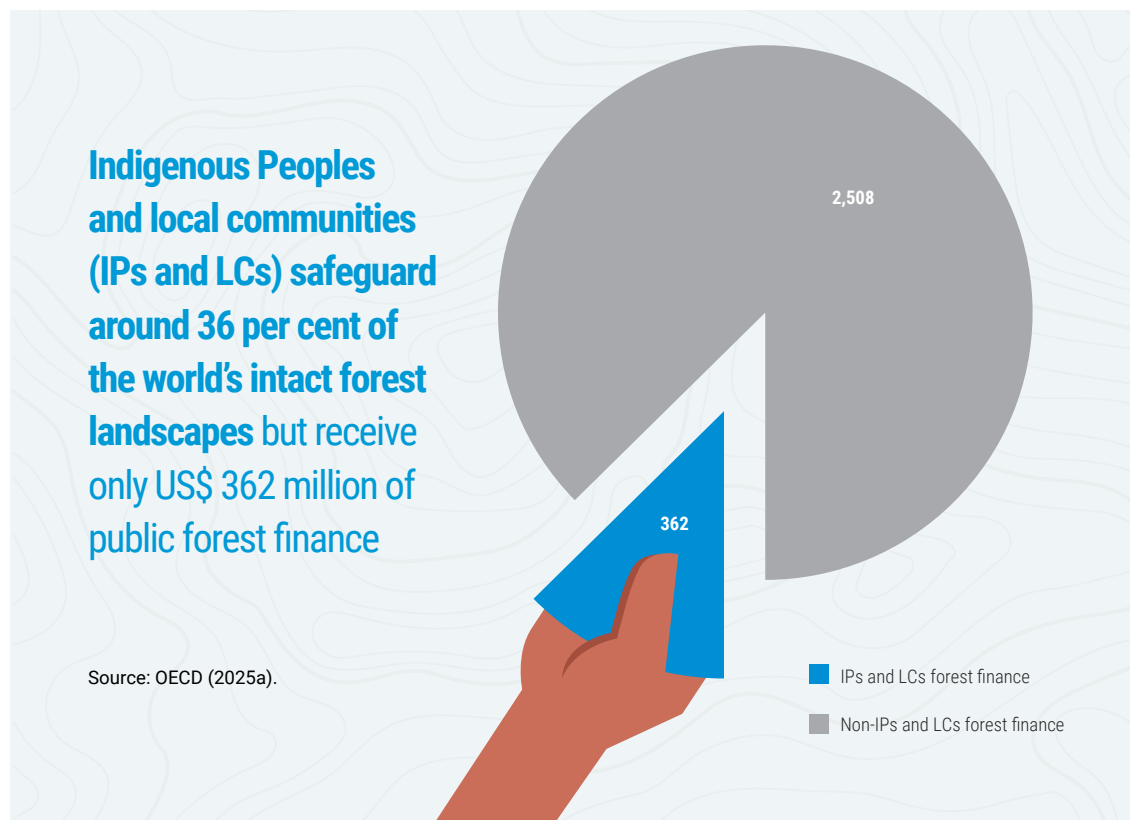
In 2023, only US\$ 362 million of international public forest finance was directed to IPs and LCs-related projects (Figure 2.10), with an even smaller fraction likely directly going to IPs and LCs-led initiatives²⁶.

²³ The amount of ODA loans appears much lower given that only the grant equivalent of ODA loans are accounted for. The riskier the recipient country income group, the lower the interest or return, the longer the maturity, the higher the grant equivalent will be.

²⁴ To qualify as ODA, loans must meet minimum concessionality thresholds, expressed as a grant element: 45 per cent for low-income countries, 15 per cent for lower-middle-income countries, and 10 per cent for upper-middle-income countries, using a fixed discount rate of 5 per cent. More detail can be found in OECD's Converged Statistical Reporting Directives (2024d).

Most public international IPs and LCs-related forest finance (US\$ 122 million) is allocated to multi-country or cross-regional initiatives (34 per cent to 'unspecified' in Figure 2.11). Latin America and the Caribbean receive around 29 per cent (US\$ 105 million), Africa around 22 per cent (US\$ 81 million), and Asia about 14 per cent (US\$ 51 million). Peru, Uganda, Brazil, and Indonesia are major recipients yet even in these countries, direct funding to IPs and LCs appears to be small.

Figure 2.10. Public international IPs and LCs-related forest finance in 2023 (2024 US\$ million)

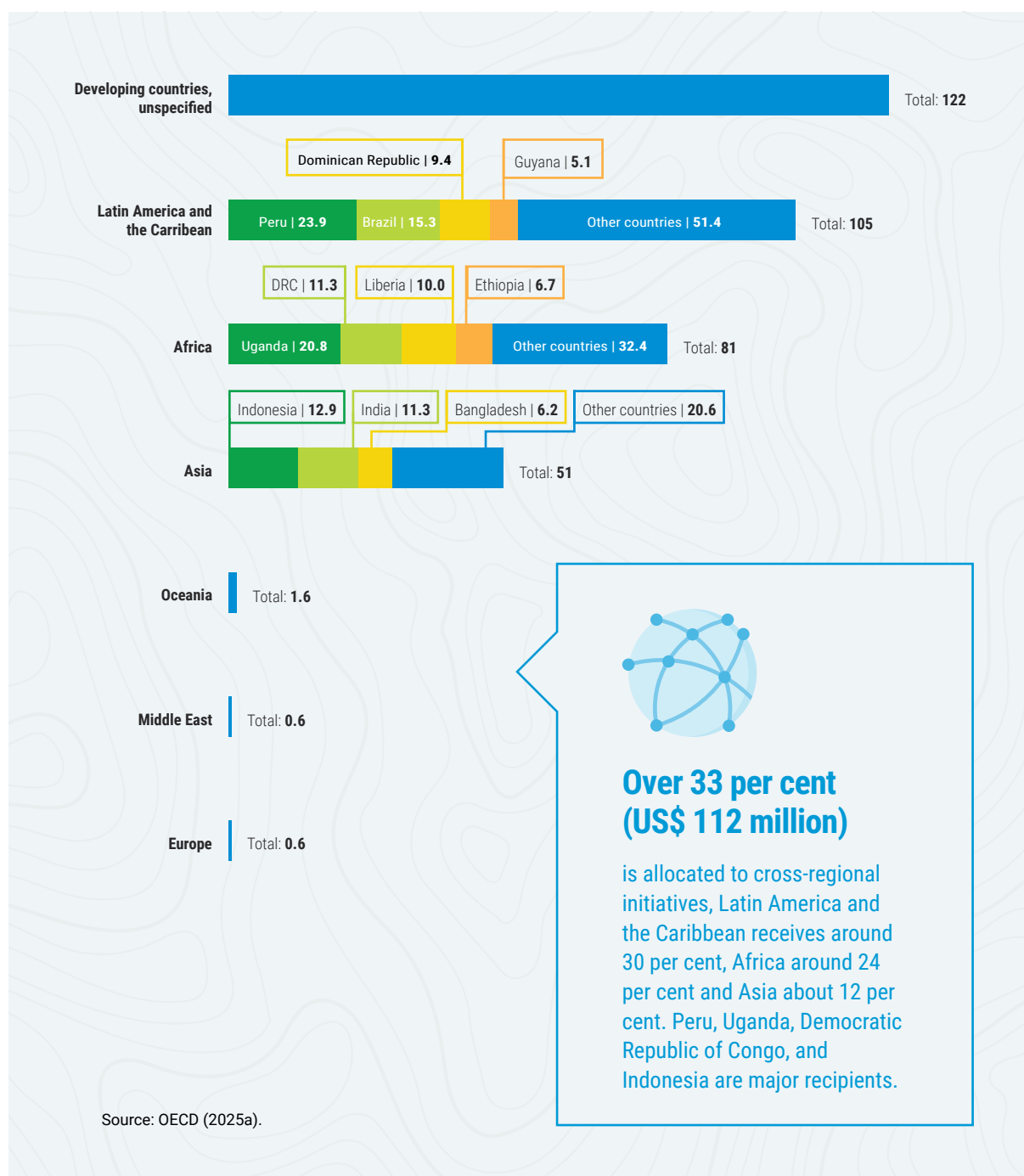


25 There is no official definition of "Indigenous Peoples". The term refers to over 5000 distinct groups spanning at least 90 countries. Self-identification is the key factor which asserts whether a group is 'Indigenous'. They may also possess the following characteristics: (1) Historical continuity with pre-colonial and/or pre-settler societies; (2) A strong link to territories and surrounding natural resources; (3) Distinct social, economic, or political systems; (4) Distinct language, culture, and beliefs; (5) Form non-dominant groups of society; (6) Resolve to maintain and reproduce their ancestral environments and systems as distinctive peoples and communities (UNPFII 2024; UNDRIP 2007).

Some UN mechanisms, including the Expert Mechanism on the Rights of Indigenous Peoples (EMRIP), and the Permanent Forum on Indigenous Issues, have advised against using "local communities" alongside "Indigenous Peoples" (UN EMRIP 2023). However, the term persists in certain frameworks, including the CBD and its protocols, as well as in regional contexts. Some African communities that include Indigenous groups, continue to advocate for the combined term "Indigenous Peoples and Local Communities" (IPLCs), as reflected in positions of the African Indigenous and Local Communities Alliance (AICA), ICCA Consortium, and the African Group of CBD Member States.

26 To identify IPs and LCs-related public international forest finance, >450 keywords from OECD (2023) were searched in addition to filters to extract forest finance from OECD (2025a). For details, see Annex 1.4.

Figure 2.11. Public international IPs and LCs-related forest finance by region in 2023 (2024 US\$ million)



IPs and LCs continue to advocate for direct access to finance to support self-determination and effective responses to the climate and biodiversity crisis (UNPFII 2024). Of the US\$ 362 million in IPs and LCs-related forest finance, less than 6 per cent (US\$ 20.1 million) referenced a collaborating Indigenous Peoples' Organisation in the project title, description or channel name.²⁷ This suggests that limited funding to support IPs and LCs goes to projects led by IPs and LCs.

²⁷ A keyword-search was conducted in the OECD CRS database using a list of Indigenous Peoples Organisations from the Rainforest Foundation Norway. For more details, please refer to the methodology in Annex A1.4.

Box 4. Gender responsive forest finance

Women in rural communities often bear the brunt of environmental degradation due to their roles in food security, water collection, and caregiving, yet they face systemic barriers to accessing forest finance. From 2009 to 2023, women made up less than half of landowners in 42 countries (FAO n. d.). Targeted, gender responsive forest financing can advance equity, strengthen governance, and reduce the disproportionate impacts of environmental degradation on their livelihoods (FAO 2014; Human Rights Research Center 2025). As an example, in Ecuador in 2023, PROAmazonía helped launch a gender-responsive credit line with BanEcuador to support sustainable, deforestation-free agriculture among coffee, cocoa, palm, and livestock producers. The initiative removed barriers for women, such as easing loan requirements, and set a 40 per cent target for women's participation in credit access and financial education (UN-REDD 2025).

As a result, 35 per cent of loans (US\$ 3.9 million) went to 228 women producers, with many from Indigenous communities. Women now lead significant forest conservation and sustainable land-use efforts, boosting both their economic empowerment and forest protection in the Ecuadorian Amazon (UN-REDD 2025).



In Tewajo, East Nusa Tenggara, Indonesia, a women's group meets to explore better access to finance for women. © 2023 UNEP / Eriz Taufany

Box 5. Enabling conditions for private sector investment in forests and REDD+

Enabling conditions, i.e. secure land tenure, clearly defined carbon rights, strong forest governance, effective law enforcement, transparent monitoring systems, Free, Prior and Informed Consent (FPIC) processes, cultural and gender inclusion, safeguards considerations, and supportive policy and regulatory frameworks, among others, are crucial for attracting and sustaining private sector investment in forests (UNREDD 2021; UNFCCC n.d). However, establishing and maintaining these conditions, also referred as REDD+ readiness, requires substantial financial investment. Funding can come from domestic forestry-related expenditures and bilateral and multilateral international finance flows.

Multilateral initiatives that have supported REDD+ readiness include the Forest Carbon Partnership Facility (FCPF), the UN Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD Programme) and the Forest Investment Program (FIP) under the Climate Investment Fund. The FCPF Readiness Fund allocated US\$ 470 million to 47 countries between 2007 and 2022 (FCPF n.d.). The UN-REDD Programme has provided readiness support to 25 countries since 2009 through implementation modalities such as national programmes, targeted support and technical assistance, with a cumulative budget of US\$ 441 million, averaging US\$ 1 million per country per year (MPTF 2025).

There have been attempts to estimate costs of REDD+ readiness and establishing enabling conditions. However, costs vary greatly across countries as they are highly context specific. The Eliasch Review (2008) estimated that implementing reforms and building capacity in 40 forest countries could require up to US\$ 4 billion over five years—equivalent to approximately US\$ 20 million per year (Bottcher et al. 2009).

2.2. Private forest finance flows

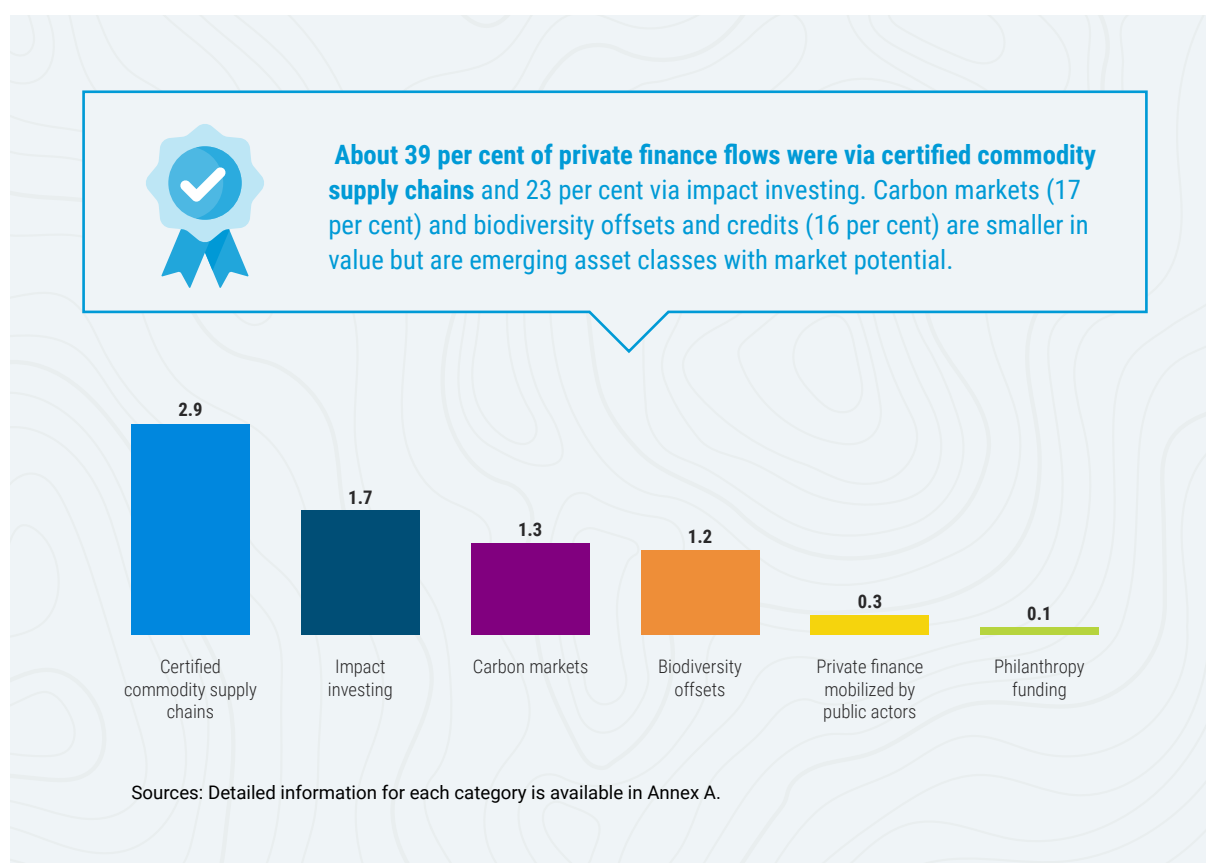
This section provides an estimate of private forest finance based on finance flows through a) certified commodity supply chains; b) impact investing; c) carbon markets; d) biodiversity offsets and credits; e) private investment leveraged by public finance and f) philanthropy²⁸. Given data limitations, estimates are unlikely to reflect the precise scale or distribution of private forest finance and should be treated as indicative.

Flows of private finance to forests are estimated at roughly US\$ 7.5 billion in 2023, equivalent to 9 per cent of total forest finance. Figure 2.12 provides an overview of private forest finance channels for which there is data. About 39 per cent of private finance flows were channelled via certified commodity supply chains and 23 per cent via impact investing²⁹.

²⁸ This categorisation is based on available data and may not capture the full scope of relevant activities. Double counting between categories was minimized to the extent possible.

²⁹ Due to limited data availability, these shares likely reflect the availability of data rather than the actual scale and distribution of private forest finance.

Figure 2.12. Private finance flows to forests by channel in 2023 (2024 US\$ billion)



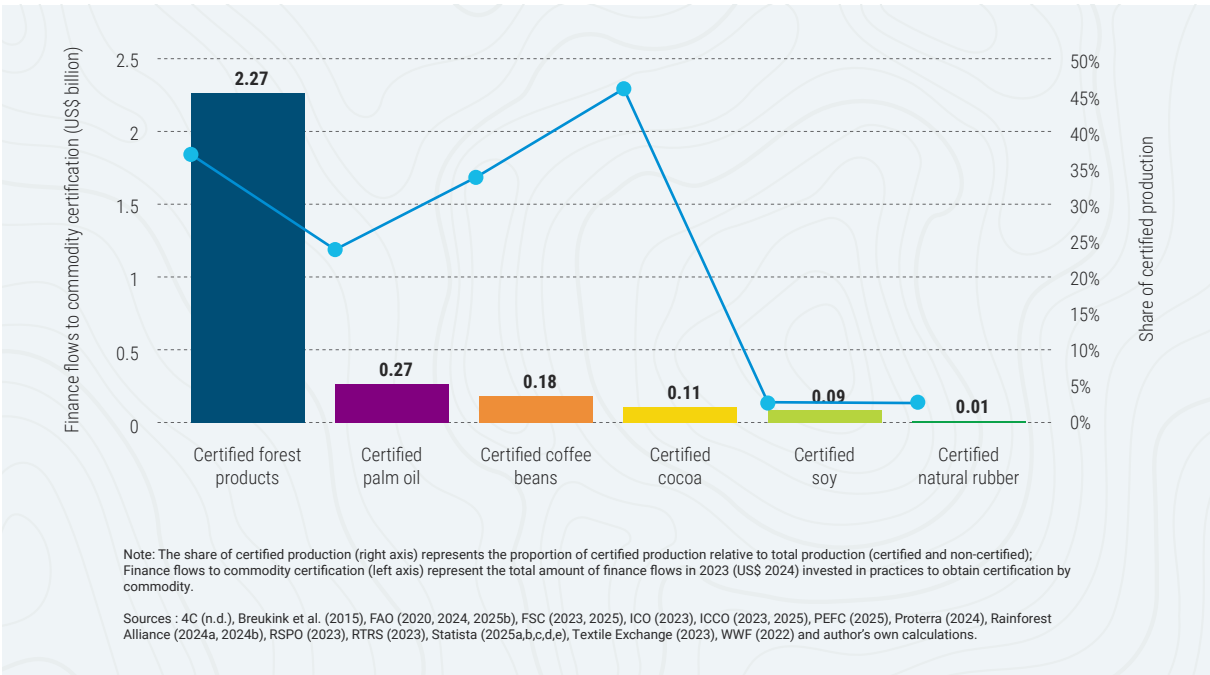
2.2.1. Certified commodity supply chains

Despite commitments to halve deforestation by 2020 and eliminate it by 2030, agri-food companies have made limited progress. Few have achieved measurable reductions in deforestation, with many failing to meet their targets or delivering only partial results. (Climate Focus, 2023). Roughly US\$ 2.9 billion³⁰ was invested by producers in certifying high deforestation-risk commodities to ensure production was not associated with deforestation or forest degradation in 2023 (Figure 2.13)³¹. Commodity value chains covered include forest products, palm oil, coffee, cocoa, soy and natural rubber³². Beef was excluded from the analysis due to limited data on investment in deforestation-free beef production.

³⁰ Data on investment in deforestation free commodity supply chains is limited so investment in “certified commodity supply chains” is used as a proxy. The analysis uses expenditure on certification schemes that include explicit deforestation-related criteria. The additional costs associated with meeting certification criteria for forest products and palm oil indicate that 1.4 per cent of certified market value is invested by producers. This percentage is applied to other commodities. Details are in Annex A.

³¹ This section recognizes the ongoing uncertainty around the effectiveness of certification schemes in reducing deforestation (VanderWilde et.al, 2023).

Figure 2.13. Finance flows from certified commodity supply chains in 2023 relative to the share of certified production



Key insight

Investment into certified forest products is the largest source of finance from certified commodity supply chains at ~US\$ 2.27 billion (75 per cent).

Roughly 78 per cent (US\$ 2.27 billion) of tracked investment in certified commodity supply chains is in forest products, with most in Europe and North America, which account for 75 per cent of certified forest area (FSC 2025; PEFC 2025). Other high deforestation-risk commodities receive less finance, despite being produced primarily in tropical regions where 97 per cent of global deforestation occurs (WRI 2024b).

Cocoa, coffee, and forest products have a relatively high proportion of certified production compared to market size (including non-certified products), while certification remains very limited in the soy and natural rubber sectors. Rainforest Alliance certified cocoa made up 46 per cent of global production, and Rainforest Alliance and 4C-certified coffee accounted for 34 per cent. However, demand has been limited: 43 per cent of Rainforest Alliance certified cocoa and 39 per cent certified coffee were sold as conventional products due to insufficient demand (Rainforest Alliance 2024a, 2024b).

The relatively small share of high deforestation risk commodity markets that is certified suggests there are still opportunities to invest in more sustainable commodity production. Targeting investment in certification of supply chains in deforestation hotspots, particularly in sectors with limited certification to date such as soy and natural rubber, could strengthen action to halt forest loss.

32 Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), Roundtable on Sustainable Palm Oil (RSPO), Rainforest Alliance, 4C, Round Table on Responsible Soy (RTRS), and ProTerra Foundation were included in the analysis, as these schemes represent a substantial share of the certified market and include strong safeguards against deforestation.

However, this requires addressing barriers that limit certification uptake. Smallholders often face high transaction costs, limited access to finance and technical challenges in meeting certification requirements (Raman et al., 2025; Hidayati et al., 2021). Inconsistencies across standards, weak monitoring and enforcement mechanisms and weak consumer demand for certified products further constrain their effectiveness (Jones et al., 2024).

Complementary mechanisms including national traceability systems, chain-of-custody frameworks and national sustainability labels, are emerging as country-led initiatives that can also support more comprehensive sustainability efforts.

2.2.2 Impact investing

As investments aimed at generating positive, measurable environmental and social impact alongside financial returns, impact investing has played an increasingly significant role in financing sustainable and impact forestry over the past two decades (Mudaliar et al. 2019). However, forests accounted for only 1 per cent of total assets under management (AUM) in 2023, while sectors such as energy, food and agriculture accounted for 21 and 5 times more respectively (Hand et al. 2024).

This analysis estimates US\$ 1.7 billion in impact investments was deployed into forestry activities in 2023³³. Almost all this investment was in sustainable forestry (97 per cent), with very limited investment in forest restoration (3 per cent).

The 2024 Global Impact Investing Network (GIIN), Impact Investor Survey identifies key trends in forest impact investing. Forestry attracted the smallest proportion of investors allocating AUM compared to other sectors, with few investors actively engaged. While impact AUM in forestry increased by 53 per cent between 2023 and 2024, a high proportion of investors plan to decrease allocations in future. Despite growing recognition of forests' environmental importance, significant barriers remain in scaling private impact investment in the sector.

Most sustainable forestry impact investment funds are concentrated in developed markets, with most domiciled in and investing in the United States of America, Canada and Oceania (Mudaliar et al. 2019). A limited number of funds deploy capital into emerging markets despite impact opportunities in forest conservation and restoration.

³³ Based on data from the State of Private Impact Investment in Conservation 2016 Report (Hamrick 2017), the 2024 GIIN Impact Investor Survey (Hand et al. 2024), Funds for Nature (2025), and Capital for Climate (2025). More details in Annex A.

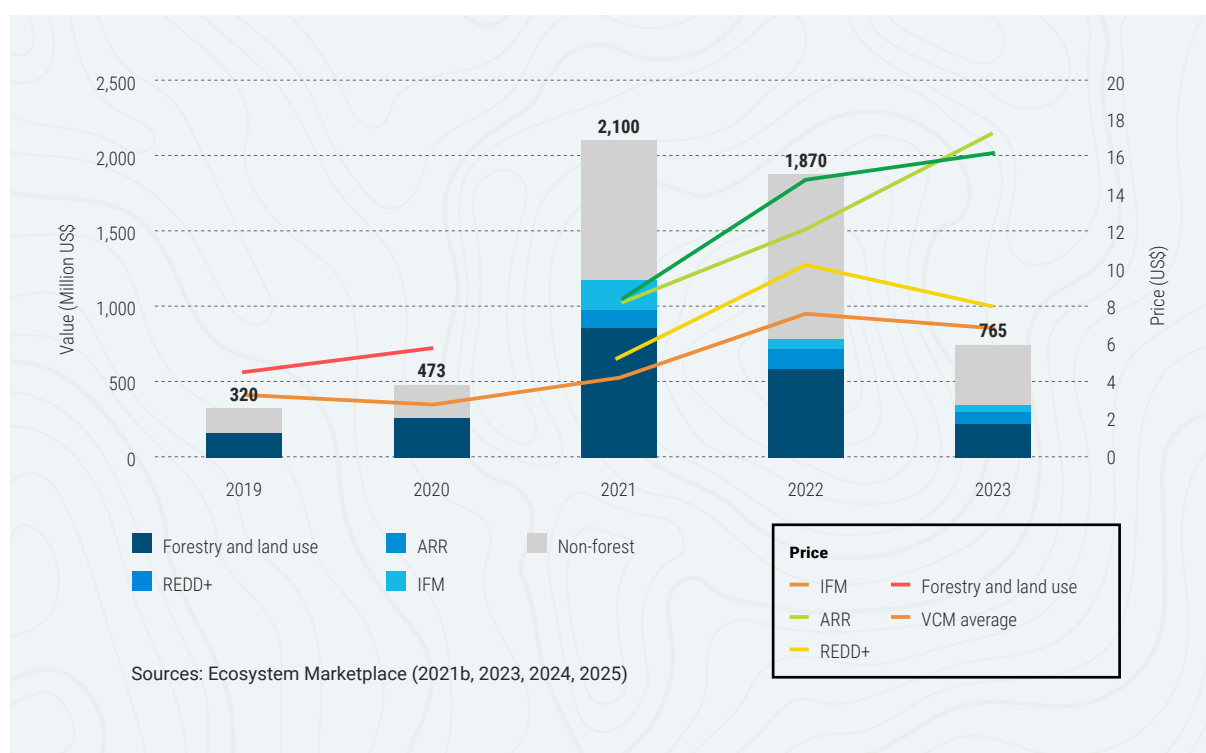
2.2.3. Carbon markets

Carbon markets³⁴, both voluntary and compliance, are an important source of finance for forests. In 2023, finance flows from voluntary markets and compliance forestry-related crediting programmes reached US\$ 1.3 billion³⁵. Of this, around US\$ 942 million was generated by just four national and subnational compliance programmes³⁶, while around US\$ 355 million was through the voluntary carbon market³⁷.

Voluntary carbon market³⁸

The voluntary carbon market (VCM) has experienced volatility in recent years. The total value of VCM transactions increased from US\$ 320 million in 2019 to US\$ 2.1 billion in 2021, followed by a steep decline to US\$ 755 million by 2023. Despite these fluctuations however, forest-related carbon projects continue to make up a significant share of the VCM, accounting for roughly half of VCM transaction value. Credit transactions involving REDD+, Afforestation, Reforestation and Revegetation (ARR), and Improved Forest Management (IFM) made up roughly 56 per cent in 2021, 42 per cent in 2022 and 46 per cent in 2023 (Figure 2.14).

Figure 2.14. Carbon credit transaction value and price by project type³⁹



34 This section considers carbon markets as an emerging asset class for financing forests, while emphasizing that carbon offsets should serve only as a complementary tool, not to substitute emissions reductions.

35 Some credits used under Colombia's carbon tax may overlap with voluntary market flows, potentially resulting in double counting. Details in Annex A 2.5.

36 Includes New Zealand Emission Trading Scheme (US\$ 660 million), California Cap-and-Trade Program (US\$ 190 million), Australian Carbon Credit Unit Scheme (US\$ 15 million) and Colombia Carbon Tax (US\$ 55 million). Details in Annex A 2.5.

37 2023 estimate (adjusted to 2024 US\$) based on estimated 2023 retirements from jurisdictional REDD+ (US\$ 0.02 million) as EM's estimates of REDD+ transactions cover only project-level credits.

38 VCM data are from Ecosystem Marketplace, which is based on self-reported transactions by sell-side market participants, including project developers, investors, and intermediaries.

39 Forestry and Land Use include ARR, IFM, REDD+ and other forest- or land-related projects.

REDD+ credits are the dominant segment of forest-related carbon offsets in the VCM and are strongly associated with tropical forests countries. REDD+ credits are regarded as a mechanism for channeling private finance to tropical forest conservation (UNEP, 2023). In 2019, over 86 per cent of forest carbon credits tracked by Ecosystem Marketplace (EM) (2021a) came from just eight countries, most hosting extensive tropical forests. Latin America dominates with Peru, Brazil and Guatemala accounting for more than a third of global forestry and land-use carbon transactions, primarily through REDD+.

However, concerns over the integrity of REDD+ projects have led to a fall in demand and prices. Transaction volumes for forest-related credits fell from 206 million tonnes in 2021 to 36 million tonnes in 2023. To respond to concerns, demand and supply side efforts are underway to strengthen standards, improve transparency and rebuild trust (Merrill et al. 2024). Credits issued under jurisdictional REDD+ (JREDD+) methodologies, particularly those that have received the Core Carbon Principles (CCP) label from the Integrity Council for the Voluntary Carbon Market (ICVCM) and are accepted in the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), are recognized as high integrity.

MSCI Inc. estimates forest carbon finance flows using a supply-side approach with a bottom-up method to model capital expenditure of project developers to generate carbon credits⁴⁰. This includes feasibility, development and construction costs and project size.

MSCI estimates total capital expenditure on forest-related carbon credit projects at:

- US\$ 3.2 billion in 2023 (REDD+: 1.0; ARR: 1.4; IFM: 0.8),
- US\$ 4.3 billion in 2022 (REDD+: 1.2; ARR: 1.6; IFM: 1.5),
- US\$ 2.8 billion in 2021 (REDD+: 0.7; ARR: 0.9; IFM: 1.2).

These values are approximately 9 times (2023), 6 times (2022), and 2 times (2021) the size of forest-related transaction values reported by Ecosystem Marketplace (EM). MSCI estimates also reflect a high ratio of capital investment to credit sales - a pattern MSCI interprets as characteristic of emerging markets, where infrastructure and upfront costs are high relative to monetized output (MSCI 2023).

⁴⁰ MSCI estimates capital expenditure based on a dataset of ~12,000 projects from 10 ICROA-endorsed registries, including registered, pipeline (pre-registered) and CDM-transferred projects, excluding those cancelled or used solely in compliance markets (e.g., California). Credit issuance volumes and lifetimes are drawn from registry data or extrapolated by project type and location. Cost models for 16 project types assign US\$/tCO₂e, covering low, medium and high-cost development scenarios, further broken down into feasibility (feasex), development (devex), and construction (capex) costs. Included cost shares vary by project status (registered: 100 per cent; pipeline: 25 per cent feasex, 50 per cent devex; CDM: 50 per cent devex). For projects with multiple revenue streams, only the share attributable to carbon credit revenues is counted. Expenditures are assigned to specific years based on project milestones and aggregated annually by project type. Some data points (e.g., 2023 IFM; 2021 REDD+ and ARR), are visually extracted from unlabelled MSCI report charts, but are clearly distinguishable and therefore likely subject to minimal measurement error.

National and subnational compliance programmes

Compliance carbon programmes are established by governments and set mandatory limits on greenhouse gas emissions for certain industries or entire economies to help meet emission reduction targets. This analysis estimates that US\$ 942 million⁴¹ in private finance was mobilized in 2023 through national and subnational compliance carbon programmes for forest-based activities. This estimate is based on the value of credits cancelled⁴² under the New Zealand Emission Trading Scheme (US\$ 660 million), California Cap-and-Trade Program (US\$ 190 million), Australian Carbon Credit Unit Scheme (US\$ 15 million) and Colombia Carbon Tax⁴³ (US\$ 55 million). These are the largest compliance schemes that allow forest-based carbon credits⁴⁴- many others, such as the EU Emissions Trading System (EU ETS), only allow direct emission reductions from regulated sectors⁴⁵.

Box 6. Jurisdictional REDD+

Jurisdictional REDD+ (JREDD+) refers to large-scale forest carbon crediting programs implemented at the national or sub-national level. Operating across jurisdictions, this approach seeks to uphold integrity by applying social and environmental safeguards and aligning with broader climate targets. In 2024, JREDD+ methodologies (ART-TREES v2.0 and Jurisdictional and Nested REDD+ Framework v4.1) were endorsed by the Integrity Council for the Voluntary Carbon Market (ICVCM 2024), signaling progress towards recognition as high-quality credits that meet the Council's Core Carbon Principles (ICVCM 2024).

JREDD+ presents considerable potential to scale forest positive finance. Estimates from Environmental Defence Fund (2024) suggest that JREDD+ programs in the ART-TREES pipeline could supply up to 300 million tonnes of credits annually by 2030.

⁴¹ 2023 estimate adjusted to 2024 US\$

⁴² The removal of carbon credits from circulation within a compliance carbon scheme.

⁴³ Colombia is not included in the issuance figure, since the system functions as a tax exemption mechanism rather than a crediting program.

⁴⁴ Other smaller or emerging programs also permit such credits but are not included due to limited data.

⁴⁵ Carbon credit prices used for value calculations (US\$/tCO₂e):

New Zealand: 2022 – \$53, 2023 – \$34, 2024 – \$35

California: 2022 – \$31, 2023 – \$30, 2024 – \$39

Australia: 2022 – \$24, 2023 – \$22, 2024 – \$23

Colombia: 2022 – \$5, 2023 – \$5, 2024 – \$7

Price data is from World Bank Carbon Pricing Dashboard, except for Australia. 2023 and 2024 prices are from Clean Energy Regulator (CER) quarterly report series. 2022 price is estimated from CER market price charts. Details are in Annex A.

2.2.4. Biodiversity offsets and credits

Biodiversity offsets⁴⁶

While analysis is dated and limited in scope, it is estimated that private forest-related investment in biodiversity offsets was roughly US\$ 1.2 billion in 2023⁴⁷. This estimate is mainly derived using data from Bennett et al. (2017), which assessed 99 compliance-based biodiversity offset and compensation programmes across 33 countries in 2016. The forest-related value was extracted from total reported transaction value by identifying relevant programmes and applying the share of forest-related offset area by region to regional transaction values. Global and regional figures reflect the composition of the original sample and may not represent the current market⁴⁸.

Biodiversity credits

While offsets are investments intended to compensate for unavoidable biodiversity losses, biodiversity credits aim at increasing overall biodiversity levels. A biodiversity credit is a certificate representing a measurable and verifiable gain in biodiversity that is additional and lasting (Biodiversity Credit Alliance 2024). Biodiversity credit markets are currently small. In 2023, Carbon Pulse (2023) reported that approximately US\$ 8 million had been pledged across developed biodiversity market schemes, while BloombergNEF (2024) estimated that less than US\$ 1 million in biodiversity credits had been purchased. The share associated with forests is even more limited.

2.2.5. Private finance mobilized by official development finance interventions

Private finance mobilized by official development finance (ODF) interventions refers to financial resources from private entities (e.g. corporations, investors, banks) that are catalysed or leveraged by development co-operation providers through instruments⁴⁹ detailed below (OECD 2023). In the context of development finance, this is a key strategy for scaling up investments needed for forests, especially in fiscally constrained countries.

In 2023, an estimated US\$ 277 million of climate finance was mobilized for forests from the private sector by ODF interventions.⁵⁰ Over three-quarters of this private finance was leveraged by multilateral organizations, with the Green Climate Fund (GCF) accounting for 78 per cent through collective investment vehicles (CIV)⁵¹ and the Global Environment Facility (GEF) contributing 22 per cent primarily via simple co-financing. Governments, mainly the United States of America and the Netherlands, have leveraged about 14 per cent of this private climate finance for forests, mostly through simple co-financing and syndicated loans⁵² (Figure 2.15).

46 Biodiversity offsets are conservation actions that compensate for residual biodiversity loss arising from economic activity and land use conversion (OECD 2016). They are intended to be applied after all options to avoid, minimize or restore impacts have been used (Business and Biodiversity Offsets Programme 2018). Their primary objective is to achieve no net loss, preferably a net gain.

47 Private finance flows represent 63 per cent of total transaction value of US\$ 1.85 billion. The transaction value of the public sector is not accounted for in this section but is likely captured in public domestic spending.

48 While recent data was identified for India's Compensatory Afforestation Program, similar data was not found for the other programs. Due to limited data availability, Bennett et al. (2017) capture only a partial view of the market size. This approach is consistent with OECD (2020) and SFN reports (UNEP 2021, 2022, 2023). Details are in Annex A2.4.

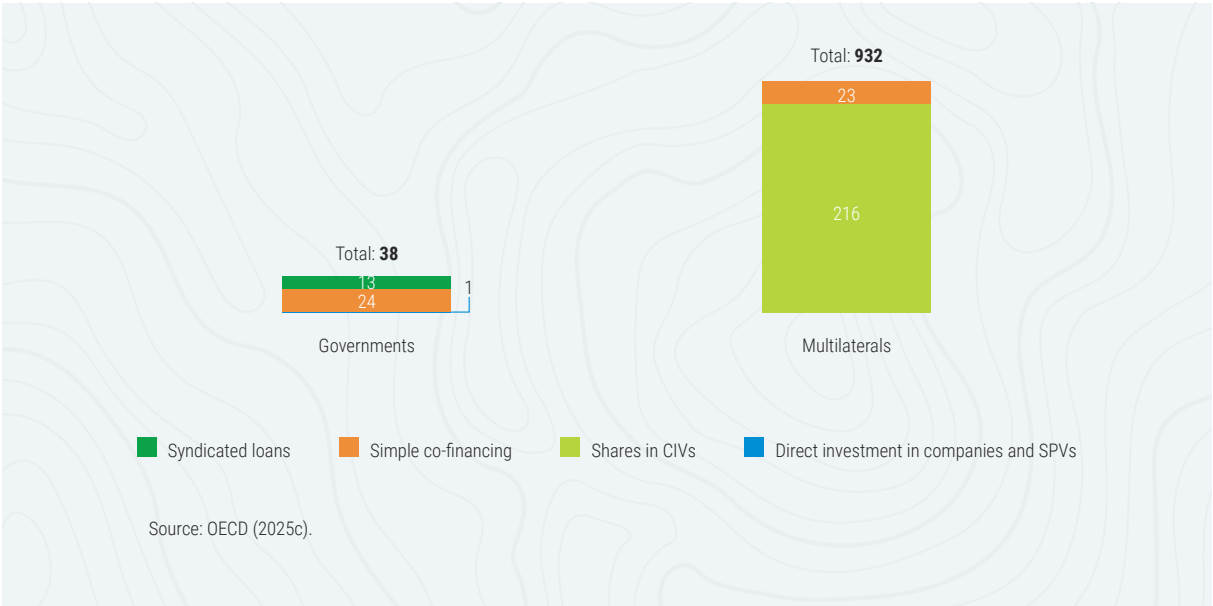
49 Also referred as blended finance.

50 Data is from the OECD Mobilized private finance for development database (OECD 2025c). Due to the absence of Rio markers in this database, the search was limited using filters for 'amounts mobilized for climate' for the forestry sector. As such, this is likely an underestimate. Double counting with impact investing is difficult to estimate. However, given that, for impact investing, most investors were domiciled in and investing in the United States of America, Canada, and Oceania, any overlap is expected to be limited.

51 Shares in collective investment vehicles refer to collective undertakings through which investors pool funds for investment in financial or nonfinancial assets or both (OECD 2024d).

52 Syndicated loans are transfers in cash or in kind for which the recipient incurs a legal debt towards a group of lenders (OECD 2024d).

Figure 2.15. Private finance mobilized by ODF interventions, by provider and by leveraging mechanism in 2023 (2024 US\$ million)



2.2.6 Private philanthropy

Finance flows to forests mobilized through private philanthropy are estimated at US\$ 103 million in 2022 based on OECD data⁵³. Africa received the largest share, with US\$ 40 million (38 per cent) of philanthropic forest finance. Latin America and the Caribbean received US\$ 19 million (18 per cent) and Asia received US\$ 12 million (12 per cent). Around 29 per cent of reported forest finance is directed to developing countries and regions, without specific recipient countries identified in the data. Philanthropic funding can play a crucial role in strengthening enabling conditions in regions where government capacity to achieve environmental goals is limited (WRI, 2021).

In Africa, most projects were linked to the agri-food sector, often focusing on sustainable forest management and regenerative practices. In Latin America and the Caribbean and Asia, projects mainly targeted general environment protection and forestry, particularly forest protection and restoration, as well as government and civil society initiatives. 38 per cent of total philanthropic forest finance targeted agriculture, 25 per cent general environmental protection, and 14 per cent was specifically allocated to the forestry sector (Figure 2.16).

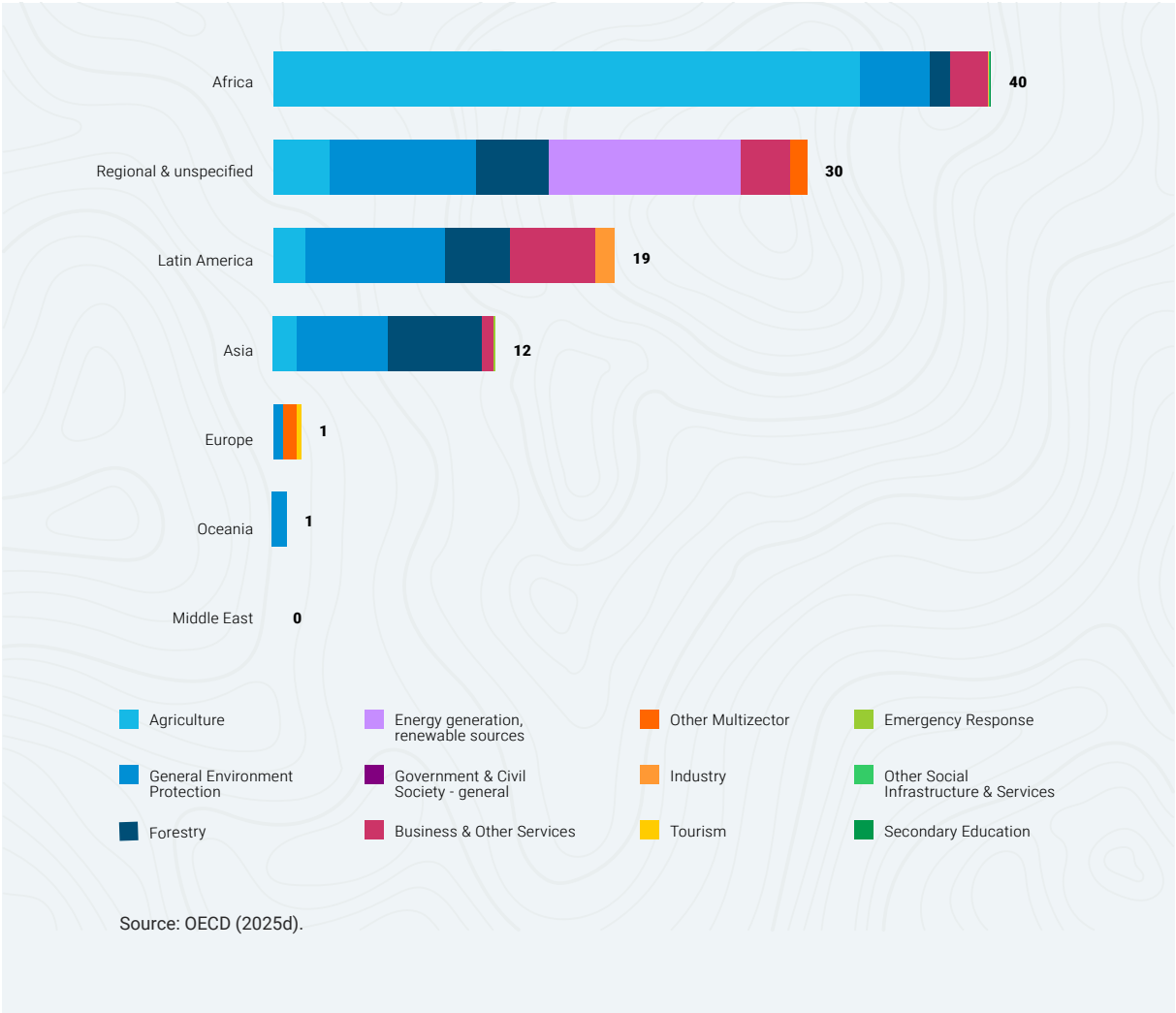
These figures are likely to underestimate the scale of philanthropic forest finance due to data limitations⁵⁴. ClimateWorks (2024) estimates that from 2019 to 2023, annual average philanthropic climate mitigation finance to forests was US\$ 286 million.⁵⁵

53 Data from OECD (2025d) reported by 48 foundations. As the same database was used for international public finance analysis, the same methodology was used to extract forest finance flows from the dataset. Details in Annex A.

54 The OECD gathers data on private philanthropy through voluntary self-reporting by foundations, with the most recent data available dating from 2022. The methodology (Annex A) is conservative and may exclude relevant financial flows that did not meet strict inclusion criteria.

55 ClimateWorks' higher estimate reflects a different methodological approach, including a broader treatment of OECD data and the use of proprietary datasets not publicly available.

Figure 2.16. Private forest philanthropy finance by region and sector in 2022 (2024 US\$ million)



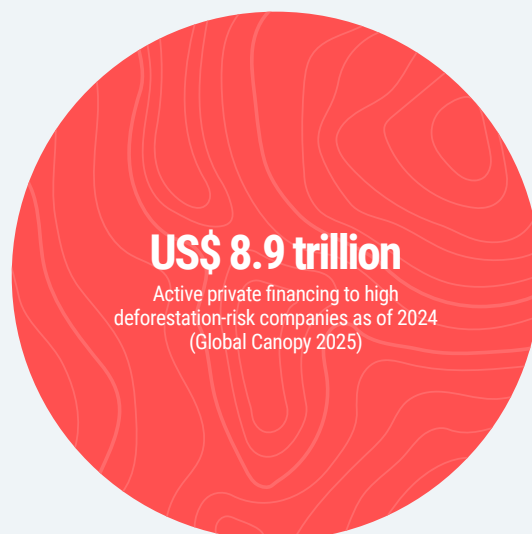
2.3 Potentially harmful finance flows to forests

While it is crucial to mobilize capital to support the protection, restoration and sustainable management of forests, it is equally important to address large- scale financial flows that drive forest degradation, deforestation and unsustainable land use. Without reducing and redirecting harmful financial flows toward sustainable practices, efforts to protect forests will be undermined.

Global commodity production is a significant driver of deforestation, particularly forest products, soy, palm oil, beef, rubber, coffee, and cocoa, which contribute to deforestation in producer countries (FAO 2022; Global Canopy 2024). Private investment in sectors most exposed to deforestation risk is substantial. As of November 2024, private financial institutions are providing US\$ 8.9 trillion in active financing to companies with the greatest influence on deforestation⁵⁶ (Global Canopy 2025).

⁵⁶ Global Canopy's Forest 500 (2025) assesses 150 financial institutions providing the most finance to the 500 companies with the greatest influence on deforestation (the Forest 500 companies). This figure includes shareholdings, loans, underwritings and bondholding.

Finance potentially harming forest greatly outweighs forest-positive finance flows



US\$ 406 billion

Potentially harmful subsidies in agriculture per year



US\$ 84 billion

finance flows to forests in 2023

While policy measures that support agriculture can play an important role in supporting livelihoods and food security, coupled support linked to input use and production levels is associated with the loss of 2.2 million hectares of forest per year, equivalent to 14 per cent of total and 37 per cent of agriculture-driven deforestation (Damania et al. 2023).

In 2023, potentially environmentally harmful subsidies (EHS) in agriculture through market price support, output subsidies and unconstrained input subsidies, were roughly US\$ 406 billion⁵⁷. High-income countries account for the largest share of global agricultural subsidies, some of which contribute to deforestation in tropical forest countries. For example, livestock subsidies in the United States of America increase demand for soybeans as feed, contributing to deforestation in Brazil (Damania et al. 2023).

While it is not possible to link the entirety of these subsidies to deforestation, a significant share contributes to forest loss, particularly subsidies that encourage conversion of land, such as subsidies for expanding crop production and area farmed. Recent trends show a shift toward decoupled forms of support, such as direct payments or investment in research and infrastructure, which are considered less harmful to the environment (Damania et al. 2023).

The scale of potentially harmful finance highlights the challenge in shifting financial flows to climate and nature positive activities. Despite the urgent need for conservation, sustainable forest management and restoration, potentially harmful finance continues to undermine global efforts to halt and reverse deforestation. Reducing and redirecting harmful finance – through regulation, policy, economic and financial incentives - is essential to meet climate, biodiversity and restoration goals.

⁵⁷ Own estimate derived from estimates of distorting agricultural support to agriculture (OECD, 2024a) and aligned with Damania et al. (2023), which identifies positive market price support, output subsidies, and unconstrained input subsidies as the most environmentally damaging forms of agricultural support. For further details, see the annex A.



CHAPTER 03

Investment needs and the forest finance gap

To stop and reverse deforestation, annual forest finance needs to increase from US\$ 84 billion to US\$ 300 billion by 2030 and nearly US\$ 500 billion by 2050. This chapter outlines these investment requirements and the US\$ 216 billion annual finance gap.

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03

Investment needs and the forest finance gap



Forests require US\$ 300 billion annually by 2030 to reach climate, biodiversity and land degradation targets.



Source: Envato Elements: ArtRachen | leungchopan

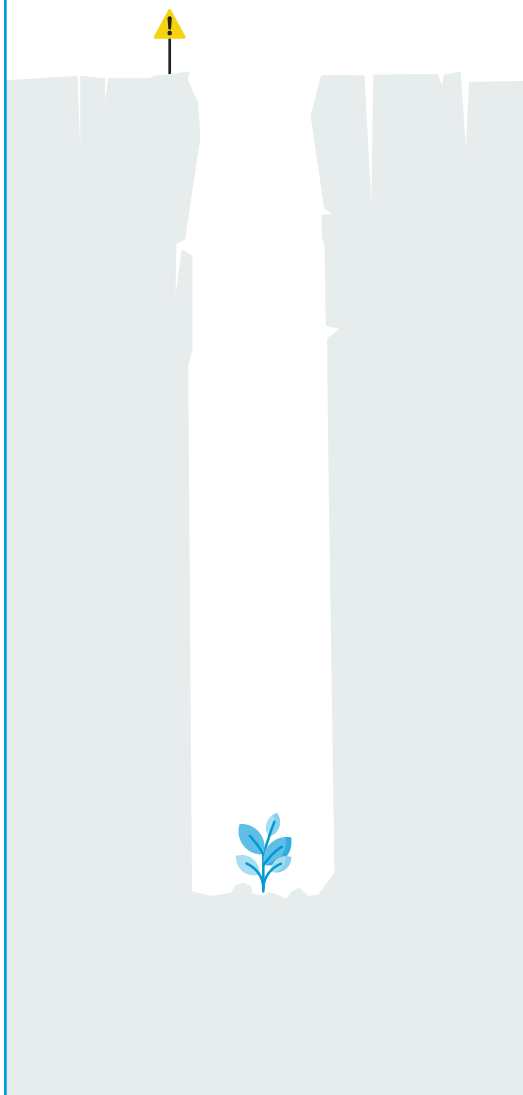
3.1. Scope of the analysis

This report estimates forest investment needs to reach climate, biodiversity and land degradation targets under the Rio Conventions which are relevant to the Glasgow Leaders' Declaration on Forests and Land Use. The Declaration, which commits countries to "halt and reverse forest loss and land degradation by 2030", calls for strengthened action on forest conservation, restoration, protection and sustainable management and emphasizes the need for increased finance and alignment of financial flows. This analysis assumes that the objective of halting and reversing forest loss and degradation is consistent with Rio targets of limiting global warming to below 1.5°C, halting biodiversity loss (including protecting 30 per cent of land and sea) and achieving land degradation neutrality by 2030.

The analysis includes investment needs in six forest related nature-based solutions (NbS): avoided deforestation, reforestation, agroforestry (silvoarable and silvopastoral systems), protected forest areas and avoided forest peatland conversion. The estimates include the investment needed in those interventions and do not cover investment in enabling conditions (e.g. governance, law enforcement) or other forest-related activities not included in the model⁵⁸, likely leading to underestimation. Still, they represent a substantial portion of the finance needed to deliver on the Glasgow goal.

⁵⁸ See section 3.7 for more details on the caveats and limitations.

US\$ 216 billion is the
annual forest finance
gap by 2030.



The modeling relies on the 'Model of Agricultural Production and its Impact on the Environment' (MAgPIE), a global land use allocation model which explores land competition dynamics in the context of carbon policy, as well as on off-model analysis. Using policy input assumptions, MAgPIE estimates the least cost way in which the land use sector can meet demand for agricultural products while respecting planetary boundaries (e.g. food, climate, biodiversity and water security) and ensuring human wellbeing. Outputs from the model include cost of action and land use change. For further details see Annex A.

3.2 Forest investment needs and opportunities

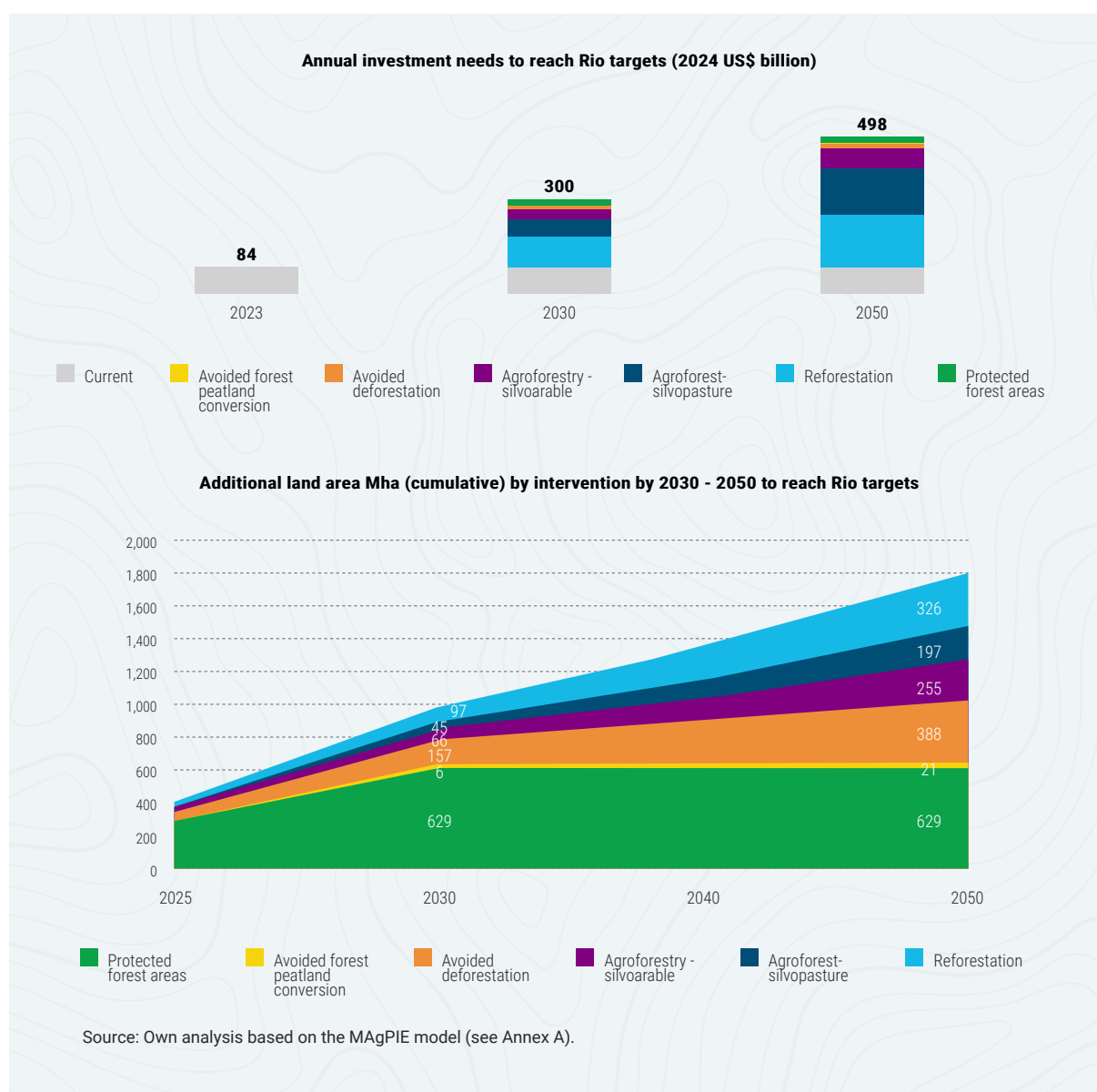
Achieving global climate, biodiversity and land degradation targets requires a significant expansion of the area under nature-based solutions (NbS) and a scaling of forest-related investment. The area under protection and other types of NbS needs to expand by an additional 1 billion hectares by 2030 and 1.8 billion hectares by 2050. Annual investment in forests needs to reach an estimated US\$ 300 billion by 2030 and US\$ 498 billion by 2050. By comparison, current forest finance flows in 2023 reached US\$ 84 billion (see Chapter 2).⁵⁹

Figure 3.1 depicts the annual finance needed for six forest nature-based solutions (NbS) by 2030 and 2050 and the additional land area this finance will allow to protect or reforest.⁶⁰

⁵⁹ This baseline reflects a broader set of public and private financial flows — including those not exclusively focused on NbS. The US\$ 300 billion estimate captures targeted investments in forest-related NbS to reach climate, biodiversity and restoration targets. These figures are based on different definitions and should be interpreted accordingly.

⁶⁰ This analysis assumes that current finance flows are committed to current projects and that future projects required to meet forest targets will require additional finance.

Figure 3.1. Investment needs for forests⁶¹



Investment in forest protection is critical. **Protection and avoided conversion of forests are highly cost-effective NbS.** Modeling suggests that roughly 80 per cent (792 Mha) of the total land area required to meet forest goals by 2030 should be allocated to forest protection. This finding would be further strengthened if the value of all ecosystem services provided by forests were included in the modeling. Investment needs for forest protection are estimated at roughly US\$ 32 billion⁶². Of this total, around US\$ 18.5 billion is required to cover the operational costs of managing formal protected forest areas. The remaining US\$ 13 billion and US\$ 0.6 billion are needed for avoided deforestation and avoided forest peatland conversion, respectively - which represent the opportunity costs of preventing forest loss and degradation in areas that are not under formal protection.

⁶¹ Note that the hectares required for NbS interventions represent the additional area required to meet global climate, biodiversity and restoration goals and do not include areas currently under protection, reforestation, or agroforestry.

⁶² This estimate combines the costs of managing protected areas with those of avoided deforestation and avoided forest peatland conversion, providing a comprehensive, though likely conservative, approximation of total forest protection needs. It does not account for the costs of establishing enabling conditions such as policy reform, governance strengthening, or monitoring systems.

In contrast, the analysis suggests that the area to be reforested by 2030 (roughly 100 million hectares) covers only 10 per cent of the total additional land area for NbS by 2030⁶³. While an important investment on degraded land, reforestation has high per hectare cost driven by high levels of inputs, as well as transaction, opportunity and external costs associated with land use change (Pacheco et al. 2024), resulting in an estimated investment need of US\$ 96 billion per year by 2030⁶⁴. However, once the “30x30” target – protecting 30 per cent of land and sea by 2030 - is met and if restoration costs decline due to forecast higher carbon prices and better technology, the area of degraded or converted forest for which there is an economic case for restoration is likely to increase, with investment needs potentially rising to US\$ 168 billion per year by 2050.

Finally, the additional area under agroforestry could expand significantly, from 113 million hectares by 2030 to 451 million hectares by 2050, with a focus on improving the management of unsustainable food and commodity production. The planting of trees in crop and livestock production systems supports the transition of food systems to more resilient diverse systems with livelihood, biodiversity and climate benefits. Investment opportunities for agroforestry (silvopastoral and silvoarable) are expected to significantly increase from US\$ 87 billion per year by 2030 to US\$ 211 billion by 2050.

Overall, forest protection should be prioritized as it is cost-effective, while reforestation and agroforestry often fail to return ecosystems to their full function (Holl and Brancalion 2020) and rarely deliver comparable biodiversity benefits. Significant progress to reduce deforestation and safeguard existing forests is essential and should be a priority – complemented by restoration to tackle degradation and to scale carbon removals. The prioritisation of forest protection should be a particular focus of public funding due to the public goods nature of the ecosystem services provided. Restoration and agroforestry have greater scope for private investment due to revenue generating opportunities. While there may be a case for direct government investment in reforestation, public policy and the use of regulation and incentives to stimulate private investment in restoration are important tools to scale the investment needed.

63 While some restoration may also occur in protected areas, this potential overlap is not included in the modeling.

64 As MAgPIE models the most cost-effective land use given specific economic, environmental and policy constraints, lower cost forest protection and sustainable management are prioritized.

Box 7. Investment needs in tropical forest countries

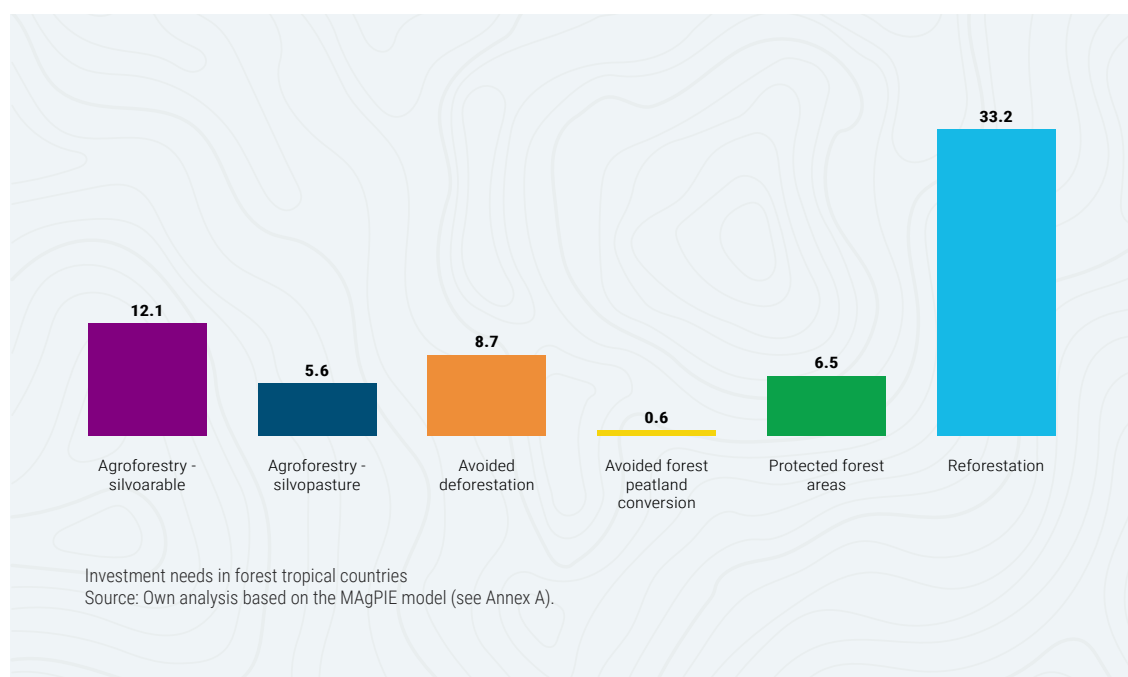
By 2030, tropical forest countries will require an estimated US\$ 67 billion annually, allocated across six complementary NbS: avoided deforestation, reforestation, agroforestry (silvoarable and silvopastoral systems), protected forest areas and avoided forest peatland conversion.

Approximately US\$ 16 billion per year is needed to safeguard standing tropical forests (avoided deforestation, protected forest areas and avoided forest peatland conversion). Protection of intact forests in these countries is among the most cost-effective climate mitigation strategies, delivering immediate emission reductions while contributing directly to the global objective to halt and reverse deforestation by 2030.

Restoration efforts will demand around US\$ 33 billion annually to regenerate millions of hectares of degraded land in tropical landscapes, thereby enhancing carbon sequestration, biodiversity connectivity, and the provision of ecosystem services. Agroforestry will require roughly US\$ 18 billion per year to integrate trees into agricultural systems, strengthening rural livelihoods, diversifying incomes, and reducing supply chain risks in forest-dependent economies.

The sequencing of these NbS is essential to optimize environmental and socio-economic outcomes across the Amazon Basin, Central Africa, and Southeast Asia. Collectively, these investments constitute a strategic portfolio of NbS for tropical forest countries to address the interconnected challenges of climate change, biodiversity loss, and land degradation.

Figure 3.2. Annual investment needs to reach Rio targets in tropical forest countries (US\$ billion)



3.3 The forest finance gap

The scale of investment required to meet global forest goals is substantial. To halt and reverse forest loss and degradation by 2030, annual financial flows to forests must increase from US\$ 84 billion to over US\$ 300 billion by 2030. This represents more than a threefold increase in forest financing, highlighting a significant gap of US\$ 216 billion annually between current finance flows and investment needed to meet the global forest goals. By 2050, financing needs for forests increase further to US\$ 498 billion annually – six times current levels. The real finance gap is likely to be greater, as these estimates exclude costs related to putting in place the enabling conditions essential for effective forest protection, sustainable management and restoration.

The challenge is not limited to scaling finance for forests. To halt and reverse forest loss, it is critical to redirect finance flows away from activities that harm forests to forest restoration, protection and sustainable management. If the US\$ 300 billion needed annually by 2030 is not invested and if harmful financial flows continue, forest loss will continue, putting at risk broader climate and biodiversity goals.

3.4 Caveats and limitations

In the absence of comprehensive estimates of current global climate finance flows to forests and projected investment needs through 2030 to inform public and private sector decisions, this analysis provides indicative estimates of forest investment needs and opportunities, based on the limited data available. It is likely that investment needs are significantly larger:



The analysis focuses on six forest NbS with high potential (see Annex A for description) and excludes investment in enabling conditions.



For protected forest areas, only operational costs are included. Upfront capital expenditures and opportunities costs are at least partially captured under avoided deforestation. Costs of putting in place the enabling conditions for effective implementation are excluded, understating real investment needs for each intervention. Variability in these costs across different types of NbS, e.g protection or restoration, is not captured.



The model does not account for the full value of ecosystem services provided by each intervention, thereby underestimating the full cost of inaction and the economic benefits of intervention.



The model does not capture the effects of climate change, such as wildfires, extreme flooding and droughts, and the related adaptation interventions required, despite their increasing influence on biodiversity and forest dynamics.

While the modeling is based on targets from the Rio Conventions that are closely aligned with the goal of halting and reversing forest loss and degradation by 2030, the investment needs estimated are not based on modeling specifically to halt and reverse forest loss by 2030.

A man with a beaded headband and necklace is looking upwards in a dense, green forest. The background is filled with thick foliage and trees. The man is positioned in the upper left quadrant of the image.

CHAPTER 04

Key findings, recommendations and way forward

This chapter leverages the findings to recommend tripling forest investments, expanding private sector financing, and redirecting harmful financial flows. With COP30 approaching, it urges governments, businesses, and investors to take decisive action.

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04

Key findings and recommendations



Annual forest finance reached US\$ 84 billion in 2023, far short of the US\$ 300 billion needed by 2030.

The gap is compounded by harmful subsidies and trillions in high-risk investments that continue to drive deforestation.



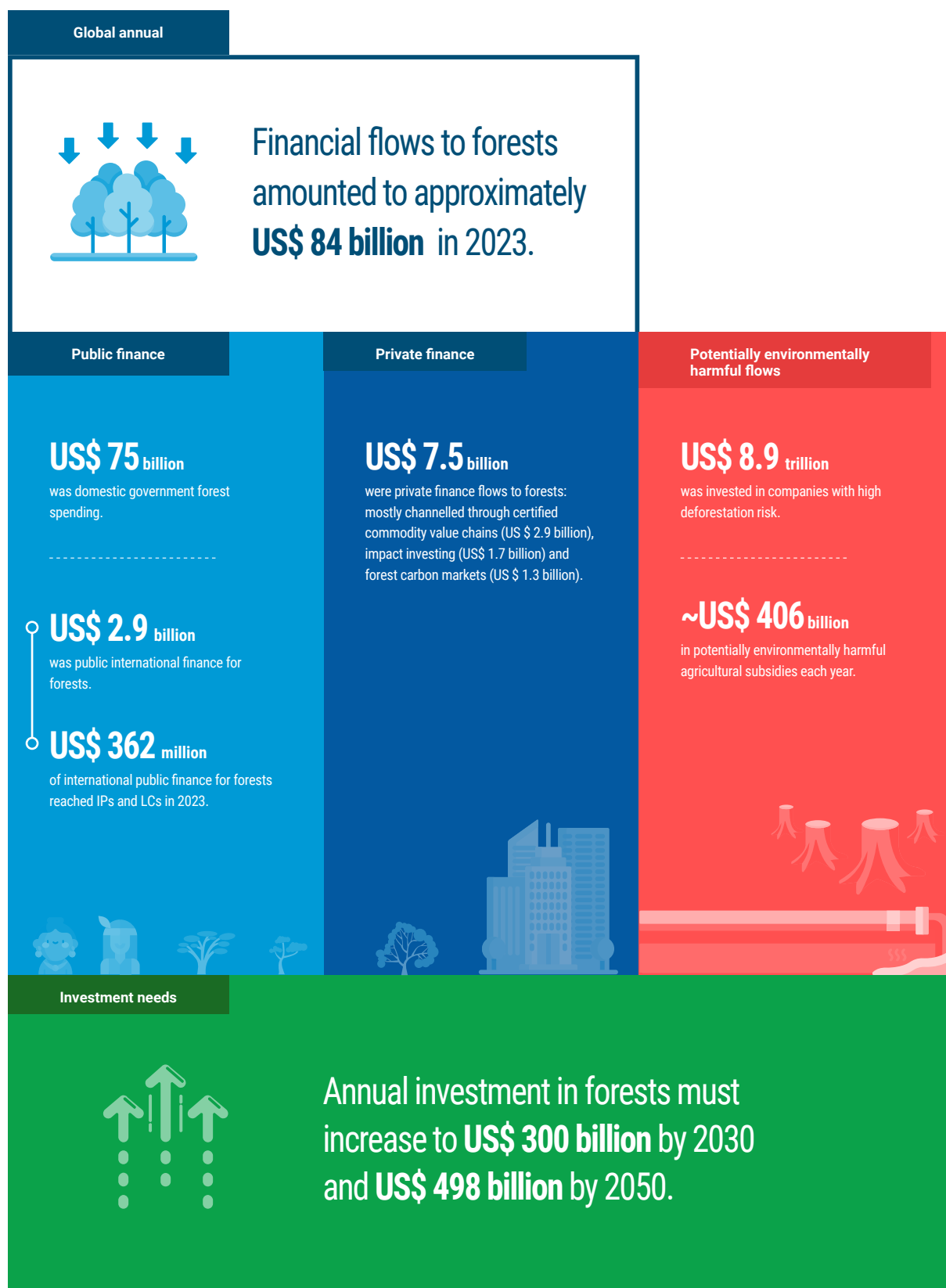
Source: Copyright 2023, UNEP/Eriz Taufany

Although forests and the ecosystem services they provide have a critical role for climate and biodiversity, there is a lack of reliable and comprehensive data, particularly on private finance and public domestic finance, to quantify the actual financial flows directed to forests. This report analyses current forest finance flows using available data, benchmarks them against the levels needed to meet international targets by 2030 and 2050 and underscores the vital role forests play.

As the 30th United Nations Climate Change Conference (COP 30) approaches, the report serves as a call to action, urging governments, business and finance to intensify efforts to close the forest investment gap by elevating the issue on political agendas, implementing targeted policies and corporate strategies and boosting capital flows to forests.

4.1 Key findings

This section summarizes the main findings and core messages of the report and presents broad recommendations for action. These recommendations remain high-level, as further analysis is needed to identify the most effective policy tools and financial mechanisms to mobilize and scale up investment in forests.



Current finance flows to forests

Global annual financial flows to forests amounted to approximately US\$ 84 billion in 2023. Forest finance is public-driven and insufficient.

Public finance, both domestic and international, is the primary source of forest funding, accounting for 91 per cent (US\$ 77 billion) of global forest finance flows.

- In 2023, of the US\$ 75 billion of domestic government forest spending, the vast majority was invested by and in advanced economies.
 - In 2023, US\$ 12.9 billion was invested by tropical forest countries.
- In 2023, public international finance for forests totalled US\$ 2.9 billion, with 67 per cent to the forestry sector. The main donors were the World Bank (IDA and IBRD), Germany, the United Kingdom and Norway, while the leading recipients included the Democratic Republic of Congo, Peru and Brazil, all tropical forest countries.
 - In 2023, approximately US\$ 362 million of public international forest finance targeted projects involving Indigenous Peoples and local communities, with a smaller share likely going to initiatives led directly by these groups. This represents 20 per cent of the IP&LC Forest Tenure Pledge which allocates US\$ 1.7 billion between 2021 and 2025 (FTFG 2024).

Private finance flows to forests were estimated at US\$ 7.5 billion, roughly 9 per cent of global forest finance flows.

- Private finance flows to forests were mostly channelled through certified commodity value chains (US \$ 2.9 billion), impact investing (US\$ 1.7 billion) and forest carbon markets (US \$ 1.3 billion).

Potentially environmental harmful subsidies in agriculture, a key driver of deforestation, amounted to approximately US\$ 406 billion. This indicates that for every US\$ 0.20 invested in forest-based nature-based solutions, US\$ 1 is spent on subsidies that exacerbate deforestation.

- Policy measures that encourage agricultural expansion into forests contribute to an estimated annual loss of 2.2 million hectares of forest, equivalent to 14 per cent of total and 37 per cent of annual agriculture-driven deforestation.
- Private investment in companies with high deforestation risk (US\$ 8.9 trillion) is more than 100 times greater than current investment in forest-based nature-based solutions (US\$ 84 billion).

Investment needs and opportunities

Annual investment in forests must increase to US\$ 300 billion by 2030 and US\$ 498 billion by 2050.

- Forest protection is a highly cost-effective approach, requiring just US\$ 32 billion of the additional annual finance needed by 2030, likely an underestimate, as not all ecosystem service values are captured, while accounting for 80 per cent of the total land area required.
- Reforestation could attract up to US\$ 96 billion annually by 2030, but would cover only 10 per cent of the needed land due to forest degradation and high per-hectare, transaction, and opportunity costs.
- Investment requirements for agroforestry (including silvopastoral and silvoarable systems) reflect its growth potential, with annual additional needs reaching US\$ 87 billion by 2030.

Both public and private financial flows to forests must increase significantly to close the gap between current funding levels and the investment required to meet the Rio targets.

4.2 Recommendations and way forward

Drawing on findings from this report, advancing towards the Glasgow Leaders' Declaration on Forests and Land Use requires an integrated strategy that addresses multiple interconnected challenges.

The following recommendations are organized around four core pillars:



A. Advancing government leadership to mobilize forest finance

Government regulation, legislation and economic incentives are critical to effectively mobilize and de-risk private sector investment in forests. Governments are essential in drawing private investment to forests by establishing robust policy frameworks, legal frameworks, and incentives that reduce risks and build investor trust. By securing land rights, enforcing sustainable regulations, and providing financial support, they lessen the uncertainties and in turn stimulate private actors to scale up investments in forest projects and sustainable (deforestation-free) agriculture. It starts by governments seeing investing in forests as a key priority, followed by a vision for governments to rally business leaders and investors to scale up the deployment of capital that has a positive impact on forests.

Aligning diverse sources of finance with forest-related development goals is essential to maximize impact. Government spending, often drawn from multiple sectors, remains a key source of forest finance. Closely linking public expenditure to national forest objectives helps identify resource gaps, optimize budgets, attract external funding, and create cross-sectoral financing opportunities. Embedding forest financing into broader national strategies, such as integrated sustainable development plans, ensures forest priorities are reflected in wider policy and investment frameworks.

B. Increasing forest finance to address climate change, biodiversity decline, and land degradation

Prioritizing forest protection is essential due to its cost-effectiveness and superior biodiversity benefits, while restoration complements these efforts by addressing degradation and carbon removal. Public funding is key for forest protection due to the valuable public goods it provides, while restoration and agroforestry create opportunities for private investment. Through regulation and incentives, private capital can be mobilized effectively, supported by targeted public investment in reforestation when necessary. This balanced approach is crucial to ensuring the long-term conservation and restoration of forest ecosystems.

Accelerating financial innovation through government leadership is essential to scaling up capital flows for forest conservation and sustainable management. Traditional funding mechanisms alone are insufficient to meet the increasing capital demands of sustainable forest management; however, a strategic combination of diverse financial instruments can unlock the necessary resources.

Instruments such as sovereign green bonds, debt for nature swaps/debt-for-forests swaps, blended finance, high-integrity carbon markets, including compliance, voluntary, and Article 6 markets under the Paris Agreement, biodiversity credits and offsets can help attract both country-to-country and private investments while diversifying sources of forest financing. These mechanisms can help lower risks, expand impact, and ensure forest initiatives are adequately funded, resilient, and aligned with broader environmental objectives. Emerging initiatives, such as Brazil's Tropical Forest Forever Fund (TFFF), have the potential to demonstrate that new types of mechanisms can provide predictable and long-term financing for forests.

Mobilizing private sector capital for forest finance in tropical countries is key to meeting corporate net-zero commitments while supporting climate mitigation and biodiversity. By aligning financial flows with corporate sustainability commitments, private investors can play a pivotal role in narrowing the forest finance gap, driving innovation, and scaling up solutions to safeguard critical forest ecosystems. Adopting sustainability disclosure standards for reporting impacts, risks, and opportunities is also an effective tool to advance on corporate commitments.

Certified commodity finance supports forests, but broader action is needed to address deforestation. Certification can help address deforestation risks but must be complemented by broader measures. Actions taken by traders, input companies, consumer goods companies and retailers along the agri-food value chain fallen short of achieving critical targets. Costing out and execute plans for those companies that have made commitments for example by providing risk capital to deforestation-free and conversion-free (DCF) finance schemes, in setting carbon emissions or making contractual agreements with farmers and intermediaries are essential to move beyond the limited amount of US\$ 2.9 billion per year to date. Companies, from producers and traders to consumer goods firms, retailers, and financiers, need to recognize that achieving 'zero deforestation' commitments comes with real costs. Whether these costs are internalized by companies across the agri-food value chain or be paid by the final consumer, there needs to be a broad and fundamental shift in how the global food system operates. Supporting smallholders, improving standards and enforcement, and integrating tools like traceability systems and sustainability labels are essential. A coordinated approach is needed to drive meaningful, long-term change in high-risk regions.

Prioritizing impact investing in forest finance is essential to closing the capital gap for sustainable forest management. By funding projects with measurable environmental and social outcomes, impact investments align financial returns with global climate and development goals. Embedding impact investing as a strategic focus is crucial for mobilizing private capital and advancing international forest commitments. Connecting the relatively small impact investing market with capital markets, e.g. through fund-of-fund approaches, listing of bonds on stock exchanges as well as pooling debt from different forest impact investing transactions into bonds, are ways to enable institutional investors including pension funds, insurance companies and sovereign wealth funds to increase their exposure to the forest impact investing domain.

Strengthening high-integrity carbon markets is essential to unlock reliable revenue streams that incentivize private sector investment, as well as valorizing other ecosystem services. By monetizing carbon sequestration and emission reductions, through rigorous standards and transparent verification, these markets ensure the environmental and social integrity and credibility of carbon credits, and fair pricing. This fosters investor trust and drives scalable financing for forest conservation, aligning economic incentives with climate and biodiversity goals. Payment of ecosystem services (PES), biodiversity credits and other means to monetize the economic value of forest ecosystems, can help strengthen the government and business case for forest protection, restoration and sustainable use.

Expanding the use of blended finance through stronger government and donor engagement is critical for synergizing public, private, and philanthropic capital to mitigate investment risks and optimize risk-adjusted returns. This mechanism is key to mobilizing private sector funding that might otherwise be deterred by financial, environmental, or social uncertainties. By leveraging public resources to cover early-stage risks or provide collateral support, blended finance creates incentives for greater private investment in initiatives that protect forests, restore degraded landscapes, and promote sustainable land use.

C. Promoting inclusive and equitable forest finance

Increasing international funding and ensure targeted donor support reaches tropical countries and their women and Indigenous Peoples and Local Communities (IPs and LCs). These groups are vital to forest protection but often lack access to key enabling conditions such as recognition of land tenure rights, access to finance, institutional capacity, and participation in Free, Prior and Informed Consent (FPIC) processes, among others. Increasing targeted international support through direct engagement channels can empower and strengthen community-led conservation, preserve traditional knowledge, and build local capacity to address deforestation and climate change.

Complementarily, integrating a gender perspective into forest finance enhances equity and governance by addressing entrenched gender barriers, ensuring equitable access to resources, promoting inclusive participation, valuing the diverse knowledge and skills of all genders, improving women's livelihoods and economic empowerment, and creating sustainable opportunities for women in the forest sector.

Implementing safeguards that guarantee transparency, fairness, equity, and environmental integrity to ensure effective forest financing from both public and private sources. Without them, investments risk harming communities, losing trust, and failing to protect forests. These measures build confidence among investors and stakeholders, promoting sustainable and successful outcomes.

D. Redirecting capital away from deforestation-related activities

Mobilizing capital for forest protection is essential, however, tackling large-scale financial flows that drive deforestation and unsustainable land use it is even more critical. Key commodities significantly contribute to forest loss, with substantial private financing supporting companies linked to deforestation. Harmful agricultural subsidies also encourage land conversion. While there is a gradual move toward less damaging forms of support, harmful financial flows continue to undermine conservation efforts. Redirecting and reducing these flows through effective policy and regulation is crucial to achieving climate and biodiversity goals.

A

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