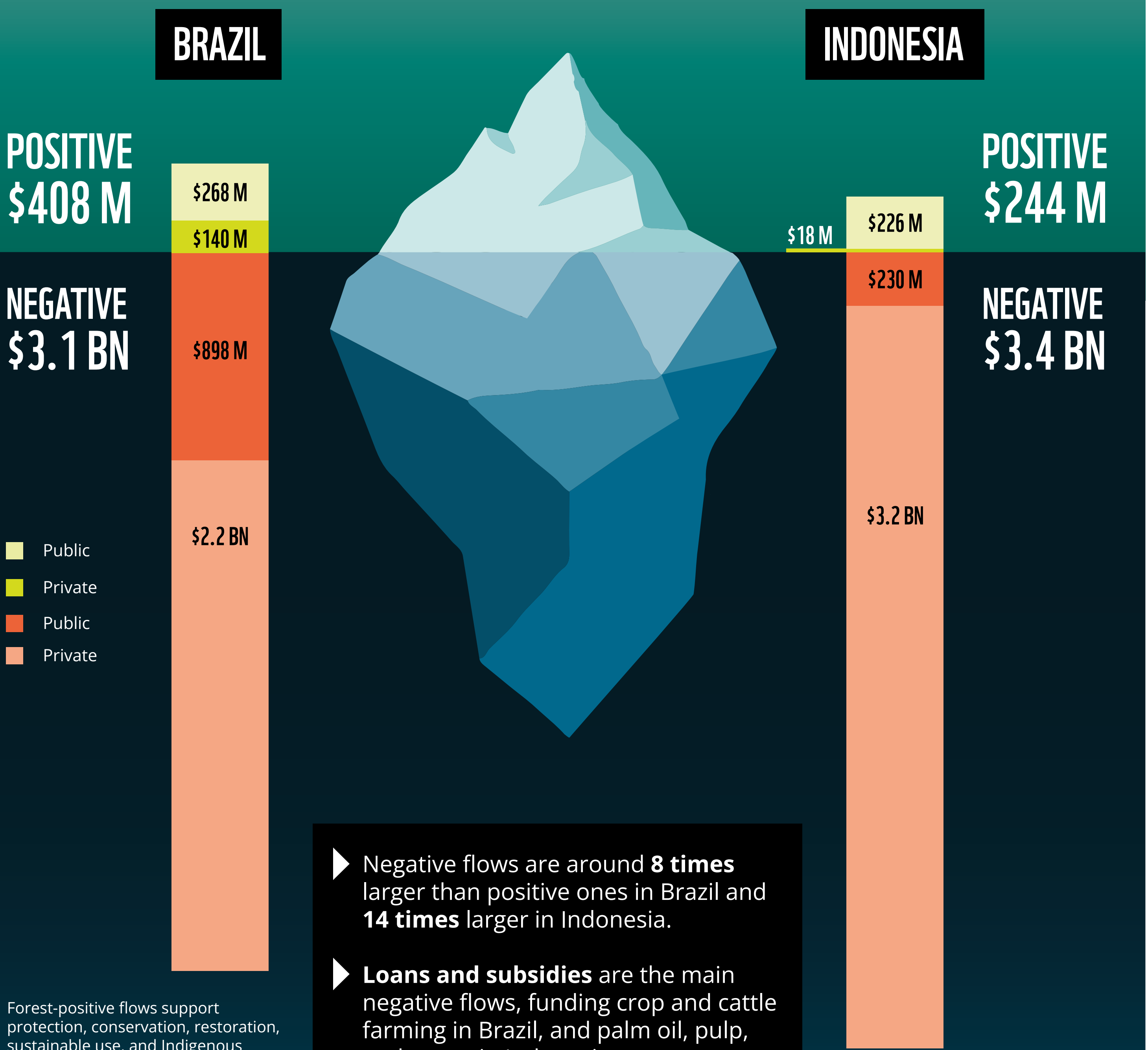
THE BILLION DOLLAR BLACK HOLE IN FOREST FINANCE

WWF and CSF analyzed financial flows in Brazil and Indonesia to determine how much funding is allocated to forests, what is needed, and how to close the gap.



- Negative flows are around **8 times** larger than positive ones in Brazil and **14 times** larger in Indonesia.
- **Loans and subsidies** are the main negative flows, funding crop and cattle farming in Brazil, and palm oil, pulp, and paper in Indonesia.
- **Public finance** is the core positive flow for forests, from domestic governments and ODA. Private finance also plays a significant role in Brazil.

Forest-positive flows support protection, conservation, restoration, sustainable use, and Indigenous Peoples. Forest-negative flows include agricultural expansion, mining, and infrastructure in forest areas. All flows are annual mean USD for 2020–2024.

Lead Authors:
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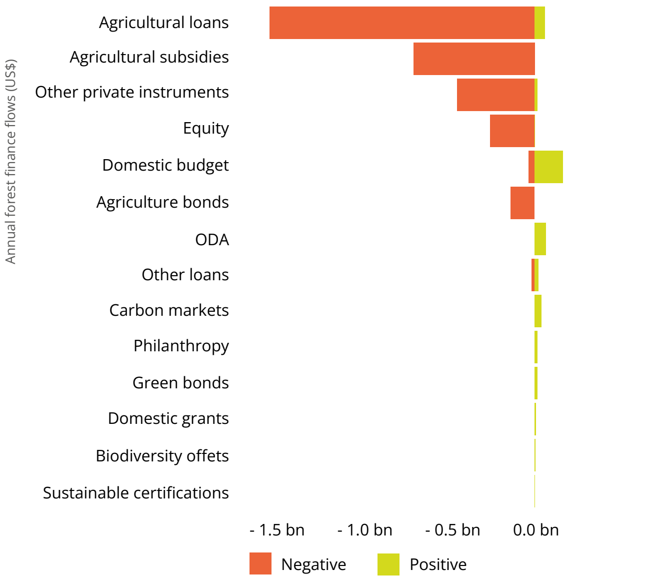
CONSERVATION STRATEGY FUND

CURRENT FOREST FINANCE FLOWS

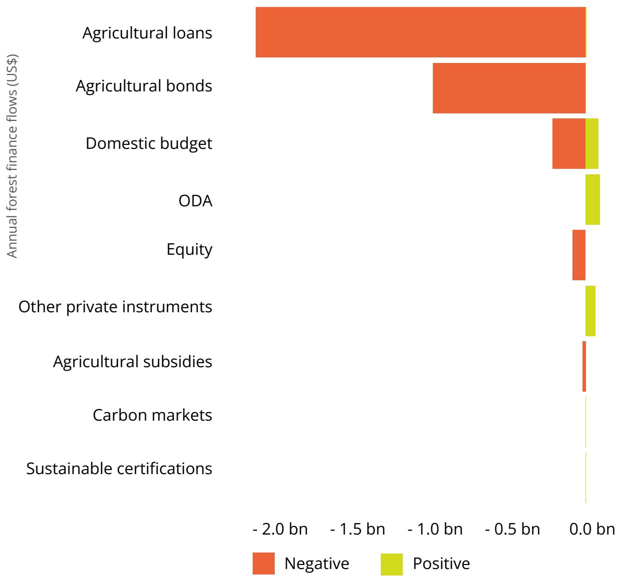
BRAZIL

Domestic budgets and ODA mainly fund forest conservation and Indigenous Peoples' stewardship. Forest-positive loans finance sustainable agriculture via Pronaf and ABC+ credit lines, while negative ones finance its expansion via financial institutions. Harmful subsidies fund commodity price policies and credit programs that promote crop and cattle expansion.



INDONESIA

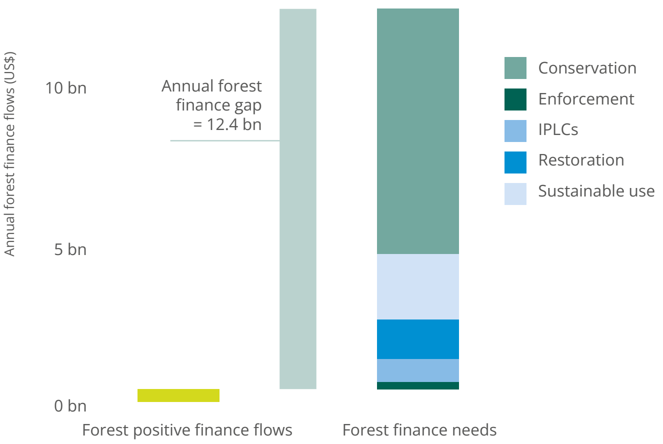
Forest-positive domestic budgets and ODA mainly support sustainable forest management and conservation. Forest-negative loans and bonds, channelled through financial institutions, are key financiers of palm oil, pulp, paper, mining and infrastructure; while harmful subsidies primarily fund agricultural inputs.



THE SHORTFALL IN FOREST FINANCE

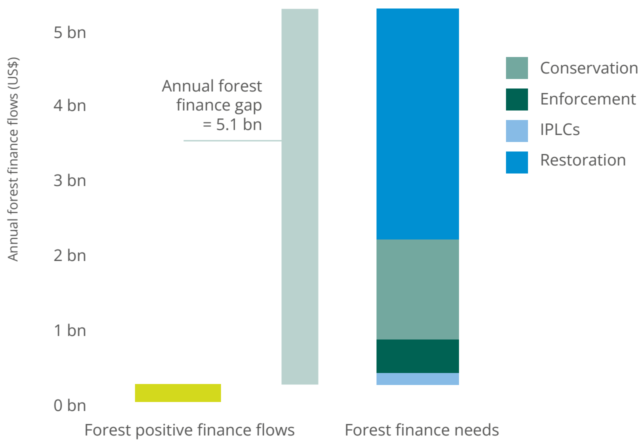
BRAZIL

$12.8 billion is needed annually to meet forest policy goals. Current flows of $408 million cover barely 3% of this amount, leaving a gap of $12.4 billion.



INDONESIA

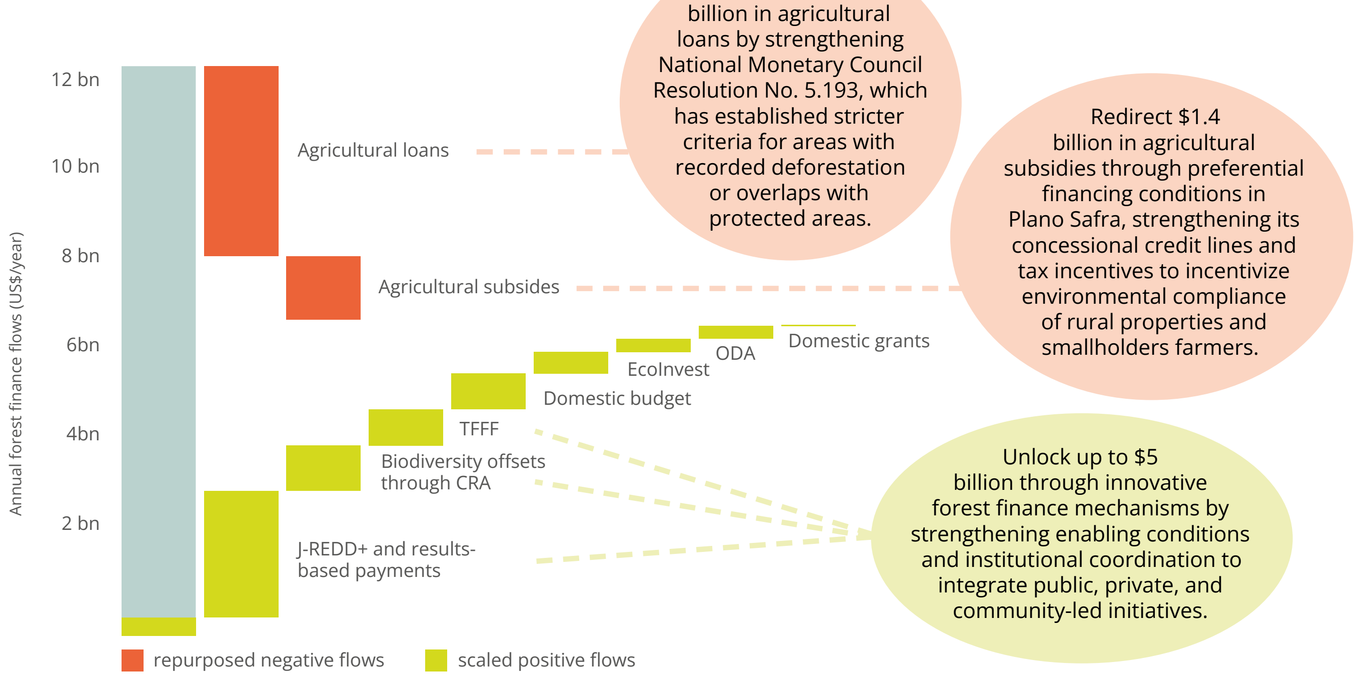
Indonesia's forest finance needs are approximately $5.3 billion annually. Current flows amount to $244 million, covering only 5% of the total, and leaving a gap of about $5.1 billion.



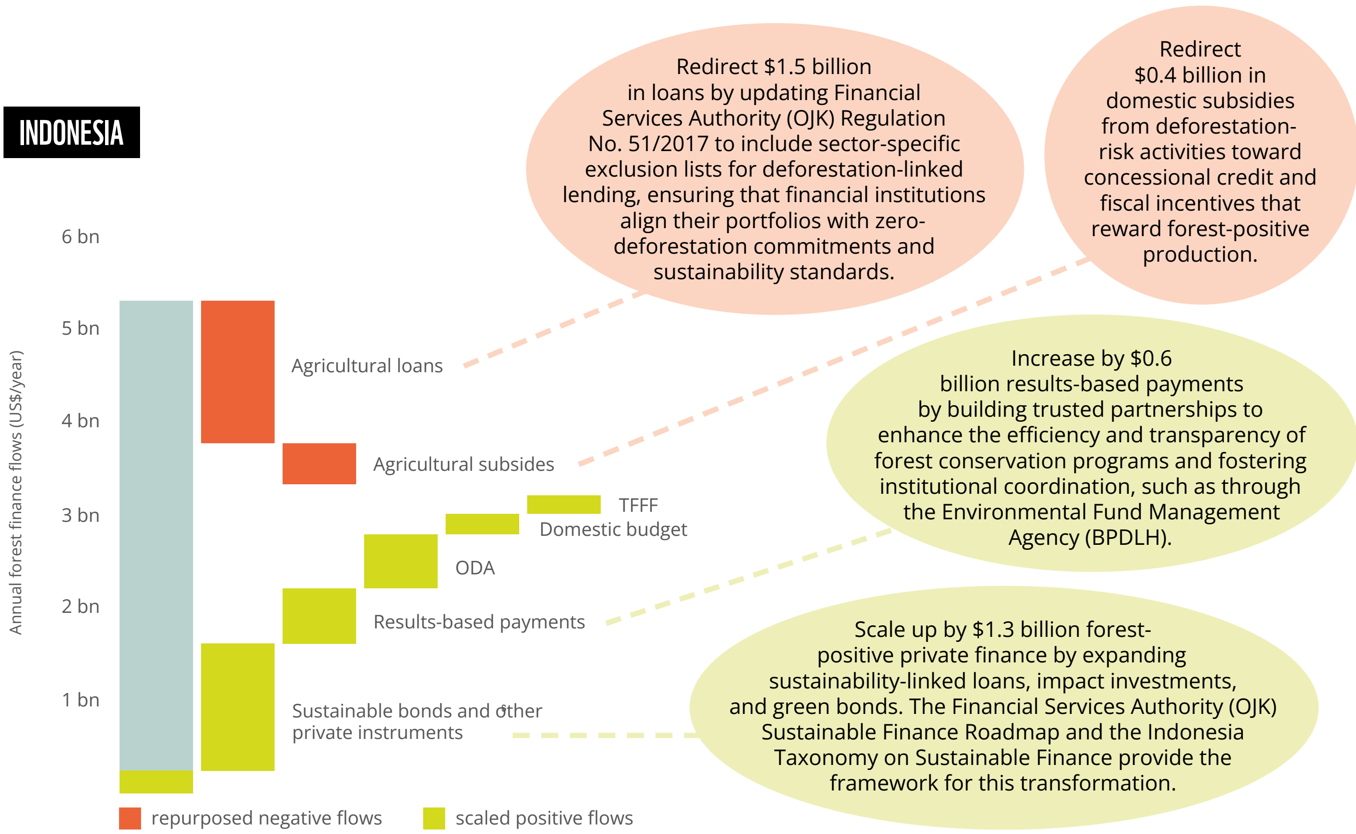
CLOSING THE FOREST FINANCE GAP

Closing the forest finance gap requires repurposing negative flows and increasing positive ones. We need to mobilize diverse sources of funding simultaneously — and each sector has a role to play.

BRAZIL



INDONESIA



ACTIONS NEEDED NOW

REPURPOSE PRIVATE LOANS

Financial institutions should enact zero-deforestation commitments and enhance deforestation risk assessment, disclosure, and safeguards. Financial regulators should mandate frameworks for these. Repurpose loans by aligning them with Brazil's Sustainable Taxonomy and Indonesia's POJK 51/2017.

SHIFT HARMFUL SUBSIDIES

National governments should restrict access to properties with recent deforestation and non-compliance with environmental law. Redirect these subsidies toward sustainable practices and environmental compliance through favourable credit lines, guarantee schemes, and performance-linked instruments.

INCREASE DOMESTIC BUDGETS

National governments should expand fiscal space for forest protection, conservation, equity, and enforcement using sovereign green bonds, green taxes, and environmental fines. Additional funds should be directed through ecological fiscal transfers and payment for ecosystem services schemes.

STRENGTHEN DONOR AMBITION

Multilateral development banks (MDBs) and other donors should mainstream forest conservation across their operations as a cost-effective approach to achieve climate, biodiversity, and development goals, as well as a strategy to de-risk their portfolios.

SCALE UP INNOVATIVE FINANCIAL INSTRUMENTS

To reach scale, **jurisdictional REDD+ and results-based payments** must be brought under coherent legal and policy frameworks, and strengthened through Article 6-aligned measurement, reporting, and verification systems, with equitable benefit-sharing. Blended-finance platforms and instruments, such as **EcoInvest, BPDLH, TFFF, and CRA**, need to be provided with the enabling conditions to build credibility and grow.

ENSURE DIRECT AND EQUITABLE ACCESS TO FOREST FINANCE FOR IPLCS

National and international donors must recognize Indigenous-led mechanisms and create dedicated finance windows for these groups. Embed in **donor grants** free, prior, and informed consent and community-defined priorities, while ensuring means of implementation to enable local stewardship.

FINANCE ALONE IS NOT ENOUGH

Forest finance must go beyond gap-filling. We must move beyond financial and economic systems focused on short-term gains and transition towards ones that achieve human well-being and economic and planetary stability.

DISCOVER MORE HERE

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