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CONSERVATION
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BRAZIL'S \$12 BILLION

BLACK HOLE IN

FOREST FINANCE

INTRODUCTION

This study, produced by WWF and Conservation Strategy Fund (CSF), quantifies current financial flows directed to Brazil's Amazon forest¹, in addition to estimating the actual forest financing needs for this area and how financial flows can be changed to meet them. To better understand forest finance, the study identifies positive and negative financial flows provided by public and private sources, both domestic and international, and specifies the financial instruments used. Forest positive financial flows are defined as those that support forest conservation, restoration, sustainable use, and Indigenous Peoples' stewardship; while negative financial flows were defined as flows promoting agriculture and cattle, mining, extractive industries, and infrastructure expansion in forested areas. This analysis aims to increase transparency and accountability, enable the monitoring of resource allocation over time, and focus efforts on the most promising solutions to plug the financing gap for forests.

METHODS AND DATA

The databases used include the Organization for Economic Cooperation and Development Creditor Reporting System (OECD-CRS), the Brazilian Integrated Planning and Budget System (SIOB), the Rural Credit Operations System (SICOR), the National Bank for Economic and Social Development (BNDES), Forests & Finance, the Climate Bonds initiative, Green Bond Transparency, the ICMA Group, and ERM-NINT, among others. The analysis of financial needs and how flows can be changed was based on a literature review. Throughout the process, interviews with experts were conducted as needed. The analysis of current finance flows covers the period 2020 to 2024 and is presented as an average over this period². Forecasting of future financial flows was for the year 2030.

Limitations in the availability and quality of databases, particularly for private finance, posed a challenge and, in some cases, did not provide enough detail to allow us to isolate and classify financial flows. In these instances, we took a conservative approach, and as such, both positive and negative private financial flows are likely underestimated. Illegal financial flows and private companies' investments in their supply chains were not captured in this study due to a lack of suitable data.

¹ Municipalities were classified as *highly forested* when more than 50% of their territory was covered by native vegetation. Forest cover estimates were derived from the MapBiomas (2020) dataset. Two additional spatial criteria were incorporated to better capture forest-relevant areas: (i) the presence of Protected Areas (PAs) and/or (ii) Indigenous Lands (ILs).

² Further details on the methods are available via the QR code at the end of this document.

HOW MUCH DO BRAZIL'S AMAZONIAN FORESTS CURRENTLY RECEIVE?

The estimated annual mean positive financial flows directed toward highly forested areas in Brazil amount to approximately US\$408 million per year. In contrast, the mean annual negative financial flows are estimated at around US\$3.1 billion per year. This means that negative flows are nearly 8 times greater than positive ones.

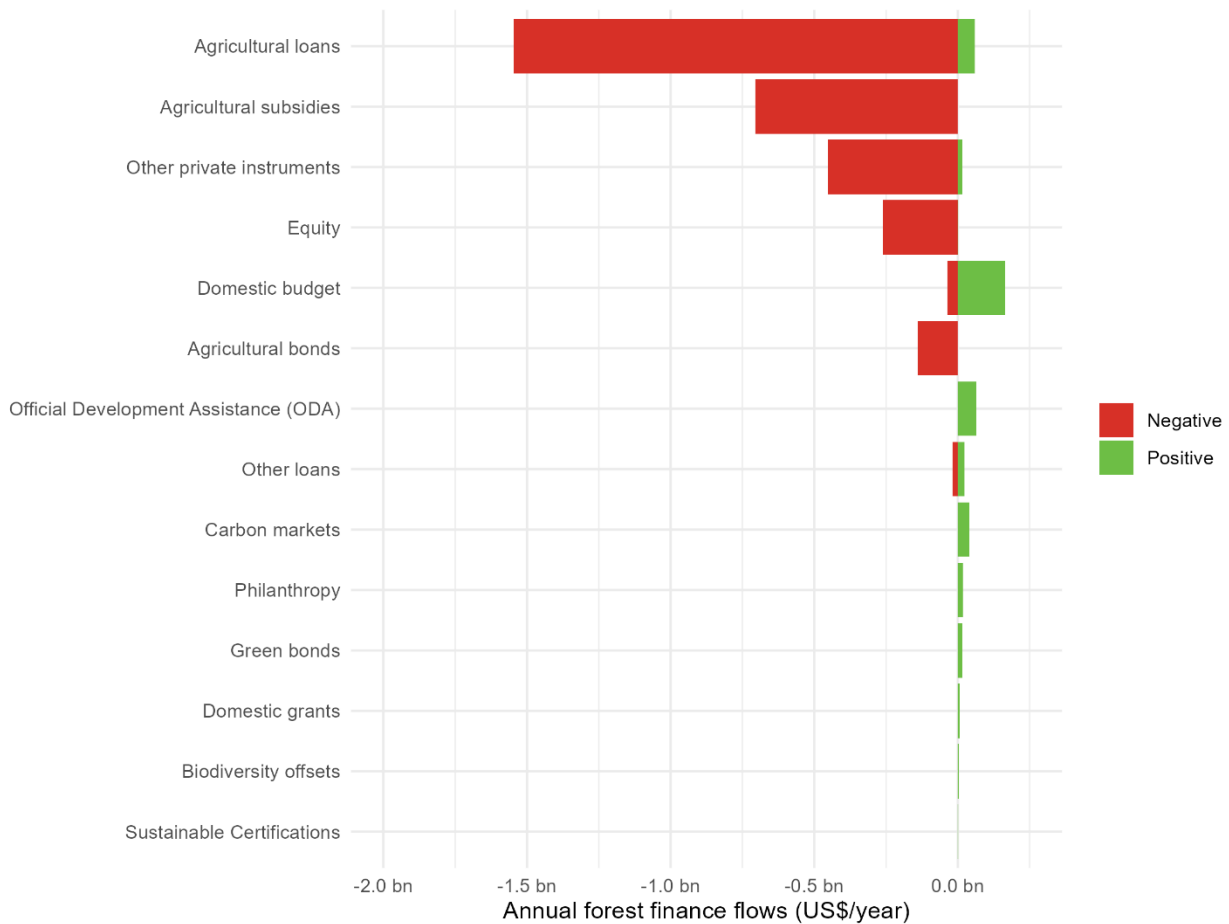


Figure 1. Positive and negative forest finance annual mean flows for Brazil's Amazon forest.

Source: WWF and CSF based on data from OECD-CRS (2024), SIOP (2024), SICOR (2024), BNDES (2024), MMA (2024), Forests&Finance (2024), Verra (2024), ERM-NINT (2024).

POSITIVE FINANCE FLOWS

The majority of positive finance flows – US\$267 million (65.5%) – originate from public sources. Considering the total positive forest finance flows, domestic public resources represent US\$186 million or 45.6% of total public flows, while international public resources represent US\$81 million or 19.9% of total public flows.

The \$186 million in domestic public resources is primarily derived from the domestic budget (US\$170 million, or 41.6% of total positive flows), followed by the National Development Bank (BNDES) (US\$16 million, or 4%), through grants and loan mechanisms. On the other hand, international public resources are largely provided through Official Development Assistance (ODA), which represents US\$75 million, distributed between bilateral (15.5%) and multilateral (3.1%). Other Official Flows (OOF) are responsible for a further 1.3% of the international public resources.

Private resources are less significant, but also play a relevant role in positive forest finance flows, amounting to a total of US\$140 million or 34.6%. Private positive forest finance flows are comprised of agricultural loans (14.4%), other types of loans (5.5%), and other private instruments (3.7%). Carbon markets represent 9.6% and other instruments, such as green bonds, biodiversity offsets, and sustainable certifications, jointly comprise 4.8%.

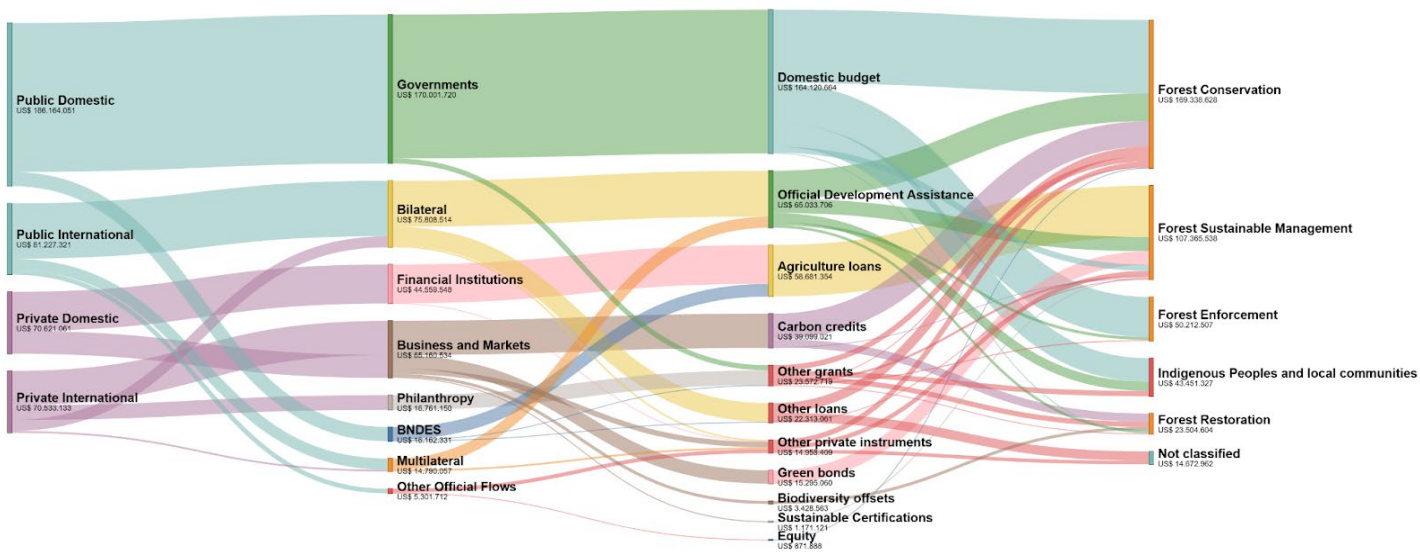


Figure 2. Positive forest finance annual mean flows for Brazil represented through a Sankey Diagram.

Source: WWF and CSF based on data from OECD-CRS (2024), SIOP (2024), SICOR (2024), BNDES (2024), MMA (2024), Forests&Finance (2024), Verra (2024), ERM-NINT (2024).

Domestic private resources are primarily mobilized through financial institutions (US\$44 million or 10.9% of total positive flows), via rural credit sustainable programs, including specific subprograms under the National Program for Strengthening Family

Agriculture (Pronaf), the Program for Reducing Greenhouse Gas Emissions in Agriculture (ABC+), and the Program for Financing Sustainable Agricultural Production Systems (RenovAgro). Domestic private resources are also channelled through businesses and markets, accounting for approximately US\$26 million or 6.4%, mainly through green bonds and biodiversity offsets schemes. In terms of international private resources, businesses and markets represent US\$39 million or 9.6%, driven largely by carbon market initiatives. Philanthropy contributions account for US\$16 million or 4.1%.

NEGATIVE FINANCE FLOWS

Negative flows are predominantly from private sources, which equate to US\$2.2 billion (71.6% of all negative flows). These resources are primarily channelled through agriculture and cattle loans in recently deforested areas (49%), while other private instruments (18.7%) and equity (8.3%) also play a relevant role. Most of the negative financial flows are allocated to the agriculture and cattle sectors (92.8%), while a smaller share of these flows (7.2%) is associated with other land-use transitions, including mining and infrastructure projects.

In addition, public resources channelled through the domestic budget account for US\$898 million annually in 2024 prices or 28.5% of negative forest finance flows, largely in the form of agricultural subsidies (22.4%). These subsidies consist mainly of government disbursements that sustain commodity price policies or concessional credit programs aimed at agricultural expansion and intensification.

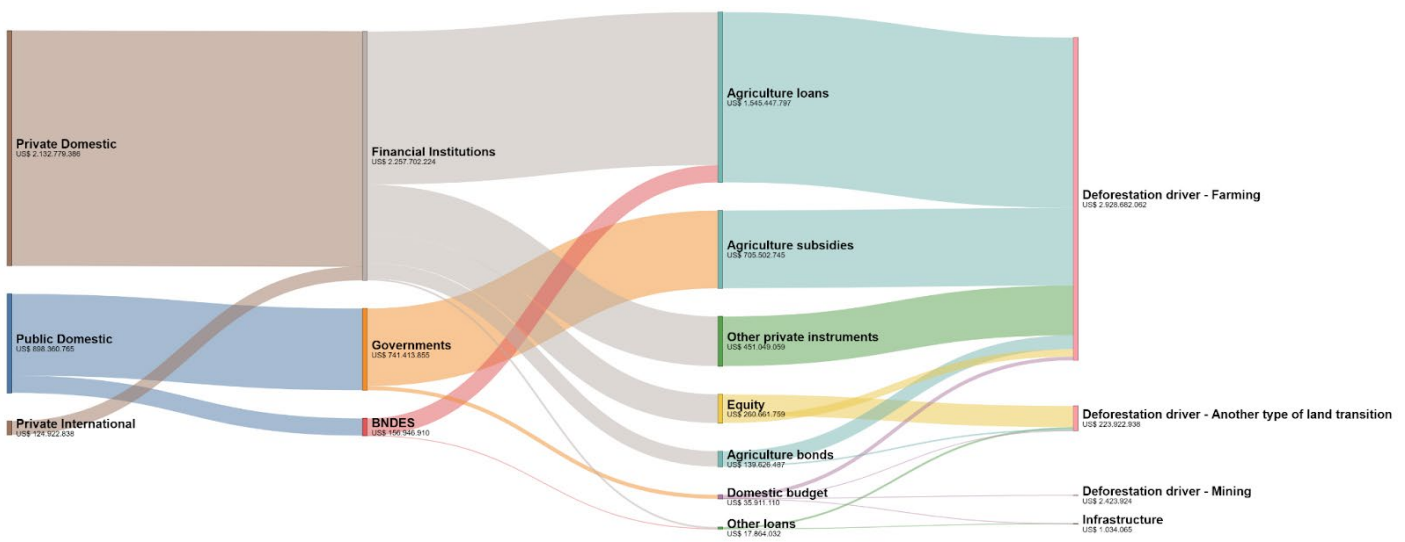


Figure 3. Negative forest finance annual mean flows for Brazil represented through a Sankey Diagram.

Source: WWF and CSF based on data from OECD-CRS (2024), SIOP (2024), SICOR (2024), BNDES (2024), MMA (2024), Forests&Finance (2024), Verra (2024), ERM-NINT (2024).

HOW MUCH IS NEEDED?

This analysis of Brazil's forest finance needs is based on meeting the main objectives of the country's forest policies, particularly the National Plan for Native Vegetation Recovery (Planaveg), Action Plan for the Prevention and Control of Deforestation in the Legal Amazon (PPCDAm), Native Vegetation Protection Law (Law 12.651/12, also known as the Forest Code), and the National Bioeconomy Development Plan (PNDBio).

The total of financial needs to achieve the targets of these policies in the Brazilian Amazon is approximately US\$12.5 billion annually. These needs are distributed as follows: forest restoration (57.2%); support for sustainable use (17.5%); conservation of protected areas (17.2%); governance of collective-use territories, including Indigenous lands (6.1%); and forest enforcement (2%).

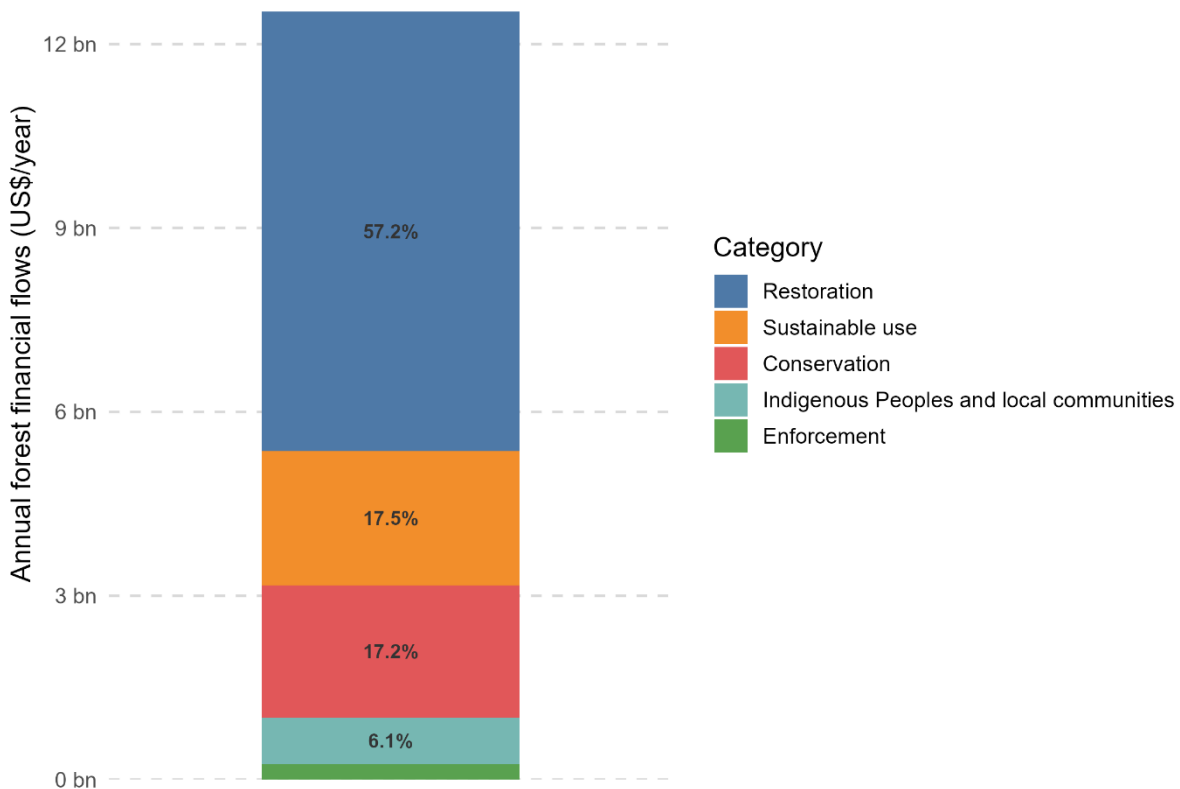


Figure 4. Annual forest finance needs for Brazil's Amazon, to meet the goals of forest-related federal policies.

Source: WWF and CSF based on data from Cunha et al. (2016), Young et al. (2016), INESC (2021), Silveira et al. (2021), da Silva et al. (2022), Gasparinetti et al. (2022), Ribeiro et al. (2022).

Conservation: The estimated annual funding required for forest conservation in the Brazilian Amazon totals US\$ 2.1 billion. Approximately US\$ 1.1 billion is associated with maintaining native vegetation on private lands, of which US\$ 1 billion is associated with opportunity cost and around 800 million with land maintenance and management. Another significant portion, around US\$ 760 million, corresponds to the creation and maintenance of protected areas, including infrastructure, staffing, management, and community engagement. Additional funding needs include US\$ 119 million for preventing forest fires, and US\$ 77 million for targeted actions to avoid deforestation in high-risk frontiers. The allocation of undesignated federal public forests as protected areas requires an estimated US\$ 62 million annually, covering mapping, legal regularization, and governance arrangements. Finally, roughly US\$ 20 million is needed to support forest concessions, including planning, oversight, and monitoring systems that ensure sustainable forest management on public lands.

Sustainable use: The estimated annual funding needed for sustainable use of forests amounts to US\$2.2 billion based on the cost of payments for environmental services (PES) to communities and residents of sustainable use protection areas (US\$2.2 billion), and the implementation of sociobioeconomy development centres and territorial sociobioeconomy arrangements from Brazil's National Bioeconomy Development Plan (PNDBio) (US\$15 million).

Restoration: The annual funding required for restoration in the Brazilian Amazon is estimated at US\$ 7.2 billion. Ecological restoration within public and private protected areas accounts for approximately US\$ 2.8 billion. Productive restoration through agroforestry systems represents an additional US\$ 64 million, complemented by US\$ 5 million in opportunity costs. For degraded pastures, two transitions were considered: conversion to sustainable agricultural production, estimated at US\$ 2.8 billion, and conversion to agroforestry systems, totalling US\$ 1.2 billion. Together, these scenarios include an estimated US\$ 71 million in opportunity costs. Estimates were based on a proportional share of the National Native Vegetation Recovery Plan (Planaveg) target, considering only the Amazon.

Enforcement: The estimated annual funding needed for forest enforcement amounts to US\$253 million. This refers to the financial resources required to maintain and strengthen the overarching framework for forest conservation and governance, including expenditures related to national and regional coordination, strategic planning and budgeting, the identification and designation of new conservation areas, as well as other cross-cutting functions that go beyond the direct management of individual protected areas (PAs) or Indigenous Lands.

IPLCs: The estimated annual funding needs for Indigenous Peoples' lands and other collective territories amount to US\$760 million. The needs were structured around three main components: the maintenance of existing Indigenous Lands (US\$687million), the allocation of a portion of undesignated public forests into

collective territories (US\$69 million), and the development of Territorial and Environmental Management Plans (PGTAs) for Indigenous Lands (US\$5 million).

HOW LARGE IS THE GAP?

When positive finance flows are compared with estimated financing needs, the resulting funding gap for forests in Brazil is in the order of US\$12 billion annually. This implies that **current levels of financing cover only 3.3% of the total resources required** for forest conservation, restoration, and sustainable use, and governance of collective-use territories. These estimates should not be interpreted as absolute values, but rather as indicative of the magnitude of the challenge and as a benchmark for ambitious planning and resource mobilization efforts for forests in Brazil's Amazon forest.

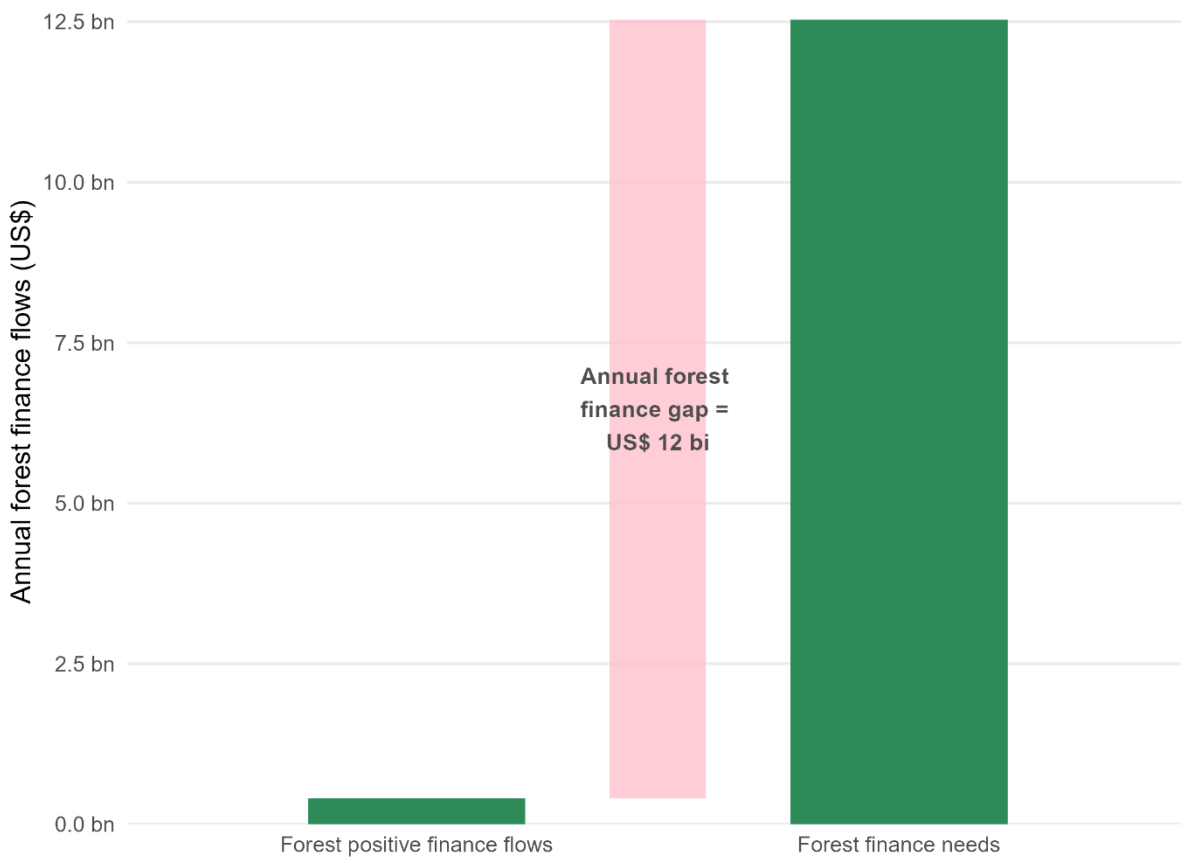


Figure 5. Gap between current positive financial flows and financial needs for Brazil's Amazon forest. Source: WWF and CSF.

Forest finance for Indigenous Peoples and local communities

Indigenous territories and other collective lands play a critical role in safeguarding forests while simultaneously supporting sustainable livelihoods and upholding human rights. Despite this importance, Indigenous Peoples receive only US\$43 million, or 10.6% of the annual positive forest finance flows. The majority of available resources are from Official Development Assistance (ODA) and the domestic budget. However, the forest finance needs for effective governance of Indigenous territories amount to \$760 million, leaving an annual forest finance gap of US\$717 million. This gap underscores the urgency of strengthening funding mechanisms that directly reach and empower Indigenous Peoples and their governance structures.

HOW CAN BRAZIL'S FOREST FINANCE GAP BE CLOSED?

Finally, this study also analysed the potential to change flows based on our estimates of how existing instruments could be scaled, as well as new instruments expected to be implemented in the near term. The instruments are divided into those that can increase positive flows and those that repurpose negative flows into positive ones.

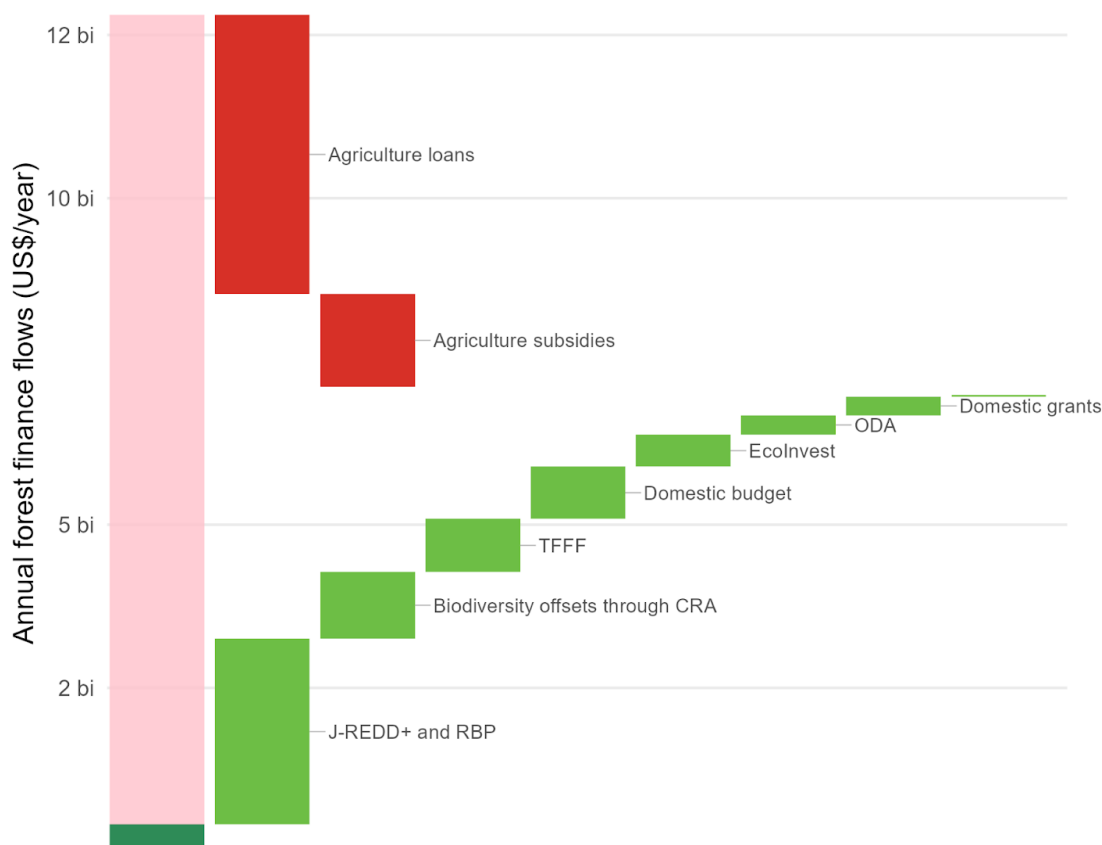


Figure 6: How Brazil's Amazon forest finance gap could be closed by scaling positive flows (green) and repurposing negative ones (red). Source: WWF and CSF.

In this high ambition scenario³, positive flows could reach up to US\$6.5 billion annually, and negative flows of US\$5.7 billion repurposed annually. Regarding instruments with potential to reduce negative flows, the analysis considers the reallocation of investments away from deforestation-risk activities by financial institutions (US\$4.2 billion) and the reform of environmentally harmful agricultural subsidies (US\$1.4 billion).

Instruments with the greatest potential to increase positive flows include the expansion of carbon markets through jurisdictional REDD+ and result-based payments (US\$2.8 billion), biodiversity offsets through Environmental Reserve Quotas (CRA) (US\$1 billion), increased domestic budgets (US\$800 million), blended finance through the EcoInvest platform (US\$490 million), domestic grants from BNDES (US\$280 million), Official Development Assistance (ODA) (US\$300 million), and forest-related private instruments (US\$22 million).

The Tropical Forests Forever Facility (TFFF) stands out as a particularly promising initiative, reaching around US\$800 million annually, which is 2 times more than forests in Brazil currently receive. It would also significantly lift funding for Indigenous Peoples, who will receive 20% of the payments.

ACTION IS NEEDED NOW

1. Financial institutions and regulators: green finance through policy, credit, and regulation

Financial institutions

The predominance of negative financial flows to forests through financial institutions underscores the urgent need to review private investments and portfolios with high deforestation risk to start to shift US\$4.2 billion from negative to positive finance.

Financial institutions should strengthen their deforestation-risk assessment frameworks, systematically mapping and reducing their portfolios' deforestation exposure, to provide credible evidence of their commitments to zero deforestation and carbon reduction. These actions require compliance with harmonised disclosure frameworks such as International Financial Reporting Standards (IFRS) Standards 1 and 2 and the Taskforce on Nature-related Financial Disclosures (TNFD). These frameworks address both climate and nature goals, serving as an important step toward greater

³ The high ambition scenario represents an optimal condition in which all financial mechanisms operate at their full potential, institutional frameworks are fully functional, and all enabling conditions are in place. The selection of innovative financial instruments was based on assessment and consultation with experts on instruments currently under development or that could be scaled up to increase financial flows for forests.

transparency and accountability of companies and financial institutions regarding deforestation-related risks, while enabling the development of best-practice standards, incentives, and coherent regulatory approaches to be developed. The Brazilian Sustainable Taxonomy serves as a key instrument to improve transparency and ensure that financial flows are effectively directed toward forest-related activities.

However, disclosure and voluntary commitments are not enough. Institutions must go beyond reporting to internalize environmental and social risks, translating them into credit conditions and pricing structures that reflect real impacts. Currently, profits in the financial system are privatized, while social and environmental losses are externalized to society. Financial institutions must reallocate these risks, imposing stricter terms or higher interest rates on activities linked to deforestation, while extending favourable credit lines, concessional loans, and guarantee schemes to producers, cooperatives, and community enterprises engaged in forest restoration, sustainable value chains, and agroforestry systems. By sharing risks and benefits more equitably, financial systems can foster a just and efficient transition.

Financial regulators

Governments and financial regulators must go beyond voluntary ESG standards to embed environmental and social risk management into core financial supervision, ensuring that prudential, credit, and disclosure policies actively prevent the financing of deforestation and other nature-negative activities.

Financial supervisors and central banks can help establish the necessary financial architecture to redirect financial flows away from deforestation and conversion, repurposing them towards nature-positive activities. Given their primary mandate to ensure market and price stability, they can support this transition by adopting a precautionary approach to assess, monitor, and mitigate the nature loss and climate risks associated with deforestation.

Financial supervisors can facilitate this process by issuing supervisory expectations and guidance for financial institutions to integrate deforestation risks into the assessment and management of their portfolios and operations. They can also set expectations for financial institutions to disclose both financial and impact materiality, in line with internationally recognised reporting frameworks, and to publish transition plans that incorporate deforestation commitments.

Central banks can lead by example by addressing deforestation and conversion risks within their monetary policy portfolios, as well as in their own investment portfolios. For example, in Brazil, agricultural loans represent a powerful instrument to reconcile agricultural production with environmental conservation. A landmark precedent was the 2008 credit moratorium for the “Red List” municipalities from the Banco Central do Brasil (CMN Resolution No. 3.545/2008), which suspended rural credit for properties

located in high-deforestation municipalities unless they could demonstrate environmental compliance. This measure effectively reduced forest loss and pushed local actors toward regularization. More recently, at the end of 2024, Resolution No. 5.193 of the National Monetary Council introduced stricter socio-environmental eligibility criteria for rural credit, addressing issues such as deforestation, environmental bans, and overlaps with undesignated public forests. Evaluating the effectiveness of these measures is essential to inform future improvements, while pilot initiatives should continue to test innovative policy approaches that align rural credit with sustainable land-use and forest conservation objectives.

Robust disclosure among financial institutions depends on the availability of reliable data from the real economy, particularly from commodity supply chains. Regulations such as the EU Deforestation Regulation (EUDR) and the UK Forest Risk Commodity Regulation must therefore be fully operationalised to enhance traceability and accountability, ensuring that financial and trade systems jointly contribute to halting deforestation.

Taken together, these measures point to the need for a multi-level financial and regulatory architecture that integrates national credit policies, sustainable taxonomies, and global disclosure and due diligence standards. Such coordination between domestic regulators, financial institutions and international frameworks is crucial to internalize environmental risks across the financial system, align incentives, and ensure that capital allocation actively supports forest protection and sustainable land-use transitions.

2. National government: public finance and fiscal policy for strengthening domestic leadership in forest investment

Strengthening public flows is particularly challenging in the current context of constrained fiscal space. Beyond supporting forest conservation and sustainable use, public resources are uniquely positioned to ensure equity and social inclusion, safeguard Indigenous Peoples and local communities' rights, while strengthening enforcement and institutional capacity that prevent forest degradation.

Expanding public resources by US\$800 million depends heavily on the redirection of capital from forest-harmful to forest-positive activities, while adopting financial instruments to increase governments' fiscal space and long-term investment capacity. Instruments such as green taxes, collecting environmental fines, and sovereign sustainable bonds can play a key role here.

To shift harmful subsidies worth US\$1.4 billion, the government should transition away from a system that provides universally cheaper credit to forest risk commodity value chains. This requires phasing out incentives that promote the expansion of commodity production in forest areas such as concessional credit and fiscal incentives in Plano

Safra and expanding measures that restrict access to public support for properties with recent deforestation or non-compliance with environmental regulations. Subsidies should instead be redirected toward strengthening concessional credit programs with proven forest-positive impacts, such as the National Program for Strengthening Family Agriculture (Pronaf). These credit lines should offer preferential conditions for sustainable agricultural practices, reward environmental compliance through instruments like the Rural Environmental Registry (CAR) and the Environmental Regularization Program (PRA), and finance productive restoration and forest-compatible value chains.

Positive fiscal incentives, including differentiated tax rates and targeted interest reductions for forest-positive activities, can accelerate the shift toward phasing out harmful subsidies. Expanding financial instruments that reduce interest rates for forest-positive practices or properties with forest surpluses represents a cost-effective opportunity to create positive incentives to redirect financial flows toward sustainable rural production and forest conservation.

Public finance can also be used to catalyse private investment and align all actors around a shared mission of halting deforestation, while fostering just and sustainable economic growth. This means co-creating integrated financial solutions where public budgets, fiscal incentives, and innovative mechanisms work synergistically to unlock larger forest-positive capital flows. In this context, EcoInvest plays a central role as a blended finance platform, and its strengthening and scaling are essential to bridge public and private efforts, de-risk investments.

3. International donors and development finance institutions: scaling ambition and coordination

Scaling up international public finance requires prioritizing forest and biodiversity objectives within donor countries' climate commitments, emphasizing their cost-effectiveness and global impact potential. It also depends on greater political ambition and coordination among donors and multilateral funds to maintain contributions to high-performing mechanisms. In addition, expanding the use of de-risking instruments, such as guarantees, insurance, and mezzanine finance, can help attract private investment. Finally, deploying innovative financial instruments, including debt-for-nature swaps, blue and green bonds with multilateral guarantees, and tropical finance platforms, can diversify and strengthen funding sources.

International donors and development finance institutions play a crucial role in supporting the design and implementation of sustainable development pathways that decouple growth from the unsustainable use of land and natural resources, while fostering new sustainable economic opportunities. They can provide public and concessional finance for forests, ensuring that both existing and emerging mechanisms receive predictable, long-term support. Additional ODA flows should be used to

strengthen proven mechanisms such as the Amazon Fund, and channel new resources toward results-based and blended finance instruments.

Multilateral Development Banks (MDBs) and Development Financial Institutions (DFIs) should align their entire portfolios with deforestation-and conversion-free (DCF) criteria, phasing out finance to high-risk activities and actors and redirecting capital toward innovation, restoration, and sustainable production. MDBs and DFIs can operate as blended finance hubs, combining concessional resources with public goals and creating dedicated credit lines for Indigenous Peoples, local communities, and subnational entities.

Philanthropic foundations can provide patient and catalytic capital to pilot bioeconomy projects, biodiversity markets, and community-led solutions that can later be integrated into national systems.

4. Providing enabling conditions to unlock innovative financial mechanisms

Expanding forest finance requires scaling up innovative mechanisms that combine permanence, performance, and market efficiency, while ensuring robust environmental and social safeguards. Mechanisms such as the TFFF, J-REDD+, result-based payments (RBP), biodiversity offsets through Environmental Reserve Quotas (CRA), and Ecoinvest together can scale up to US\$5 billion and represent mutually reinforcing components of an emerging forest finance architecture capable of strengthening national forest governance, expanding fiscal space, and attracting private investment.

To reach scale, these instruments must be institutionalized under coherent legal and policy frameworks, with standardized MRV systems, clear emission reduction titles, and transparent benefit-sharing arrangements. The TFFF can provide predictable, long-term payments for standing forests; J-REDD+ can generate large-scale emissions reductions and restoration outcomes; CRA can mobilize private capital through compliance markets linked to Brazil's Forest Code; EcoInvest illustrates how public-private collaboration can de-risk investments and scale up capital for restoration and conservation.

Scaling these mechanisms also depends on improving enabling conditions and coordination across fiscal, legal, and institutional fronts. Brazilian governments should strengthen their catalytic role by providing guarantees, aligning fiscal incentives, and fostering legal stability, creating the credibility and institutional readiness needed to move from pilots to large-scale implementation. Financial institutions should integrate deforestation-risk assessment and transparency standards to ensure credibility, and the private sector must commit to compliance and performance-based investments. Strengthened MRV systems, secure emission reduction titles, and fair benefit-sharing with IPLC are essential to build trust and unlock large-scale implementation of mechanisms.

Establishing innovative financial mechanisms requires not only the creation of individual instruments but the capacity to design an integrated architecture that connects them strategically across sectors, scales, and governance levels. Each financial mechanism—whether public or private, local or global—plays a distinct role within a broader portfolio: some operate as enabling instruments (such as fiscal reforms, taxonomies, and guarantee facilities), others as implementation tools (such as concessional credit, payment for ecosystem services, or results-based finance), and others as scaling mechanisms (such as carbon markets, biodiversity credits, and blended finance platforms).

Building a strategic combination of instruments allows countries to align domestic and international funding sources, de-risk private investments, and ensure that benefits reach local actors. This also demands institutional capacity and coordinated governance to integrate funding sources, mechanisms, and beneficiaries within a coherent financial architecture.

Connected platforms can play a crucial role in integrating financial mechanisms, funding sources, and beneficiaries. In Brazil, the Climate and Ecological Transformation Investment Platform (BIP), created by the federal government to expand investments in the ecological transformation and decarbonization of the economy. Connected platforms or a portfolio of mechanisms can operate as hubs for aligning financial flows, promoting synergies among instruments, and facilitating exchange of experiences between actors working at different levels.

5. Ensure direct and equitable access to forest finance for Indigenous Peoples and local communities

Expanding financial flows beyond US\$43 million allocated to Indigenous Peoples and local communities can enhance their abilities to sustain conservation efforts, preserve traditional knowledge systems, and manage territories in a culturally appropriate manner. A cost-effective strategy for forests is to focus efforts on places where nature is already being conserved, restored, valued, and wisely stewarded by Indigenous Peoples and local communities.

National governments, multilateral development banks, multilateral environmental funds, and donors should ensure direct, predictable, and equitable access to resources, channelling funds through mechanisms that reinforce local ownership, reflect community-defined priorities, and support sustainable livelihoods. To achieve this, actors must remove procedural barriers, modify application procedures, and ensure transparency, accountability, and access to information. Indigenous-led organizations and funds should be recognized as implementing entities, reducing dependence on unnecessary intermediaries. When intermediaries are strictly necessary, actors must work in partnership with legitimate decision-making institutions that represent these groups, adhering to policies that guarantee meaningful participation of IPLCs in the

design, coordination, and implementation of financial mechanisms, in line with the principle of Free, Prior, and Informed Consent (FPIC) and their right to self-determination.

In Brazil, mechanisms such as the Podáali Fund and the Rio Negro Fund provide valuable examples of Indigenous-led financial governance, offering lessons on best practices, challenges, and opportunities to advance autonomy, equity, and justice within national and international forest finance architectures. These mechanisms need to be strengthened with support for training and capacity building and incorporated into forest financing mechanisms at different scales.

6. Going beyond the gap to transform finance systems

The challenge of protecting forests lies not only in the insufficiency of funds but in a structural imbalance in how those resources are allocated and governed. The “finance gap” narrative is a simplification of complex ecological and social challenges into a problem of monetary scarcity. In reality, in addition to needing more capital, it is also clear that we must examine the effectiveness, equity, and direction of existing financial flows. A truly transformative approach to forest and biodiversity finance must go beyond gap-filling to include reshaping the underlying principles, incentives, and governance systems that drive resource allocation. Simply injecting more capital into current models without addressing their institutional shortcomings risks perpetuating the same inequalities and inefficiencies that have contributed to environmental degradation.

Strengthening long-term public institutional capacity should be a central objective, with private finance redirected to complement rather than replace public commitments to forest conservation and sustainable livelihoods. Public budgets remain the cornerstone of effective, accountable, and equitable forest governance. Complementary private and international instruments can play a catalytic role, but only when designed within frameworks that ensure robust environmental and social safeguards, transparency, and measurable impact. Ultimately, the goal of forest finance is not merely to mobilize additional resources but to align all financial flows with structural transformation, equitable development, and the protection of forests as essential ecosystems for climate stability and human well-being.

FURTHER INFORMATION

Full methods, and our results for Indonesia are available at <https://www.wwf.org.uk/articles/forest-finance>





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