

HIGH INTEGRITY FOREST FINANCE FOREVER

**Learning from Past Mistakes in the
Development of the Tropical Forest
Forever Facility (TFFF)**

GREENPEACE

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High Integrity Forest Finance Forever

Learning from Past Mistakes in the Development of the Tropical Forest Forever Facility (TFFF)

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1. Executive Summary

2025 is a critical year for changing course on climate change and biodiversity-loss. As the intersecting crisis of ecology crescendos with the crises of inequality and injustice, we find an opportunity for meaningful action in Belém at UNFCCC COP 30, deep in the Amazon forest. The incoming Brazilian presidency has a chance to demonstrate a commitment to being a global leader in climate and biodiversity protection where past multilateral initiatives to halt global deforestation have largely failed to meet their objectives and deadlines. The Tropical Forest Forever Facility (TFFF) and its investment arm, the Tropical Forest Investment Fund (TFIF), first announced by Brazil at COP28, could become a promising move towards halting and reversing deforestation and forest degradation, and increasing forest protection.

The TFFF/TFIF initiative provides a much-needed shift from carbon and biodiversity offset market developments towards high integrity non-carbon-market-based approaches to forest finance. It has the potential to drive significant climate and biodiversity benefits and allow forests to have greater value standing than destroyed. Its designers have the unique opportunity to remedy current failings of existing multilateral funds, including those related to inaccessibility for Indigenous People and Local Communities (IPs & LCs), contribute to closing the funding gap, be at the cutting edge of addressing forest degradation, whilst breaking new ground on ecosystems integrity, and shifting away from the overreliance on flawed carbon and biodiversity crediting approaches.

The points raised in this paper¹ are key governance aspects that must be addressed in the further design of the fund during 2025, including the Indigenous Peoples and Local

¹ This briefing paper is published by Greenpeace International and reflects the shared perspectives of Greenpeace offices involved in its development, including Greenpeace Africa, Greenpeace Brazil, and Greenpeace Southeast Asia–Indonesia.

Communities² (IPs & LCs) Direct Financing Mechanism³, the TFFF Operational Manual⁴, and the TFFF Charter and Legal Framework⁵. As work is undertaken at a fast pace during 2025, and efforts to secure pledges from ‘Sponsor Countries’ and secure commitment from Tropical Forest Countries (TFCs) to be part of the TFFF/TFIF are ongoing, the following will need to be addressed so the fund can reach its potential as a high integrity Forest Finance Facility:

1. **Capitalisation and fund management should be equitable, participatory, and not drive further forest and biodiversity destruction:** The TFFF/TFIF should ensure clear and comprehensive criteria to guide the investment of funds in climate and sustainability-related projects aligned with best-practice standards for sustainable investment, and an exclusion list. Investments generating TFIF revenues must not further drive the biodiversity and climate crisis or fuel armed conflicts. It should develop transparent processes that do not favour developed country sponsors disproportionately over TFCs and foster participatory stakeholder engagement, particularly from Indigenous Peoples and Local Communities. Investments for the TFFF made by developed countries must be made in addition to increasing grant-based climate and biodiversity finance commitments. Furthermore, the TFFF must not provide or prioritize profits to contributing countries and investors over payments for forest protection.
2. **Tropical Forest Countries (TFCs) should ensure TFFF revenues reach people on the ground and do not further entrench the climate and biodiversity crisis:** Whilst flexibility in how TFCs can allocate their financial resources is critical to the success of the fund, the final design should prioritise the rights and self-determination of IPs & LCs, facilitating decentralised decision-making regarding fund usage and the 20% allocation for direct access finance mechanisms for IPs & LCs for forest protection and restoration should be a minimum. TFCs must put in place measures to prevent corruption and misuse of funds. It must also include measures preventing contribution to harmful practices such as armed conflict or fossil fuel extraction and ensure expenditure of funds is aligned with international obligations under the Paris Agreement, the Kunming Montreal Biodiversity Framework (KM-GBF), and the Sustainable Development Goals (SDGs), and overseen by national advisory committees including civil society and IPs & LCs.
3. **The TFFF should be at the cutting edge of addressing forest degradation:** To achieve its objectives of ensuring genuine forest conservation and environmental integrity a cutting-edge approach to monitoring degradation is required to maintain ecosystem integrity and prevent a perverse incentive, which allows standing forests to qualify for TFFF funding, whilst there is ongoing destructive forest degradation. Allowing forest degradation above a certain canopy cover

² In this document, the term "Local Communities" (LCs) is used in an inclusive manner that also encompasses Afro-descendant Peoples and other traditional communities who may not identify as Indigenous Peoples but have long-standing collective relationships with forested territories, ecosystems, and natural resources, and play a central role in forest stewardship.

³ During 2025 the TFFF will conduct analysis and develop principles and objectives of potential delivery mechanisms that could be used by participating TFCs. Propose governance and M&E arrangements as well as facilities/partners able to provide technical assistance.

⁴ The TFFF Operational Manual will be a comprehensive guide outlining the TFFF and TFIF's implementation strategies, based on their respective governance structures and financial mechanisms. It will include a set of rules and processes defining all key features of the TFFF operations, including eligibility, allocation of proceeds, monitoring, reporting etc.

⁵ Associated legal agreements, covering participation, contribution, and hosting arrangements.

threshold will endanger its credibility. The TFFF/TFIF must be strengthened by placing more emphasis on ecosystem integrity, through monitoring of annual change in canopy cover, and additionally, where available, using validation data on canopy height and biomass, as well as indicators of logging activities. Those elements would enable a broader approach to ecological health and stability.

2. Background

For decades now, a significant emphasis has been placed on different approaches to finance for addressing deforestation and forest degradation. In more recent years, an emphasis on ‘high integrity’ has entered the narrative, yet the problems persist, and natural forests and biodiversity continue to be lost at alarming rates⁶. There have been multi-billion-dollar bilateral arrangements between countries, carbon trading initiatives through REDD+, and a range of different approaches to payments for ecosystem services (PES) and results-based payments (RBP) initiatives. However, despite these efforts and their associated investments, deforestation rates have continued to rise⁷.

The most recent of these initiatives to surface is the Tropical Forest Forever Facility (TFFF), being proposed by the government of Brazil as the incoming Presidency for the next UN climate change conference – COP30. Given the state of geopolitics and multilateral efforts to address the climate and biodiversity crisis, the proposal has the potential to become a ‘game-changer’ - especially if greater work is put into strengthening ecosystems integrity, transparency and investment criteria in the final TFFF/TFIF design, including by acknowledging key outstanding issues and presenting clear pathways to improve its governance over time. To respond to the Paris Climate Agreement’s first Global Stocktake (GST1) call to halt and reverse deforestation and forest degradation by 2030⁸ the TFFF design must not fall short on key issues that will define its integrity.

The TFFF, which is essentially a proposal for performance-based payments, has received a cautious but positive reception, mostly for being recognised as a much-needed shift towards non-carbon-market-based approaches. The TFFF has potential to drive significant climate and biodiversity benefits. As an innovative solution, emerging from the Global South, it would allow forests to have greater value conserved than destroyed through its pioneer ‘hectare-based’ approach to finance. The draft design also addresses a major flaw in current climate and biodiversity finance provision by including a proposed dedicated allocation of resources (currently set at 20%) for direct access by Indigenous Peoples and local communities. The inclusion of a grievance redress mechanism is also commendable. However, the definition of the investment criteria through a ‘negative list’ of investments is currently too limited and is a pivotal concern that requires further clarification. If the design is further improved and

⁶ See WWF Living Planet Report 2024: A Planet in Crisis here: <https://www.arcticwwf.org/newsroom/news/wwf-living-planet-report-2024-a-planet-in-crisis/>

⁷ See 2024 Forest Declaration Assessment, Forests Under Fire, here: <https://forestdeclaration.org/wp-content/uploads/2024/10/2024ForestDeclarationAssessment.pdf>

⁸ See paragraphs 33 and 34 of Decision 1/CMA.5 Outcome of the First Global Stocktake. Here: https://unfccc.int/sites/default/files/resource/1_CMA.5.pdf

strengthened, the TFFF/TFIF design indicates potential for it to become a successful non-market-based high-integrity forest finance vehicle.

In that regard, it is important to highlight that a number of major challenges remain, including stakeholder engagement, detailed investment criteria for the funds capitalisation, fund management, usage of funds by recipients, including allocation of funds for IP and LC groups, degradation monitoring, and how to ensure real lasting impact, and monitoring for best results. On top of all this, the TFFF needs to ensure that this new investment mechanism does not become a substitute for developed countries and historic polluters' responsibility to increase their existing grant-based climate and biodiversity finance.

The TFFF/TFIF design should also be considered within the context of lessons learnt from broader approaches to forest finance options, and grant-based finance for forests. It has the opportunity to respond to and address some of the current failings of existing multilateral funds, initiatives, and approaches. These failings include inaccessibility, donor/wealthy country control, and lack of direct access⁹ for Indigenous Peoples as stewards of tropical forests. There have also been limited and insufficient pledges through philanthropy and increasing evidence of major flaws associated with carbon markets, which are increasingly proving to be risky ventures further exacerbating the climate crisis.¹⁰ There is no doubt that new, more holistic approaches are needed to look beyond carbon and to address these now well-known barriers and limitations of the existing landscape of forest finance.

To date, there have been multiple soft launches of the TFFF initiative since the announcement at the COP28 in Dubai, and only just recently, in early 2025, a needed increase in emphasis on stakeholder participation was addressed. References are made in the most recent concept note (CN 2.0) to a co-design approach to the fund. Legitimate concerns are being raised that current stakeholder participation efforts might be coming in too late, that there has been a lack of transparency in the creation of the fund, and a lack of true stakeholder engagement across interested civil society and Indigenous Peoples. Whilst this briefing paper does not address the challenges associated with stakeholder participation directly, in the lead up to and beyond COP30, the TFFF will need to take a more comprehensive, improved and inclusive approach to stakeholder participation at a global, regional, national and even sub-national level.

⁹ World's Indigenous People. (at UNFCCC 27) 2022. [Principles and Guidelines for Direct Access Funding For Indigenous Peoples](#) Climate Action, Biodiversity Conservation and Fighting Desertification for a Sustainable Planet.

¹⁰ Jones, P.G, and Lewis, S.L. 2023. Forest carbon offsets are failing: Analysis reveals emission reductions from forest conservation have been overestimated. Science, 24 Aug 2023, Vol 381, Issue 6660. pp. 830-831 [DOI: 10.1126/science.adj6951](#)



Macaws Flying over Valley in Serra do Aracá, Brazil.

3. Capitalisation and Fund Management

The TFFF is conceived of as having two distinct arms: the Tropical Forest Forever Facility, which is responsible for disbursing forest payments, and the Tropical Forest Investment Fund (TFIF), which would mobilise and manage its financial resources.¹¹ These two branches would share a Secretariat but would have separate trustees to administer their finances and separate Boards of Directors.¹² The Fund envisages two main sources of financing:

- A “sponsor” tranche of US\$25 billion funded by long-term loans and guarantees from developed countries and non-sovereign sponsors such as philanthropies, which would start to be repaid from the 10th year of operation and would be fully repaid after 40 years.¹³
- US\$100 billion raised on capital markets by issuing “liquid, highly rated, long-term bonds for purchase by institutional and retail investors (defined as market investors).”¹⁴

The TFIF-issued bonds are currently proposed as securities that mature in 20 years, ostensibly to match US Treasury bond yields¹⁵, which typically mature over 20 or 30 years. It is not clear

¹¹ Federal Government of Brazil (2025) Tropical Forest Forever Facility [Concept Note 2.0], 24 February, <https://fundacionsolon.org/wp-content/uploads/2025/03/2025-02-24-tfff-version-2.pdf> , p.6

¹² Federal Government of Brazil (2025), p. 7; p. 45

¹³ Federal Government of Brazil (2025), p.25, 38

¹⁴ Federal Government of Brazil (2025), p.25

¹⁵ Federal Government of Brazil (2025), p.7

why a 30-year maturity was not proposed, given that this offers potential advantages in terms of securing longer-term investment support.

This capital would be held by the Trustee (the World Bank or another MDB), which would be responsible for managing investments.¹⁶ The actual investments would be undertaken by “a group of international asset managers” (selected by a “competitive bidding process”, although no details of how this would look have been suggested).¹⁷ The TFIF Board of Directors would be composed of financial sector professionals exclusively nominated and appointed by developed country “sponsors”.¹⁸

The second concept note provides limited guidance on how the funds would be invested. It indicates that funds will target “climate and sustainability-related investments in ODA-eligible countries,” such as green, blue, or sustainable bonds, but doesn’t specify any rules to guarantee these kinds of investments. The remaining funds would be allocated to government and corporate bonds from ODA-eligible countries, with a cap of 25% for sovereign bonds issued by developed nations.¹⁹

The return on these investments would generate income that would be paid out according to the following priorities: (1) coupon payments to TFIF bondholders; (2) interest due on sponsor capital, and (3) funds to the TFFF to make results/performance-based payments to eligible Tropical Forest Countries (TFCs).²⁰

This structure raises various issues that should be addressed in any high integrity funding initiative and should be reflected in the governing instruments (IP & LC Mechanism, Charter and Operational Manual) under discussion, many of which are unbalanced in regards to developing countries needs, for which the TFFF seeks to mobilise support. For example, the investment fund structure prioritises repayments to sovereign (developed country) sponsors over payments for forest protection, which is detrimental to developing countries and forest protection finance needs itself, and while the current model allows for missed or reduced payments to TFCs, there is no guarantee that ‘catch up payments’ would be made. Further, the TFIF governance structure is entirely under the control of ‘sponsors’, an unfortunate relic of the ‘donor-driven’ model that the Facility claims it will avoid.

The proposed model for the TFFF can also fall short on the need for predictable climate and biodiversity financing. Returns from an investment fund cannot be guaranteed, especially in highly unpredictable global economic times, and there is potential for losses and reduced returns. This unpredictability is inherent in the design of the TFFF, which makes it vital that it does not take away the responsibility from developed country governments in providing predictable climate and biodiversity finance. If donor countries decide to reduce grant-based and concessional climate and biodiversity funding and instead invest in profitable investment funds like the TFFF with a priority for investors’ revenue returns before the allocation towards

¹⁶ Federal Government of Brazil (2025), p.43

¹⁷ Federal Government of Brazil (2025), p.8

¹⁸ Federal Government of Brazil (2025), p.45

¹⁹ Federal Government of Brazil (2025), pp.26-27

²⁰ Federal Government of Brazil (2025), p.8

forest protection efforts, this could pose a real concern and should not be counted towards international climate and biodiversity finance efforts.

There is also a pressing need for criteria concerning investments and exclusions, which should be clear and established before the fund is launched. Currently, there are no proposed investment criteria and no indications are given on how or when these will be developed. CN 2.0 indicates that the TFFF/TFIF structure prioritises generating “competitive market returns” over environmental and social integrity, which should be the central considerations for a high-integrity finance mechanism. This raises major concerns, which should be addressed through: clear requirements for climate and sustainability-related investments in ODA-eligible countries; application of best-practice standards in sustainable investing; developing a ‘positive list’ in line with Paris Agreement and Kunming-Montreal Global Biodiversity Framework goals and targets; and incorporating climate and biodiversity and human rights in a sustainability investment reporting framework. Positive sectors should particularly drive synergies between international commitments made under the Rio Conventions (UNFCCC, UNCBD, UNCCD), other relevant international environmental agreements and the Sustainable Development Goals (SDGs) through climate mitigation, adaptation, biodiversity protection, as well as support the ambition laid out under the UN decade of ecosystem restoration. It should include support for ecosystem and biodiversity protection, deforestation-free commodities, agroecology, clean and renewable energy like wind and solar, and sustainable transport systems.

An initial exclusion list (negative list) should also be established, including related to conduct-based exclusions, before the launch of the Fund at COP30, ensuring that the following economic sectors and activities are ineligible for TFFF investments:

- Commercial industrial logging and large-scale users of pulp, paper, and biomass.
- Agribusiness expansion linked to deforestation (e.g., soy, palm oil, cattle ranching).
- Mining operations in tropical rainforests.
- Infrastructure projects (e.g., highways, dams) that cause tropical forest loss.
- Production or trade in weapons and munitions.
- Fossil fuel exploration, production, and distribution.
- Plastic and pesticide production.
- Energy companies involved in nuclear power, or the construction of new or refurbished coal-fired power plants.
- Carbon and biodiversity credits traders and market operators.

If the TFFF finance model were launched allowing investments into sectors or companies that are involved in deforestation and forest degradation, or that are responsible for major climate or social harms, it would undermine the integrity and credibility of the whole initiative.

4. Recipient Use of Funds

TFFF imposes few conditions on how recipients use funds. CN 2.0 states that funds should be “*directed to national environmental programs that contribute directly or indirectly to forest*

conservation” and be additional to existing national budget allocations, but it does not intend to track this expenditure.²¹ The only earmarking on the use of funds is that an agreed minimum percentage of the forest payments – currently proposed as at least 20% - should be allocated directly to Indigenous Peoples and Local Communities.²²

A careful balance needs to be struck between ensuring that tropical forest countries receive forest payments without onerous conditions, while at the same time committing to not use funds in ways that contradict efforts to meet climate and biodiversity goals, or that harm communities, and ensuring funds are spent on the stated purpose. Anti-corruption measures should be put in place, and TFFF payments must not be used to fuel wars and armed conflicts, nor for the further development of fossil fuel extraction and distribution infrastructure, the expansion of industrial biomass use, conventional agriculture, or other sectors that harm people or nature. This can be achieved through strengthening accountability through both top-down and bottom-up approaches.

The TFFF should develop guidelines on how funds should be allocated to ensure alignment with existing international obligations (eg: Paris Agreement, the KM-GBF, and SDGs), transparent annual reporting systems, and restrictions on the use of funds for activities that contribute to the climate and biodiversity crisis, which should have an enforcement mechanism that includes, in the last instance, a possibility to levy financial penalties. The bottom-up dimension of accountability within countries is equally important, however, and would be enhanced by requiring countries to establish an independent national advisory committee including civil society, Indigenous Peoples, youth, women’s groups and representatives of vulnerable communities, to oversee the allocation of funds and a system of independent monitoring.

The initiative seeks to put in place an Indigenous Peoples and Local Communities (IPs & LCs) Direct Financing Mechanism before COP30²³, which is highly ambitious. The proposed minimum allocation for IPs & LCs is a welcome objective but requires further elaboration, in consultation with IPs & LCs representatives, to design robust direct financing mechanisms that ensure communities fully benefit from forest payments. If not designed through proper consultations, it runs the risk of undermining this, perhaps one of the most positive aspects of the fund.

The TFFF should provide minimum criteria and requirements for the establishment of Direct Financing Mechanisms.²⁴ The IP & LC Direct Financing Mechanism design criteria and requirements should at least ensure direct access for IPs & LCs at a global, national or sub-national level, as well as identify and remove the existing barriers to access to multilateral funds. It should prioritise self-determination and recognition of IPs & LCs rights via Free, Prior and Informed Consent (FPIC), with decentralised decision-making that puts IPs & LCs in control of how funding will flow to communities. It should ensure the 20% is a floor rather than a ceiling, reviewing and upwardly increasing this share over time as IP & LC capacity increases. And it should put in place a permanent fund-level Indigenous Peoples Advisory Group similar

²¹ Federal Government of Brazil (2025), p.18, p.34

²² Federal Government of Brazil (2025), p.15

²³ Federal Government of Brazil (2025), p.15

²⁴ Such as those contained in the [Shandia Principles](#), and the [Principle & Guidelines for Direct Access Funding for Indigenous Peoples’ Climate Action, Biodiversity Conservation and Fighting Desertification for a Sustainable Planet](#).

to the Green Climate Fund and Global Environment Facility groups of the same name and ensure IP & LC direct participation in Board-level discussions, to advise on policy, governance, and the delivery of the IP & LC share of the forest payments.



Forest and Wetlands in Southern Papua.

5. Achieving Real Impact & Monitoring for Best Results

The TFFF proposes a simple approach of paying tropical forested countries per hectare to keep their forests standing²⁵. This positive approach to all standing natural forests is in stark contrast to approaches such as REDD+ that require evidence of a direct threat of loss of forest carbon stocks to achieve a payment²⁶. It is of critical importance to the fund’s credibility, therefore, that money is paid for the maintenance and restoration of forest cover to protect ecosystem integrity and tackle climate change. TFFF describes the conservation of tropical forests as no less than *“bringing humanity back into the zone of both safe and just planetary boundaries”*, and these payments are for *“ecosystem services of global significance, contributing to economic, social, and environmental resilience, climate change mitigation and adaptation, biodiversity conservation, and water and food security.”*²⁷ Payments for forests conserved, which are intended to outcompete alternative land uses driving deforestation, will be discounted against every hectare of forest cover loss, to ensure that only countries truly conserving forests are rewarded.

²⁵ Federal Government of Brazil (2025), p.15

²⁶ UNFCCC Warsaw Framework for REDD+ <https://redd.unfccc.int/fact-sheets/warsaw-framework-for-redd.html>

²⁷ Federal Government of Brazil (2025), p.6

TFFF proposes that monitoring of forest cover change can be achieved at low cost using publicly available remote sensing data.²⁸ This is relatively straightforward for detecting deforestation, where satellite data easily distinguishes between forests and non-forested lands, and can track changes in tree cover over time, providing the first assessment serves as a baseline. Detecting degradation, however, presents a greater technical challenge, but one that can be easily overcome using existing technologies²⁹, a core TFFF principle.

Eligibility criteria for countries to receive payments from the scheme are currently proposed as follows:

- **Forest Area:** Countries that lie within the limits of tropical and subtropical moist broadleaf forests biomes,³⁰ with countries to determine themselves the exact boundaries of these biomes within their borders and whether they want to also include adjacent areas of mangrove forest.
- **Natural forests:** Payments are for natural tropical forests. Areas reforested with native/natural forests where forests have historically been are included, but monoculture tree plantations and production forests are not.
- **Forest cover:** Eligible forests are defined as areas with more than 20% tree canopy cover to allow the inclusion of valuable peat- and wetland forests.
- **Deforestation rates:** Countries' deforestation rates must be below 0.5% *and* have decreased in the year of joining the Facility compared to the previous year. The deforestation rate should remain the same or continue to decrease on a year-over-year basis, excluding force majeure events. Hence the deforestation rate at the time of joining forms a cap for that country.
- **Payment and Performance discount:** Payments are proposed at USD \$4 per hectare for eligible forests. A tiered discount for each deforested/degraded hectare will be implemented, with deductions from the payment for every hectare deforested of between 100-200 hectares of forest based on a sliding scale dependent on overall deforestation rates. For each hectare of forest degraded, 25 hectares will be deducted from payments for a period of 10 years (assuming degraded forest is allowed to regrow).

Source: [TFFF Concept Note 2.0](#)

The current definition of “Eligible Forest Cover” for TFFF funding is based on a low threshold of 20% tree canopy cover. For some tropical forest biomes like wetland and peatland areas or the Amazon biomes of *campinarana*, *campina* and *campos amazônicos*, this makes sense, but for tropical moist forest ecosystems that cover the large part of the humid tropics, a minimum

²⁸ For payments, the TFFF encourages the use of data and analysis generated by national forest cover monitoring systems but requires annual forest cover reporting that has a minimum mapping unit of 1 ha (100x100m), with a spatial resolution of at least 30m for satellite data.

²⁹ E.g. Dalagnol, R, et al. 2023. Mapping tropical forest degradation with deep learning and Planet NICFI data. *Remote Sensing of Environment*, Volume 298, 113798, ISSN 0034-4257, <https://doi.org/10.1016/j.rse.2023.113798>. <https://www.sciencedirect.com/science/article/pii/S0034425723003498> and Yan, G. et al. 2020. Remote sensing of forest degradation: a review *Environ. Res. Lett.* 15 (2020) 103001 <https://doi.org/10.1088/1748-9326/abaad>

³⁰ As identified in Dinerstein et al. (2017), and excluding high income countries within this zone. See also Dinerstein, E., A. R. Joshi, C. Vynne, A. T. L. Lee, F. Pharand-Deschênes, M. França, S. Fernando, et al. “A ‘Global Safety Net’ to Reverse Biodiversity Loss and Stabilize Earth’s Climate.” *Science Advances* 6, no. 36 (September 2020): eabb2824. <https://doi.org/10.1126/sciadv.abb2824>.

threshold for tropical forest canopy cover is considered to be 50%.³¹ Defining TFFF eligible forest area based on a very low canopy cover without further safeguards to prevent degradation above the agreed threshold creates a substantive loophole where forests may be degraded from a higher percentage canopy cover, such as through logging, down to a lower canopy cover still within the chosen threshold. This issue must be addressed in the further design process and a plan to ensure state-of-the-art degradation monitoring for TFFF eligible forests has to be established. So far, the TFFF design does not include a prohibition on the degradation, fragmentation, or canopy loss above the intended canopy cover threshold while payments are being made. The only proxy for degradation that is discussed to apply for the launch of the fund is the one of human-induced fires.

TFFF focuses on preventing further deforestation, which is defined by the FAO as the permanent conversion of forested land to alternative land uses independently of whether human-induced or not³². The definition of forests needs clarification with the eligibility criteria referring to natural forests, excluding tree plantations, low-complexity planted forests, and afforested areas, while elsewhere in the document, any forest that is not a monoculture seems to be eligible. Globally, 6 million hectares of forests were lost (deforested) in 2023, yet the area of forests where ecological integrity was degraded is **10 times greater** than the area that was deforested, at over 60 million hectares.³³ A high integrity forest fund therefore requires that countries are not just rewarded for forests that remain standing, but for maintaining and restoring the ecosystem integrity of these forests. This means that primary forests remain unlogged, and currently logged forests do not fall to a lower level of ecosystem condition. Remaining an eligible TFC country should in the first instance require deforestation rates to decrease more rapidly. Money should not be paid for continuous deforestation.

Monitoring of forest degradation is critical as degradation in tropical forests is usually a precursor to deforestation. Logging roads open up access to forest interiors³⁴, and the removal of valuable trees via extractive logging destroys the web of life generated by older trees. Logging opens up the canopy and dries out the forest, more than doubling the risk of fire.³⁵ It also means clearing the remains for cattle farming and agriculture becomes more economically attractive. Allowing logging in non-deforested areas that contribute to TFFF revenues will severely impact the facility's integrity and credibility. Fire alone is not an adequate measure of degradation. There are other proxies of degradation that are readily available (e.g. mapping forest road development, reduction in canopy cover and vegetation density, and the loss of big trees)³⁶. These data sets are freely available and could be mapped

³¹ Tyukavina et al. 2018 <https://www.science.org/doi/full/10.1126/sciadv.aat2993>

Bourgoin, C., Ceccherini, G., Girardello, M. *et al.* Human degradation of tropical moist forests is greater than previously estimated. *Nature* **631**, 570–576 (2024). <https://doi.org/10.1038/s41586-024-07629-0> and Forest Declaration Assessment Partners. (2024). Forests under fire: Tracking progress on 2030 forest goals. Climate Focus (coordinator and editor). p28. Accessible at www.forestdeclaration.org

³² FAO, 2020. *Global Forest Resources Assessment 2020. Terms and Definitions FRA 2020*. Food and Agriculture Organization of the United Nations (FAO). Forest Resources Assessment Working Paper No. 188. Accessed 19 October 2020.

³³ Forest Declaration Assessment Partners. (2024). Forests under fire: Tracking progress on 2030 forest goals. Climate Focus (coordinator and editor). Accessible at www.forestdeclaration.org

³⁴ Kleinschroth, F., & Healey, J. R. 2017. Impacts of logging roads on tropical forests. *Biotropica*, 49(5), 620–635. <https://www.jstor.org/stable/48575861>

³⁵ Barni, P.E. et al 2021. Logging Amazon forest increased the severity and spread of fires during the 2015–2016 El Niño. *Forest Ecology and Management*, Volume 500, 119652, ISSN 0378-1127. <https://doi.org/10.1016/j.foreco.2021.119652> <https://www.sciencedirect.com/science/article/pii/S0378112721007428>

³⁶ See, for example, Global Forest Watch <https://data.globalforestwatch.org/documents/ff304784a9f04ac4a45a40f60bae5b26/about>; Forest Declaration Assessment <https://forestdeclaration.org/about/assessment/>; and Map Biomas <https://brasil.mapbiomas.org/en/>

in conjunction with fire to provide better monitoring of forest degradation, ensuring that TFFF payments contribute to the long-term integrity of tropical forest ecosystems and the services they provide, including carbon density, biodiversity, water, and local climate regulation.

In summary, while the broad approach to monitoring is positive, a number of key issues need addressing:

- The absence of a requirement for no negative canopy cover change from the baseline year as the basis for funding could lead to a scenario where forests are degraded such as through selective logging, without impacting eligibility for funding. This would create a perverse incentive and contradicts³⁷ key UN decisions like 1/CMA.5 para 33, which states the UNFCCC goal of halting deforestation and forest degradation by 2030.
- Without a further definition of the different forest biomes or ecosystem types, the 20% canopy cover threshold alone is a considerable threat³⁸ to the credibility of the TFFF, as this could be seen as a bottom benchmark for future logging activities.
- Scientific best practices suggest that tropical forests with less than 50% canopy cover become highly vulnerable to further degradation, biodiversity loss, and ecosystem collapse.³⁹
- The value of preserving ‘high integrity’ forest ecosystems⁴⁰ for preventing the loss of biodiversity, climate change mitigation, and other co-benefits must be recognised by the design of the TFFF.
- The TFFF has an opportunity to ensure the best state-of-the-art monitoring guidance for TFCs concerning ecosystems integrity and preventing degradation through the establishment of a ‘Monitoring Hub’ which could support countries with annual remote sensing, link TFC governments with key expert services, and support analysis of incoming data and provide real-time alerts on detected degradation activities.

³⁷ Houghton, R. A., & Nassikas, A. A. (2018). "Negative emissions from stopping deforestation and forest degradation, globally." *Global Change Biology*, 24(1), 350-359.

³⁸ Baccini, A., et al. (2017). "Tropical forests are a net carbon source based on aboveground measurements of gain and loss." *Science*, 358(6360), 230-234.

³⁹ Bourgoin, C., Ceccherini, G., Girardello, M. *et al.* Human degradation of tropical moist forests is greater than previously estimated. *Nature* **631**, 570–576 (2024). <https://doi.org/10.1038/s41586-024-07629-0>. See also Forest Declaration Assessment Partners. (2024). Forests under fire: Tracking progress on 2030 forest goals. Climate Focus (coordinator and editor). p28. Accessible at <https://forestdeclaration.org/wp-content/uploads/2024/10/2024ForestDeclarationAssessment.pdf>

⁴⁰ Rogers BM, Mackey B, Shestakova TA, Keith H, Young V, Kormos CF, DellaSala DA, Dean J, Birdsey R, Bush G, Houghton RA and Moomaw WR (2022) Using ecosystem integrity to maximize climate mitigation and minimize risk in international forest policy. *Front. For. Glob. Change* 5:929281. doi: 10.3389/ffgc.2022.929281. See also Mackey et al 2025. Insights into mapping tropical primary wet forests in the Amazon Basin from satellite-based time series metrics of canopy stability. *Discover Conservation*. <https://doi.org/10.1007/s44353-025-00023-5>



Two Mundurucu men walk along a Tapajós river, Brazil.

6. Recommendations for Strengthening the TFFF

Whilst the TFFF/TFIF provides a potential paradigm shift in the approach to high integrity finance for forests, several major challenges remain. These challenges can be overcome if the proponent country Brazil, Sponsors, and TFC recipients, together through consultations with stakeholders, including Indigenous Peoples, take an approach that ensures a high-integrity forest finance facility as the overarching outcome.

Improved and participatory stakeholder engagement and involvement is critical, the capitalisation, fund management, and use of proceeds need to have climate, biodiversity, and rights at the heart, and the percentage allocation to IPs & LCs needs to ensure direct access. Importantly, the TFFF should take up the opportunity presented to be a cutting-edge leading fund to address forest degradation and make a serious contribution to achieving the 2030 goals to halt deforestation and forest degradation.

In this context, the following detailed recommendations are essential to put in place prior to the launch (prior to COP 30) for the TFFF:

The **TFFF Charter** should include the following as core elements of the overarching Governance Structure of the fund:

1. A mission statement that lays out the clear goal to develop the TFFF as a state-of-the-art mechanism to end tropical deforestation and forest degradation, permanently by 2030, aligned with key international commitments under the two most relevant Rio Conventions of the UNFCCC and the CBD.

2. A section that lays out the key social, environmental, and governance principles under which the TFFF will be governed and to which overall aspiration it will contribute.
3. A commitment to an equitable and participatory governance structure so that the TFIF either: (1) is governed by the same, unitary Board as is proposed for the TFFF "Facility"; (2) has a Board appointed according to the same principle currently proposed for the Facility Board, which requires equal representation between sponsors and TFCs; or (3) is appointed according to a selection process that gives eligible TFCs an equal stake in both nominating and selecting Board members, with membership approved by a majority of both constituencies.
4. A requirement that clearly prioritizes payments for forest conservation over repayments to sovereign sponsors, in effect reversing the current proposal on the seniority of asset revenues for investors.
5. A clear commitment to establish a state-of-the-art investment portfolio through stringent, updated, and newly developed investment criteria that support the SDGs, the ambition of the Paris Agreement, and the GST towards 2030 and the Goals of the KM-GBF.
6. The charter should further call on developed countries to understand the TFFF investment opportunities as additional finance instruments to the urgent need to further increase grant-based climate and biodiversity finance to achieve the finance needs laid out for a comprehensive NCQG.
7. A requirement that all TFFF funds received shall be utilised by TFCs to enhance countries', when appropriate, National Adaptation Plans (NAPs) under the Paris Agreement, and National Biodiversity Strategies and Action Plans (NBSAPs) and goals and targets in the KM-GBF under the CBD, especially in the land use and forest sectors. Countries should be incentivised to generate synergies between activities to tackle the climate and biodiversity crisis in support of the Sustainable Development Goals.
8. Ensuring an exclusion list (negative list), which is a core element of the initiative, providing confidence and credibility, to ensure the TFIF, and any TFFF funds are not invested in environmentally harmful activities, or activities that cause harm to people, biodiversity or the climate
9. Include a formal commitment to establish Direct Access Finance mechanisms for IPs & LCs for forest protection.
10. Establish a permanent fund-level Indigenous Peoples Advisory Group to ensure IP & LC direct participation in Board-level discussions, to advise on policy, governance and the delivery of the IP & LC share of the forest payments.
11. Establish National Advisory Committees, which include civil society and IPs & LCs, to oversee the expenditure of funds to prevent misuse of funds, and alignment with international obligations under the Paris Agreement, the KM-GBF, and the SDGs.
12. Include a formal recognition that monitoring anthropogenic degradation in TFFF eligible forest areas is key to guarantee the integrity of the TFFF.
13. Include a formal commitment and a clear plan to establish the best available forest degradation monitoring systems to support TFFF-eligible countries in assessing anthropogenic degradation beyond fire as the only proxy.
14. Include the aim to establish a public-private center of excellence or 'Monitoring Hub' for the purpose of building capacity and improving monitoring systems over time, to

support TFCs with their monitoring needs in partnership with sponsor countries and relevant academic institutions.

15. An accessible and open channel for communications and grievance redress, which is well publicised and provides those seeking access with confidentiality, anonymity, security, and support, including financial support for independent legal advice.
16. A clear commitment to a learning organisation that is open to improvements and critique.

Ensure the **TFFF Operational Manual** includes detailed and best practice requirements, including the following:

1. Processes to minimize the risk of missed and reduced payments to TFCs by ensuring that a requirement for “catch-up payments” with interest is included in the Charter establishing the Facility.
2. Detailed investment criteria, which:
 - a. Specifies the proportion of “climate and sustainability-related investments in ODA-eligible countries”;
 - b. Ensures that best-practice standards (e.g. EU sustainable finance principles) are followed in defining the eligibility of “sustainable” investments;
 - c. Develop a “positive list” to guide investments in corporate debt towards companies that have set emissions reduction targets in line with Paris Agreement goals, and that incorporate biodiversity and human rights in their sustainability reporting and frameworks.
 - d. An exclusion list (negative list) ensuring that the following economic sectors and activities are strictly ineligible for TFFF investments:
 - i. Commercial industrial logging and large-scale users of pulp, paper, and biomass.
 - ii. Agribusiness expansion, which is linked to deforestation or forest degradation (e.g., soy, palm oil, cattle ranching, coffee or cacao agroforestry expansion in natural forest).
 - iii. Mining operations in tropical rainforests.
 - iv. Infrastructure projects (e.g. highways, dams) that cause tropical forest loss.
 - v. Production or trade in weapons and munitions.
 - vi. Fossil fuel exploration, production, and distribution.
 - vii. Plastic and pesticide production.
 - viii. Energy companies involved in nuclear power, or the construction of new or refurbished coal-fired power plants.
 - ix. Carbon and biodiversity market infrastructure, traders and operators.
 - e. A system for conduct-based exclusions that rules out investment in companies implicated in serious violations of human rights, ethical norms and environmental damage.
3. Measures and methodologies to improve accountability by:
 - a. Providing guidelines for the independent national advisory committees, including a system of independent monitoring;
 - b. Providing clear guidelines on how the received payments contribute to forest conservation, including an explicit statement that funds should not be directed

- towards extractive industries (consistent with the TFFF investment exclusion list);
- c. Establishing systems for community and ground-based verification through the engagement of IPs & LCs in ground-truthing satellite data of sample areas (as per the validation procedure) to validate findings and gather additional information on forest use and disturbances. Combining remote sensing with on-the-ground observations enhances data accuracy and reliability.
 - d. Requiring TFCs to put in place regulatory measures, including legal consequences for breach of agreements with the TFFF and usage of funds in contrast to the exclusion list or the TFFF Charter; and
 - e. Requirements that recipient countries submit an annual impact report detailing how TFFF fund expenditure aligns with their commitments under the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework, and the Sustainable Development Goals.
4. Strengthening the TFFF Eligibility and Forest Cover Measurement and Monitoring System through the establishment of a credible mechanism by:
 - a. Ensuring the ecological integrity of TFFF-funded forests through strict tree canopy cover retention and restoration requirements.
 - b. Including the following solutions, to address weaknesses in the eligible forest cover under the TFFF and avoid the continued degradation of forests while they are receiving TFFF payments:
 - i. A forest area eligible for payment must maintain close to all (a percentage should be defined by scientific guidance) of its baseline canopy cover measured at the time of the TFFF application per hectare (not aggregate cover). This will close the loophole of TFFF, allowing forest conversion or degradation down to the minimum eligible forest cover percentage. Forest cover must be maintained or restored.
 - ii. In general, a minimum of 50% canopy cover should be used for eligible tropical forest cover areas. However, there can be some specific ecosystem exceptions with a lower minimum percentage cover, such as for the *campinarana*, *campina* and *campos amazônicos*, and wetland and peatland areas. The consensus of an appointed science advisory group should determine differentiated canopy cover thresholds for TFFF eligibility.
 - iii. If the canopy cover declines through anthropogenic degradation (logging, fragmentation, including related to peatlands and wetlands) beyond the baseline, payments must be reduced proportionally and suspended if the decline exceeds the percentage (tbd).
 - iv. Known or licenced areas for logging should either be excluded completely or specifically monitored for degradation.
 - v. The only exceptions should be for natural disturbances (e.g., hurricanes, wildfires) documented by independent satellite monitoring and validated by third-party experts.
 5. A new TFFF Monitoring Hub should be established with funding from TFFF to:
 - a. Support countries with annual remote sensing⁴¹ support by using satellite imagery to assess forest cover (baseline and annual change (canopy stability)),

⁴¹ Hansen, M. C., et al. (2013). "High-resolution global maps of 21st-century forest cover change." *Science*, 342(6160), 850-853.

with other data on tree canopy height, biomass, and connectivity (intactness) as additional options for validation and in determining and monitoring forest quality.

- b. Function as a service hub for countries without existing monitoring capacities, linking respected governments with key expert services from different private and public supporters. In the near-term other monitoring options could be considered, such as the Ecosystem Approach under the UN System of Environmental and Economic Accounting (UN SEEA-EA).⁴²
- c. Support countries to implement near real-time monitoring systems used to analyse incoming data and provide real-time alerts on detected degradation activities, including through technical exchanges between countries. This approach enables prompt intervention and mitigation measures.
- d. Develop and implement a TFFF Capacity Building and Training Program for local authorities and stakeholders to effectively use advanced monitoring tools and interpret data. Building local capacity ensures sustainable monitoring and enforcement practices.
- e. Ensure the best state-of-the-art monitoring guidance for TFCs but subject to validation procedures and third-party verification, including through the use of Artificial Intelligence (AI) and Machine Learning, to enable processing of vast amounts of remote sensing data to identify patterns and anomalies indicative of forest degradation.

The **Indigenous Peoples and Local Communities Direct Access Financing Mechanisms** should ensure the following is included as the minimum requirement:

1. Ensure strong representation of Indigenous & Afro-descendant Peoples and local communities in governance and decision-making structures related to the distribution of forest payments, in ways that respect their rights, cultures and support their self-determined priorities. Capacity building and strengthening of IP & LC institutions and partnerships is provided to ensure IPs & LCs are able to equitably participate.
2. Through a co-creation process with IP & LC organisation representatives, develop clear guidance on the establishment, design, management, financial accountability, transparency, grievance resolution procedures, and monitoring of direct access finance mechanisms for the IP & LC share of forest payments, recognising that these may vary according to national circumstances. Noting that some countries that do not recognise Indigenous Peoples or apply only discretionary recognition of Indigenous Peoples rights, these options should include the possibility of establishing direct access public funding vehicles that do not pass through national budgets, with separate governance structures that are accountable to IPs & LCs.
3. Establish a permanent, fund-level Indigenous Peoples Advisory Group for the TFFF with a broad remit to advise on policy, governance, and the delivery of the IP & LC share of the forest payments.

⁴² <https://seea.un.org/ecosystem-accounting> Whilst many countries lack the capacity for monitoring ecosystem integrity, Brazil is already a leader in reporting under Ecosystem Approach and other countries could be supported to develop indicators for UN SEEA reporting via alternative funding sources in the form of readiness payments, to increase capacity for performance-based payments under the TFFF. This means that forests would be assessed in terms of extent and condition, rather than just forest area or canopy cover.

4. Ensure that 20% is a floor rather than a ceiling for funding to IPs & LCs and review this target after no more than five years of the Fund's operation in consultation with IPs & LCs.