



GOAL ASSESSMENT

PROGRESS ON THE NEW YORK DECLARATION ON FORESTS

Goal 8 assessment

Providing finance for forest action

November 2020

The New York Declaration on Forests (NYDF) is a voluntary and non-binding international declaration aimed at halting global deforestation by 2030 with more than 200 endorsers: national and sub-national governments, multi-national companies, groups representing Indigenous and local communities, and non-governmental organizations. Published annually, the NYDF Progress Assessment evaluates the global status of forests as well as overall efforts made toward achieving the NYDF goals.

This update presents progress as of 2020 toward achieving Goal 8:

Goal 8

Provide support for the development and implementation of strategies to reduce forest emissions.

Key messages

- International finance for forests does not reflect their climate change mitigation potential. The forest sector has the third highest mitigation potential – after the energy and industry sectors – yet only USD 20.2 billion in public finance for forests has been committed to deforestation countries since 2010.^a By contrast, global investment into renewable energy has totaled approximately USD 2.6 trillion since 2010, although this includes finance from private sources.
- Just over USD 6.6 billion in REDD+ finance has been committed by multilateral climate funds since 2010. Less than half of this amount has been disbursed, with most of this occurring in the last two years.

^a Estimates of the amount of private finance channeled to forests over this timeframe are not available.

- Public budgets need to better align with objectives to halt deforestation. Domestic “grey” financing for agriculture and forestry in deforestation countries is estimated to total USD 135 billion; while domestic financing for REDD+ activities totals only USD 10.1 billion. As long as financial incentives for land use do not consider the impact on forest loss and degradation, investments in forest protection will not be successful at the scale needed to curb forest loss.
- To date, at least USD 683 million in funding capital has been committed by public-private investment funds to support the adoption of sustainable land practices. The amount of private capital mobilized through these investment funds, however, is rarely reported.
- Most financial institutions do not consider the impact of their investments on forests. More than 86 percent of the 150 financial institutions providing the largest amount of finance to commodity companies (as assessed by Forest 500) have no deforestation policy in place for the companies they finance.
- Quantifying private investments in sustainable commodity production remains a key data gap, and most public-private impact investors do not report on the amount of private finance mobilized.

Overview of goal and indicators

Goal 8 calls for financial support for strategies to reduce forest emissions. Achieving international and national forest goals is not possible without dedicated and reliable financing from domestic and international, public and private sources to address the drivers of forest loss. This can come either from new sources of finance or redirecting existing finance to align with the goals of the Paris Agreement and other forest and biodiversity targets. Forests host 80 percent of the world’s biodiversity on land, support the livelihoods of around a quarter of the world’s population and provide a wealth of essential ecosystem services.¹ Globally, forests are estimated to provide USD 75-100 billion each year in goods and services, such as clean water and healthy soils.² The call to provide finance for protection and sustainable use of forest is anchored in the international agenda for climate and sustainable development.

In 2017, the NYDF Assessment Partners – responsible for evaluating progress made towards meeting the NYDF’s goals – published an in-depth review of progress toward [Goals 8](#) and [9](#). Shorter annual updates have since been carried out, with two criteria used to assess progress on achieving Goal 8 (Table 1).

Table 1. Criteria and indicators to track Goal 8

Criteria	Indicators
1. Public support for the development and implementation of strategies to reduce forest emissions	1.1. International finance 1.2. Domestic finance
2. Private investment targeted at reducing forest emissions	2.1 Policies for investment in forest-risk commodities 2.2 Investments in sustainable commodity production and conservation

The assessment involves considering the volumes of both ‘green’ and ‘grey’ finance (Box 1).

Box 1. Definitions of finance used in this assessment

For the purposes of this assessment, the below definitions are used:

- **Green finance** is defined as finance that is aligned with objectives for the conservation, protection, or sustainable use of forests – or what we refer to as “forest and climate goals.” This includes finance provided with a clear and stated objective of climate mitigation in the forestry sector. Specifically, we cover finance for:
 - the development of national forest strategies or action plans, policies and measures, and capacity building, including strategies for Reducing Emissions from Deforestation and forest Degradation (REDD+);^b
 - support for the implementation of national policies, measures and national strategies or action plans that could involve investments, capacity building, technology development, and transfer; and
 - results-based actions that are fully measured, reported, and verified (see [Goal 9](#)).
- **Grey finance** is defined as finance that has no stated objective to positively impact forests but has potential to impact on forests. The impact – whether positive or negative – depends on the context, as well as the design and implementation of these activities. In the context of this assessment, we consider primarily finance for agricultural activities as grey finance. Industrial agriculture is estimated to be responsible for the loss of five million hectares of forest annually – meaning a forest area the size of Costa Rica is lost every year due to clearing forest for palm oil, beef, soy, wood and other commodities.³

Findings

Criterion 1: Public support for the development and implementation of strategies to reduce forest emissions

Public finance plays a key role in reducing forest emissions. It can support research and capacity building, provide direct incentives for the protection of forests, and aid the mobilization of private investment needed to address deforestation.

Public finance can be used to support a reduction in forest emissions abroad (Indicator 1.1) or domestically (Indicator 1.2).

Indicator 1.1: International finance

International finance for forests does not reflect their climate change mitigation potential

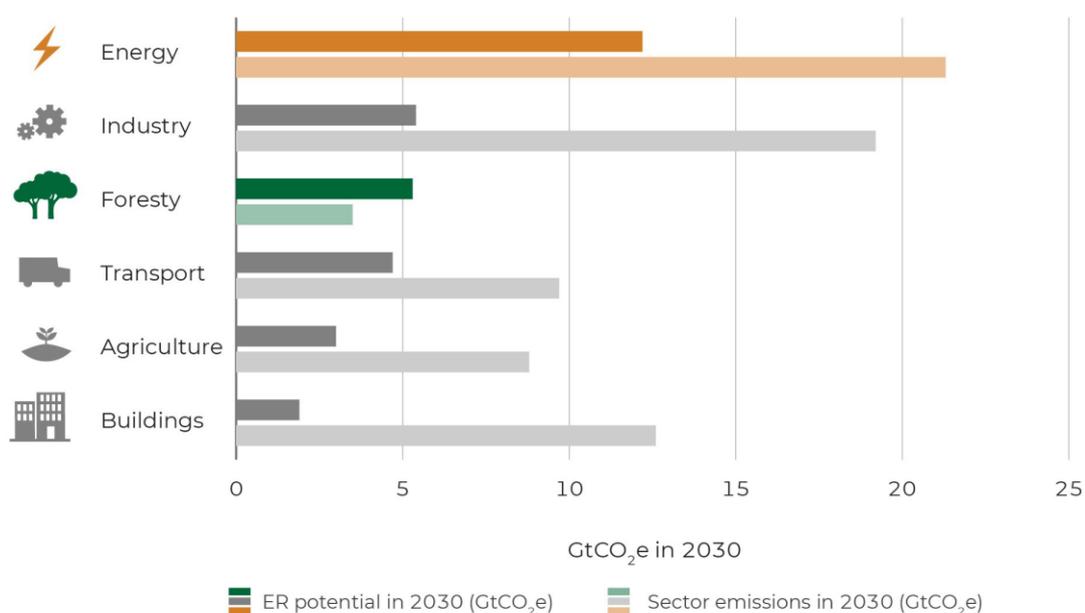
International green finance commitments for the development and implementation of strategies to reduce forest emissions remain far below the level needed to halt deforestation, and do not reflect forests' mitigation potential. The Intergovernmental Panel

^b REDD+ officially stands for “Reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in development countries.” It is a mechanism negotiated under the United Nations Framework Convention on Climate Change (UNFCCC) in 2005. The objective of REDD+ is to mitigate global greenhouse gas emissions through enhanced forest management in developing countries.

on Climate Change (IPCC) estimates that the technical mitigation potential of reducing deforestation and forest degradation is equal to 0.4-5.8 gigatons of equivalent carbon dioxide (GtCO₂e) per year.⁴ Similarly, UNEP estimates that by 2030 the forestry sector has an emission reduction potential of 5.3 gigatons CO₂e from activities seeking to reduce deforestation and restore degraded forests (Figure 1).

The forest sector has the third highest mitigation potential – after the energy and industry sectors – yet only USD 20.2 billion in public finance for forests has been committed to deforestation countries since 2010 (Figure 1).^c An estimated USD 5.4 trillion is needed to reduce emissions from tropical deforestation by just under a third by 2050,^{d,5} suggesting to date only 0.4 percent of these financing needs have been met.⁶ In 2017 and 2018, the entire land use sector – which includes both forests and agriculture – received only 21 billion annually in public and private climate finance; whilst the energy sector received USD 337 billion annually over the same time period (Figure 2). Global investment into renewable energy has totaled approximately USD 2.6 trillion since 2010,^{e,7} which amounts to around nine percent of total renewable energy investments needed by 2050. While at 12.2 gigatons CO₂e, the mitigation potential of the energy sector in 2030 is higher than the forest sector (see Figure 1), finance flowing to forests is clearly advancing at a far slower rate.⁸

Figure 1. Sectoral emission reduction potentials in the year 2030, in billion metric tonnes CO₂ equivalent



Note: Emission reduction potential from forestry includes both restoration of degraded forests and reduced deforestation. The total emission reduction potential is therefore higher than the sectoral emissions from the forestry sector. GtCO₂e = billion metric tonnes CO₂ equivalent

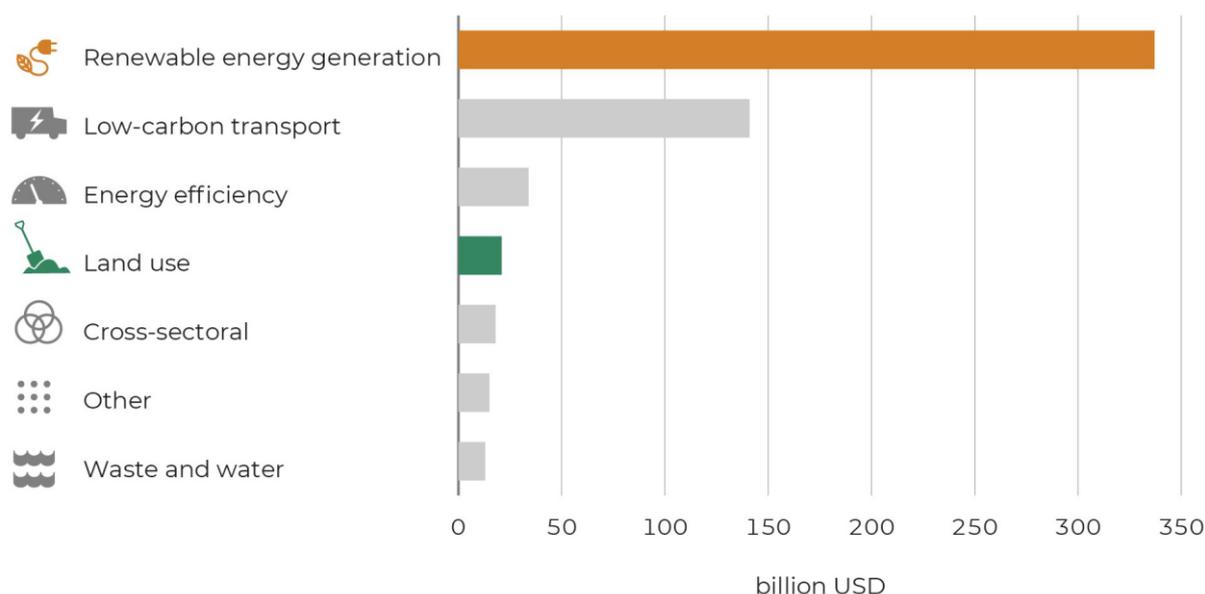
Source: Climate Policy Initiative (2019) Global Landscape of Climate Finance 2019

^c Estimates of the amount of private finance channeled to forests over this timeframe are not available.

^d Value estimated based on the marginal abatement cost of an alternative land use, i.e. the theoretical amount that a landholder would need to be paid to voluntarily refrain from deforesting, at USD 50/tCO₂e; which is estimated to reduce emissions from tropical deforestation by 108.3 GtCO₂e between 2020 to 2050. The cost does not consider the direct costs of implementation, law enforcement or other incentive payments. The IPCC (2019) estimates that emissions from the land use sector were equivalent to 12 GtCO₂e/year from 2007-2016. At USD 50/tCO₂e, emissions from avoided deforestation could be reduced by 3.6 GtCO₂e/year; equal to 30 percent of annual land use sector emissions.

^e This estimate includes finance from both public and private sources.

Figure 2. Global climate finance flows in 2017 and 2018, in billion USD



Note: Includes both public and private finance. Values quoted are average of two years' data.

Source: Climate Policy Initiative (2019) Global Landscape of Climate Finance 2019

Over USD 6.6 billion has been pledged to REDD+, but only 40% of this has been disbursed

International finance for the development and implementation of strategies to reduce forest emissions is offered by a range of governments, multilateral development banks (MDBs) and multilateral organizations. Finance from multilateral development banks – such as the European Investment Bank, Development Bank of Latin America or Inter-American Development Bank – may be channeled directly into forest mitigation projects, or through multilateral funds. Funds allow different forms of donor money to be pooled and is used in support of REDD+ activities. Such activities are divided into three phases: readiness, implementation of REDD+ activities, and payment for results.

Just over USD 6.6 billion in REDD+ finance has been committed by multilateral and bilateral climate funds for the development, capacity building, and implementation of strategies that reduce emissions from deforestation since 2010 (Table 2). To date, less than half of this amount has been disbursed; with most of this occurring in the last two years (see [Goal 9](#)).

In addition to the multilateral funds focused on REDD+ listed **Error! Not a valid bookmark self-reference.**, a number of funds that have a broader scope but commit dedicated resources to forests exist. Most notable is the Global Environment Facility (GEF), which has disbursed USD 2.1 billion for forests to date.⁹ Forests are a key funding priority of the GEF, which has financed more than 380 forest-related projects since its inception in 1992. The fund is now in its seventh replenishment phase and is administered by the World Bank. The Central African Forest Initiative is also notable, having been formed by a coalition of six Central African countries and several donors aiming to implement country-led, holistic, low emissions development investment frameworks for the Central African forest, such as national policy reforms and efforts to address deforestation. USD 231 million has been committed to the fund to date.¹⁰

Table 2. REDD+ readiness and implementation finance pledged and disbursed since 2010^f

Initiative	Description	Pledged	Disbursed
Norway's International Climate and Forest Initiative (NICFI)^g	Aims to support efforts to reduce GHG emission from deforestation and forest degradation. Established in 2008, NICFI partners with forest countries to advance development of a REDD+ framework under the UNFCCC. This includes contributing to early action for measurable emission reductions from deforestation and forest degradation; and promoting the conservation of primary forests. The reported pledged and disbursed values exclude NICFI payments made to the other funds listed in this table to avoid double counting.	USD 2.7 billion	1.3 billion ^h
Forest Carbon Partnership Facility (FCPF)	Supports 47 developing countries to build the necessary capacities for REDD+ participation. The FCPF is administered by the World Bank and includes 17 donors. It includes two complementary funds: the FCPF Readiness Fund, which helps countries to set up the systems necessary to implement REDD+; and the FCPF Carbon Fund, which pilots results-based payments for REDD+.	USD 1.3 billion ⁱ	447 million
Green Climate Fund (GCF)	The world's largest fund dedicated to helping developing countries to reduce their greenhouse gas emissions and adapt to climate change. It was set up by the UNFCCC in 2010 and provides technical and financial assistance. The GCF supports REDD+ readiness and implementation (together the Readiness Programme) and results-based payments. ¹¹	USD 734 million ^j	USD 229 million
Forest Investment Program (FIP)	Funded by the Strategic Climate Fund (within the Climate Investment Funds), FIP supports developing countries' efforts toward REDD+ by providing grants and low-interest loans channeled through partner multilateral development banks. The majority of disbursements are made directly through Investment Plans (IP), but can also be channeled through a Dedicated Grant Mechanism (DGM) supporting indigenous peoples and local communities, or Private Sector Set Asides (PSSA). These support projects that engage the private sector in sustainable forestry.	USD 736 million ¹²	USD 168 million
BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL)	A multilateral fund launched in 2013 that supports reducing GHG emissions through REDD+ and sustainable agriculture. The fund provides technical assistance to support programs, as well as results-based payments to incentivize and sustain program activities.	USD 355 million ¹³	USD 27 million
UN-REDD Programme	A collaborative initiative of the UN Food and Agriculture Organization, UN Development Programme, and UN Environment Programme for REDD+ providing technical expertise to developing countries in designing and implementing national REDD+ activities agreed under the UNFCCC.	USD 327 million ¹⁴ committed	USD 289 million

^f Calculated using currency exchange rates of EUR 1 = 1.09 USD; NOK 10 = 0.95 USD.

^g Figures obtained from personal communications with NICFI.

^h Total excludes disbursement of USD 123.4 million made in 2009.

ⁱ Total includes FCPF Readiness Fund of USD 400 million, and FCPF Carbon Fund of USD 900 million. Forest Carbon Partnership Facility. (2018). About the FCPF. 23 March 2020, <https://www.forestcarbonpartnership.org/about>.

^j Total includes USD 234 million in Readiness and Implementation finance; and USD 500 million in Results-based finance.

REDD Early Movers (REM) Programme	Established in 2011, the REM Programme provides results-based payments to countries or regions that have taken measures to protect forests. It is funded by German Official Development Assistance, and is a central instrument of Germany, Norway and the United Kingdom's joint GNU initiative to implement the New York Declaration on Forests.	USD 309 million ^k	USD 195 million
Congo Basin Forest Fund (CBFF)	Established in 2008, the CBFF was supported by the United Kingdom and Norwegian Governments. The fund aimed to take early action to protect forests in the Congo Basin. It was intended to run until 2018, but in 2014 the UK and Norway announced they would not replenish the funds of the CBFF. It has since been wound down.	USD 186 million ^{l5}	USD 63 million

Indicator 1.2: Domestic finance

Public budgets need to better align with objectives to halt deforestation

The volume of finance committed to reducing forest emissions is dwarfed by the amount of domestic finance that is used to support activities that could potentially put forests at risk, such as agricultural subsidies and perverse lending requirements. Domestic “grey” financing for agriculture and forestry in deforestation countries is estimated to total USD 135 billion; while domestic financing for REDD+ activities totals only USD 10.1 billion^l (Figure 3). As long as financial incentives for land use are designed in such a way that they do not consider the impact on forest loss and degradation – or worse, offer perverse incentives to deforest – investments in forest protection will not be successful at the scale needed to curb forest loss.

Regardless of how domestic finance is used in the land use sector, many countries will need international finance to implement their REDD+ plans. Aligning domestic investments in the land use sector with REDD+ objectives sends a political signal that countries are committed to reducing deforestation and helps countries to attract international support to implement their REDD+ plans as a result.

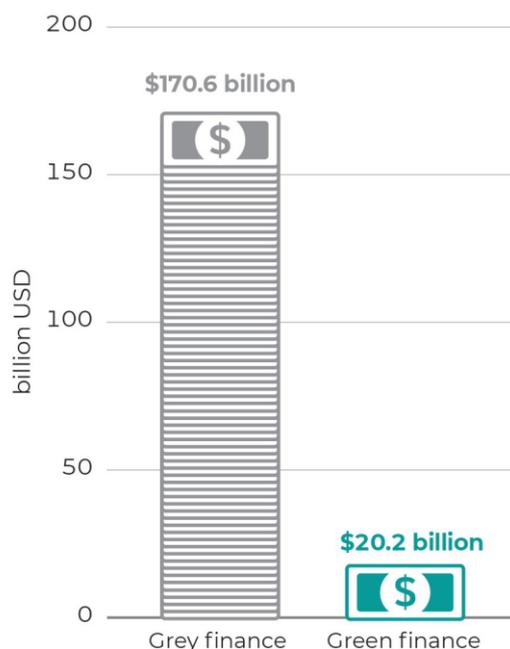
While there is little aggregate data on domestic financing for forests, domestic finance for the development and implementation of strategies to reduce forest emissions can be estimated using countries' Emission Reduction Programme (ERP) documentation submitted to the World Bank's Forest Carbon Partnership Facility (FCPF). The FCPF is one of the world's largest funds for forest mitigation, supporting 47 developing countries across Africa, Asia, Latin America, and the Caribbean. Domestic REDD+ investments support a variety of activities, including sustainable land use planning, costs of monitoring, reporting, and verification, and forest policy and land tenure reforms.

An analysis of countries advanced in the FCPF funding pipeline – meaning they have submitted plans for approval – indicates that in total, countries plan to invest USD 10.1 billion in domestic contributions to achieve their REDD+ plans (the vast majority of this coming from Mexico, with USD 8 billion planned).

^k Total USD 309.33 million. Figure obtained from personal communications with a contact from the BioCarbon Fund. Total excludes the amount for technical assistance provided by GIZ, only refers to REDD+ results-based finance.

^l See source table for Figure 3 in annex for more detail.

Figure 3. Public finance for forests and agriculture in deforestation countries (2010–2018), in billion USD



Note: Totals include both international finance (USD 35.2 billion in grey finance, and USD 9.9 billion in green finance) and domestic finance (USD 135 billion in grey finance and USD 10.1 billion in green finance). Total green finance includes mitigation finance for forestry in deforestation countries, and international and domestic REDD+ finance.

Total should be taken as approximate; lack of transparency in data means there may be overlap between OECD mitigation finance and REDD+ finance. All estimates are cumulative for the period 2010–2018. Refer to annex for sources.

Criterion 2: Private investment targeted at reducing forest emissions

The flow of private finance to climate change mitigation continues to be an essential element in our ability to bend the trend in our global greenhouse gas emissions trajectory. Globally, private investments account for over half (56 percent) of total climate finance, although almost all of this flowed to the renewable energy and transport sectors.¹⁶

When considering private capital investments, this criterion considers both investments in actions that directly result in emission reductions – such as reforestation or agroforestry – and capital markets that engage large institutional investors (e.g. pension funds) and fund managers. While these entities may not directly finance programs, they play a major role in deciding how finance is allocated to program developers, or to the banks that lend to programs. The indicators for Criterion 2 therefore capture internal policies/risk management strategies adopted by financial institutions (Indicator 2.1), as well as direct investments in sustainable commodity production and forest conservation (Indicator 2.2).

Indicator 2.1: Policies for investment in forest-risk commodities

Few financial institutions place restrictions on companies with operations in forest-risk commodities

More than a quarter of global forest loss between 2001-18 has been commodity-driven, including from the production of palm oil, soybean, cattle, cocoa, coffee, and wood pulp.¹⁷ Finance has yet to shift from business-as-usual investments in forest-risk activities to investments with clear conservation goals, or those which apply strong safeguards for forest protection; and few financial institutions place mandatory restrictions on companies

with operations in forest-risk commodities.¹⁸ In fact, most financial institutions are simply ignoring the problem and have no deforestation policies in place at all.¹⁹ A handful of financial institutions require companies active in palm oil to demonstrate certification from the Roundtable for Sustainable Palm Oil (see Goal 2), but this type of mandate is uncommon in other commodities.

A recent systematic analysis by Forest 500 of 150 financial institutions exposed to deforestation through investing in or lending to the most influential companies engaged in forest-risk commodity supply chains^m showed low recognition of deforestation risk. Only 14 percent of financial institutions studied had a no deforestation policy for all commodities in their portfoliosⁿ, and only 19 percent had a policy to protect priority forest areas, across all the key forest risk commodities.^o

Traceability mechanisms are essential for helping financial institutions ensure their investments are not indirectly linked to deforestation. Imposing lending restrictions which require companies to meet a minimum level of traceability for the commodities they trade in can help financial institutions avoid funding deforestation-linked operations. Yet, in the Forest 500 analysis, the proportion of financial institutions with mandatory requirements for traceability mechanisms was negligible: only three percent of institutions had a policy in place for all commodities they are exposed to.^p Possessing a policy for single commodities was more common, with five percent of institutions holding a policy for palm oil, but not for^q the other commodities they are exposed to.^r

It is worth acknowledging that over the past year, 13 of the 150 financial institutions assessed increased the number, or strength, of their deforestation-related commitments. Nonetheless, Forest 500 found a further five financial institutions to have reduced or removed their deforestation commitments in the same period.^s

Despite slow progress from financial institutions, last year did see some acknowledgement of the role they have to play in halting deforestation. In the wake of the Amazon forest fires in 2019, 230 global investors representing USD 16.2 trillion in assets signed a public statement warning companies of increasing reputational, operational, and regulatory risks that they could be exposed to through their Brazilian operations. The statement called for improved control and monitoring systems to eliminate illegal deforestation and limit legal deforestation in the Brazilian Amazon, and supports business leadership to reverse deforestation trends.²⁰

Similarly, in June 2020, 29 financial institutions representing USD 3.7 trillion in assets sent a letter to the Brazilian government expressing “widespread uncertainty about the conditions for investing in or providing financial services to Brazil” in light of escalating deforestation, and the rolling back of environmental and human rights protections.²¹

Although these signals are encouraging, only 14 signatories from these statements combined fall into the Forest 500 list of institutions providing the most finance to

^m Forest 500 identifies and ranks the 150 financial institutions that have the power to incentivize a market-wide shift toward sustainable supply chains due to their financial links to 350 companies that play a major role in forest-risk commodity supply chains.

ⁿ 21 of 150 financial institutions assessed in the Forest 500 (2019). Data provided by a contact at Global Canopy.

^o 28 of 150 financial institutions assessed in the Forest 500 (2019). Data provided by a contact at Global Canopy.

^p 5 of 150 financial institutions assessed in the Forest 500 (2019). Data provided by a contact at Global Canopy.

^q 7 of 150 financial institutions assessed in the Forest 500 (2019). Data provided by a contact at Global Canopy.

^r 7 of 150 financial institutions assessed in the Forest 500 (2019). Data provided by a contact at Global Canopy.

^s Data provided by a contact at Global Canopy. A few of these institutions provide an explanation in the case of a policy change, but the majority do not. Forest 500 assesses whether a financial institution has dropped a policy based on the information an institution provides on its publicly available website.

commodity companies. The financial institutions with the greatest potential to redirect financial flows, therefore, are not taking enough action.

The vast majority of financial institutions continue to have no deforestation policy in place; only 14 percent of the institutions that signed the public statement on the Amazon fires had a deforestation policy in place for at least one commodity when assessed by Global Canopy this year.²² Given these trends, it is clear that until public statements are turned into formal policy, finance will continue to flow unhindered into activities linked to, or causing, deforestation. Much more action is needed from financial institutions now that they have acknowledged the “systemic risks” that deforestation poses to their portfolios.²³ Financial institutions have a key role to play in engaging with forest-risk companies, to encourage sustainable changes, followed by active divestment from those unwilling to change destructive practices.

Some investors are beginning to divest from forest risk companies

A handful of financial institutions are adopting policies in order to ensure their lending and investment portfolios are not contributing to increased deforestation; and a number of tools to guide investment decision-making have emerged in recent years (Box 2). Notably, BlackRock – the world’s largest fund manager with USD 7 trillion in assets – announced in January 2020 that it will double the number of sustainability-focused exchange traded funds it offers and cut finance to companies that receive a quarter of their revenues from thermal coal. BlackRock will also improve the environmental, social, and governance aspects of its investments and require companies to disclose their climate risk according to the Sustainability Accounting Standards Board and the Task Force on Climate-Related Financial Disclosure.²⁴ They also became a signatory to Climate Action 100+, which engages global investors in ensuring that the world’s largest corporate greenhouse gas emitters act on climate change.²⁵ Despite these changes, there is still room for improvement. BlackRock states that it will “ask” for disclosure and evidence of any deforestation-free supply-chain commitments.²⁶ To strengthen its impact, the fund should make deforestation-free operations a requirement for all investee companies, across all supply chains.

In addition, the world’s largest sovereign wealth fund – Norges Bank Investment Management (NBIM) – announced in March 2020 that it has withdrawn investment in the Peruvian consumer goods giant Alicorp S.A.A. after it was revealed the firm was buying palm oil from a plantation tied to multiple environmental and human rights abuses. NBIM, the asset management arm of Norway’s central bank, divested USD 12.3 million from Alicorp in light of the allegations. The company at the centre of the claims is Ocho Sur SAC, which supplied palm oil products to Alicorp, and has reportedly cleared 7,000 hectares of the Peruvian Amazon to grow oil palm.²⁷ This development is promising and sets a precedent for other investors to follow. For even greater impact, NBIM could impose lending requirements which require company’s active engagement, such as assurance mechanisms which demand upstream compliance, and time limits for companies to meet set standards.

In even more promising developments, investment in sustainable equity funds and commitments to tackling environmental, social, and governance (ESG) issues are growing. By July 2020, assets in sustainable equity funds were recorded to have passed USD 1.1 trillion, and signatories to the Principles for Responsible Investment’s (PRI) Collaboration Platform – which supports investors to pool resources and enhance their influence on ESG issues – increased by 28 percent, the highest annual growth in a decade.²⁸

Financial institutions have also set up a number of networks aiming to share knowledge on sustainable finance among members (Box 3).

Box 2. Example tools to guide investment decision-making to avoid forest risks in finance

A number of tools and guidelines for assessing climate- and deforestation-risk in finance exist, which include recommendations for financial institutions to disclose their risk management strategies to increase transparency in the market. These include:

The **Task Force on Climate-related Financial Disclosures**, an initiative of the Financial Stability Board, released recommendations for banks to assess and disclose the “actual and potential impacts” of climate-related risks and opportunities on their business, as well as how they manage them. Following this release, in 2018, a coalition of 16 banks convened by the UN Environment Finance Initiative produced the first guidance to help the banking industry implement these climate-related risk and opportunity assessments.

The **Task Force on Nature-related Financial Disclosures**, an upcoming program between Global Canopy, UNDP, UNEP FI, and WWF, designed to build capacity to reduce the negative impacts of the financial sector on nature and biodiversity. It will aim to build awareness within the financial sector of new nature-positive investment opportunities as they emerge.

Climate Action 100+, whose members include more than 450 investors with more than USD 40 trillion in assets under management. It is an investor initiative aiming to ensure that the world’s largest corporate greenhouse gas emitters act on climate change.

The European Union’s High-Level Expert Group on Sustainable Finance (HLEG) was established in 2016 with a mandate to “steer the flow of capital towards sustainable investments; identify steps that financial institutions and supervisors should take to protect the financial system from sustainability risks; and deploy these policies on a pan-European scale”. This includes publication of an [EU classification system](#), (a “Green Taxonomy”) to determine whether an economic activity is environmentally sustainable, planned [requirements for corporate disclosure of climate-related information](#), and [EU Green Bond Standard and methodologies](#) for EU climate benchmarks that help prevent greenwashing.^{29,30}

The Organisation for Economic Cooperation and Development has published [guidelines for institutional investors](#) to conduct due diligence on their investments, as well as similar [guidelines for banks and financial institutions](#).³¹

Landscape is a tool for assessing the financial risk associated with local opposition to an asset. It analyses geospatial data about social, environmental, and political issues to help companies and investors in emerging and frontier markets to prepare an assessment of land tenure risk. The tool’s development is supported by the UK government and Interlaken Group, whose aim is to promote private sector action to secure community land rights.

Lucida is a transparency tool to be launched in 2020 that reveals how companies and financiers are linked to unsustainable land use and illegal forest activity.

Trase is a transparency tool that seeks to increase the traceability of environmental and social risks that arise in agricultural commodity supply chains in tropical forest regions. It comprehensively maps supply chains for key commodities from producer to consumer countries via trading companies. Trase’s overall aim is to allow companies, investors, governments, and others to understand the risks and opportunities for more sustainable commodity production.

Trase Finance builds on the original Trase transparency and supply-chain mapping tools to expose direct and indirect support for tropical deforestation. The tool draws on over 30 separate data sources to monitor financial flows and highlight to financial institutions how their portfolios might be exposed to deforestation. It also acts as a tool to allow governments and civil society to hold those failing to act to account.

ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) was developed by the Natural Capital Finance Alliance and UNEP-WCMC. It was designed to be the biggest tool linking environmental change with its consequences for the economy: helping global banks, investors and insurance firms assess the risks that environmental degradation – such as deforestation – pose to their operations.

Engage the chain is an investor guide on agricultural supply-chain risk. It identifies the environmental and social risks associated with eight agricultural commodities that drive deforestation. It includes identifying the largest American companies that source these commodities, and provides suggested actions that investors and companies should take to reduce supply-chain exposure to deforestation risks.

The Soft Commodities Compact was launched in 2014 by the Consumer Goods Forum and the Banking Environment Initiative. It is a company-led initiative that works with the banking industry to help transform commodity supply chains and help banks' company clients to achieve their net-zero deforestation targets by 2020.

The Principles for Responsible Investment's Collaboration Platform is a discussion and collaboration forum that allows investors to pool resources, share information and enhance their influence on environmental, social, and governance issues.

Global Forest Watch Pro is developed by the World Resources Institute and launched in 2017. It aims to provide companies and investors with an internal management and decision-support system to administer their agricultural supply chains.

The **CERES Investor Guide to Deforestation and Climate Change** is a public, online guide developed to help investors understand and engage with deforestation-related climate risks in their portfolios. It is especially designed for those who may already be engaging on climate risk, but not deforestation-related issues.

Box 3. Opportunities for knowledge-sharing among financial institutions

In addition to tools to mitigate forest risks in finance, a number of networks exist that aim to share knowledge on sustainable finance among members. These include:

The **Sustainable Banking Network**, hosted by the International Finance Corporation since 2012. It includes banking regulators/associations from 39 countries, together representing USD 43 trillion, or 85 percent, of emerging market's banking assets.³²

The **Network for Greening the Financial System** is a global network of central banks and supervisory authorities, aiming to enhance the role of financial system to manage risks and mobilized capital for green and low-carbon investments. It includes 63 members and 12 observer organizations.

The **Sustainable Finance Network**, established by the International Organization of Securities Exchange Commissions in October 2018.

Sustainable Stock Exchanges Initiative is a United Nations Partnership Programme organized by the UN Conference on Trade and Development, the UN Global Compact, UN Environment Programme Financial Initiative, and the UN Principles for Responsible Investment. It aims to facilitate knowledge sharing for how exchanges, in collaboration with investors, regulators, and companies, policymakers, and international organizations can enhance corporate transparency on environmental, social, and governance issues and encourage sustainable investment.

Indicator 2.2: Investments in sustainable commodity production and conservation

Quantifying investments in sustainable commodity production remains challenging

Quantifying the total amount of private sector finance mobilized is challenging due to the nature of private business; where investments are rarely transparent and competition means they have no obligation to publicly disclose financial information.³³ A lack of uniform definitions with regards to what can be classified as “green” or “sustainable” financing, and overlapping financing sources further complicate quantification.³⁴

Findings from the 2017 in-depth assessment of Goals 8 and 9 indicate that the amount of capital committed to sustainable commodity production remains miniscule compared to investments that do not consider forest impact.³⁵ Roughly USD 2.7 billion has been invested in private finance for sustainable commodity production and conservation in developing countries from 2004-16.³⁶ More recent global data is not available, and as a result we have been unable to quantify new private sector investments in sustainable commodity production since 2017.

Public-private impact investors hold at least USD 683 million in funding capital

Recognizing the need for collaboration, governments, non-governmental organizations, and financial institutions are pooling resources and efforts to drive greater ambition and impact in the land use sector. Similar to the co-financing taking place through mechanisms such as the Green Climate Fund and Forest Carbon Partnership Facility, large multi-donor financing facilities are a way to leverage finance from different sources. For public funding to achieve meaningful impact over the long term, private sector financial resources need to be mobilized.³⁷ A number of public-private investment funds have been set up with this goal (Table 3). Together, they hold at least USD 683 million in funding capital, and support a wide range of activities from reducing or removing deforestation from commodity supply chains through to forest conservation. The amount of private capital mobilized through these investment funds, however, is rarely reported.

Implementation of corporate commitments to invest in sustainable commodity production is low

Companies are taking steps to increase their sustainable commodity sourcing, and some have adopted deforestation-free supply-chain commitments (see Goal 2). Although there is growing acknowledgment of the need to move toward more sustainable land use, evidence of implementation of these commitments are few and far between.

A 2019 assessment by Forest 500 of the 350 most influential companies in forest-risk commodity supply chains found significant gaps between public deforestation commitments and reporting of their implementation.³⁸ Of the companies with a deforestation-related commitment, less than half (48 percent) report on implementation of their pledge, and only 13 percent report on implementation for all the commodity supply chains they are engaged in. For those companies that are reporting on implementation, this comes in the form of qualitative or quantitative reporting on the commodities they source. For example, reporting on the volume of commodity purchased and whether or not it is certified or sustainably sourced, as well as reporting on how this relates to the company’s overall deforestation commitment.

Most investments still flow to projects that promise near-term benefits: strong businesses cases, viable cash flows, and good financial returns. Shifting to sustainable commodity production requires companies to make investments with high upfront costs and long term

returns on investment, making them unattractive. Due diligence legislation which mandates companies to assess and mitigate the environmental risks of their operations could set new production standards and help keep deforestation out of supply chains. Such legislation is under consideration by some governments – including in the European Union – but must be the default if change is to be made at the scale needed. Governments have a role to play in incentivizing sustainable production and companies’ monitoring of their supply chains. Producing commodities through forest clearing continues to be the most profitable business model, and until companies can be held accountable for forest destruction, will remain to be so.

Table 3. Public-private or private impact investment funds in the land use sector

Fund name (managing entities)	Description or objective	Funding capital and achievements ^t
&Green Fund³⁹ (IDH Sustainable Trade Initiative; Norwegian International Climate and Forests Initiative (NICFI))	Aims to catalyze more than USD 2 billion in finance to protect, conserve, or restore over five million hectares of tropical forest; and benefit half a million households. It operates under the UNEP-managed Land Use Finance Programme. ⁴⁰	Commitments of USD 123 million from NICFI, Unilever and the Global Environment Facility to fund more than 20 forest protection projects globally, while catalyzing private investments up to four times more than the Fund’s investment. To date, one project has been approved for investment: support for deforestation-free rubber production in Indonesia. The amount of private finance mobilized to date is not publicly available.
eco.business Fund⁴¹ (KfW and Conservation International)	Public-private partnership that provides loans to qualified local financial institutions that lend the money to eligible borrowers (e.g. holders of recognized certifications or those making improvements in line with conservation and biodiversity goals).	eco.business Fund has invested USD 333 million across seven countries in Latin America and the Caribbean to support environmentally responsible business practices. The amount of private finance mobilized to date is not publicly available.
Althelia Climate Fund⁴² (Ecosphere+)	Public-private impact investment vehicle that finances scalable and replicable forest conservation projects in at-risk areas. Projects aim to reduce deforestation, safeguard biodiversity, mitigate climate change effects, and provide fair and sustainable lives to local communities, while granting investors a fair return on capital.	The USD 110 million (EUR 101 million) fund has been committed to over ten projects in Peru, Guatemala, Brazil, Kenya, Rwanda, and Indonesia. Projects supported include pasture and peat restoration, cocoa and coffee agroforestry, and sustainable cattle ranching, among others. The amount of private finance mobilized to date is not publicly available.
EcoEnterprises Fund⁴³ (The Nature Conservancy)	A partnership of financial institutions that offer guidance to small and growing businesses to improve their financial, social, and environmental performance. The focus of impact investment is on conservation of natural resources, sustainable land use, and development of small and medium businesses in Latin America.	Total asset under management USD 100 to 499 million. EcoEnterprises Fund has protected more than 4.2 million hectares of land through projects it has financed. The amount of private finance mobilized to date is not publicly available.
The Moringa Fund⁴⁴ (Edmond de Rothschild Private Equity, ONF International)	A public-private investment fund that aims to provide financial returns for both investors and communities in agroforestry, while developing land-use resilience. It targets profitable large-scale agroforestry projects with high	The Moringa Fund has USD 91.5 million (EUR 84 million) in investment capital. It aims to invest USD 4.3-11 million (EUR 4-10 million) per project, creating stable and profitable agroforestry projects that can

^t Calculated using currency exchange rates of EUR 1 = USD 1.09; NOK 10 = USD 0.95; GBP 1 = USD 1.33.

	social and environmental impacts in Latin America and Sub-Saharan Africa.	access both national and international markets. The fund has thus far restored 25,000 hectares of land. ⁴⁵ The amount of private finance mobilized to date is not publicly available.
AGRI3 Fund (UN Environment and Rabobank)	Launched in January 2020, the AGRI3 Fund aims to mobilize capital from commercial banks and other financial institutions to support sustainable agriculture, prevent deforestation and stimulate reforestation and improve rural livelihoods.	Fund capital of USD 80 million. ⁴⁶ Investment size per project will range between USD 2-15 million.
Partnerships for Forests⁴⁷ (UK Department for International Development; UK Department for Business, Energy and Industrial Strategy)	Provides grants and technical assistance to incubate market-ready forest partnerships between companies, public-sector actors, and civil society that catalyze investment in forests and sustainable land use. Currently, partnerships are being supported in East Africa, West/Central Africa, South East Asia, and Latin America.	Fund capital of USD 25.7 million (GBP 19.3 million). ⁴⁸ To date, USD 156 million (GBP 117 million) in private investment has been mobilized. In addition, 6,000 hectares of land are managed under sustainable land use practices.
Tropical Landscapes Finance Facility (UN Environment, World Agroforestry Centre, ADM Capital and BNP Paribas)	Public and private funding vehicle providing long term financing to catalyze sustainable land use in Indonesia. Programs supported include renewable energy, agriculture, forestry and environmental services that benefit rural livelihoods.	The amount of funding capital is not publicly available.
PROGREEN	Launched in 2019, this initiative aims to bring together sectors that drive deforestation, such as agriculture, infrastructure, and mining; to work jointly for positive outcomes for local livelihoods and forested landscapes. Specifically, it will provide technical assistance, capacity building, and finance to help establish policies that incentivize sustainable commodity value chains, sustainable land management, and NBS for infrastructure.	Whilst technically a public fund, established with EUR 200 million of public capital, the PROGREEN initiative is designed to mobilize private finance, aiming to ultimately catalyze up to USD \$1 billion in private sector investment. ⁴⁹

Annex

Source notes for Figure 3

Public finance for forests and agriculture in deforestation countries (2010-2018), in billion USD

Factor	Source
Deforestation countries	As identified in the 2017 NYDF Progress Assessment report, Finance for Forests, deforestation countries are countries with deforestation of more than 30,000 hectares of gross forest loss in the period 2010-15. These countries are: Algeria, Angola, Argentina, Bangladesh, Belize, Bolivia, Brazil, Cambodia, Cameroon, Central African Republic, Chile, China, Colombia, Congo, Costa Rica, Côte d'Ivoire, Cuba, Democratic People's Republic of Korea, DRC, Dominican Republic, Ecuador, Equatorial Guinea, Ethiopia, Gabon, Ghana, Guatemala, Guinea, Guinea-Bissau, Guyana, Honduras, India, Indonesia, Kenya, Lao PDR, Liberia, Madagascar, Malawi, Malaysia, Mexico, Mongolia, Mozambique, Myanmar, Nicaragua, Nigeria, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Sierra Leone, Solomon Islands, South Africa, South Sudan, Sri Lanka, Tanzania, Thailand, Uganda, Uruguay, Venezuela, Vietnam, Zambia, Zimbabwe. In addition, Fiji and Nepal are included due to their advanced domestic REDD+ progress.
Grey finance	Includes: <ul style="list-style-type: none"> • Domestic finance for agriculture and forestry in deforestation countries estimated from Climate Focus compilation of FAOSTAT data on government expenditure for the agriculture and forestry sectors (cumulative 2010-18, although data currently available for 2018 is very limited, with only six countries having provided figures) – FAOSTAT. (n.d.). http://www.fao.org/faostat/en/#data/. • International finance for agriculture in deforestation countries estimated from Climate Focus compilation based on development finance commitments (cumulative 2010-18) – Creditor Reporting System (CRS). (n.d.). https://stats.oecd.org/Index.aspx?DataSetCode=CRSI
Green finance	Includes: <ul style="list-style-type: none"> • Climate mitigation finance for all sectors and mitigation finance for forestry in deforestation countries: Climate Focus compilation based on climate mitigation-related development finance commitments (cumulative 2010-18) – Climate Change: OECD DAC External Development Finance Statistics - OECD. (n.d.). http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm • Domestic REDD+ finance from government investment plans of 16 REDD+ countries: Climate Focus analysis of Forest Carbon Partnership Facility (FCPF) Emission Reduction Program Documents (the 16 countries are those that budgeted for government expenditures). Investment plans cover different timeframes – Countries Forest Carbon Partnership Facility. (n.d.). https://www.forestcarbonpartnership.org/countries • International REDD+ finance from readiness and implementation: Climate Focus compilation of REDD+ readiness and implementation finance commitments (cumulative since 2010) – Climate Funds Update. (n.d.). https://climatefundsupdate.org/. • Results-based finance: Climate Focus compilation of commitments based on personal communications with donors (cumulative since 2010). Commitments from the FCPF Carbon Fund, Green Climate Fund, and BioCarbon Fund were retrieved from publicly available documentation – Countries Forest Carbon Partnership Facility. (n.d.). https://www.forestcarbonpartnership.org/countries; REDD+ Projects Green Climate Fund. (n.d.). https://www.greenclimate.fund/redd#projects; BioCarbon Fund Annual Report 2019. https://www.biocarbonfund-isfl.org/sites/biocf/files/documents/ISFL%20Annual%20Report%202019.pdf

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