

Tropical Forest Forever Facility Briefing Note



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This briefing note presents key reflections from a group of international environmental, human rights and Indigenous solidarity organisations on the development of the Tropical Forest Forever Facility (TFFF). Based on concept 2.0, it aims to highlight critical issues that must be addressed for the TFFF to achieve its goals. While not a comprehensive review due to limited public information and time, it underscores essential concerns for the feasibility of the TFFF to deliver fair and effective action for tropical forests and their inhabitants.

With at least 3.7 million hectares of tropical primary forests lost in 2023, the world is off track to meet its goal of halting and reversing deforestation and degradation by 2030. Given the ongoing failures of carbon and nature markets to deliver for forests, people and the climate, we welcome the TFFF's intent to provide a stable and simple source of financing for tropical forest countries (TFCs) and for Indigenous Peoples and local communities (IP and LCs). However, to enable the TFFF to realise this potential, we urge the authors of the next concept note to address the following environmental and social concerns with the current concept note. As written, the provisions outlined below risk undermining the TFFF's credibility, alienating investors, and eroding the support of civil society and Indigenous constituencies essential for its long-term success.

1. **Strengthening investment criteria**

It is intended that the TFFF will combine sovereign and philanthropic capital with private investment to create a fund that could generate billions in annual payments to tropical forest countries to protect forests. However, this approach makes conservation funding conditional on future economic growth, interest rate levels, and fund managers' skills, shifting the focus of nature finance onto the private sector in a way that, without proper safeguards, may not align with addressing critical ecological crises.

It is crucial that the investment mandate clearly excludes investments in fossil fuels and other industries and companies that cause significant harm to biodiversity and human rights, including the right of Indigenous Peoples to their customary lands and to free, prior and informed consent (FPIC). Failing to have such an exclusion policy would be inconsistent with the TFFF's aims and weaken trust in the fund (while also increasing climate change-induced pressures on forests).

We recommend that the Tropical Forest Investment Fund (TFIF) adheres to the ESG standards applied by most International Development Finance Institutions, such as the World Bank's International Finance Corporation's Environmental and Social Performance Standards (IFC PS), in combination with a clearly delineated list of excluded industries. A

dedicated ESG / impact unit should be established to develop and oversee an Environment and Social Management System (ESMS) to help TFIF identify, analyse, avoid, minimise, and mitigate any potential adverse environmental and social impact of its investments.

It is also critical that investors in the TFFF cannot use this to replace their own efforts to curb environmental impact. It is important to clarify such investments should not be counted towards net-zero targets, biodiversity net-gain targets, or as nature credits. In this respect, the sentence, “market borrowing investors would be able to attribute the impact of their investments in terms of carbon captured or avoided production of CO₂ as well as biodiversity protected,” should be removed and replaced with wording that investments are treated as "contributions".

Additionally, national programmes and policies expected to be financed by Forest Payments to tropical forest countries must be consistent with the conservation of natural forests and biological diversity and comply with international human rights standards. They must not be used for the conversion of natural forests or the forced physical or economic displacement of rightsholders. Instead, these funds should incentivise the protection and conservation of natural forests and their ecosystem services or enhance other social and environmental benefits.

2. The limitations of fire as the sole proxy for degradation monitoring

The TFFF monitoring framework should directly monitor forest canopy degradation from a range of human-caused disturbances, rather than just relying on the occurrence of fires as a proxy. In most cases, fire, to the extent it occurs at all, follows forest loss and degradation only after a lag of between one and 30 years. As noted by colleagues in the open letter from Griffith University et al., cost effective, timely and accurate methods are now available to monitor changes in forest canopy cover at a 10m spatial resolution on a monthly time step. For example, Sentinel satellite sensors have cloud penetrating radar and are freely available from the European Space Agency.

Failure to look beyond fire as a proxy for degradation threatens to undermine the TFFF’s integrity, creating a high risk of rewarding forest-degrading activities. In addition, it risks placing the TFFF at odds with the investment community’s improving standards for mitigating the risk of forest degradation in their portfolios. If the aim is to generate practical improvements in the conservation management of Earth’s most important tropical forest ecosystems, we must identify all key degrading activities that must be prevented in forests, particularly those that are high ecosystem integrity.

3. Reevaluating the forest threshold criteria

We recognise that setting the minimum standard for payment at 20% canopy cover, with trees over five meters, allows inclusion of a broader array of countries. However, using 20% canopy cover as a uniform standard, even for regions where primary forest canopy cover may exceed 80%, permits significant loss of forest cover and functionality before compensation reduction is triggered. This standard does not protect primary forests and enables road building, selective logging, oil platforms, and other impacts, a problem only exacerbated by using fire as the sole proxy for degradation.

It is important that the TFFF provides incentives for retaining and restoring forests with high ecosystem integrity. Differences in forest ecosystem integrity significantly impact the quality and quantity of ecosystem services generated and the risks to those services from land use and climate change.

As noted in the letter from Griffith University et al., many countries, including Brazil, can distinguish primary forests and other forests with high ecosystem integrity from natural forests managed for commodity production and plantations. UNSEEA-EA, the ecosystem accounting framework developed by the UN Statistical Commission and supported by the World Bank, enables the use of a reference level that differentiates between the ecological condition of forest ecosystems. Utilising the UNSEEA-EA reference level would enable the TFFF to differentiate financial returns based on higher levels of ecosystem services and lower levels of risk, providing stronger incentives for countries to conserve their primary forests and other high ecological integrity forests. It would also incentivise countries with small areas of primary forest to focus on ecological restoration activities and could be introduced in a staged approach, creating incentives for countries not currently using the UNSEEA-EA reference level to build capacity to do so.

4. Clarifying and strengthening the IP and LC direct funding mechanism

Concept Note 2.0 states that at least 20% of TFFF proceeds will be channelled to Indigenous Peoples, local communities, and other forest owners and stewards, directly or “through programmes benefiting” them. While this percentage does not fully reflect their actual contribution to tropical forest protection, we support the fact that it could still provide USD hundreds of millions annually to frontline forest defenders.

However, we are concerned that, in the current concept note, countries will have decision-making authority over the use of TFFF payments and may make funds available to IPs and LCs directly or through a localised funding mechanism. For the TFFF’s funding to reach its intended recipients, it is crucial that, to the largest extent possible, it goes directly to them, through their own mechanisms, including several emerging territorial funds in tropical forest basins. When intermediations are necessary, they must be freely

chosen by IPs and LCs, with the possibility to assess costs involved and the track record of such intermediaries.

IP and LC programmes should be co-defined, co-managed, and co-implemented by IPs and LCs, including collectives of women and youth within those groups, fully aligning with their self-determined priorities. Criteria and guidelines should be co-developed by the Secretariat and IPs and LCs to ensure access is direct, predictable, inclusive, equitable, and flexible. Appropriate monitoring mechanisms should be in place to ensure that funds are directed to the intended IP and LC recipients.

Finally, the TFFF needs to clarify terminologies around IPs and LCs. While "Indigenous Peoples" is an internationally recognised legal term, "local communities" can encompass various groups. To avoid conflating these terms and ensure funding reaches forest stewards, it should develop criteria to identify "local communities" based on international human rights frameworks like ILO Convention 169 and the Convention on Biological Diversity, as well as definitions proposed by non-Indigenous local forest communities and Afro-descendent Peoples themselves.

5. Including human rights as eligibility criteria and strengthening social safeguards and redress mechanisms

States have a legal obligation to respect, protect and fulfil human rights, not just deliver benefits. Allocating 20% for IPs and LCs is insufficient if the remaining 80% undermines their autonomy or violates their rights. Without clear human rights eligibility criteria for participating Tropical Forest Countries, the TFFF carries several social risks. For example, per hectare payments and significant penalties for forest cover loss could create perverse incentives, such as militarisation of conservation efforts, criminalisation of rotational farming practices and trigger private or state land grabs. This could also impede progress on IP and LCs' land rights and impact food security. Therefore, eligibility for entry into the TFFF should include an explicit requirement for tropical forest countries to align laws and policies regulating their forest sector (and other sectors affecting forests) with international human rights laws and standards, including the UN declaration on the Rights of Indigenous Peoples (UNDRIP).

Systems must be established to independently verify implementation of these standards for forest protection activities undertaken by tropical forest countries to access TFFF funding, with financial penalties for non-compliance. There should also be an 'opt-out' mechanism for IPs and of LCs if they decide that their lands and territories should not be included in the areas determining payments to Tropical Forest Countries, in line with the right to FPIC.

Linked to these issues is the need for an accessible, transparent and effective grievance and redress mechanism (GRM) for IPs and for LCs and others negatively impacted by

TFFF activities and investments. While the concept note mentions a grievance mechanism, it lacks clear human rights criteria. Its reliance on "local-level" resolution for "local-level" matters without third-party oversight is also problematic, especially in contexts where national systems lack independence or are hostile to IPs' and LCs' rights. The TFFF GRM should be designed as an independent accountability mechanism such as the Green Climate Fund that reports to the Board rather than the Secretariat. It should also be implemented in alignment with the United Nations Guiding Principles on Business and Human Rights (UNGPs).

6. Ensuring inclusive and democratic governance

The principles of community engagement, transparency and accountability should be more embodied in the TFFF's governance structure. The provision granting greater representation to countries contributing more financially (11% Sponsor country tranche of capital) risks creating an undemocratic power imbalance, undermining equity for countries and communities with less capital but greater forest stewardship. To address this, TFFF should cap the influence of financial contributions on voting power and introduce a hybrid governance model where decision-making is shared between financial contributors, TFCs, and rights holders.

The Concept Note proposes that the TFIF and TFFF be hosted by a multilateral development bank, such as the World Bank. There are concerns with the fund being hosted by the World Bank, similar to those articulated by the G77 group of countries at COP28 when the Bank was proposed as host for the Loss and Damage Fund. These concerns centre on the dominance of the US and Europe in decision-making, the undemocratic nature of the process, and the Bank's record of promoting projects that fuel forest destruction, such as large dams and agribusiness. Additionally, the high overhead costs of the World Bank hosting the facility could divert money from TFCs, while sponsor countries who normally support forest programmes through the Bank could favour backing a fund that prioritises their interests. For these reasons, we recommend that the TFFF remain independent or be hosted as a UN body, like the Green Climate Fund.

The proposed Facility Board of Directors (BoD) membership should include guaranteed permanent seats for IPs and LCs given that the TFFF will operate in their territories. The Investment Fund BoD should also include not just sponsors but also TFCs, IPs, and LCs to ensure equitable representation. There should be gender-balanced representation across all appointments.

The current governance structure includes an Advisory Council for the Facility but lacks a similar mechanism for the Investment Fund, raising transparency and accountability issues. The Advisory Council should oversee both arms of the TFFF and have explicit

enforceable mechanisms to ensure the Board responds to its inputs. The concept note suggests IPs, LCs, and CSOs may join the Advisory Council, but they are not recognised as autonomous nominators, and there is no guarantee of permanent seats for them.

TFFF should therefore engage in extensive consultations with IPs and LCs regarding their representation in governance. This includes defining the processes and criteria for IPs and LCs to nominate their representatives for the Advisory Council and other bodies as well as their involvement in the Grievance and Redress Mechanism, national-level funding mechanisms, and the development of investment criteria. The call for feedback on the Concept Note 2.0 is only available in English, making it inaccessible for many IPs, LCs and CSOs, especially in the global south. The TFFF Secretariat should provide the concept notes in Spanish, Portuguese, French, and Bahasa to enable informed feedback and participation.

Thank you for the opportunity to provide feedback on the latest TFFF concept note. We are hopeful that the TFFF, with these amendments, can serve as a truly leading mechanism for driving long-overdue progress on forest protection. We would welcome any opportunity to follow up on any of the issues raised in this brief.

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