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State of Climate and Conservation Finance
for Indigenous Peoples & Local Communities 2025

Trust, Tenure, Transparency

Foundations for Climate & Conservation Finance

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Authors:

Arthur Blundell, Emily Harwell, Beto Borges, Debora Batista, Melissa Panhol

Editors:

Genevieve Bennett, Aubrey Peterson, Eszter Bodnar

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About the Communities and Territorial Governance Initiative (CTGI)

Forest Trends' Communities and Territorial Governance Initiative (CTGI) works directly with Indigenous Peoples, Local Communities, and Afro-descendants to promote support for securing their rights, protecting their territories, and advancing self-determined governance models that uphold biocultural values. CTGI works in partnership with local territorial organizations and representative leaders across Latin America and other tropical forest regions to strengthen community-led strategies for conservation, climate action, and sustainable livelihoods.

Our approach centers on ensuring that Indigenous Peoples, Local Communities, and Afro-descendants are not only recognized as stewards of vital ecosystems, but also positioned as key decision makers and direct beneficiaries and shapers of climate and conservation finance. Through technical assistance, policy advocacy, and convening platforms, CTGI contributes to more just and effective environmental finance systems that respect rights, strengthen autonomy, and deliver tangible benefits on the ground.

This report is part of CTGI's broader effort to track, analyze, and shape financial flows to and by IPs & LCs, helping to close data gaps and inform more equitable funding mechanisms in the global response to climate change and biodiversity loss.

About Forest Trends

Forest Trends Association is a 501(c)(3) organization founded in 1999. Forest Trends works to conserve forests and other ecosystems through the creation and wide adoption of a broad range of environmental finance, markets, and other payment and incentive mechanisms. Forest Trends does so by 1) providing transparent information on ecosystem values, finance, and markets through knowledge acquisition, analysis, and dissemination; 2) convening diverse coalitions, partners, and communities of practice to promote environmental values and advance development of new markets and payment mechanisms; and 3) demonstrating successful tools, standards, and models of innovative finance for conservation..

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ctgi@forest-trends.org | www.forest-trends.org/communities | www.forest-trends.org.

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Foreword

For several years, we at the Communities and Territorial Governance Initiative (CTGI) have been tracking a paradox that lies at the heart of global climate and conservation finance: Indigenous Peoples and Local Communities (IPs & LCs) are recognized as some of the most effective stewards of forests and biodiversity, yet they continue to receive only a fraction of the funding that is meant to protect these ecosystems. This gap is more than a matter of fairness. It undermines the effectiveness of climate action, biodiversity conservation, and sustainable development worldwide.

Our commitment to producing this report grew out of this persistent imbalance. Time and again, we have seen well-intentioned finance mechanisms fail to reach the ground, while communities who protect critical ecosystems remain underfunded and under-recognized. The need for this study became clear as we documented the recurring patterns of exclusion, the information gaps, and the structural barriers that prevent finance from flowing directly to IPs & LCs. This report, developed with the support of the Walmart Foundation, is part of our continuing effort to document both the barriers and opportunities in climate and conservation finance for IPs & LCs worldwide.

From Brazil to Africa to Asia, communities are calling not only for recognition, but for equitable participation and direct access. Brazil's recent Resolution No. 19/2025 is one example of a step in the right direction. It affirms that Indigenous Peoples hold the rights to the carbon credits generated on their lands and sets minimum thresholds for their fair share of benefits. This reform demonstrates that governments can align carbon markets and conservation finance with Indigenous rights and self-determination. While such progress is encouraging, the issues we highlight in this report extend far beyond any single country. They are global in scope, demanding systemic change.

The Gaps We Have Been Following

Our work has consistently revealed a series of barriers that explain why IPs & LCs receive less than one percent of global climate finance directly:

- **Information gaps:** Communities often lack access to transparent, timely, and accessible information about how finance is allocated, who qualifies, and what obligations are attached.
- **Capacity disparities:** Administrative and technical requirements—from drafting proposals to reporting standards—are often designed for large NGOs or governments, not for grassroots organizations.
- **Structural invisibility:** IPs & LCs are too often treated as "stakeholders" rather than rights-holders, limiting their influence over finance design and distribution.
- **Weak accountability:** When finance projects bypass communities or fail to deliver promised benefits, IPs & LCs frequently have no effective recourse.

Together, these gaps create a cycle of dependency and exclusion. They leave communities carrying the burden of ecosystem stewardship while receiving minimal financial recognition or decision-making power.

Why This Report, Why Now

Momentum for change is building. Governments are beginning to adopt stronger safeguards, and new standards are emerging that explicitly recognize IPs' & LCs' role in forest governance. Donors and climate funds are increasingly aware that their commitments to equity and impact ring hollow unless communities receive resources directly. Initiatives like the Equitable Earth Standard, which CTGI and partners helped develop, are part of this shift toward community-led design.

Yet change remains too slow, too uneven, and too fragile. Without structural reforms, the world risks repeating the mistakes of the past decade—channeling billions of dollars into mechanisms that may tick boxes but fail to deliver real impact on the ground. This report was written to push the conversation forward, to provide evidence of where the gaps remain, and to offer practical pathways toward more direct, effective, and equitable finance.

What We Offer in These Pages

In the following sections, we:

1. Map the current landscape of climate and conservation finance for IPs & LCs, highlighting the stark mismatch between global commitments and local realities.
2. Document both barriers and success stories, showing what happens when finance is designed with IPs & LCs at the center.
3. Provide concrete recommendations organized around three foundational pillars:
    - **Trust:** Finance must be grounded in recognition of IPs & LCs as rights-holders, with long-term relationships built on respect and accountability.
    - **Tenure:** Secure land and resource rights are the foundation for effective stewardship and fair participation in climate finance.
    - **Transparency:** Clear, accessible information about financial flows, decision making, and grievance mechanisms is essential for equity and accountability.

A Call to Action

This report is not simply a diagnostic. It is a call to funders, governments, and practitioners to shift from rhetoric to action. That means designing mechanisms that deliver finance directly to IPs & LCs, investing in community-led institutions, supporting technical and legal capacity, and embedding accountability measures that ensure funds achieve their intended impact.

For the global climate and biodiversity agendas to succeed, IPs & LCs must be recognized not as peripheral actors but as central leaders. Their governance systems, cultural values, and ecological knowledge are indispensable to sustaining the world's most critical ecosystems. Ensuring they receive and manage the resources they deserve is both a moral imperative and a practical necessity.

With this report, CTGI and Forest Trends aim to shine a light on the barriers, but also on the solutions. There is an urgency to act—and an opportunity to act differently. We invite all partners to join us in building a future where climate and conservation finance flows directly, transparently, and effectively to the communities who safeguard our planet.

All the best,

Beto Borges

Director, Communities and Territorial Governance Initiative

Forest Trends

Acronyms

ADP	Afro-descendant Peoples
AFOLU	Agriculture, Forestry, and Other Land Uses
AMAN	Indigenous Peoples Alliance of the Archipelago
AMPB	Mesoamerican Alliance of Peoples and Forests
APA	Amerindian Peoples Association
ART	Architecture for REDD+ Transactions
B	Billion
BMZ	German Government's Federal Ministry for Economic Cooperation and Development
BVCM	Beyond Value Chain Mitigation
CAFI	Central African Forest Initiative
CBD	Convention on Biological Diversity
CBFF	Congo Basin Forest Fund
CCB	Climate, Community, and Biodiversity
CCP	Carbon Crediting Program
CCPs	Core Carbon Principles
CIF	Climate Investment Funds
CO_2e	Carbon Dioxide Equivalent
COIAB	Coordination of Indigenous Organizations of the Brazilian Amazon
COP	Conference of the Parties
CPIC	Coalition for Private Investment in Conservation
CSR	Corporate Social Responsibility
CTGI	Communities and Territorial Governance Initiative
DGM	Dedicated Grant Mechanism
ERPA	Emissions Reductions Purchase Agreement
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
FPIC	Free, Prior, and Informed Consent
FTFG	Forest Tenure Funders Group
G2G	Government-to-Government
GBFF	Global Biodiversity Framework Fund
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse Gases
HFLD	High Forest, Low Deforestation
ICVCM	Integrity Council for the Voluntary Carbon Market
IPs	Indigenous Peoples
IPs & LCs	Indigenous Peoples and Local Communities
ITMOs	Internationally Transferred Mitigation Outcomes

J-REDD	Jurisdictional REDD+
LCs	Local Communities
LEAF	Lowering Emissions by Accelerating Forest Finance
M	Million
MFI	Multilateral Financial Institutions
MRV	Monitoring, Reporting, and Verification
NDAs	Non-disclosure Agreements
NDCs	Nationally Determined Contributions
NGOs	Non-governmental Organizations
NMAs	Non-market Approaches
NTFPs	Non-timber Forest Products
PACM	Paris Agreement Crediting Mechanism
PES	Payment-for-Ecosystem Services
REDD+	Reducing Deforestation and Forest Degradation (the '+' indicates forest-related activities that enhance carbon stocks and SFM)
REM	REDD Early Movers Programme
RFN	Rainforest Foundation Norway
SBTi	Science Based Targets Initiative
SDG	Sustainable Development Goals
SFM	Sustainable Forest Management
T	Trillion
tCO_2e	Ton of Carbon Dioxide Equivalent
TFFF	Tropical Forests Forever Facility
TK	Traditional Knowledge
TMND	Territories with Minimal or No Deforestation
TREES	The REDD Environmental Excellence Standard
UK	United Kingdom
UN	United Nations
UNCBD	UN Convention on Biodiversity
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
US	United States of America
USAID	US Agency for International Development
USD	US Dollars[1]
USG	United States Government
VCM	Voluntary Carbon Market
VCS	Verra's Verified Carbon Standard
VVB	Validation & Verification Bodies

[1] Please note all currencies are in US Dollars (USD) unless otherwise stated.

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Executive Summary

Forests are essential to addressing the climate crisis, yet they are disappearing at alarming rates, representing 20 percent of annual global greenhouse gas emissions. Despite their importance, forests receive only a small fraction of the total climate- and conservation-related finance flows. Encouragingly, there is growing global recognition of both the role of forests and the leadership of Indigenous Peoples (IPs) and Local Communities (LCs), who have proven to be the most effective guardians of these ecosystems. This report assesses the structure, effectiveness, and obstacles of forest-based climate finance, with a focus on increasing access and improving outcomes for IPs &LCs.

Key Findings

1. Forest-based Climate Finance is Growing but Misaligned

Multilateral and philanthropic donors have pledged billions for forest conservation, including a USD $1.7 billion (B) Forest Tenure Funders Group (FTFG) pledge that explicitly recognizes the contribution of IPs & LCs. By 2023 (the most recent report), the FTFG had already disbursed more than 80 percent of the pledge.

The sustainability of these gains, however, remains uncertain following the Trump administration's gutting of foreign aid, including climate funding. Whether other sources will step into that breach remains an open question, given global economic turmoil resulting from trade wars and shifting political alliances.

Most climate finance continues to pass through intermediaries, with less than five percent of multilateral funding reaching IPs & LCs directly. The FTFG, for example, continues to drive progress on their $1.7B pledge, over a five-year commitment (from 2021-2025) for direct funding to IPs & LCs.

There is also a move toward jurisdictional approaches to climate finance in order to improve integrity in carbon accounting. However, in tropical forested countries, where many IPs & LCs experience systematic discrimination and neglect, climate schemes that rely solely on governments to consult and share benefits—without meaningful guidance and oversight—are unlikely to deliver on promises of high social integrity.

Regardless, public finance alone is likely insufficient to adequately tackle the climate crisis; scaling up will require the engagement of the private sector, but it remains an open question whether the private sector is adequately incentivized to deliver high social integrity climate finance to IPs & LCs.

2. Market-based Solutions are Inadequate

While the Voluntary Carbon Market (VCM) offers the potential of increased funding, it currently suffers from price instability and reputational risks. Further, the most widely used carbon standard-setting framework does not require revenue sharing with IPs & LCs, and social safeguards under myriad program standards are inconsistent and poorly monitored and enforced.

3. A Lack of Reporting Hinders Understanding of the Private Sector's Impact

Carbon markets do not publicly report on benefits sharing with IPs & LCs. Given the lack of these requirements, it is unlikely that the VCM is any better than donor funding at delivering benefits to people on the ground. Regardless, the lack of transparency makes accountability around benefits sharing virtually impossible.

4. Structural Barriers Undermine Access

Reform will be required to address this lack of funding given that IPs & LCs face systemic discrimination, legal insecurity, bureaucratic grant processes, language and cultural gaps, and limited infrastructure. Asymmetries—in power, resources, and information—further limit IPs' & LCs' ability to negotiate or implement projects independently.

5. Non-market Approaches Offer an Alternative Approach

Article 6.8 of the Paris Agreement promotes Non-market Approaches (NMAs), which prioritize community-led, culturally appropriate solutions over commodified carbon finance. Models like "Beyond Value Chain Mitigation" encourage the private sector to fund local conservation as part of their corporate social responsibility spending. Such agreements avoid the uncertainty associated with the VCM.

As part of their contribution to mitigating climate change, corporations are likely to want projects that also incorporate additional benefits, including conserving biodiversity, improving human development, and achieving other United Nations (UN) Sustainable Development Goals (SDG). Indeed, trades on the VCM linked to these additional benefits achieve higher prices than those that only sequester carbon. IPs and LCs likely have a comparative advantage in delivering such value-add projects.

In addition to delays and uncertainties (and possible internal conflicts) associated with revenue sharing, IPs & LCs often see the increased security of their territorial rights (tenure) as an important, if not the most important, benefit of these projects.

Recommendations

Require Carbon Standards, like Verra, and emerging initiatives, like Brazil's Tropical Forests Forever Fund (TFFF), to include meaningful, inclusive and ongoing participation processes, and participatory impact assessment/ mitigation, as well as robust forms of monitoring/ reporting and accountability.

Recognize that individual IP & LC groups will not have the time and resources to develop (or even regularly engage directly) with projects, and thus IP- and LC-led organizations must be supported to protect the interests of people on the ground. Ensure these intermediaries are facilitators—not competitors—of community access to funding.

Support innovative Indigenous-centered models, like impact bonds and biodiversity credits, that reflect local values and that provide additional credits beyond carbon sequestration.

Reinforce the importance of non-monetary benefits, such as political empowerment and the recognition of IPs' and LCs' land tenure and the development of territorial governance.

Conclusion

Current climate finance, despite growing pledges and new mechanisms, continue to marginalize IPs & LCs that are most crucial to forest protection. Without urgent reforms to increase direct funding, enforce rights, and enable self-determined climate action, these mechanisms risk failing both people and the planet. A new, equity-centered climate finance must prioritize local control and Indigenous leadership, explicitly require revenue streams for people on the ground, and be based in transparency and accountability in order to effectively address the intertwined climate and biodiversity crises.

Given that the current FTFG Pledge ends in 2025, the time for reform is now. To make sure that IPs & LCs benefit, this report constitutes a call to action for the need for increased funding, transparency, and accountability. This action should be led by IPs & LCs themselves.

Introduction

Photo credit: Shutterstock

Introduction

Tropical deforestation represents 20 percent of annual global greenhouse gas (GHG) emissions (Asner 2012). Protecting and restoring forest ecosystems is therefore critical to achieving climate goals, safeguarding biodiversity, and maintaining planetary stability. The active and equitable participation of IPs & LCs is central to this effort. It is estimated that IPs & LCs manage 50 percent or more of the world's land, of which most are intact forests, while also safeguarding 80 percent of global biodiversity, often with limited external support and in the face of significant threats (Oxfam 2016; Nitah 2021). Studies consistently show that forests under Indigenous management experience lower rates of deforestation and degradation than other forested areas, even those under formal protection (Qin et al. 2023).

Strengthening the rights of IPs & LCs and their highly conserved territories is fundamental for mitigating and adapting to climate change and conserving biodiversity (IPCC 2022; CBD 2022)., Yet despite this outsized contribution, IPs & LCs receive only a small fraction of climate and conservation finance. Available data suggests that only 17 percent of total global climate and conservation funding directed for IP & LCs actually reaches the territories (Rights and Resources Initiative and Rainforest Foundation Norway 2022).

The rationale for a dedicated focus for directing funds to IP & LC territories and communities is clear: they encompass the most effective stewards of forests and natural ecosystems. Despite this, they also continue to face political marginalization and financial exclusion. Numerous global commitments, such as the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework, acknowledge the critical role of IPs & LCs in delivering climate and biodiversity outcomes; however, these acknowledgments have not translated into systemic shifts in how finance is governed or distributed.

In recent years, new initiatives and financing mechanisms have emerged that seek to recognize and address this imbalance. These include jurisdictional REDD+[2] programs, corporate non-governmental organization (NGO) partnerships, philanthropic commitments, and evolving carbon market standards that claim to center rights, participation, and equitable benefit sharing, including the shift from acknowledging IPs & LCs as mere beneficiaries to instead being recognized as co-designers and partners in projects and programs. Despite this progress, barriers remain, ranging from legal exclusion and limited recognition of customary land rights, to complex financial architectures that restrict IPs' & LCs' access.

This report surveys the current state of climate and conservation finance for IPs & LCs, mapping emerging opportunities, identifying critical gaps, and providing insights on how to move from fragmented pilot efforts to systemic, scaled, and just solutions. By centering IP & LC voices and priorities, and analyzing the flows of funding meant to support them, we aim to inform future investments that are not only effective, but fair, inclusive, and enduring. Strengthening IPs' & LCs' access to and control over funding is not only a matter of justice, but a prerequisite for achieving durable and scalable positive socioenvironmental results for everyone who directly benefits from the large-scale climate and nature benefits provided by forests.

This report is the first edition of the *State of Climate and Conservation Finance for Indigenous Peoples and Local Communities*, the start of a series of publications by Forest Trends' Communities and Territorial Governance

[2] "'REDD' stands for 'Reducing emissions from deforestation and forest degradation in developing countries. The '+' stands for additional forest-related activities that protect the climate, namely sustainable management of forests and the conservation and enhancement of forest carbon stocks." Read more at: https://unfccc.int/topics/land-use/workstreams/redd/what-is-redd.

Initiative (CTGI). Its purpose is to consolidate, contextualize, and critically assess data and trends in private finance directed to IPs & LCs, with a focus on tropical forest regions in the Global South. This edition draws from publicly available datasets, institutional reports, academic literature, and internal Forest Trends analyses. While climate finance has received increasing attention in recent years, this report uniquely combines both climate and conservation-related flows, with an emphasis on transparency, accountability, and impact on the ground.

Review of Climate and Conservation Finance

Photo credit: Forest Trends

Review of Climate and Conservation Finance

As the climate and biodiversity crises intensify, there is growing recognition that IPs & LCs are not only at the frontlines of these challenges but also play a vital role in the solutions. While climate finance is increasingly directed toward emissions reduction and adaptation, conservation finance, which encompasses the set of financial mechanisms explicitly aimed at protecting ecosystems and biodiversity, remains underutilized and underfunded. Together, these financial flows represent crucial, and often overlapping, pathways to support forest guardianship, secure territorial rights, and build the resilience of IPs & LCs and the territories they manage. This section explores the current architecture of both climate and conservation finance, the scale and accessibility of resources, and how these intersect with the needs and realities of IPs & LCs.

Defining Climate and Conservation Finance

The United Nations Framework Convention on Climate Change (UNFCCC) defines climate finance as that which "aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts." (UNFCCC 2014). This definition includes (Figure 1) both public money (i.e., from governments and multilateral institutions) and private finance (i.e., from individuals, philanthropic, and corporate sources). It also covers **blended finance**[3], which can help support IPs & LCs by using public and/or philanthropic sources to provide catalytic capital (at below-market rates and/or providing insurance, for example) to increase private sector investment.

[3] Blended Finance Definition: www.convergence.finance/blended-finance.

Considering that efforts that address biodiversity loss and ecosystem health also play a critical role in climate mitigation and adaptation, **conservation finance** can be seen as a subset of the larger climate finance landscape. Conservation finance is defined by the Global Environment Facility (GEF) as investment mechanisms that generate, structure, and allocate capital toward the sustainable management of ecosystems, with the dual goal of preserving biodiversity and delivering financial return (GEF 2018).

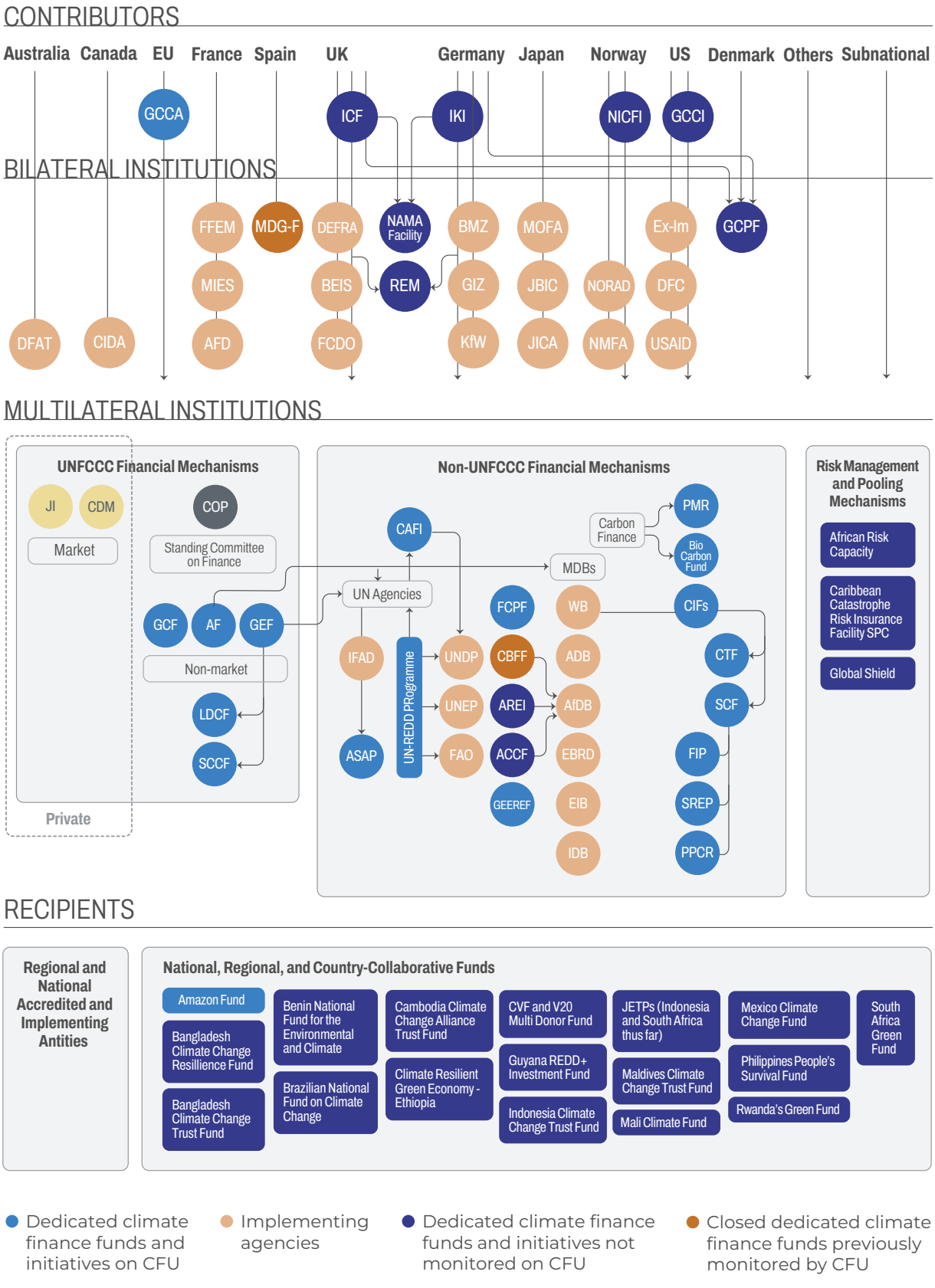
This can refer to a wide array of investment and financial instruments designed to support the long-term preservation of biodiversity, natural ecosystems, and the services they provide, encompassing both public and private funding sources, from blended finance models and debt-for-nature swaps, to payments for ecosystem services (PES), green bonds, and biodiversity credits. For the purpose of this report, both climate and conservation finance will be addressed mutually, considering their overlap with activities that contribute to both strategies.

For IPs & LCs, climate and conservation finance offers a pathway to recognize and support their stewardship roles, often rooted in traditional knowledge and ancestral practices, that sustain biodiversity and ecosystem integrity.

Climate and Conservation Finance Flows

The most recent global data available from Climate Policy Initiative put total climate finance at $1.9 trillion (T) per year (Figure 2), nearly double what it was just three years earlier (CPI 2025; Buchner et al. 2023). While impressive, this represents only about one percent of global GDP and remains far below the annual trillions required to avoid the worst impacts of climate

Figure 1. Global Public Climate Finance Architecture, Adapted from Overseas Development Institute and Heinrich Boell Stiftung (Nakhooda et al. 2016)



change. Of the $1.9T, 94 percent ($1.78T) went to mitigation, dominated by energy systems ($834B), transport ($545B), and buildings and infrastructure ($290B).

Adaptation received only $65B (around three percent), and dual-benefit investments received $58B. Spending continues to be concentrated geographically, with the vast majority of flows going to the Global North, China, and India, while vulnerable countries, including those most affected by climate change, still receive only a very small share.

Grants to incentivize mitigation or adaptation activities represented about three percent of global climate finance ($57B in 2023), but were a relatively small share of total climate finance to the Global South ($41B, around four percent). Average project size remains below $100,000 (compared to $22 million [M] in the Global North). A lack of standardized data collection makes it difficult to know how this money was spent, but it appears to mainly subsidize transport and energy production, and thus unlikely to have reached forest-dependent IPs & LCs.

Highly debt-distressed countries, in particular, received a large portion of their international public climate finance as loans, further raising their debt burdens. Only a negligible share of debt financing was reported as concessional (at below-market rates), mainly from development agencies. It proves difficult to evaluate how this debt was used, but it also appears to mainly subsidize transport and energy production. Indeed, debt financing is unlikely to be available to most IPs & LCs.

Despite the promising growth of conservation finance, it still faces several barriers to scale: the small size and heterogeneity of most projects, long timelines for returns, and uncertainty in ecosystem service markets. Addressing these challenges requires enabling policy frameworks, improved project aggregation mechanisms, and strategic partnerships between public, private, and philanthropic actors. Initiatives such as the Coalition for Private Investment in Conservation (CPIC) aim to unlock scalable models and catalyze the flow of private capital into high-impact conservation projects globally.

Climate and Conservation Finance Flows to IPs & LCs

Given the current distribution of climate finance, by financial instrument, sector, and geography, it is likely that almost all of this funding remains inaccessible to IPs & LCs in the Global South.

The sector most relevant to IPs & LCs is climate finance connected to the forests within their territories, classified under Agriculture, Forestry, and Other Land Use (AFOLU). Yet AFOLU accounts for less than 3.5 percent of all climate finance (around $45B annually), and within this category, forest management received less than one percent, despite its central role in addressing the climate crisis (CPI 2025).

Still, forest-related investments represent more than $4B per year, some of which could reach IPs & LCs through mechanisms that reward the stewardship of their territories, particularly performance-based initiatives (CPI 2025). These projects seek either to increase carbon sequestration (e.g., through reforestation or improved forest management) or to reduce emissions by curbing deforestation and forest degradation (REDD+) through conservation and sustainable forest management (SFM) (CPI 2025).

Financing for these projects typically derives from the sale of carbon credits, purchased by companies seeking to offset emissions or as part of broader climate and sustainability commitments. To ensure legitimacy, however, such projects must adhere to certain criteria, including additionality (i.e.,the intervention would not have occurred without the project), no leakage (i.e., emission reductions are not displaced elsewhere), and permanence (i.e., safeguards against reversals), alongside broader environmental and social safeguards.

The most recent data on conservation finance flows to IPs & LCs reveals a growing but still insufficient trend towards direct funding. A notable model is the Climate Investment Funds' Dedicated Grant Mechanism (DGM), which has allocated around $110M directly to Indigenous and local community-led forest conservation and nature projects over the past decade (CIF

2024). This model is praised for empowering communities with governance over funds, though challenges remain in expanding to new regions and overcoming technical barriers. Despite progress, direct finance to IPs & LCs is still a small fraction of overall nature finance, due to persistent barriers preventing direct financing to Indigenous and local community organizations.

Funders like the GEF are increasingly urged to reform their access mechanisms to prioritize Indigenous participation and funding, rather than routing finance solely through intermediaries (GEF IEO 2018). Indigenous representatives emphasize that conservation finance must respect their rights, traditional knowledge, and governance systems to be effective. Moreover, increasing targeted investment in Indigenous-led funds, especially empowering Indigenous women's leadership, is critical for supporting locally led climate and biodiversity solutions.

Overall, while conservation finance to IPs & LCs is improving, it remains far from meeting the scale of their stewardship and climate roles. Structural reforms and larger, sustained investments are still urgently needed.

Forest-based Climate Finance Mechanisms for IPs & LCs

Photo credit: Forest Trends

Forest-based Climate Finance Mechanisms for IPs & LCs

This section examines the principal mechanisms through which climate and conservation finance linked to forests is mobilized, and the extent to which these flows are accessible to IPs & LCs. It reviews major multilateral and philanthropic funds and current funding trends, explores the growing role of payment-for-performance schemes, assesses the opportunities and challenges of private finance, and details the functioning of carbon and conservation markets. Together, these mechanisms represent the core channels shaping how financial resources reach (or fail to reach) IPs & LCs, whose stewardship of forests remains critical to global climate goals.

Major Multilateral and Philanthropic Funds

The conventional entry point for forest-related climate finance in the Global South has been through grants and project-based funding from multilateral financial institutions (MFIs) and large philanthropic organizations. These funds, such as the GEF, Green Climate Fund (GCF), and Climate Investment Funds (CIF), collectively mobilize billions of dollars each year for climate and biodiversity initiatives, including those in the AFOLU sector.

Philanthropic actors have also committed significant resources, particularly following high-level pledges at COP26, the 26th United Nations Climate Change Conference of the Parties (COP), held under the UNFCCC, to support IPs & LCs. Yet, despite their scale, these flows rarely reach communities directly; they are often mediated through governments, development banks, or large NGOs. Initiatives like the CIF's DGM show that direct access is possible, but replicating such models across major funds remains limited. As such, while these institutions remain the backbone of international forest finance, structural barriers continue to constrain meaningful and direct participation by IPs & LCs.

Funding Trends to IPs & LCs

Unfortunately, there is weak reporting on how much of the funding above has flowed to IPs & LCs, and existing data are difficult to interpret. For example, Rainforest Foundation Norway (RFN), which uses donor data to estimate funding flows, found these data to be "complex, fragmented and inaccessible" (RRI&RFN 2024). The recently developed "Path to Scale" funding dashboard[4] aims to add some transparency by tracking this donor finance for forest tenure and forest governance that went directly to IPs & LCs using the scant data available.

The publicly accessible data that do exist show that only a tiny percentage of donor funding reached IPs & LCs on the ground. In the RFN review, noted above, researchers estimated that between 2011-2020, approximately $2.7B[5] in public money was spent on forest management. Of this, only 17 percent of project-descriptions included a named IP or LC organization, and only 11 percent of projects reportedly went toward "advancing tenure security."

> A tiny fraction of this small amount makes it to IPs and LCs directly. Of the funding from 2011-2020, RFN estimated less than one percent went directly to IPs & LCs, a revelation that acted as a wakeup call at the 2021 COP (COP26), and that spurred the $1.7B FTFG Pledge, noted above.

[4] Path to Scale Funding Dashboard available at: https://dashboard.pathtoscale.org/

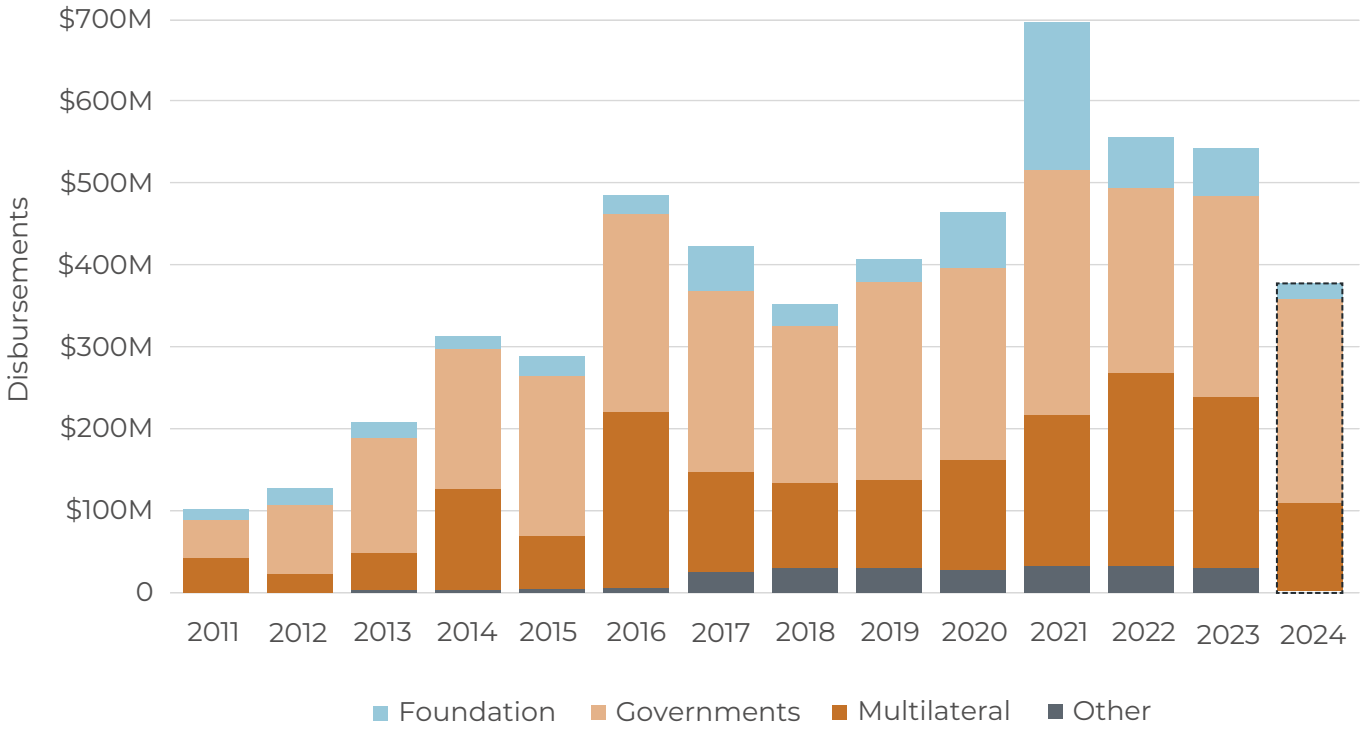
[5] The (2021) RFN research showed the US Agency for International Development (USAID) was the largest donor to IP & LC tenure and forest management, c. US$414 million [M] between 2011-2020, or 0.12% of ODA spending. The Path to Scale dashboard shows USAID's FTFG Pledge aligned disbursements from 2012-2024 to be$665.4 M. This funding will almost certainly be slashed to virtually nothing under the current extreme cuts to foreign aid under President Trump, particularly given his moves to align government spending away from any climate change initiatives.

Table 1. List of Major Multilateral and Philantrophic Funds that have Committed Significant Resources to Support IPs & LCs

Global Environment Facility (GEF)
This includes a Small Grants Program providing "financial and technical support to local civil society and community-based organisations" through which it has deployed $725M and mobilized $877M in co-finance since its inception in 1991 (GEF 2024).
Green Climate Fund (GCF)
This was established by the Parties to the Paris Agreement to support mitigation and adaptation activities in developing countries, including REDD+, capacity building, and technology transfer (UNFCCC 2010). As of 2025, the GCF had funded $16.6B in total, of which $604M focused on forest activities (GCF 2025). The GCF recently approved an Indigenous Peoples Policy, a Gender Policy, and Environmental and Social Safeguards (in addition to the Cancún Safeguards[6] that the UN relies on).
Global Biodiversity Framework Fund (GBFF)
Launched by the GEF in 2023, the Global Biodiversity Framework Fund (GBFF) is a $200M fund to provide enhanced support to IPs & LCs, Small Island Developing States, and Least Developed Countries "according to their own priorities" (GEF 2024). Up to a fifth of the Fund will be allocated to IP-led initiatives to protect and conserve biodiversity" (GEF 2023).
World Bank's Forest Carbon Partnership Facility (FCPF) and Forest Investment Program (FIP)
The $472M dedicated to the Forest Carbon Partnership Facility (FCPF) was intended mainly to support REDD+ readiness programs, which concluded its programming in 2014. The FCPF Carbon Fund for results-based payments for forest and land use emissions reductions currently has $900M in donor contributions (FCPF 2025). The Forest Investment Program (FIP), at $613M, aims to address AFOLU mitigation activities, including addressing drivers of deforestation and forest degradation, as well as tracking contributions to the UN's SDGs, including tenure support and gender equality. The FIP also has a $80M DGM for capacity building specifically targeted for IPs & LCs.
Loss and Damage Fund
Intended to mitigate the impacts of extreme weather events in countries suffering the worst effects of climate change (and ideally proportionally funded by those who contribute the most in emissions), this vehicle remains hotly contested, with $702M committed (including only $17.5M from the United States of America (US), which is historically the world's largest contributor to emissions).
REDD+ Early Movers Programme (REM)
Created in 2011 by the German Government's Federal Ministry for Economic Cooperation and Development (BMZ) with financial contributions from the United Kingdom (UK), and officially launched in 2012 at Rio+20, REDD Early Movers Programme (REM) has compensated (€221.5M at US$5/t CO2e) Colombia, Ecuador, and two federative units of Brazil (Acre and Mato Grosso) that have demonstrated verifiable results in REDD+. REM does not buy the credits; the beneficiary jurisdictions must report the credits to the UNFCCC as part of their voluntary national contribution to the Paris Climate Agreement. While there is no reporting on how much of this funding went to those on the ground, REM aimed for 60-70 percent payments directly to IPs & LCs and the remainder to strengthen policies and government structures.
Forest Tenure Funders Group (FTFG)
In recognition of the important role of IPs & LCs in addressing climate change, and the small share of climate finance that they receive, 25 donor countries and philanthropic foundations pledged $1.7B at the Glasgow COP26 in grants supporting IPs' & LCs' forest tenure and forest governance, to be disbursed by 2025 to the Global South. Pledge members make their own grants and report annually to the FTFG, although only the Ford Foundation publicly reports (as discussed below) the proportion of its grant making that flows directly to IPs & LCs (not through intermediaries).

[6] A broad set of seven principles adopted in the Warsaw Framework and in Article 5.2 of the Paris Agreement that represent the foundational safeguard principles of the UNFCCC and Paris Agreement-compliant finance mechanisms for REDD+. The main principles in the Cancún Safeguards relevant to IPs & LCs are contained in Safeguards B, C, D, and E.

Figure 2. Annual Disbursements to Projects in Support of IPs' & LCs' "Tenure Rights and Forest Guardianship"



Note: Some donors publish disbursements retroactively with reporting lags; 2024 estimates are preliminary. Due to discrepancies in reported BMZ data, BMZ estimates are reported as a relative share based on reported budgets.

Source: Path to Scale Dashboard (2024) (RRI&RFN 2024).

Indeed, the FTFG Pledge did catalyze an uptick in forest funding in 2021 (Figure 3), even though it is still far short of what is needed to adequately secure forest tenure and forest management worldwide.

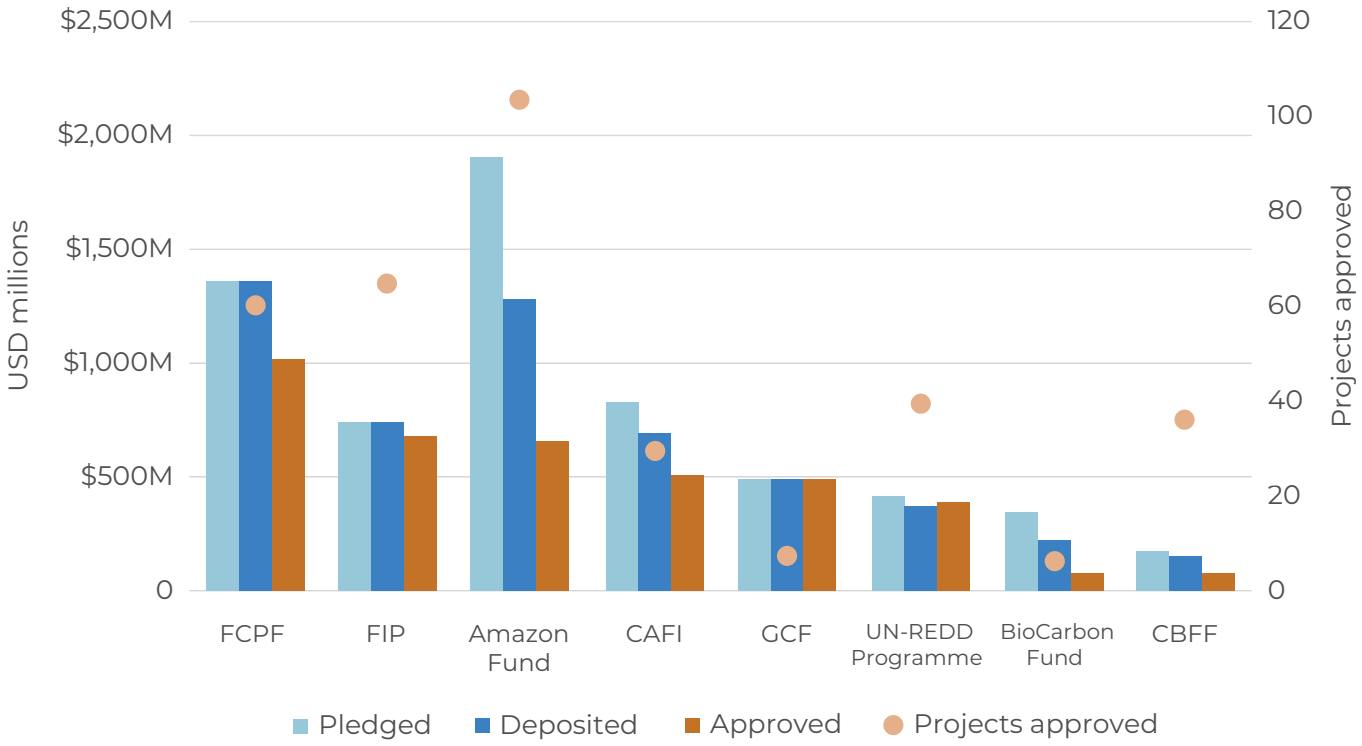
This 2021 bump is largely attributable to increased contributions of the Bezos Earth Fund ($102.4M in Pledge aligned funding in the first year, albeit to just twelve activities) and the Ford Foundation ($54M in the first year), which together was more than all the other private donors combined. In addition, the GCF disbursed $60M in the first year of the Pledge, largely in REDD+ performance payments. However, it should be noted that the Bezos Earth Fund in particular showed a subsequent decline, with disbursements dipping to $26.7M in 2023 (RRI&RFN 2025).

The RFN research found that bilateral donors account for the largest proportion of Pledge-aligned funds, attributed "to IPs & LCs" at 45 percent of the total from 2020-2023. Multilaterals made up a further 39 percent.[7]

Overall, as of 2023, $1.34B had been disbursed in Pledge-aligned funding since its inception. However, increased funding of forests

[7] Another example that demonstrates the difficulty in 'following in the money' is the history of REM in Ecuador, where "70 percent of the funding is channeled to the local level to directly benefit communities, peoples and nationalities" (RFN 2022). Of this, €1.4M (5.1% of the REM spending in Ecuador) was dedicated to the *Competitive Fund for IPs & LCs* (the remaining 70 percent is divided between the Socio Bosque Program (25.6 percent), National Forest Restoration Program (18.5 percent), support for deforestation-free value chains & products (9 percent), SFM (5.1 percent), and consolidation of bio-enterprises (NTFPs)). But it is not clear where this money went. The only reporting available on-line for the *Competitive Fund for IPs & LCs* indicates spending of only$235,000 (UNDP 2023). Here too, it is not clear how much of this went directly to people on the ground.

Figure 3. REDD+ Initiatives (2008-2023)



Source: Climate Finance Update (2024) (Watson et al, 2024).

notwithstanding, the direct funding to IPs & LCs has been slowly trending upwards. Spending overall was dominated by a handful of very large projects that disbursed tens of millions of dollars for multi-year activities, and tended to focus on large-scale land titling, conservation, and/or development projects implemented by international NGOs, consulting firms, and/or government agencies. The 2024 RFN update notes "[t]here is no evidence indicating a systematic change in funding modalities or more direct donor funding to IP, LC, and ADP [Afro-descendant peoples] organizations. Over the past 13 years, the top 140 projects—which make up just three percent of all projects—account for more than half of all funding disbursed" (RRI&RFN 2024). Of the Pledge spending achieved by 2023 ($1.34B), only $75M reportedly went to IP or LC organizations directly. However, this represents an improvement from only $7M in 2021 to $55M in 2023 (FTFG 2024). Private foundation Pledge Members performed best, allocating 27 percent of their funding directly to IPs & LCs in 2023, compared to only four percent of bilateral funding (FTFG 2024).

FTFG attempted to address, at least in part, the tricky issue of 'regranting' of finance by intermediaries in ways that benefit IPs & LCs. For those FTFG Members who report this information, from a total $239.5M disbursed in 2023, some 49 percent (or $117M) reached IP & LC organizations "in ways they can influence and control."[8] Thus, the $55M in direct funding may underestimate the amount of resources that IPs & LCs can actually benefit from.

[8] For example, in 2023, Shandia (2023) reviewed $580M of a major bilateral spending on SFM and tenure; only one project, or 0.19 percent of spending, went directly to an IP organization. This may be an underestimate, however, if revenue is flowing to IPs & LCs through regranting. For example, of Ford Foundation's 2023-24 pledge-aligned spending of $30.9M, half (51%) went directly to IPs & LCs, but an additional 14 percent was regranted to locals through "trusted partners." Likewise, donor-support through The Tenure Facility, for example, resulted in $26M going to 32 projects in 18 countries in 2023 and is not always considered direct funding. (From 2017-22, 75 percent (or $8.7M) of The Tenure Facility's disbursements went directly to IPs & LCs.) Unfortunately, a lack of transparency makes it difficult to extrapolate beyond Ford and The Tenure Facility.

Overall, this funding is not reaching all geographical regions equally. In 2023, FTFG reported that Latin America received the largest share of funding at 58 percent, followed by Africa at 33 percent, and the Asia-Pacific region at nine percent. While the amount of funding for Latin America and Africa saw notable increases, the allocation for Asia-Pacific remained constant, reflecting continued under investment in the region.

This imbalance may be a reflection of the strong presence of territorial organizations throughout Latin America that are able to act as direct recipients. The establishment of the IP-led Funds in Asia-Pacific, like the Nusantara Fund[9], may shift this balance in underfunding in future years.

The gap is even larger when considering direct funding; 72 percent goes to Latin America, while only around four percent to Africa, 11 percent to Asia, and 13 percent to global work.

Overall, climate finance relevant to IPs & LCs is not easily tracked or publicly reported. The data available suggests that communities receive very little of the total available grant funding. The available data shows that when funders make explicit commitments—for example, the Ford Foundation's pledge under the $1.7B IP & LC Forest Tenure Pledge—the share of resources going directly to IPs & LCs has gained traction, rising from about 7 percent in the first year to roughly 24 percent in the second, and to over 50 percent in the most recent reporting period. However, such progress and others observed in the past year precedes recent shifts: in early 2025, US Government (USG) budget cuts and changes in funding policy have begun to threaten funding flows through both government agencies and NGOs, jeopardizing frontline efforts to defend forests and sustain local economies, and cutting off essential support for land defense, livelihood programs, and territorial monitoring.

Payment for Performance

In addition to grant funding, another important source of public finance for IPs & LCs is the pay-for-performance related to forest-based projects that keep carbon sequestered by maintaining forest cover (i.e., REDD+ and similar projects).

One of the biggest barriers for developers hoping to sell forest-based carbon credits is that there are few buyers willing to enter into long-term contracts (given the uncertainty around permanence of the forest projects), which makes obtaining financing costly, if even possible. Since developers lack capital, they are often forced to pre-sell credits, and due to the high risk associated with buying credits before a project has even begun, the speculators are only willing to pay deeply discounted prices.[10] This risk premium undermines profitability, leaving fewer benefits available to share with local people.

In this section, we estimate, where possible, the likelihood that people on the ground will share in the benefits generated by these forest-based projects, receive compensation for the use of their lands, and/or receive compensation to offset the opportunity cost represented by changing activities in order to limit deforestation/forest degradation.

Reducing Emissions from Deforestation and Forest Degradation (REDD+)

Among the government-to-government (G2G) mechanisms, the largest and longest standing is payment for performance through REDD+ (where the + refers to additional co-benefits such as conservation of biodiversity).[11] Initially established under the UN REDD Programme, rather than for sale of credits on the open market, REDD+ was intended as a way for countries to meet their pledged emissions-reduction targets outlined in their Nationally Determined Contributions (NDCs). Moreover, being government led, REDD+ was meant to incentivize governments to establish appropriate enabling policies (REDD-Readiness) to encourage economies of scale.

[9] nusantarafund.org/en

[10] This is in contrast, for example, with renewable projects in which case buyers are willing to commit to long-term contracts to purchase electricity at fixed prices. Renewable-project developers can use these contracts to obtain the financing needed to implement the development; they do not need to pre-sell energy credits at deeply discounted rates. This means their projects have a higher return on investment than forest-based projects. Renewables are also advantaged because their regulatory status gives investors greater confidence compared to the unregulated VCM. However, as renewables get cheaper to build, the 'additionality argument' gets more difficult to make, and renewables are increasingly unable to qualify for carbon credits, reducing competition for forest-based credits.

[11] unfccc.int/topics/land-use/workstreams/redd/what-is-redd; REDD+ is governed by Article 5 of the Paris Agreement.

Over time, a diverse set of REDD+ initiatives has emerged, supported by bilateral and multilateral mechanisms, with varying levels of pledged, deposited, and approved funds. As shown in Figure 3, the Amazon Fund and the FCPF represent the largest financial commitments, mobilizing billions of dollars and supporting dozens of projects. Other initiatives, such as the FIP, Central African Forest Initiative (CAFI), and the GCF, contribute more modestly, while mechanisms like the UN-REDD Programme, BioCarbon Fund, and Congo Basin Forest Fund (CBFF) have played smaller roles. Together, these experiences illustrate both the potential of REDD+ to channel significant resources toward forest protection and the challenges of scaling such finance in a way that reaches IPs & LCs equitably.

Jurisdictional REDD+

In recent years, sub-national authorities, such as state and provincial governments, have launched jurisdictional REDD+ (J-REDD) programs aimed at reducing emissions from deforestation at a broad, jurisdictional scale. This approach differs from project-based REDD+, where individual private developers initiate and manage discrete conservation projects, issuing carbon credits for sale on voluntary or compliance markets.

By operating across entire jurisdictions, J-REDD establishes more accurate deforestation baselines and detects displacement of forest loss (leakage) more effectively, while monitoring, reporting, and verification (MRV) costs are shared across sectors, increasing efficiency and reducing entry barriers.

J-REDD integrates with national climate strategies and enables smaller, community-led projects to be "nested" within broader jurisdictional programs, improving coherence and potential permanence. It requires strong institutional capacity and governance to manage, track, and enforce jurisdiction-wide actions, and it requires well chosen reference areas to avoid the risk of over crediting (Luz et al. 2023).

While J-REDD programs offer important advantages in scale, coherence, and integration with national strategies, their effectiveness ultimately depends on sufficient finance and political commitment. The complexity and cost of building jurisdictional systems, ranging from governance structures to robust MRV frameworks, has limited their rollout to only a handful of subnational governments. To help overcome these barriers and mobilize larger flows of results-based finance, new coalitions such as the LEAF initiative have emerged, seeking to connect jurisdictional programs directly with international public and private buyers.

LEAF Coalition

LEAF's policy to purchase only TREES-issued credits is a major opportunity for IPs & LCs, since TREES embeds the UNFCCC's Cancún safeguards. These require rights recognition (including traditional knowledge), full and effective participation, grievance mechanisms, and the use of Free, Prior, and Informed Consent (FPIC) when relocation is involved.

Beyond the baseline safeguards, LEAF imposes additional equitable benefit-sharing requirements: when benefit-sharing plans or mechanisms are not yet in place, jurisdictions must submit a roadmap, and have up to 12 months after signing an ERPA to finalize those agreements and consultations before credit delivery.

The draft TREES 3.0 standard—developed with input from regional dialogues and ART's IPs & LCs' Advisory Group—proposes clarifications and updates to the safeguard framework, though it remains under public review as of 2025.

The Lowering Emissions by Accelerating Forest Finance (LEAF) Coalition represents a high-ambition, public–private mechanism designed to scale up jurisdictional REDD+ finance. At its launch in 2021, LEAF secured an initial $1B commitment to catalyze tropical forest protection by purchasing credits verified by the REDD+ Environmental Excellence Standard (TREES) by the Architecture for REDD+ Transactions (ART), at a minimum price of USD$10 per ton of CO_2e[12] (tCO_2e) (Winrock 2021) . This price floor serves as an investor de-risking tool, offering confidence against market price fluctuations.

[12] CO_2e (carbon dioxide equivalent) is a standard unit that expresses the warming impact of any greenhouse gas as the amount of CO_2 that would cause the same warming over a specified time horizon.

LEAF operates by formalizing Emissions Reductions Purchase Agreements (ERPAs) with jurisdictions. To date, confirmed ERPAs have been signed with Ghana, Costa Rica, the Brazilian state of Pará (in a landmark $180M agreement signed in September 2024), and Ecuador ($30M for 3 million tCO_2e) (Emergent Climate 2023, 2024, 2025). Additional projects remain in development, including potential agreements with Vietnam, Nepal, Kenya, and Brazil's states of Acre and Mato Grosso.

In total, over 25 jurisdictions have submitted proposals under ART-TREES, and more than 30 corporate and government buyers, including companies such as Amazon and Unilever, philanthropic support from the Walmart Foundation, alongside sovereign donors like Norway, the UK, and the US, have pledged to purchase high-integrity credits through LEAF. This coalition design spreads risk across multiple actors, while ensuring that forest nations benefit from predictable and transparent revenue streams.

High Forest, Low Deforestation

High Forest, Low Deforestation (HFLD) mechanisms were developed to address a key gap in conventional REDD+ finance: forest nations with historically low deforestation rates often received little support because most performance-based mechanisms reward reductions from a recent historical baseline. This sets up a perverse incentive by making ineligible those jurisdictions[13] that already adequately protect their forests (Figure 4).

[13] At present, HFLD jurisdictions include: Bhutan, Central African Republic, Republic of Congo, Costa Rica, Fiji, Gabon, Equatorial Guinea, Guyana, Jamaica, Papua New Guinea, Solomon Islands, Suriname. HFLD jurisdictions: Lunda Norte in Angola; Pando in Bolivia; Amapa and Amazonas in Brazil; Haut-Mbomou, Haute-Kotto, Mambere-Kadei, Mbomou, Ombella-M'Poko, Ouaka, and Ouham in Central African Republic; Amazonas, Guainia, Vaupes, and Choco in Colombia; Nariño in Ecuador; Ngounie, Ogooue-Ivindo, Ogooue-Lolo, Wouleu-Ntem in Gabon; Cuyuni-Mazaruni, East Berbice-Corentyne, and Upper Takutu-Upper Esse-quibo in Guyana; Papua Barat and Papua in Indonesia; Central, East Sepik, Gulf, Morobe, and Sandaun in Papua New Guinea; Amazonas, Loreto, and Madre de Dios in Peru; Cuvette and Likouala in Republic of Congo; West Equatoria in South Sudan; Amazonas, Bolivar, and Delta Amacuro in Venezuela.

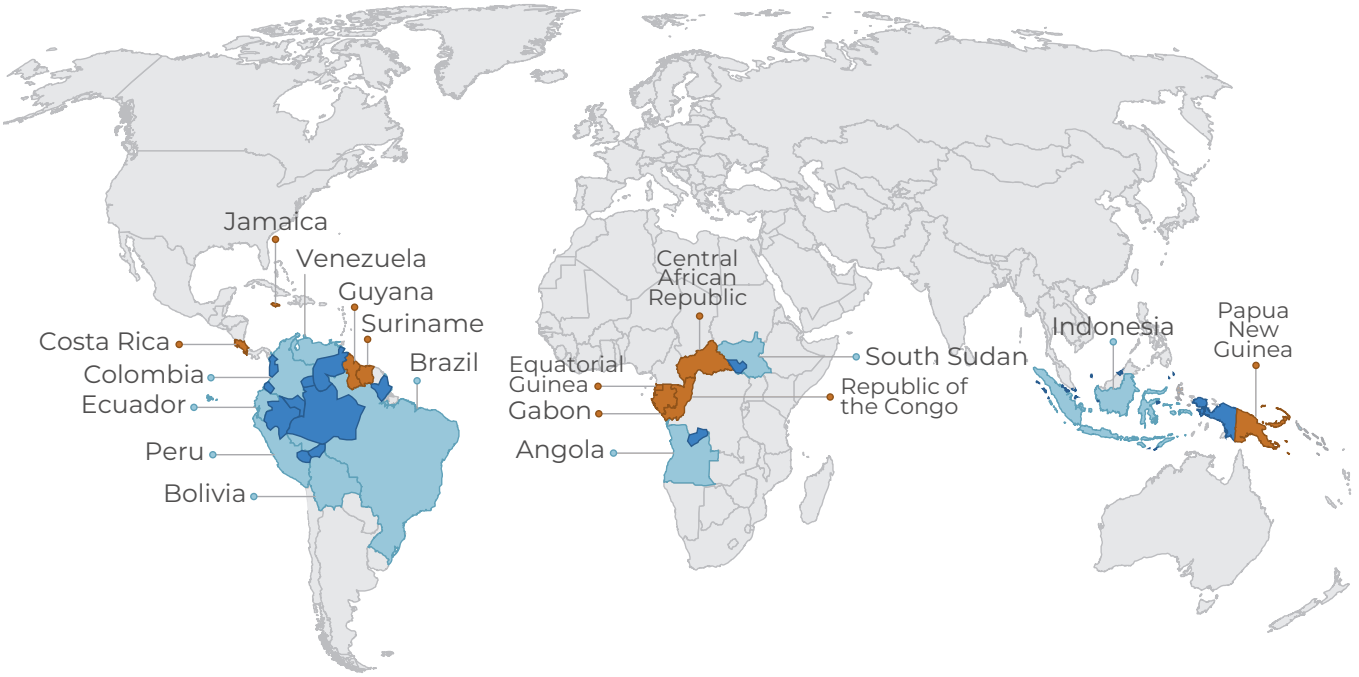
The HFLD concept recognizes that these jurisdictions contribute significantly to global climate stability by maintaining vast carbon stocks and biodiversity reservoirs. By providing financial incentives for maintaining standing forests, HFLD credits aim to shift the paradigm from reactive to proactive climate finance. Several initiatives, including those under ART-TREES, now incorporate HFLD adjustments in their methodologies, enabling the recognition of forests, which although intact represent only about 20 percent of tropical forests globally, are responsible for holding approximately 40 percent of the aboveground carbon stored in these ecosystems (Maxwell et al. 2019; Vyawahare 2019).

Ensuring tenure security and meaningful participation of IPs & LCs, whose territories overlap extensively with intact forests, is essential to guarantee permanence and legitimacy. Without strong benefit-sharing mechanisms, there is a risk of centralized capture and loss of trust, particularly if reference levels are poorly defined. At the same time, positive examples are emerging. In Guyana, for instance, revenues from HFLD credits under its Low Carbon Development Strategy are directed to community development initiatives, demonstrating how HFLD finance can strengthen local governance and livelihoods while ensuring fairness and protecting crucial ecosystem services (TNC 2024).

Territories with Minimal or No Deforestation

While HFLD frameworks focus on maintaining intact forests within countries with historically low deforestation, the Territories with Minimal or No Deforestation (TMND) concept goes a step further by explicitly centering the role of IPs & LCs in safeguarding these landscapes. TMND recognizes that vast Indigenous territories, such as those in the Amazon, where deforestation rates within titled Indigenous lands are significantly lower than in protected areas or the biome as a whole, already contribute disproportionately to climate mitigation and biodiversity conservation. Yet, under conventional REDD+ mechanisms, these territories have often been excluded because they do not generate "reductions" relative to a baseline, despite holding enormous carbon stocks and facing mounting pressures.

Figure 4. High Forest Low Deforestation (HFLD) Jurisdictions Estimated as of 2020



Potential High Forest, Low Deforestation (HFLD) Geographies:

HFLD Countries HFLD Jurisdictions Countries with HFLD Jurisdictions

Source: Wildlife Conservation Society 2022

TMND therefore reframes the "free ride" mentality. Instead of not prioritizing payment for a service that has been provided "free-of-cost", it shifts the discussion from one of avoided deforestation to one of territorial governance, cultural patrimony, and long-term stewardship, ensuring that IPs & LCs are fairly included in climate finance mechanisms. This approach complements J-REDD and initiatives like LEAF by emphasizing that equitable recognition and support for Indigenous-led governance is not only a matter of fairness, but a necessary condition for the durability of global forest and climate goals (Forest Trends 2020).

Given that carbon sequestration is a global service, high-emission countries should bear financial responsibility, potentially through mechanisms like a clearinghouse model that balances emissions, stocks, and sequestration. To ensure sustained funding, climate finance should shift from short-term, geographically-limited initiatives to universal and permanent commitments. Emerging opportunities include results-based payment schemes, voluntary carbon markets, biodiversity credits, and direct partnerships with philanthropic donors or multilateral climate funds, all of which could provide more equitable and transparent financial flows to these territories.

Other Government-to-Government (G2G) Mechanisms

A new carbon crediting body, the Paris Agreement Crediting Mechanism (PACM),[14] has been proposed. The supervisory body of the PACM has issued detailed requirements for safeguards, through impact assessments and eleven environmental and social criteria.[15] Drawn from the safeguards of several multilateral

[14] ITMOs are regulated under Article 6.2 of the Paris Agreement.
[15] Article 6.4 Sustainable development Tool.

Article 6.4 of the Paris Agreement is designed to facilitate both public and private finance in carbon markets, while the latter is expected to be the largest player. Although not designed for REDD+, Article 6.4 projects could qualify for REDD+ funding. However, the rules governing Article 6.4 projects are still being negotiated, but additionality, permanence, and verification will undoubtedly still be required.

institutions,[16] the impacts to be avoided and mitigated include those on IPs and also human rights, gender equity, displacement, corruption, and cultural integrity, as well as water, biodiversity, and ecosystem function. The PACM requires project proponents to submit a human rights due diligence assessment, as well as details on how the project/program will advance UN SDGs.[17]

Another effort to scale up the ability of countries to meet their NDC emission reduction commitments allows emitting countries to finance reductions directly in other countries, through a vehicle called Internationally Transferred Mitigation Outcomes (ITMOs). Regulated under Article 6.2 of the Paris Agreement, ITMOs allow counterparties to set the rules of the agreement, and so the paying country could include, as a specific performance term of the transaction, the demonstrable, active involvement of IPs & LCs, or at least that some specific percentage of the benefits are shared with them. However, the initial experiences with ITMOs have been criticized for failing to adequately include Indigenous Peoples, like in Suriname (Radwin 2024).

Similarly, Brazil's Tropical Forests Forever Facility (TFFF) will pay forested countries in the Global South a dividend—provided they keep below set levels of deforestation. The simplified pay for performance approach, based solely on monitoring intact forest cover, avoids the difficult issue of demonstrating additionality.[18] However, the simplified approach begs the question of whether social safeguards for IPs and LCs will apply.

Summary of Public Finance Flowing to IPs & LCs

Many of the mechanisms mentioned above justify the use of public funds for forest protection by asserting that they also safeguard the interests of local communities impacted by the activities required for REDD. The LEAF Coalition, for example, "[a]ims to ensure that IPs and LCs have their rights protected, participate fully, and receive a fair share of benefits." Likewise, the TFFF is "guaranteeing financial resources for indigenous peoples and local communities that conserve tropical rainforests" (Secretaria de Comunicação Social 2024).

Despite these assurances, a lack of reporting makes it currently impossible to measure the amount actually flowing to IPs & LCs and, thus, hold these mechanisms accountable for their claims. Indeed, the experience with multi-lateral and philanthropic funding noted in the section above is cautionary. REDD+ projects and programs have long been criticized for not generating benefits and other protections for IPs & LCs.[19]

Unless major changes that drive both transparency, and ultimately accountability, are introduced, it is likely that IPs & LCs will remain uncompensated, despite bearing the highest

[16] World Bank Environmental and Social Framework; UNEP environment, social and sustainability framework; Inter American Development Bank environment and social policy framework, the Green Climate Fund environment and social safeguards; Gold Standard principles and requirements; Global Carbon Council environmental and social standard; FAO framework for environmental and social management.

[17] While the PACM safeguards are much more comprehensive than existing standards, being new, there is no track record regarding how they will be implemented.

[18] The TFFF aims to support forest conservation through financial incentives, providing resources to tropical forest nations that maintain their forest cover. Unlike the Amazon Fund, which focuses on reducing deforestation, the TFFF aims to benefit all tropical forest nations and support IPs & LCs engaged in conservation. While climate finance is a key component, TFFF is not exclusively focused on it; its broader impact could extend to biodiversity protection, ecosystem services, and sustainable development. By mobilizing both public and private investments, TFFF seeks to complement existing conservation finance efforts while addressing governance challenges. Its effectiveness will depend on how it integrates environmental and social safeguards alongside its streamlined approach.

[19] For example Paquette 2016 and Climate Alliance 2016.

opportunity costs associated with actions that must be undertaken in order to reduce deforestation (like foregoing opening new farm sites), not to mention bearing some of the biggest impacts of the climate crisis.

Private Finance

Public funding, even at its most ambitious, has always been insufficient for meeting the scale of the climate challenge. Unlocking private sector finance is therefore essential to complement public flows and achieve the transformational levels of investment required. For corporate actors, the business case goes beyond obligation. On the one hand, companies have a responsibility to address their unmitigated impacts, often through mechanisms such as carbon markets. On the other hand, they can also contribute proactively as part of broader sustainability and corporate responsibility strategies. Both approaches (compensation and contribution) offer reputational and operational benefits: strengthening brand differentiation, improving access to finance, securing social license to operate, and supporting talent attraction and retention. Private sector action may be driven by voluntary commitments or by regulation. Voluntary initiatives form the basis of the voluntary carbon market, while emerging regulatory requirements underpin compliance markets, where companies must purchase credits or otherwise contribute under polluter-pays principles. Together, these channels illustrate how corporate finance is becoming a critical pillar of global climate solutions.

Table 2. Major Compliance Carbon Markets. Data source: World Business Council for Sustainable Development (2024)

	California Compliance Carbon Offset Program	Chinese National Emissions Trading System	European Union Emissions Trading System	South Korea Emissions Trading Scheme
Start of Operations	2012	2021	2005	2015
Year End 2023 Financials	Average auction price: USD 28.08 Total revenue: USD 4.03B	Average secondary market price: USD 8.20	Average Auction Price USD 83.10 Average secondary market price USD 85.11 Total revenue USD 40.8B	Average Auction Price USD 17.99 Average secondary market price USD 15.97 Total revenue USD 245.4M
Emissions Coverage / Cap	294.1 MT CO_2e (2023)	4.500 Mt CO_2 (2019 and 2020 each)	1.529 Mt CO_2e (2022 stationary installations) 28.4MTCO_2e (2022, aviation)	589.3 MtCO_2e (2023)
GHGs Covered	CO_2, CH_4, N_20, SF_6, HFCs, PFCs, NF_3, and other fluorinated GHGs	CO_2	CO_2, N_2O, PFCs	CO_2, CH_4, N_20, PFCs, HFCs, SF_6
Sectors Covered	Transport, buildings, industry, power	Power	Domestic aviation, industry, power	Waste, domestic aviation, transport, buildings, industry, power
Allocation	Free allocation: benchmarking, free allocation with consignment auctioning	Free allocation: (benchmarking)	Auctioning: free allocation (benchmarking)	Free allocation: (grandparenting; benchmarking and auctioning)
Offsets and Credits	Domestic	Domestic	Use of offsets not allowed	Domestic and international

Compliance Markets

By 2020, compliance markets had grown rapidly to almost $4B annually (Forest Trends 2021). (Table 2 provides four examples of these regulatory regimes.) Unfortunately for many IPs & LCs, many of the regulatory regimes in the Global North require that offsets must be made domestically, thus making projects in the Global South ineligible. Further, forest projects must compete with other mitigation projects like renewable energy.[20] Some compliance markets do not even accept forest credits because of the perceived risks that include non-permanence, a lack of additionality, and leakage; as well as reputational issues, like exaggerated baselines and misleading, if not fraudulent, claims (Guizar-Coutiño et al. 2022).[21]

Voluntary Carbon Markets

In addition to the regulatory markets, a VCM also exists for those that want to address their otherwise unmitigated emissions. Without domestic purchasing requirements, investors in the VCM can buy forest projects from the Global South. By being less regulated than compliance markets though, the VCM has heightened risks in the eyes of many investors. Indeed, the last two years have seen a dramatic contraction of the VCM (Fig. 6), as "negative press questioning the additionality and governance of carbon credit projects and potential corporate buyer greenwashing, translated to both a direct pullback in buyer investment, and increased complexity for project developers, whether due to changing requirements from credit issuing standards or greater demand for due diligence from credit buyers" (Ecosystem Marketplace 2024). Furthermore, "a lack of guidance from the Science Based Targets Initiative (SBTi) on the use of carbon offsets to meet corporate net-zero goals"[22] has undermined confidence in the VCM, and forest-based carbon projects in particular. Overall, AFOLU projects declined by two-thirds in 2023.

Compounding these reputational issues, developers of forest-based projects must compete on price with other types of offsets. For example, in 2023, renewable energy credits sold for $4.1/t$CO_2$e, whereas AFOLU credits cost $9.72.

Mitigating this price difference, however, requires differentiation in the market itself; not all buyers want the same thing in an offset. There are at least two major, contrasting trends across offset investors. On one hand, companies driven by values and market competitiveness are willing to invest in high[er]-cost projects that provide high integrity results with significant local co-benefits. On the other hand, companies motivated by efficiency show a preference for lower-cost projects, particularly those related to renewable energy (Lou et al, 2023). Amongst companies looking for 'value,' AFOLU projects have a comparative advantage; carbon credits that document biodiversity co-benefits fetched a 33 percent premium over those without (WBCSD 2024).

Do High-integrity Credits Benefit IPs & LCs?

To ensure the integrity of their projects, developers generally engage with a Carbon Crediting Program (CCP). However, few of the major Program Standards have specific requirements related to benefits sharing and the compensation of IPs & LCs. By far the most used CCP, Verra's Verified Carbon Standard (VCS)[23], does not require either local engagement or benefit sharing.[24] Of the other major CCPs, only Plan Vivo and The Gold Standard include criteria requiring local compensation.[25] Plan Vivo requires that 60 percent of gross revenues go to communities, while The Gold Standard does not require any specific level.[26] These Programs are niche, as they currently represent less than ten percent of the VCM.[27]

[20] Note, however, that as the cost of producing renewable energy continues to drop, these projects will be cost competitive on their own terms, not needing catalytic climate finance. Some compliance markets are already contemplating dropping these projects.

[21] In 32 projects where it was possible to compare Verra's claims with the study finding, baseline scenarios of forest loss appeared to be overstated by about 400 percent (Greenfield 2023).

[22] The current position of the SBTi is that corporates are unable to use offsets to mitigate their remaining scope 3 emissions.

[23] VCS has 933 projects, or 63% of all tropical forestry projects in the Ecosystem Marketplace database.

[24] Verra does have a voluntary Climate, Community, & Biodiversity (CCB) add-on, which does require environmental and social safeguards. However, according to Verra's registry, only 1 percent of the 2,290 projects use CCB; i.e., only 30 validated CCB projects are listed.

[25] An emerging standard (not yet operational) being developed by the Equitable Earth coalition, is guided by Indigenous Peoples & Local Communities in the Global South.

[26] P4.4.6 "ensure that the indigenous people are provided with the equitable sharing of benefits to be derived from utilisation and/or commercial development of natural resources on lands and territories"

[27] For example, they represent 6% of all forestry projects in tropical countries (only 28 and 66 projects, respectively) in the Ecosystem Marketplace database.

Summary of Public Finance Flowing to IPs & LCs:

As with public and philanthropic funding, the likelihood that IPs & LCs are benefiting from private finance flowing through carbon markets is low. The standards used by most projects (VCS, for example) do not include any requirements for benefits sharing. Furthermore, given the lack of mechanisms to hold developers accountable even for commitments made, any claims should be treated with caution unless they are fully transparent.

A new Standard aims to change this. Equitable Earth, guided by an Indigenous Peoples and Local Communities Guidance Council, will require "radical transparency of money flows" where "every forest carbon project will be required to have a revenue sharing model that is co-developed, approved by, and transparently shared with the local community...evaluated in each project's audit process, and disclosed publicly. Equitable Earth is committed to ensuring that carbon market information—including pricing and transaction volumes—are always accessible to IP & LC partners for their projects. This makes it easier for local communities of the Global South to make their own decisions as to what's fair for them" (Equitable Earth 2024).

Such transparency would indeed be radical. For private finance, whether the compliance market or the VCM, there is no reporting how much money flows directly to those on the ground, whether benefits sharing with IPs & LCs or as compensation to those that incur costs associated with REDD+ and other activities. As Equitable Earth indicates, without transparency, it is not possible to hold developers accountable to their commitments to IPs & LCs.

Emerging Approaches for Improving Benefits for IPs & LCs

Photo credit: Shutterstock

Emerging Approaches for Improving Benefits for IPs & LCs

The compliance of many individual projects under the different Program Standards is monitored by Validation & Verification Bodies (VVBs). Ratings Agencies, such as Calyx, Sylvera, and BeZero, assess the likelihood of future compliance. Brokers act as intermediaries, and some (such as Everland, Pachamama, and EcoCart) have their own due diligence processes in order to provide assurance to their client base seeking high quality credits.

The VVBs are a particular bottleneck in integrity. Regardless of how much the bar is raised through improved Standards, how these requirements are implemented in practice varies significantly with the interpretation of the individual auditor from each VVB.

For example, in the case of J-REDD in Guyana, the Indigenous organization Amerindian Peoples Association (APA) submitted a complaint that the VVBs for the TREES standard relied solely on state self reporting and did not seek out additional perspectives or evidence from the communities or their representing territorial organizations (Forest Peoples Programme 2024). The complaints were dismissed by the Government and ultimately by ART.

In Colombia, a survey of REDD+ projects found that VVB auditors are often foreigners with little understanding of local contexts, no local networks to draw on, and they also rely on project self reporting, using the State and the project developer as their main interlocutors (Díaz&Ruiz-Nieto 2023).

Given these challenges, many developers are looking for other ways to find a comparative advantage for engaging IPs & LCs.

The Integrity Council for the VCM (ICVCM) was established through a multistakeholder process to raise the bar on the credibility of the Standards used by the carbon markets, in particular in regard to the carbon accounting methodologies and verification protocols used by the Core Carbon Principles (CCPs)[28].

Reportedly, progress is being made with respect to IPs & LCs. In 2024, the ICVCM created an IP & LC Engagement Forum with eight members from around the Global South and Canada. The forum is focusing on capacity building and moving the VCM to center traditional knowledge (TK) and customary governance in project design and implementation.

Co-benefits “Beyond Carbon”

One such mechanism that may provide a comparative advantage for engaging IPs & LCs is to highlight the role that projects play in protecting local interests. Similar to PES schemes, projects, including those sold on the VCM, that package multiple ecosystem goods and services in a single offering can better attract finance and combine revenue streams to better manage cash flow and maximize returns. In addition to the carbon value, biodiversity schemes may be overlaid with additional revenue-generating options, like collection of non-timber forest products (NTFPs) and/or SFM practices, like reduced impact logging, that help maintain the overall ecosystem.

Protecting forests helps address the other existential crises facing the planet, including reducing species extinction by conserving biodiversity and reducing pandemics by maintaining forest cover that reduces zoonotic diseases. Further, given the impoverished conditions of many communities in forested areas of the Global South, these projects can drive massive improvements in human development as recognized by the UN’s SDGs, including reinforcing tenure security, providing jobs and alternative livelihood opportunities, and raising living standards overall.

[28] Not to be mistaken with Carbon Crediting Program (CCP).

This market is very likely to see increased interest as signatories to the UN Convention on Biodiversity (CBD) Kunming-Montreal Global Biodiversity Framework look for innovative ways to significantly increase finance to address the estimated $200B annual funding gap for global biodiversity protection (FBF 2024). Parties to both the UNCBD and the UNFCCC have sought ways to combine finance efforts to both biodiversity and climate actions, and this is likely to be an area of increased interest going forward given the significant funding gaps and the wide support of State Parties to these agreements.[29]

Likewise, diverse forms of community co-benefits (e.g., training and job creation, education and health services, support for legal tenure and governance, and other SDGs) could generate credits that can be added to carbon credits, either "stacked" (able to be bought and sold separately), or "bundled" (sold together with carbon credits) (Ducros&Steele 2022).

Even if the buyer does not pay for the co-benefit, the benefits may be critical to participation of the IPs & LCs. For example, one of the most important co-benefits provided by projects like this is the increased recognition, and concomitant protection, of local property rights. Indeed, many IPs have stated that increased tenure security is the greatest benefit obtained from engaging with climate programs, more important than the small amount of financing they receive. For example, a legal analysis for Brazil's Suruí Forest Carbon Project, the first IP-led PES project, determined that IPs did, under Brazilian law, "have ownership rights for carbon sequestration within their territories, as well as the right to income from them" (Zwick 2019)—a position that played a significant role in shaping Brazil's national carbon law in November 2024.

A final benefit of forest-based projects is that they represent one of the fastest growing types of climate finance, known as dual-benefits finance. This delivers both emission reduction and resilience outcomes, where resilience is defined as building the capacity to adapt to climate change (CPI 2024). This adaptive capacity is especially needed in many parts of the Global South that are feeling the first (and among the worst) impacts of climate change, like small island states. The UN Environment Programme (UNEP) estimates that nature-based solutions, aligned with SDGs, have the potential to deliver up to a third of climate mitigation needs by 2030, but this will require a massive increase in spending. While over 80 percent of this spending has historically come from public finance, much of it is now gone because of the Trump administration's funding cuts.

Unfortunately, a lack of systematic data makes it uncertain what the demand will be for these dual projects, and funding is likely to be unreliable until a market matures, especially in the absence of any regulatory requirement[s].

Further, as with opposition to carbon credits, at COP16 of the UNCBD there was significant pushback on the development of market mechanisms for biodiversity financing (Global Forest Coalition 2024). There was also criticism of bilateral funding: "IPs & LCs have been highlighting concerns with accessing Global Environment Facility funds for many years and many of these same issues remain within the Global Biodiversity Framework Fund (GBFF) [...] Without a resolution on this issue, funding for biodiversity will continue to be channeled mostly to intermediary organisations, and IPs and LCs have little power over how it is spent or what on. The longer this continues, the longer funding will not reach where it really matters" (IIED 2024).

However, if these concerns can be addressed, the ability to attract a diverse pool of financial sponsors seeking a range of environmental and social outcomes could form the catalytic basis for blended finance. In such schemes, IPdIndigenous Peoples, and the benefits they bring, are often a sought-after development partner.

Non-market Approaches

In addition to the markets described above, non-market approaches are gaining recognition. The argument in favor of these non-market approaches (NMAs) is that the incentives should be aligned for both developer and buyer. Unlike offsets, where the buyer looks for the best price, for NMAs, both developer and buyer should

[29] The current US administration, and its outspoken opposition to the UNFCCC and global agreements generally, may be a moderating influence on this trend, although it is also possible that progressive private foundations may respond by increasing their own funding. The global impacts of this shifting political context are yet to be seen.

want the highest quality project for a given price. The 'quality' can include not just high integrity carbon emissions reductions, but other values mentioned above, including environmental and social gains (Young 2024). Furthermore, NMAs avoid the ideological hurdles of market approaches, mentioned above.

Paris Agreement-6.8 Compliant NMAs

Initiated at UNFCCC COP 21, Article 6.8 of the Paris Agreement created a non-market mechanism. Within this context, the COPs are increasingly recognizing the importance of the role of IPs in addressing the climate crisis, as well as the critical need to respect and protect their rights in the process of actions to address the crisis. For example, COP26 in Glasgow specifically invited IPs to participate in the development of NMAs. Likewise, COP29 in Baku recognized "the importance of developing and implementing integrated, holistic and balanced NMAs, which may include joint mitigation and adaptation approaches [...] which can link addressing climate change to biodiversity conservation and sustainable development, considering the benefits that may arise...including 'Mother Earth Centric Actions' as recognized by some cultures, the benefits of which include, but are not limited to: (a) Ensuring the integrity of all ecosystems and the conservation of biodiversity when addressing climate change; (b) Enhancing different value systems, including for living in balance and harm. ony with Mother Earth, as recognized by some cultures" (UNFCCC 2024).

However, Article 6.8 remains embryonic: there are no projects yet recorded in the UN online portal (UNFCCC 2025).

Beyond Value Chain Mitigation & Other Contribution Claims

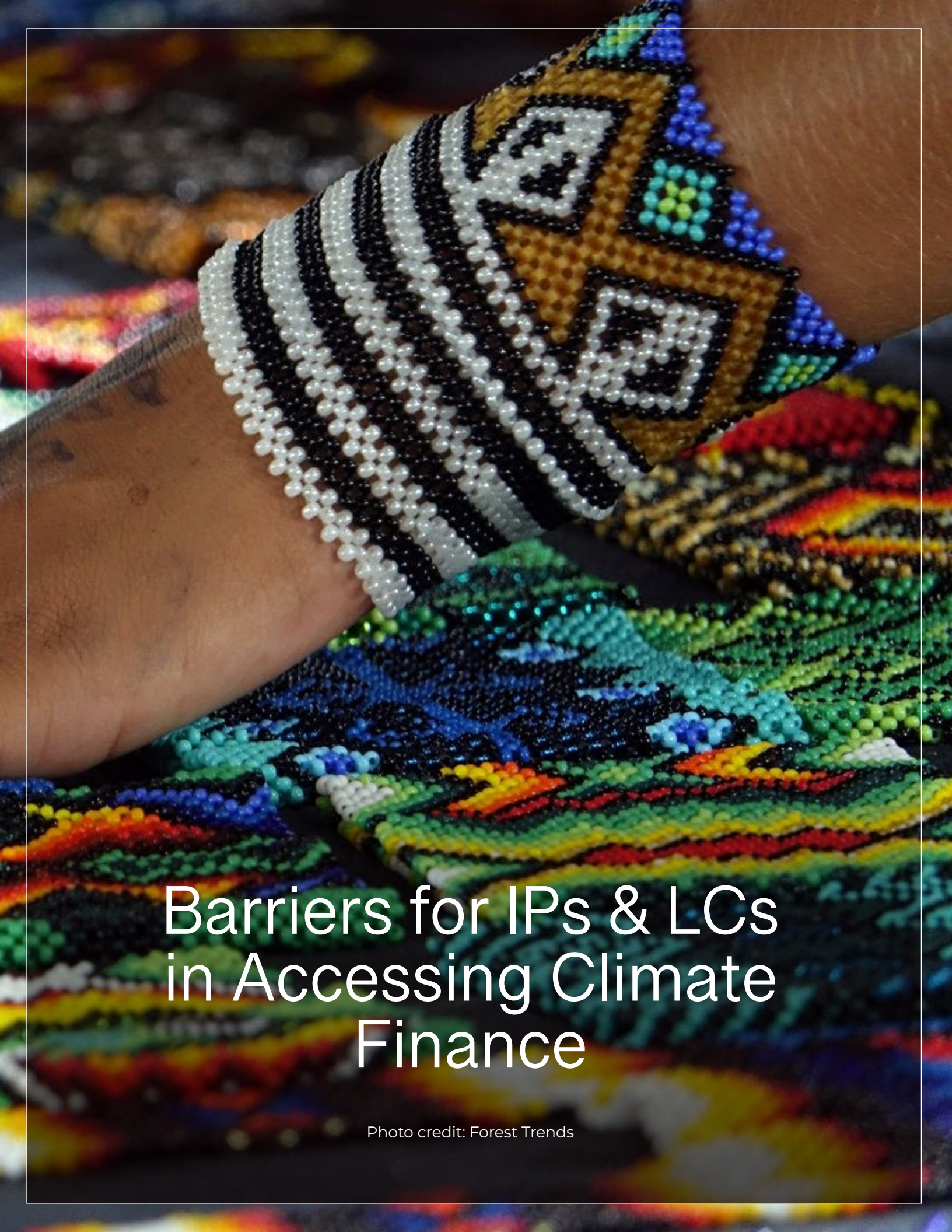
Rather than waiting for countries to lead, SBTi (SBTi 2024) argues that companies should take the lead in 'beyond value chain mitigation' (BVCM) financing that can "support and ensure the leadership and ownership efforts of Indigenous Peoples [...] to deliver climate mitigation and adaptations through the protection and restoration of their traditional and customary lands." SBTi makes the business case, depicted in Figure 5, that corporates should provide concessionary financing (e.g., no-interest loans or grants) to IPs to contribute to climate mitigation.

Unlike trades on the VCM, NMA agreements, properly negotiated, could provide a reliable flow of revenue to IPs & LCs.[30] The universe of possible benefits (beyond simple financial transfers) is limited only by the imagination of the proponents (the corporates on the demand side, and the developers, including IPs & LCs, on the supply side). Further, NMA agreements are not subject to fluctuating market prices, and can include money upfront to cover start-up costs and offset the opportunity costs of compliance. However, in tough economic times, Corporate Social Responsibility (CSR) programs are often the first to be cut as 'nonessential.' For this reason, NGOs argue that NMAs should be financed through more reliable/sustainable funding instruments, like carbon taxes (Young 2024). But, here too, a lack of reporting mechanisms makes it difficult to know how much climate finance is reaching IPs & LCs through NMAs. As mentioned above, the UN's Article 6.8 online portal has no record of any NMA projects.

Figure 5. The Business Case for Beyond Value Chain Mitigation

Source: SBTi (2024)

[30] Another benefit of this NMA is that, based on a company's emissions footprint, the amount of money they dedicate to climate finance reveals their internal price of carbon.



Barriers for IPs & LCs in Accessing Climate Finance

Photo credit: Forest Trends

Barriers for IPs & LCs in Accessing Climate Finance

Despite the opportunities that new mechanisms provide, IPs & LCs still face myriad barriers in directly accessing climate finance, as well as in taking a more active role in designing projects and their accompanying benefits sharing. These obstacles fall broadly into those related to:

- Discrimination,
- Legal frameworks,
- Cultural and language differences, and a lack of understanding of traditional values and goals (particularly those of Indigenous Peoples),
- Misaligned funder requirements and accountability structures,
- Timing and uncertainty of project revenue delivery,
- Remote locations and associated logistical challenges,
- Lack of access to information,
- Lack of funder/investor networks and territorial governance capacities, and,
- Competition with intermediaries for funding.

The national context within which many IPs & LCs live is one where the state government either lacks the capacity or the 'political will' to perform its role, including providing services, passing and enforcing laws and regulations, and the sound management of their natural environment. In addition, corruption and conflicts of interest often lead to business interests taking precedence over those of local communities and environmental sustainability. Endemic corruption compounds these barriers.

In these contexts, many IPs & LCs struggle with a social environment of political, cultural, and economic discrimination, where their very existence, as well as their territories, rights, and interests, are either actively suppressed or not visible to the state and to the non-Indigenous population. IPs in particular, have identities that differ from mainstream groups, making them subject to bias and marginalization. This unequal position has meant that IPs' interests and their territories, forests in particular, are under increasing threat.

As a result of this discrimination, many IPs & LCs do not enjoy equal protection under the law. Fortunately, with growing recognition of international instruments for Indigenous Peoples' rights (such as the UN declaration on the Rights of Indigenous Peoples), the legal framework of many countries has evolved to enshrine IPs rights in national law. Even in those cases, however, Indigenous Peoples continue to struggle to have their legal rights enforced, and they are often undermined by business/political interests or violent criminality.

There are other aspects of the national context that often work against IPs & LCs. In addition to the government's failure to legally recognize tenure and other fundamental rights, national legal frameworks also disadvantage IPs & LCs in other ways. For example, the legal definition of forest carbon ownership is often unclear . In some cases, territorial rights granted to IPs & LCs apply only to the surface, while 'subsoil resources'—including minerals and, in some jurisdictions, carbon—are considered property of the State. In such cases, the State has often effectively monopolized the flow of payments for the protection of forest carbon and blocked communities from being paid for these climate actions. Additionally, legal instruments can work against IPs' & LCs' interests, even unintentionally, through circumstances like financial laws that prevent local communities from directly receiving international funds (ostensibly to prevent terrorism financing and/or money laundering).

In the case of Guatemala, after many years of blocking carbon payments to communities in the GuateCarbon project of the Mayan Biosphere Reserve, a pilot agreement was reached to allow payments to community concession holders. These communities have effectively protected their managed forests where all other land users have failed. Yet they were denied eligibility for payments as the land was deemed owned by the State because of its protected area status. The five-year agreement with the Government reached consensus on the issue by allowing payments for "avoided emissions" from the communities' forest management activities, rather than on the basis of ownership of the forest carbon. This rhetorical artistry effectively sidestepped the thorny issue of ownership in a way that at least allowed communities to access benefits and helped to further secure their rights. In addition to the carbon payments, the overwhelming success of community concessionaires' forest management caused the World Bank to use its influence through the FCPF to urge the Guatemalan government to extend the leases of the communities over these forest areas, which were due to expire. In the eyes of the communities, this last benefit was by far the biggest benefit that accrued from the project, and not the carbon payments, which paled in comparison to the revenue from their sustainable forestry enterprise.

There are inherent imbalances in knowledge and resources between communities, project developers, and other stakeholders, which inhibit the ability of local people to use these projects to further their own goals and wellbeing. For example, cultural differences and a lack of knowledge on the part of project developers, investors, and government officials regarding IPs' & LCs' territories, culture, and traditional knowledge and practices often puts communities at a significant disadvantage. These gaps also include language differences and lack of formal education and technical knowledge that, without special attention to increase accessibility, make it difficult for many IPs & LCs to effectively participate in negotiations, technical planning sessions, and the like.

Project staff may fail to recognize Indigenous forms of deliberation and decision making, and when these authorities are not incorporated in project routines, projects can in fact undermine the authority of traditional leaders and their institutions. Likewise, a lack of familiarity with IPs' values and ways of knowing can lead to inappropriate project design, performance indicators, and monitoring protocols that are disconnected from IPs' values, goals, and/or practices.

A lack of access to information also hampers local access and effective, inclusive participation. Deficient legal infrastructure for carbon-project regulation also disadvantages communities.

For example, IPs & LCs, and their territorial associations, often lack access to the terms of the financial transactions undertaken by the State and project developers. This includes the specifics of funder proposals (such as the LEAF Coalition), even when those payments are for climate actions in forests within the IPs' and LCs' territories. Furthermore, in corporate-backed projects, the terms of the agreement can be protected as proprietary business information and community partners are under strict non-disclosure agreements (NDAs), which hampers the ability of other communities to fairly negotiate terms in similar engagements. As noted above, most private investors do not publicly report the details of their projects, making it difficult to track how much of their investments accrue to or benefit IPs & LCs. Most philanthropic and bilateral funders also fail to report their grant making at this level of detail.

IPs may lack the social networks to make connections with outside developers and advisors, and a lack of trust (that goes both ways) often hampers these connections once they are made. This is especially true where communities have historically had negative experiences with various kinds of investment projects.

Further, a lack of project management resources for technical monitoring protocols and administration (for recordkeeping, management, and reporting) also hamper the ability to meet project demands.

Finally, most IPs & LCs living in remote, rural, forested areas suffer from lack of infrastructure and services for banking, transportation, and communications (internet and cellphone), as well as parts and repair services for the technology needed for monitoring and project management and reporting.

IPs & LCs associations have detailed the unique obstacles with respect to accessing climate finance from bilateral and multilateral donors (RRI 2022). In particular, these funders place significant administrative burdens and costs through their complex proposal and grant reporting processes, which require specialized technical and administrative expertise. Many of these processes are the outcome of accountability requirements to donor country governments (and ultimately to taxpayers), thereby making funders upwardly accountable, rather than downwardly accountable to the IPs & LCs themselves. This disconnect has resulted in funders' thematic areas being responsive to internal goals, rather than communities' needs and aspirations. Due to these complex bureaucratic requirements, these funders also tend to be insufficiently flexible for communities' rapidly changing needs (e.g., they cannot respond rapidly when a megaproject threatens community lands, or to address the impacts of natural disaster, a pandemic, or violence outbreaks). These types of funders tend to be on short funding cycles and, therefore, do not provide sustainable sources of support. Further, they often fail to provide needed funds for ongoing overhead.

In recognition of these high administrative burdens and capacity gaps, communities may choose to partner with a trusted intermediary, such as a territorial association, to act as a financial administrator. These organizations are typically better resourced and can more effectively shoulder the administrative burdens of projects that communities may be unwilling or unable to take on. Outsourcing these tasks may also be preferable to some communities so as to avoid the social conflict that may accompany an influx of cash and concerns about elite mismanagement or elites co-opting financial flows. At the same time, while intermediaries have more (and higher paid) staff and internal capacity, the benefit is that these organizations often have wide social networks and at times even political connections and influence, so that they can more effectively negotiate on behalf of communities with State parties, large donor organizations, or private corporations. Some intermediaries take the form of dedicated IP & LC-funding mechanisms that receive money from large funds like the GEF or GCF, and are designed exclusively to regrant that funding in support of IPs & LCs seeking to develop their forest tenure and governance capacities or undertake other climate or conservation actions.[31]

Likewise, IP-led funds are emerging that are directly controlled and managed by IPs, allowing communities to better prioritize their own goals. Examples include the Nusantara Fund led by the Indigenous Peoples Alliance of the Archipelago (AMAN), the Mesoamerican Territorial Fund of the Mesoamerican Alliance of Peoples and Forests (AMPB)[32], and various community-led funds primarily developed in the Brazilian Amazon, such as the Podáali Fund of the Coordination of Indigenous Organizations of the Brazilian Amazon (COIAB), the Dema Fund, Babaçu Fund, Mizizi Dudu Quilombola Fund, among others.[33]

However, it must also be emphasized that the involvement of intermediaries necessarily reduces the amount of funds that are directly available for IPs & LCs. When intermediaries bring little "value add", they represent an unnecessary competitor for funds rather than a useful ally. Communities will need, therefore, to decide for themselves whether to engage directly with project investors and/or State parties or whether a specific intermediary can bring desired skills, even if only in the short term, while communities increase their own internal capacity needed for project management and reporting.

[31] The International Land and Forest Tenure Facility, The Community Land Rights and Conservation Finance Initiative (CLARIFI), the Kawari Fund are a few examples.

[32] Alianza Mesoamericana de Pueblos y Bosques, "Fondo Territorial Mesoamericano lanza convocatoria para financiamiento de propuestas incluyentes hacia cambio climático desde territorios," Available at this link.

[33] Many of these IP-led funds are connected through Shandia, a platform created by the Global Alliance of Territorial Communities to support the creation, development, and sustainability of IP & LC-led funds and provide space for exchange of ideas and learnings and connect around common causes. It provides a platform for collective advocacy and helps IP & LCs around the globe connect with funders and speak with them in a unified voice.

Carbon markets have been plagued by lack of trust and weak integrity of credits, yielding uncertain demand and fluctuating prices. Likewise, the start-up costs associated with carbon baselines and accounting for these projects, as well as community consultation costs, are high and must be front-loaded ahead of any return (if any) on the sale of credits. Delays in revenue are compounded by a lack of long-term buyer commitments, which limits access to traditional bank financing for forest projects due to the high risk of default. It also increases the need for de-risking by public or blended finance. These risks and the lack of investor trust are not unique to IPs & LCs, but are likely to be higher (and thus more costly) than for other project partners. Thus, carbon markets are likely to be high-risk projects for IPs & LCs.

Conclusion & Recommendations

Photo credit: Forest Trends

Conclusion & Recommendations

Because of the focus of climate investment on transport and energy in the Global North, China, and India, less than one percent of climate finance is spent on forest management in the Global South. Based on the limited reporting of bi/multilateral and philanthropic investment, it is likely that the vast majority of even this small amount fails to flow to the IPs & LCs on the ground.

As detailed in this report, there are many systemic obstacles to increasing these flows. Some can be overcome with the help of trusted allies, like IP-led territorial organizations, but others will take longer to overcome, like reversing discrimination, which undermines IPs' rights in the first place.

In addition to these systemic obstacles, a major impediment within forest-based climate finance is the simple lack of formal requirements that would ensure that IPs & LCs must benefit. Even where funders, investors, and operators claim to provide benefits, the track record in the sector means their claims should not be accepted without evidence. But the lack of transparency around these investments means that these claims are usually impossible to verify, making it impossible to hold proponents accountable. Thus, in the interest of increased transparency and accountability, we recommend the following:

- Support an information clearinghouse/ governance facility for ongoing monitoring and evaluation of climate and conservation finance and other governance information. This database should cover current and historical funding. As RFN (2022) recommends, reporting should be aligned on a common set of standards, definitions, and structures. The reporting must disaggregate financing between those flowing directly to IPs & LCs, those over which they have 'influence,' and those that benefit them indirectly. (As RFN also notes, this data will also enable donors and other partners to better "identify, evaluate, and learn from successful efforts.")[34]

  Such information sharing is critical for at least two reasons:

  - IPs & LCs must understand what funding is available in order to access climate financing.
  - Transparency, while insufficient on its own, is necessary to drive accountability to ensure, for example, that claims of benefits to IPs & LCs are actually fulfilled.

- Standards, especially related to safeguards, must be improved to protect IPs & LCs with respect to FPIC, benefits sharing, legal rights to emissions reduction actions (not necessarily just to forest carbon), and to support land and forest tenure. IPs & LCs must be able to hold partners accountable.
- Learn from lessons on jurisdictional approaches as they evolve by supporting IP- and LC-engagement/awareness in these approaches and supporting territorial associations to lead these engagements.
- Support network building for the development of IP-funds and territorial governance. This support should be extended to relevant government partners and other intermediary organizations.
- Ensure best practices in intermediary involvement so they are allies, not competitors.
- Learn from IPs & LCs-led initiatives, such as IP J-REDD in Peru, IP Funds, IP-led Conservation Impact Bonds (e.g., experiences in Ontario (Deshkan Ziibi Conservation Impact Bond Leadership Team 2021), and ensure these partners have culturally appropriate goals and criteria for performance

[34] Chapara Consult (2022) also contains a comprehensive set of recommendations in their report entitled *Directing Funds to Rights; Principles, standards and modalities for supporting indigenous peoples' tenure rights and forest guardianship.*

- Mobilize greater funding and advance the mechanisms needed to channel resources to rights holders and their organizations to deliver a new and more ambitious Pledge (RRI 2024).

Overall, finance approaches should be diverse, based on the community goals/needs (often expressed through a communally developed "Life Plan", for example). The carbon market, if it recovers, is unlikely to be a panacea. IPs & LCs need to benefit from lessons from impact investing in other sectors, like conservation impact bonds and biodiversity certificates. Indeed, the best comparative advantage for IPs & LCs may lie in innovative finance approaches that support environmental and social "co-benefits", including biodiversity and water protection aimed to better meet IPs' & LCs' Life Plan goals. These projects can partner with impact investors and/or corporate actors seeking to contribute to addressing the climate crisis as part of their CSR investments. Projects that develop sustainable community economies by drawing on traditional livelihoods and knowledge may offer more sustainable benefits to meet Life Plan goals than uncertain market approaches.

This approach may be preferable because the commodification of nature that is central to market approaches is counter to many Indigenous cosmologies. For this reason, other emerging IP-centered models use non-market approaches to impact investing, rather than marketing credits, to produce desired co-benefits desired by investors that also support Indigenous goals of ecosystem and community sustainability and territorial defense.

This report also emphasizes that, in forest-based approaches, revenue is unlikely to be the lone benefit. Indeed, the primary benefit of interest to IP communities, at least in the short term, is likely to be from projects that help secure land tenure or otherwise add political influence that will aid in territorial defense. This is likely to be more important to community wellbeing than (promised) monetary returns. Additionally, financing that can help provide basic services as in-kind benefit sharing or as direct funding targets may be a more desirable benefit than projects that only provide an unreliable and delayed amount of carbon revenue.

There is no one solution that is best for IPs, as every community is different, and many of these approaches and their standards are still evolving and the demand for their offerings remains uncertain. Undoubtedly, what is needed is for IPs & LCs, perhaps through their territorial organizations and/or IP-led Funds, to develop a roadmap to achieve their self-defined goals (which will undoubtedly include issues like forest tenure and governance, territorial defense, economic resilience and cultural integrity, increase access to and participation in climate-finance, building towards projects and programs led by IPs & LCs themselves). Partners can help support IPs & LCs in this advocacy.

This report makes clear that the question is no longer whether Indigenous Peoples and Local Communities should be at the center of climate and conservation finance, but how quickly governments, donors, and investors can make that a reality. The foundations of trust, tenure, and transparency are not abstract principles; they are practical requirements for ensuring finance achieves its intended goals. Every year that finance bypasses IPs & LCs, the world loses both climate progress and the chance to strengthen the very communities most capable of sustaining forests and biodiversity.

If we are to meet the urgency of the climate crisis and support the Global South in adapting to its escalating impacts, the next step is not to wait for new declarations or future pledges, but to act with the tools already in hand.

Mechanisms exist to deliver finance directly; safeguards exist to protect rights; IP & LC institutions already demonstrate capacity and innovation when given resources. The responsibility now rests with those who control finance flows—whether governments, multilateral funds, private investors, or philanthropic foundations—to remove barriers, reconfigure systems, and channel resources where they are most effective. This is the moment to turn intent into implementation, promises into practice, and commitments into concrete partnerships.

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