

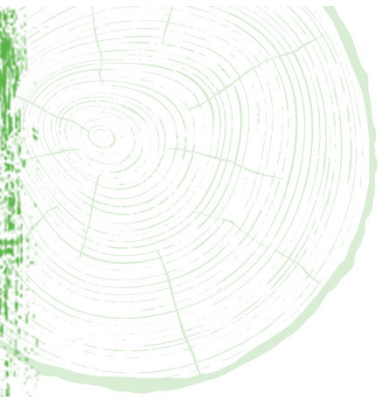
Global Summit on “Advancing Sustainable  
Forest-based Bioeconomy Approaches”

# Sourcing Wealth and Financing Opportunities

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# Why Forest Finance Matters

## Challenges

### Deforestation & Climate Mitigation



Since 2000, the world has lost a forest area the size of Ethiopia – mainly in areas where forests remain unregulated and governance systems weak. Forests contain 662 billion tons of carbon & the mitigation potential of reforestation & afforestation is 3.9 gigatons of CO2 per year by 2050.

### Global GDP depends on forests & ecosystems



More than half of the world's GDP depends on forests and related ecosystem services (US\$44 trillion per year out of US\$84.4 trillion in 2020) and globally, each job in the forest sector is estimated to generate 1.5 to 2.5 additional jobs in the wider economy.

### People in extreme poverty rely on forests



Investments in forests helps to end poverty as over 90% of people living in extreme poverty rely on forests for some of their livelihoods and forest landscapes cover more than 80% of the area that Indigenous Peoples occupy.

## Financing Needs

### Protect, restore, and enhance forests

The cost to protect, restore, and enhance forests on a global scale is estimated at more than **US\$403 billion per year** - including re/afforestation, mangrove and peatland restoration, and silvopasture



### Production forests

Total investment requirements from 2020 to 2050 are estimated to be US\$1.2 trillion for forest plantations and natural regenerated production forests - for an average annual investment need of **US\$40 billion/year**



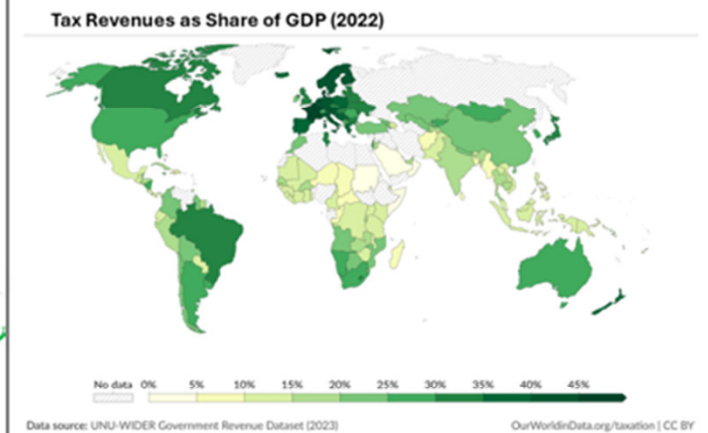
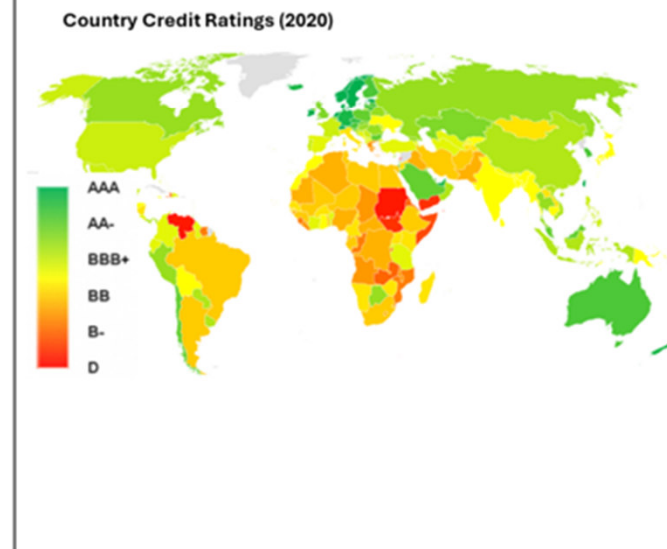
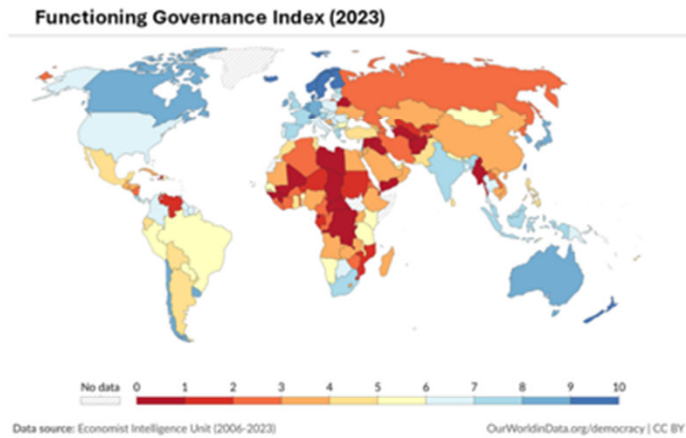
### Deforestation-free development

To fuel economic activity without driving deforestation: total investment requirements from 2020 to 2050 are estimated to be US\$760 billion for wood industries - for an average annual investment need of **US\$25 billion/year**



Forests for  
Development,  
Climate &  
Biodiversity

# Limited Access to Forest Financing



- ➔ Mobilizing sufficient financing to meet investment needs remains a huge challenge for many countries in World Bank client countries
- ➔ Key parameters: Challenging governance situations, low country credit ratings, and low share of tax collection

# Sources of Forest Financing

**Public domestic finance** - Government spending at all levels, funded through fiscal revenues, asset income, or debt; delivered via budget allocations and subsidies.

**International public finance** - Official Development Assistance (ODA) and Other Official Flows (OOF) from development partners and financial institutions; delivered via grants, concessional loans, equity investments, and risk-sharing mechanisms

**International private finance** - Funding from multinational corporations, institutional investors, impact investors, and philanthropic foundations/trusts; delivered through a mix of equity, debt, and grants

**Domestic private finance** – Domestic capital from commercial banks, microfinance institutions, large corporations, MSMEs, forest producers, cooperatives, and civil society; includes both formal and informal equity and debt.



# Gaps & Challenges in Forest Finance

- **Persistent finance gaps** for restoration, conservation, and sustainable production
- **Unfavourable investment environments** creating disincentives for all levels of financing and investments
- **Limited private investment** due to unfavourable investment environment (weak pipelines) and unproven business models
- **Mismatch between financing** terms and long-term forestry needs
- **Barriers to accessing finance**, especially for smallholders and community actors
- **Structural issues limiting results-based finance**, such as unclear baselines and weak MRV systems
- **Misaligned fiscal policies**, with insufficient incentives and continued support for harmful practices



# Snapshot of Global Finance Flows

## Sources of Finance

<b>Private Domestic:</b>	about 40% - 45%;
<b>Public Domestic:</b>	about 35% - 40%;
<b>Private International:</b>	about 15% - 20%
<b>Public International:</b>	~2%;

- ➔ ODA by far the smallest component of international forest finance flows
- ➔ ODA needs to be strategically invested to induce that public domestic is used for creating an enabling environment for private finance to invest in sustainable forest and forest landscape management, incl. provision of ecosystem services
- ➔ Private domestic forest finance is hypothesized to have much untapped potential, especially from smallholders and MSMS enterprises

Globally, 439 million smallholder producers are estimated to invest approximately US\$368 billion annually in climate adaptation actions (excluding labour costs) with many positive impacts for nature.

*"The unsung giants of climate and nature investment Insights from an international survey of local climate and nature action by smallholder forest and farm producers"* (2023), Xiaoting Hou-Jones and Nicola Sorsby, International Institute for Environment and Development



# Pathways Towards Sustainable Forest Finance

## 1 Create favourable investment environment

Modernize regulatory frameworks that comply with ambitions and needs of a forest-based bioeconomy

Incentivize the sustainable production of wood and timber for meeting demand of value chains (energy, housing, trade, furniture, infrastructure)

## 2 Unlocking finance for small-scale operators

Use aggregators, supply chain models, and public incentives to improve access for smallholders, MSMEs, and communities.

Build bankability and reduce risk for financiers with business incubators

## 3 Mobilizing private investment at scale

Attract corporate, institutional, and impact investors through blended finance and long-term capital complying with ESG standards.

Support value chains that align with restoration and sustainability outcomes.

## 4 Enhancing domestic public finance & policy alignment

Reform fiscal systems to phase out harmful subsidies and reinvest revenues into forest sectors.

Use results-based mechanisms and incentives to drive sustainability, e.g. carbon markets and other PES.

## 5 Deploying ODA as a catalytic enabler

Use ODA to de-risk investments through guarantees, seed capital, and concessional finance.

Strengthen enabling environments through technical assistance and institutional capacity building



# Unlocking finance for small-scale operators

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• **Revenue generation is essential:** Forest investments must demonstrate income potential—via value chains or ecosystem service markets—to attract private capital

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• **Enabling regulatory / governing environment is required:** investors must have confidence that they have ownership in the returns on investments; smallholders and large-scale investors alike

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• **Diverse financing mechanisms exist:** From informal credit to blended finance, multiple tools offer pathways—each with specific use cases, benefits, and limitations

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• **Aggregators and intermediaries can play a catalysing role:** Cooperatives, producer groups, and local lenders reduce risk, build scale, and improve access for small-scale operators

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• **Blended finance unlocks scale:** Strategic use of public and philanthropic capital—via guarantees, grants, or concessional finance—can de-risk and crowd in private investment



# Mobilizing private investment at scale

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**Different investors, different roles:** Corporates secure supply chains and offsets; institutions seek stable returns; impact investors focus on environmental and social outcomes

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**Key barriers persist:** High risk, regulatory complexity, liquidity constraints, and ESG misalignment—especially in the Global South—limit large-scale investment.

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**Balancing competing priorities:** Investors must navigate profit vs. sustainability, scale vs. inclusion, and short-term metrics vs. long-term impact

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**Diverse models, diverse outcomes:** Corporates and institutions drive growth and jobs but may centralize control; impact investors prioritize equity, biodiversity, and community resilience

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**Blended finance unlocks scale:** Many successful investments combine corporate, institutional, and impact capital—de-risked through public-private partnerships, concessional funds, and equity mechanisms

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**Thank you!**