The **Tropical Forest Forever Facility (TFFF)** has a multi-layered accountability mechanism that includes performance-based payments verified by satellite data, mandatory financial allocations for Indigenous Peoples and Local Communities (IPLCs), and the planned establishment of a grievance and redress mechanism.
Key components of the TFFF accountability mechanism:

- **Satellite-based Monitoring, Verification, and Reporting (MVR):** The TFFF uses clear-cut, satellite-based monitoring to measure changes in forest cover. Payments to eligible countries are directly linked to their performance in maintaining standing forests (specifically, keeping deforestation rates at or below a 0.5% threshold).

- **Performance-Based Payments and Penalties:** Countries receive a base annual rate for every hectare of standing forest. A tiered discount system penalizes countries for higher deforestation rates, creating a strong financial incentive for conservation.

- **Mandatory IPLC Funding:** A crucial provision requires that a minimum of **20% of the funds** transferred to a participating country must go directly to Indigenous Peoples and Local Communities (IPLCs). Countries that fail to comply after one year become ineligible for payments.

- **Direct Access Model for IPLCs:** The mechanism establishes the option for resources to flow through Indigenous- and community-led institutions, giving them a stronger role in decision-making and accountability over the use of their portion of the funds.

- **Transparency and Public Scrutiny:** Recipient countries are required to disclose how the funds are used, allowing for public scrutiny and feedback from civil society and local communities.

- **Grievance and Redress Mechanism:** The TFFF commits to establishing a robust, accessible, transparent, and responsive grievance and redress mechanism to handle complaints from IPLCs and civil society organizations.

- **Governance Structure:** The TFFF has a clearly defined governance structure with an independent board, aiming to ensure transparency and insulate the facility from undue political influence.

What Makes TFFF Innovative?

By valuing standing and restored tropical forests, the TFFF will mitigate a market failure by assigning a value to, and paying for the ecosystem services provided by tropical forests.

It is an initiative spearheaded by the Brazilian Government and led by Global South Tropical Forest Countries.

It is a blended finance model that mobilizes private capital alongside sovereign and philanthropic investment. This capital is then invested into Emerging Market and Developing Economies (EMDEs) to generate a reliable return.

It does not rely on traditional donor government grants but invites sovereign investors from across the world to invest in this next-generation financing facility.

It provides performance-based payments to Tropical Forest Countries for forest conservation and restoration, rewarding countries who have curbed deforestation and regenerated tropical forest cover.

Tropical Forest Country governments and communities will determine the most effective conservation policies for their countries and where the payments will be best put to use.

Participating countries use advanced technologies, such as satellite imagery, to monitor forest cover, ensuring accurate results.

At least 20% of payments are to be directed to Indigenous Peoples and Local Communities.

To enable the Tropical Forest Forever Facility (TFFF) to make annual payments to Tropical Forest Countries (TFCs) for conserving and expanding their forest cover, a new investment fund will be established.

The structure and operational parameters of the fund are currently being discussed by stakeholders in the TFFF. When the design of the fund has been completed, these specifics will be publicly announced.

The basic outline of the proposed fund, however, is already taking shape. The fund will be a separate legal entity from the TFFF, with its own governance charter, Board of Directors, and bank accounts. It is expected, however, to share an administrative secretariat with the TFFF to ensure administrative cohesion and efficiency within the TFFF.

The fund will have a "blended finance" structure, with capital coming in two forms: 1) sponsor contributions from sovereign governments and philanthropies and 2) senior debt issued on the international capital markets.

Sponsor contributions will be in the form of long-term loans, grants or guarantees. The senior debt will be in the form of fixed-income bonds issued in the international capital markets on terms similar to those of bonds issued by multilateral development banks. The bonds are intended to be highly liquid and to benefit from a high credit rating from recognized credit rating agencies. The target market for the fund's bonds is expected to be institutional investors such as pension funds and insurance companies, fixed income asset managers and sovereign wealth funds.

The current target size of the fund that is under discussion is USD 125 billion.

SOVEREIGN AND PHILANTHROPIC INVESTORS

PRIVATE INVESTORS