

SPECIAL REPORT

FORESTS



“Saving our forests isn’t a matter of planting more trees.”

Letter from the Editor

Forests. They cover about 30% of Earth’s land surface and store 45% of carbon on land. Despite the critical role they play in our ecosystems, our economies, and our planet’s health, they’re slowly disappearing. We’ve lost one-third of our forest cover (an area twice the size of the United States), and much of it has happened in the last 100 years.

We know that there is value in our standing forests, even beyond as a solution to climate change. Forests are home to and support a range of sustainable businesses around the world. But those businesses need access to capital if they’re going to survive and continue preserving forests in turn. And forests, much like many other nature-based solutions, are still considered a risky investment. Without the right investment vehicles or enabling environments to encourage investment in our forests, we’re bound to continue losing these critical ecosystems.

Saving our forests isn’t a matter of planting more trees. It’s more complicated than that, and it’s inextricably linked to tackling

climate change. The solutions are out there and our many teams, projects, and partnerships around the world are implementing those solutions every day. From the UK to Indonesia, Brazil and El Salvador, our work in and around forests shows that business and nature preservation can – indeed, must – co-exist.

The articles in this edition of our Special Report are curated from those published by our thought leaders and reflect their unique perspectives on our Earth’s forests, be it from a particular industry, stakeholder, case study, or point of view.

We hope you’ll find something in these pages that resonates with you, and, if so, we welcome you to get in touch.

All the best,

Elizabeth Godo

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Can Bamboo Preserve Forests in Malawi Without Disrupting Local Livelihoods?

BY
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When most people think about bamboo, climate resilience may not be the first thing that comes to mind. But in Malawi, bamboo crops, and more specifically giant bamboo, are at the heart of the country's deforestation solution.

According to recent reports, between 2002 and 2020, Malawi's total area of primary forest decreased by upwards of 8 percent. And while agriculture and smallholder farmers are the backbone of Malawi's economy, unsustainable farming practices are one of the reasons the country is facing a serious deforestation problem.

But it's not the only reason. Many households across the country require wood for cooking and heating, and as Lawrence Lazarus, a member of the

“How can we preserve forests without impinging on people's livelihoods?”

Feed the Future Malawi Ag Diversification Activity (AgDiv) team points out, the fight against climate change and environmental degradation in Malawi has become an existential dilemma. “How can we preserve forests without impinging on people's livelihoods?” he asks.

Seeing an opportunity and a potential answer to the dilemma, in February 2019, AgDiv launched a national campaign to address deforestation and improve

agricultural resilience in Malawi using *Dendrocalamus asper*, a quick-growing and non-invasive species of bamboo.

This bamboo, known as giant or dragon bamboo, takes only five to seven years to mature, after which it continues to produce new shoots for more than 50 years. Other hardwoods can take decades to mature, making the giant bamboo a critical solution for household fuelwood needs, and potentially deforestation.

BAMBOO FOR RESILIENCE

In Dedza, around the Chongoni hills, an area known for its Stone Age and Iron Age rock art and paintings, AgDiv identified an opportunity to utilise bamboo to improve watershed management and protect and

“It's been just three years since AgDiv introduced resilience interventions in our area, but we can already see a lot of improvement in our farmland and forests.”

reforest the area by creating a 12 kilometre buffer zone of giant bamboo, indigenous trees, and fruit trees.

The area, which is comprised of about 7,000 households, is prone to flooding and the AgDiv team hoped that the work would reduce the likelihood and severity of floods. In addition, the zone could protect the Chongoni hills forest reserves from illegal logging and the nearby farmland from soil erosion caused by the loss of arable land.

Over the past three years, AgDiv has covered an area of approximately 12,000 hectares, including the Chongoni Forest Reserve – 4,500 hectares of land protected by the government. Using approaches to protect and improve water quality, along with soil and water conservation techniques, AgDiv has protected a further 4,500 hectares of arable land.

“It's been just three years since AgDiv introduced giant bamboo and other resilience interventions in our area, but we can already see a lot of improvement in our farmland and forests,” describes Fannuel Bizwick, a member of the Chongoni Hills community. “Soil erosion used to be a serious problem in our community.”

In partnership with surrounding communities, AgDiv has planted about 100,000 bamboo trees, 33,000 fruit trees, 180,000 agroforestry trees, and 360,000 indigenous trees. Over 500 hectares of forest has been left to naturally regenerate and communities have been organised into Village Forestry Area committees that help curb deforestation by enforcing bylaws against perpetrators.

“Season after season we used to lose crops and fertile soils due to runoff water from the mountains, but now the situation is improving,” Bizwick adds. “For some of

us who received bamboo to plant within our households, we are already reaping the benefits. Personally, I have just used some of my bamboo to roof my house.”

PARTNERING FOR SUCCESS

In addition to working closely with community members, AgDiv has partnered with the Lilongwe Water Board, which is responsible for supplying water to the central region of Malawi, to establish a buffer zone spanning 12 kilometres on each side of the river that will protect the river from siltation and address deforestation.

AgDiv supported the board with giant bamboo seedlings and campaigns to sensitise surrounding communities on the importance of protecting the area from grazing animals. As a result of the visits, communities agreed to keep their animals away from the area until the seedlings took hold.

Following the success of the site, the Board intends to plant bamboo and indigenous trees all the way down to the intake point, creating an ecological corridor that will protect the river and provide alternative fuel wood options to surrounding communities.

Malawi's fight against deforestation is not over, but the success of AgDiv's bamboo campaign and project, and the government's recent commitments to providing alternate fuel sources, are signs of moving in the right direction. [↪](#)

Breaking the Cycle of Deforestation in the Amazon: Is Finance the Answer?

BY
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ABOUT THE AUTHOR

The Sustainable Finance Director and Selva Fund Manager at Palladium, Alves boasts 25 years of experience working with finance and environmental markets, designing financial mechanisms and programs to channel investments into climate mitigation and adaptation in Latin America, with a focus on land-use. She has a Bachelor's degree in economics, a Master's degree in Economics and Finance from the University of Sao Paulo, Brazil; and a Master's in International Affairs focusing on Environmental Finance and Policy from Columbia University.



Historically, a number of economic and increasingly illegal activities have put pressure on the Brazilian Amazon, depleting its critical ecosystems to what scientists have warned is near a tipping point – a point in which the forest will lose its ability to maintain itself in its current state or bounce back from disturbances like drought or other extreme weather events. This would drastically affect the region's water cycle and eventually the rainforest could become a dryland, savannah, or shrubland.

This is all in addition to the 90 billion tonnes of CO2 that would be released into the atmosphere in the process.

However, the livelihoods of many communities in the region are linked to value chains and production processes that not only degrade the surrounding environment but deplete natural forests. And while these processes are, at the end of the day, providing livelihoods for rural and forest-based communities, they

“The journey only begins with supporting smallholders and forest-based communities.”

aren't sustainable for the people or the environment. In the short term, many of these economic activities are secure to the extent that they're there and provide an income, but it doesn't mean that they'll remain that way in the long term.

Without the tools and resources to invest in and properly maintain the soil so that it continues to be productive, many smallholders are left with non-arable, degraded land, that is ultimately converted to cattle grazing. Once the cattle have grazed and the pasture is gone, farmers cut down and burn more forest, which allows the pasture to regrow for some time, but eventually the soil is ruined.

Thus, the vicious cycle is born.

Most smallholders are simply unable to access finance or get a credit line to invest in an activity that respects the forest and maintains land productivity. Without the finance to hold them over while they wait for a crop to harvest, they're left looking for something that will make money in the short term, and often extensive livestock is the answer.

And while livestock can be a viable option when done properly, it too requires investments and technical assistance to ensure its sustainability and viability that the smallholders simply don't have access to.

Until recently, buyers and the larger market didn't care where products were coming from and whether they were sustainably sourced. Now, there's an explosion of interest in goods that are traceable, sustainable, and deforestation-free. Meatpackers are under pressure to monitor their supply chains, soy trading companies

“The forest isn't deforesting itself; there's incentive for it to happen.”

are demanding traceability, and customers are seeking out sustainably sourced products or products that are associated with standing forests. There is even a growing market for so-called “superfoods”, many of which, such as Açaí, are native to the Amazon.

All of this is culminating in a massive opportunity for smallholders, forest-based communities and small and medium-sized enterprises operating in these value chains in the Amazon. But just because there's an increased demand for such products, doesn't mean that the economies in the Amazon aren't ready or able to meet it.

SO, WHAT'S THE SOLUTION?

It's not enough to simply provide smallholders, their suppliers, or rural and forest communities with lines of credit or access to finance. It must go hand-in-hand with technical assistance to support and enable smallholders to implement sustainable practices, put agroforestry systems in place that integrate trees into crop and livestock practices, and combine different crops to provide revenues over time and across different growing stages.

In addition, it is also a matter of supporting the ecosystem that surrounds them. From the cooperatives working with smallholders to sustainably gather, to the logistics and transportation of goods to market, and putting the infrastructure in place to refrigerate items or trace them through the value chain, the journey only begins with supporting smallholders and forest-based communities.

If we don't address the market failures surrounding the smallholder, channelling finance into the region is doomed to fail. We must provide and support alternative livelihoods that the community is proud to be a part of and comfortable working with to earn a sustainable living.

From creating investment vehicles that allow private finance to bridge the gap for enterprises and cooperatives that aggregate and/or buy produce from smallholder farmers and providing technical support for the implementation of better practices increased sustainability stipulations from the corporations buying goods, and better governance in the region, the solution on the demand side is multi-pronged as well.

It's certainly not simple, but it's possible, and we've seen that it's already begun.

Many commodities-based companies are now working with different players across their value chains to improve their structure by building closer connections with farmers and supporting the implementation of sustainable practices through technical assistance and finance. In addition, carbon or net zero commitments provide another incentive to implement practices that will support corporate commitments

Commercial banks also have a role to play in providing finance for the region and supporting governments in efforts to promote sustainable practices in the Amazon. There's an opportunity here for banks to work alongside impact funds and de-risk investments by providing credit lines to players in these value chains reaching rural communities so that they can deliver traceable deforestation-free products to the market.

The forest isn't deforesting itself; there's incentive for people to make it happen. But if we can address the perverse incentives there now, we have the opportunity to not just save our forests but improve the current conditions so that rural and forest-based communities around them reap the benefits of being linked to sustainable and profitable value chains.

Only then, will we break the cycle. 

How Komaza, the “Uber of Forestry” is Revolutionising Timber Production

★ FEATURING

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Climate, Environment and Natural Resources, Palladium

Ben Aschenaki

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ABOUT THE EXPERTS

As the lead for Palladium’s Climate, Environment and Natural Resources practice, Terry Green promotes low carbon development, inclusive business practices and public-private partnerships for sustainable natural resource management. He advises governments and their development partners on private sector development, public policy reform, institutional development and change management. Terry holds an MBA from Cranfield University and a MSc in Tropical Agricultural Development from the University of Reading.

Baemnet Aschenaki is the Regional Program Director for Partnerships for Forests (P4F) and Regeneration’s Rebuild Program in East Africa. He has extensive experience leading evidence-based forestry and agriculture programs across African landscapes, with a focus on nature-based solutions for climate change adaptation, and sustainable development. Baemnet holds a Masters Degree in Business Administration from the University of Saint Thomas, and a Bachelor’s Degree in Business Administration from the University of Houston.



“Komaza tackles the African wood deficit crisis by disrupting the commercial plantation approach and addressing a real problem directly on the ground in Kenya.”

Over 80% of Africa’s primary energy is supplied by fuelwood, which is the leading driver of forest degradation and deforestation on the continent. It’s estimated that by 2030, Africa’s supply deficit of industrial wood will exceed USD 30 billion.

It is unlikely that traditional large-scale forest plantations will ever meet this deficit or solve for the major mismatch in supply and demand across Africa. The African forestry industry needs a new model if it’s going to survive the next decade and provide fuelwood for a growing population and economy.

This is where Komaza steps in.

Komaza, the ‘uber of forestry’, is a social enterprise that’s using micro-forestry to disrupt the forestry model in Africa. Essentially, Komaza empowers smallholder

farmers to make use of their previously unproductive land to produce timber for sale into industrial markets, utilise waste materials as a sustainable source of fuelwood, and generate potentially life-changing income.

Founded in 2006, the Komaza team works directly with smallholders in Kenya and their 1-3 hectares of land, providing seedlings and hands-on technical support throughout the process in a seven to eight-year-long partnership. In exchange for exclusive and fair tree harvesting rights, Komaza provides farmers with tools, training, best practices, and maintenance during the lifetime of the farm, for free.

Ben Aschenaki, Regional Manager of Palladium’s Partnerships for Forests (P4F) project stresses the innovation in Komaza’s model. “Komaza tackles the African wood deficit crisis by disrupting the commercial

plantation approach and addressing a real problem directly on the ground in Kenya.”

According to Aschenaki and the P4F team, traditional commercial forestry has failed throughout Africa due to a booming population, a lack of space, and conflict, making it a high-risk area to grow and harvest wood at a large scale. Komaza’s model is actively working to solve this.

RAISING CAPITAL

“Forestry is one of the sectors that is difficult to get investment in, particularly private investment,” explains Terry Green, Palladium’s Director of Environment and Natural Resources.

Historically, forestry requires a long time for investors to see returns – often up to a decade, which according to the P4F team, not many investors have the appetite for. Assets are also ‘illiquid’ or not easily converted into cash, which discourages investment. These factors, combined with governance and security risks in the African context, has led to very little commercial investment.

“Komaza is an example of a successful program that’s working with communities, adding value, and attracting private sector investment,” Green says.

He attributes their success to the fact that they have a team on the ground that is already well-embedded in the communities in which they’re working (the majority of their employees are community members), and by constantly iterating and scaling the business up, they’re far more attractive to potential investors.

Despite the challenges, Komaza has raised USD 48 million since 2017, including a recent Series B round of funding of USD 28 million in July of 2020.

“This is a huge achievement for the company and the industry as well,” says Aschenaki. “It sends a signal to investors that there is a real opportunity for companies in Africa that are addressing real problems and making an impact in several different areas.”

“It sends a signal to investors that there is a real opportunity for companies in Africa.”

Investors in Komaza include Palladium’s P4F, a program that has assisted with Komaza’s strategy implementation for expansion, and brokered meetings with other partners. With P4F’s help, Komaza has expanded their operations beyond the coastal area of Kilifi to central Kenya and has digitised many of their systems.

In an effort to simplify investing in Komaza and build a more sustainable financial future, P4F also helped the team create a term sheet and investor pitch deck, and launched a special forestry vehicle (SFV) to securitise their harvest contracts. This SFV packages tree production partnership contracts with thousands of smallholder farmers and sells them to investors, providing farmers and forestry companies with access to low-cost, long-term finance while enabling institutional investors to access sustainable forestry investments.

For Komaza, the capital raised from investors reduces its cash flow burden, while investors enjoy a market-rate return from investments in forestation and smallholder farmer empowerment. The SFV provides Komaza with a powerful tool for fundraising in an effort to reach their ambitious targets.

Since their launch, Komaza has restored 7,000 hectares of degraded land in coastal Kenya by planting more than 6 million trees. They have worked with 25,000 smallholder farmers, making them Kenya’s largest commercial tree planter, operating at 80 percent less cost than large plantations, and changing and uplifting thousands of lives in Kenya. [🔗](#)

Planting Trees Cannot Be Our Only Solution to Climate Change

BY
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ABOUT THE AUTHOR

Jose Maria has more than 20 years of experience helping government and private sector organisations transform the societies where they operate, most recently in Europe, Africa and India. As Palladium Managing Director and head of Impact Investments, Jose Maria is passionate about unlocking the power of capital to deliver long-lasting solutions to socioeconomic challenges.



The latest report from the UN's Intergovernmental Panel on Climate Change (IPCC) is clear: if we want to avoid the dangerous warming of our atmosphere and keep the world under 1.5 degrees Celsius, we must shift away from fossil fuels. Without immediate emissions reductions across all sectors, we're on track to warm by 3.2 degrees – and to endure the catastrophic impacts that warming would bring.

Beyond a reduction of fossil fuels and carbon emissions, we must also preserve nature – the only short-term solution we currently have in the race to achieve net zero. Nature is our best bet until the technology for processes like carbon capture can catch up.

When we think about preserving nature, many of us envision planting trees, but this is an oversimplification of a much more complicated reality. While the world's forests store about 861 gigatonnes of

“There is monetary value in preserving nature on land and in the sea, and it isn't just through carbon business models.”

carbon (equivalent to nearly a century's worth of our current annual fossil fuel emissions), these forests are vulnerable and dwindling due to rampant deforestation and the effects of climate change.

What we also need to be preserving are the many ecosystems that act as carbon sinks (those natural assets that absorb and store carbon) and keep emissions from leaking into our atmosphere in the first place. Of the many ecosystems on the planet, it is wetlands, not forests, that store the most tonnes of carbon per hectare – ahead

of grasslands, tropical savannas, and croplands.

So, if not by planting trees, how do we preserve the ecosystems – like wetlands – that we need most?

The answer is by making it financially attractive for investors and businesses to preserve them, and by engaging the communities that live in and around these ecosystems in a way that benefits them and future generations.

There is monetary value in preserving nature on land and in the sea, and it isn't just through carbon business models (such as the sale of carbon credits). It can be through a combination of revenue streams that include carbon, biodiversity, and other ecosystem services. There are carbon-free businesses like non-timber forest products, sustainable forestry, the increasingly trendy eco-tourism, energy production, and other sustainable value

“Now more than ever, we must make bold investments in nature to compensate for our inability to phase out fossil fuels quickly enough.”

chains that can mean both profit and preservation.

But many see our natural ecosystems through a stark dichotomy, believing that they should remain entirely untouched. This unnecessarily pits those looking for solutions to climate change against the communities who depend on these ecosystems for their lives and livelihoods. Instead, I believe there's a way to split the difference – to preserve nature while sustainably using natural assets in a way that benefits the ecosystem itself, investors, and the community that calls it home.

These long-term, sustainable solutions and business models exist. From Colombia to Ghana, the UK, and Indonesia, I've seen first-hand how it's possible to invest in economic models that can work across ecosystems and create lucrative returns.

These interventions are complex and require critical collaboration with local communities, not only so that they will lend their support, but to ensure that they reap the benefits.

In Australia, for example, the government is investing AUD 3 billion in the Reef 2050 Plan, which will support a [Reef Credit Scheme](#) that will quantify the work landholders undertake to reduce pollutants entering the reef without compromising the productivity of their land. The hope is that the scheme will create a new environmental market where supply and demand will drive investment into improving and protecting the water quality of the reef, with profitable returns for producers.

These producers, many of whom are farmers and livestock suppliers, will have the opportunity to improve their practices to launch products like carbon-free beef (as Coles, one of the biggest supermarket

chains in Australia, has done). Again, it is not about stopping beef production, but doing it better while preserving and restoring nature.

In Colombia, we're piloting the first ever “[habitat bank](#)” – private conservation and restoration sites that generate biodiversity credits, which can be sold to project developers to offset major infrastructure impacts with investments in conservation. For every 500 hectares of habitat bank established, at least 24 new jobs are created through conservation and restoration activities. In addition, these banks protect land for 30 years under contracts with landowners and allows the development of complementary business in the natural tourism space, apiculture, and other non-timber forest products.

And while these and other examples indicate that there is progress being made, it's not enough. We need more projects, and quickly, that preserve and restore ecosystems to act as carbon sinks.

Sustainable commodities, nature-based business models, access to energy, and sustainable tourism can all ensure the livelihoods of communities, while preserving nature at the same time. But only if we properly support them and put them forth as a clear solution for tackling climate change and meeting global policies and goals.

The IPCC says it's ‘now or never’ to move towards a low-carbon economy. I say, now more than ever, that we must make bold investments in nature to compensate for our inability to phase out fossil fuels quickly enough. We don't have time for small-scale interventions. It's time to take risks, because the alternative is clear – increasing temperatures with devastating effects for us all. [🔗](#)

Biodiversity-Friendly Business Models Already Exist – They Just Need to be Scaled

BY
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ABOUT THE AUTHOR

Lucy is the Communications Manager for Revere and formerly managed the portfolio of global initiatives aiming to reduce tropical deforestation under Palladium's Partnerships for Forests (P4F) program. Based in Bristol, UK, Lucy specialises in external relations and knowledge, and has designed and delivered strategic engagements, events, and products to share learnings from P4F.



“The key is to apply the right model in the right landscape and to ensure benefits to local communities.”

The need to act on climate and biodiversity has never been more pressing. COVID-19 has disrupted our global finance systems and ways of life, serving as a wakeup call that humanity's dysfunctional relationship with nature is a symptom of our unrestrained exploitation and encroachment upon it.

The sheer scale of the challenges before us can be overwhelming, but according to [a recent report](#) published by [Partnerships for Forests \(P4F\)](#), practical examples to reduce deforestation and build a better future already exist.

Right now, virgin rainforest and other valuable ecosystems are being cut down

and converted to commodity monocultures (single crops such as palm oil and soya), which is good for short term profits, but comes at the expense of biodiversity.

Despite its destruction, over half the world's GDP depends on nature and its services, generating around USD 44 trillion in economic value.

But there is a win-win solution. Forest-friendly regenerative business models represent alternatives to business-as-usual and can generate billions of dollars in investment opportunities, while mitigating nature-related risks. These models are crucial to tackling climate change, protecting species against extinction, creating jobs, and building social and economic resilience to future shocks.

With a portfolio of business models in Africa, South East Asia, and Latin America, P4F has identified three replicable approaches to forest-friendly business from amongst its partners. The key is to apply the right model in the right landscape, and to ensure benefits to local communities.

“If the solutions for changing the way humans interact with nature are clear, then now is the time to support the acceleration and scaling of these innovative business models.”

1. **Businesses that enhance the value of existing forest by creating livelihoods for local communities.**

Coffee production has been a tradition in Ethiopia for centuries, thanks to the native arabica plant. Currently, a new, premium forest coffee brand is being developed from 150,000 hectares of forest. Local communities and farmers are being rewarded with premium prices for harvesting forest coffee sustainably, providing an increased income to around 10,000 farmers and an annual export value of approximately GBP 21 million.

2. **Businesses that bring value to forest regrowth by involving local communities in restoration.**

Forest restoration on degraded land is typically expensive and labour intensive – but it doesn't have to be. In Brazil, the Xingu Seeds Association (ARSX), who recently won the [Ashden award for Natural Climate Solutions](#), is a network of 560 seed collectors that promotes an innovative restoration technique called direct seeding. Direct seeding involves mixing seeds from native species and planting them directly in the ground. Compared to traditional seedling-based reforestation, direct seeding is 60% cheaper, more efficient (20 times more trees can be planted per day), and results in denser, more diverse forest by mimicking the natural restoration process. This makes it attractive to farmers, offsetting their environmental liabilities under the Brazilian Forest Code, which requires them by law to reforest a portion of their land.

As well as restoring forest biodiversity, ARSX helps preserve traditional knowledge. In addition to rural and

urban collectors, seed collection is undertaken by indigenous peoples living in the Xingu basin, who are responsible for the maintenance of 92% of the region's natural forest. The collection and processing of native seeds is deeply connected with traditional knowledge, experience, and culture. For example, given their knowledge of forest natural cycles, the elders suggest the best time to collect seeds, whilst identification of the best tree species and areas from which to collect is based on forest observation linked to everyday activities.

3. **Businesses that increase production efficiency on degraded lands and create robust forest protection mechanisms.**

The Juaboso-Bia landscape in Ghana is a key cocoa producing area and home to many forest reserves and national parks. The main protected area provides habitats for over 160 bird and 62 mammal species, including the threatened chimpanzee, forest elephant, and leopard. P4F works with Touton, a private cocoa trading company, and partners to implement a landscape governance approach to help communities manage the land sustainably. This includes creating financial incentives for local people to adopt climate-smart agricultural techniques, protect remaining forests, and regrow trees in cocoa areas. The business model supports over 17,000 cocoa farmers and brings approximately 180,000 hectares of land under sustainable management.

The key to the success of the model is ensuring landscape governance is inclusive of all stakeholders. As

Ernest Dwamena from Touton puts it, “The surest way to achieve zero deforestation outcomes in cocoa and forest landscapes is for all stakeholders and value chain actors living and working in the landscapes to work in concert in providing pragmatic solutions to deforestation. Working in silos and not at a landscape scale will only give marginal results”.

A CALL TO ACTION ON ACCELERATING BIODIVERSITY FRIENDLY BUSINESS

- 1. Implement policies, regulations and programmes that support sustainable landscape governance at scale.** Managing landscapes for biodiversity outcomes is complex and public support is essential.
- 2. Direct public money towards biodiversity friendly business models** through increased funding for companies and organisations incubating the solutions of the future. Funding must ensure biodiversity outcomes are maximised.
- 3. Support initiatives that foster lesson sharing beyond the ‘normal suspects’ and ‘echo-chambers’.** Siloed working hinders the change we need – but many of those that hold the knowledge required are excluded from discussions, for example, indigenous peoples and local communities.
- 4. Increase the availability of funding for development and incubation services** that provide companies with support to develop biodiversity-friendly business models. Donor funding for forests and sustainable land use programs remains markedly under-resourced.

Nature-based solutions, such as the models incubated by P4F, are gaining political traction. They offer an immense opportunity to achieve the 2015 Sustainable Development Goals and the Paris Agreement on climate change targets. But they can only be scaled by collective action and will. [P](#)

Community Forestry Programs Provide Ecological and Economic Protection in Tanzania

BY
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ABOUT THE AUTHOR

Based in Ethiopia, Fede is an East Africa Programme Associate for Partnerships for Forests (P4F). In this role, he supports the scoping, design, and implementation of several projects across the P4F portfolio, with a particular focus on scaling forest restoration and premium smallholder-driven value chains. He also supports Palladium's Nature Based Solutions team, particularly related to work in Peru. Fede holds an MSc in Strategic Management from Tilburg University and is currently attending Yale's "Tropical Forest Landscapes Conservation, Restoration & Sustainable Use" online program to broaden his technical skills.



Mpingo, or the African Blackwood in Swahili, is the national tree of Tanzania and is a critical component of its Miombo forest ecosystems, which cover two-thirds of the country. One of the world's most valuable timbers, mpingo is highly regarded for its superior properties that make it ideal for high-end woodwind musical instruments like bagpipes, as well as furniture.

Millions of livelihoods depend on the critical ecosystems in which mpingo is found, and these forests also carry a tremendous cultural importance for the rural population. About half of Tanzania's forests are located on community land and are home to a wide array of biodiversity. Despite the forests' value, the country has twice the world rate of annual forest cover loss. Approximately 80 percent of the country's poor live in rural areas, and their growing dependency on subsistence farming and biomass for cooking has resulted in expansion into existing forest, placing several of these ecosystems on the brink of extinction.

“Growing dependency on subsistence farming and biomass for cooking has resulted in expansion into existing forest, placing them on the brink of extinction.”

In this balance between rural economic development and conservation, especially against the backdrop of climate change, the Tanzanian Government has been stepping up efforts to make sure that rural livelihoods coexist with these critically endangered ecosystems. In 2002, the Forest Act was enacted as a means to engage millions of rural communities

“There are opportunities for this approach to become a blueprint for other countries in the global south to support similar efforts.”

These communities are now directly involved in the conservation of these forests, while generating significant value from community-based forestry enterprises. Through working with MCDI, the communities are connected with the high-end musical instruments market, selling their Mpingo logs to the likes of Yamaha and Gibson Guitars. This model has been largely successful, with MCDI partner villages seeing an increase of their average annual revenue from about TZS 10M (about USD 4,300) to TZS 80M+ (about USD 35,000).

These new resources can make their way to critical community projects, such as the building of schools and provisions of subsidies for expectant mothers.

TURNING CRISIS INTO OPPORTUNITY

When COVID-19 brought markets to a halt in early 2020, all of the key export routes for timber came to a standstill. This abrupt stoppage had the potential to have devastating effects for the tens of thousands of smallholders exporting community timber internationally.

In an effort to address the emergency, MCDI approached the Ministry of Natural Resources and Tourism (MNRT) in early 2021 to suggest that the Government switch to using sustainably sourced timber from community forests for public construction projects.

In March 2021, the MNRT requested that all district authorities across Tanzania switch to certified timber from community forests for public infrastructural development contracts.

Following this, in June, the Government launched a five-year National Development Plan (2021-2026) in June 2021, which included provisions for a significant increase of investments into the rural infrastructure, creating a sizeable demand for timber.

So far, over TZS 1 billion (USD430,000) has been committed by the Government towards sourcing timber from MCDI's partner villages, with more investments expected to come through within the next five years.

According to Makala Jasper, CEO of MCDI, the communities taking part in the program are spurred on by the initial success. “The rural communities in Tanzania who are managing their forests responsibly are happy to see their Government supports them, it is a huge incentive for responsible and effective forest management.”

This pivotal decision created an avenue for the Government to contribute to the preservation of Tanzania's critically endangered forests, while raising awareness of more sustainable forest management practices that boost community revenues. This is a promising pathway towards addressing the challenging twin tasks of protecting the Miombo forests, while ensuring that Tanzania help some of the estimated 1 million citizens that have been pulled below the poverty line in the last year due to the pandemic.

As Tanzania's Government steps up to the challenge and incorporates forest conservation into their development and COVID-19 relief plans, there are opportunities for this approach to become a blueprint for other countries in the global south to support similar ecological and social efforts. [P](#)

Recovering and Regrowing: Why Forests and Sustainable Land-Use Should Be at the Heart of COVID-19 Recovery

BY
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ABOUT THE AUTHOR

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“While forests and nature are 30% of the solution to decarbonisation, they receive just 3% of the currently available climate finance.”

While COVID-19 has highlighted many weaknesses in our global systems and though most of the lessons from the pandemic are still being uncovered, it's clear that our relationship with nature has broken down and we need to speed up our efforts to fix it, lest we face dire consequences.

The continued displacement of wild habitats and forests – largely for industrial agriculture – has put humans into closer contact with animals, creating more

opportunities for zoonotic diseases like COVID-19 to spill over to humans.

But public health isn't the only casualty of our destruction of nature and biodiversity. Long before we had heard of COVID-19, we were facing an urgent climate crisis that could (and will) only be solved by making a radical global shift from business as usual.

THE RISK OF MISPRICING NATURE

Over half the world's GDP depends on nature and its services, which generates around USD 44 trillion in economic value. But continued investment in high-polluting industries, such as those that depend on coal and crude oil, or in unsustainable agricultural practices that destroy biodiverse ecosystems could drain nearly USD 10 trillion from the global economy by 2050.

With an influx of upwards of USD 14.9 trillion earmarked for recovery strategies, there's an opportunity to direct funds

towards the climate crisis, but so far, nature has largely been left out of the picture and most governments have chosen not to use recovery funds to enhance nature or tackle climate change.

Directing more stimulus money into forests and sustainable land use would not only prevent irreversible damage to nature and reduce the risks of further spill over events, but it could also dramatically lower future costs of protecting the planet.

KICKSTARTING REGENERATIVE ECONOMIES

Investing in regenerative business models that create value from standing forests and other natural ecosystems is one of many measures that could be taken for economies to make a truly green recovery. While it is well established that forests and nature are 30 per cent of the solution to decarbonisation, they receive just three per cent of the currently available climate finance.

Katie McCoy, team leader of the Partnerships for Forests (P4F), which incubates regenerative business models in tropical forest landscapes, notes that there are already business models in place that both mitigate the risks of investing in nature and offer profitable returns.

“Where we have evidence that these models exist and are successful, we need to prioritise getting them to scale and crowding others in to replicate them,” she says.

“To realise this vision, all must be involved – governments, private and financial sectors, and the communities that live and depend on these landscapes.”

PRODUCING WHILE PROTECTING

Cleaning up supply chains and focussing on the key commodities driving deforestation, to restore the landscapes that have been ecologically plundered, is an important part of this strategy.

In Ghana, a third of forest cover has been cleared to satisfy global demand for cocoa, and rising temperatures coupled with unsustainable practices continue

“In their more than 100-million-year history, there has never been a more important decade for the future of tropical forest ecosystems.”

to threaten those that remain. French cocoa trading company, Touton, leads a consortium of private and public sector partners investing nearly GBP 100 million into Juabeso-Bia – one of the world's major cocoa-growing landscapes – to produce deforestation free and climate smart cocoa.

Last year, Touton provided GBP 57.3 million of capital through a combination of direct investment, funding tied to sustainability improvements, and climate smart cocoa price premiums into the landscape. By 2023, this could make the 240,000-hectare production landscape – an area the size of Cape Town – deforestation free.

BUILDING BACK BIO-ECONOMIES

In addition to greening existing supply chains, a second strategy is to build bio-economies around commodities that have traditionally been overlooked by markets and reimagine how we value standing forests.

One example of this can be found in the forests of Borneo, which have suffered for over a half a century from the production of commodities such as pulp, paper, and palm. But a speciality commodity, illipe nut, is giving extractive industries a run for their money by incentivising local communities to take care of an endemic tree species for strong financial returns.

Ethical commodity producer, Forestwise, is supporting communities to increase illipe nut production while also securing nut purchase commitments in excess of GBP 1 million from international buyers, including in high-end global cosmetics markets.

Local collectors have also seen significant increases to their incomes. Those in the pilot have earned six times more for each harvest, amounting to an annual income boost of 17 per cent. Forestwise plans to support these communities to sustainably harvest other products in their surrounding forests.

SPEEDING UP ADAPTATION

If stimulus packages were to refocus their sights on enabling private investments into these models, it would set the stage for more businesses improving their practices to create a transformational shift across sectors.

We're at a critical juncture and we cannot justify ignoring nature protection by taking short-sighted responses to economic recovery. We can, and must, use this opportunity to build much stronger, regenerative economies that improve our longer-term climate resilience, all while reducing our risk to future health threats like COVID-19.

In their more than 100-million-year history, there has never been a more important decade for the future of tropical forest ecosystems. It won't be possible to reverse the decline in these ecosystems (and the associated impact on climate, biodiversity and health – to prevent the emergence of deadly viruses like COVID-19 in future) without investing in forests and nature.

Far from being a risky move with uncertain returns, it's an essential part of shoring up the future of our life on Earth. [eP](#)

About The Catalyst

The Catalyst is Palladium's online publication, delivering news, perspectives, and in-depth reports from the front lines of our global work. Many of the stories are written by Palladium employees and partners, sharing their experiences and expertise as they work to solve the world's greatest challenges.

The Catalyst aims to inspire, educate, and embolden all readers, from experts in international development and C-Suite executives, to impact investors and community leaders.

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We work with corporations, governments, investors, communities, and civil society. With a global network operating in over 90 countries, Palladium is in the business of making the world a better place.

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