



## Amazon: “Too big, to fail”: Transforming the Amazon’s Economy from Deforestation-Driven to Inclusive and Green

Every citizen in the world depends on the Amazon. Covering 7 million square kilometers, it is home to the richest biodiversity on earth as well as hundreds of ethnic groups with unique knowledge of all that the forests contain. The world’s largest rainforest is one of the few remaining natural buffers against climate change, storing 0.65 Billion tonnes of carbon every year, and is essential for stabilising our climate. The water released into the atmosphere and through its rivers feed the entire South American continent. In short, the Amazon is a local, national, regional and global life support system.

But the Amazon is facing crisis. As deforestation rates edge towards 20%, it has become a net source of carbon rather than a net store, driving continued global heating. Local climates and water regimes are becoming more extreme, and can no longer sustain agriculture and industry even in areas far from the forest. The value of Amazon biodiversity is being compromised, both in terms of intellectual property, in the native plants that could be used to develop medicines and other products, and in providing insurance against extreme weather events. Meanwhile local people – those who are often best-placed to manage the forest sustainably – are marginalised by governance and financial regimes, unable to get what they want and need from the forest.

These problems are intimately linked. There is increasing scientific consensus that these issues are converging towards a systemic tipping point of economic and environmental collapse. Many believe there are only a few years left to avoid this but avoid it we must. The Amazon is simply too important: *The Amazon is ‘too big to fail’*.

### Innovations and progress

The good news is that there are many *innovations*, both within the Amazon and globally, to address these problems from government, business or civil society. Some have already made significant progress, but may not be well known. Others are struggling to achieve impact or go to scale. Some of these trends include:

- **Alliances of State Governors** in Brazil are finding new ways of getting together to reduce deforestation and support sustainable development [E.g. The Governors’ Climate and Forests Task Force; Consórcio Interestadual de Desenvolvimento Sustentável da Amazônia Legal]
- Some **international and national banks** are collaborating to work out how to drive investment towards sustainable development pathways in the Amazon
- **Some large businesses** are moving deforestation out of their supply chains or heavily investing in sustainable products and services [E.g. Natura; Unilever; etc]
- There are **some legislation changes** proposed via bilateral and regional agreements [e.g. EU Green Deal; UK’s recent legislation which will force companies to disclose deforestation]
- Indigenous peoples and local communities are developing sustainable businesses where they have the ‘space’ [E.g. REDD+ Indígena Amazónico, RIA]



- There is host of **international Green Economy support** [e.g. UN-Partnership Action for A Green Economy; OECD; GIZ; etc.] some of which have engaged in Amazon countries/states if not yet grappled the full Amazon challenge

Some of the existing interventions address single issues alone. Most of them are isolated and fail to connect, missing the synergies that could arise from coming together. Yet the combined *evidence* they reveal is that shifting to *zero deforestation and sustainable use* of indigenous forest assets can improve people's wellbeing, income and health – as well as environmental and cultural sustainability. Recent developments in markets, new data and biological technologies are improving the potential for developing value chains that use products obtained from sustainable management of the natural forest – **an Amazon 'bioeconomy'** that is well-suited to micro-, small and medium enterprises (MSMEs) and local livelihoods. Moreover, recent research suggests that the shift away from a deforestation-based economy and towards an inclusive and sustainable approach can be achieved with little or no reduction in economic growth.

### Glimpse of a multi-stakeholder bio-economy

The Fundação Amazonas Sustentável (FAS) has been a proven catalyst for sustainable forest-based economies. Since 2008, it has deployed a strategy of 'taking care of peoples that take care of the forests' by 'making forests worth more standing than cut'.

The 11 million hectares of protected forest where FAS operates are sustainably managed by communities and small enterprises through a core programme called the Bolsa Floresta - or the 'Standing Forest' programme. With the support of state government and business community, programme has already generated some extraordinary results:

- According to National official data, deforestation has been reduced by 76% since 2008 in FAS's programme areas. Deforestation in the 16 protected areas in which FAS works reduced by 30% over 2008-2012 and further still by 43% 2013-2017. This is in stark contrast with other parts of Brazil. While fires in the Amazon increased by 91% from January to August 2019, they actually decreased by 33% where FAS operates.
- The income of communities involved has increased by 202% through making use of the standing forest for timber, fisheries, handicrafts, tourism and other sustainable practices and enterprises. Putting people at its centre has been the key to achieving FAS's biodiversity and carbon gains.
- A new 'ecosystem' of institutional arrangements has emerged. FAS has helped to remove constraints to the economic success of remote forest communities – with technology, communications, water transport, quality assurance, marketing support and business assistance. Its convening power, government-conferred mandate, policy influence in Amazonas State and the region, and strong recognition and credibility among local communities make it a well-placed 'meso-level' institution.

Models such as those developed by FAS offer a huge potential for reversing deforestation, but as yet, have not connected to the global institutions, networks and financial flows focused on a Green Economy transition. The Green Economy Coalition, a global network spanning six continents and major stakeholder groups, which uses a tried and tested model of dialogue for driving national policy changes at the national levels, works closely with many of the global institutions seeking to drive green economic transformation. Together, they see a new opportunity for an Amazon Green Economy.



## A new strategy: The Amazon Green Economy Hub From a ‘deforestation economy’ to an ‘inclusive bioeconomy’.

Based on the evidence of what is working on the ground in the Amazon, and the global momentum for green economic transformation, there is an opportunity for a new vision for an inclusive and sustainable Amazon green economy to emerge which enables people and nature to thrive together.

	Deforestation Economy	> Inclusive Green Economy	>>> Transformative interventions
Economic models & production processes	Illegal and unsustainable deforestation	Nurturing world leading Amazon assets	<b>Natural capital accounting and approaches</b> to track stocks & flows of goods and services to promote wealth creation
	Extractive models and single commodities	Circular models and diversifying to high value sustainable forest products and services	Modelling economic strategic options against Green Economy criteria; <b>Intellectual property</b> and <b>payment for environmental services (PES)</b> regimes; recognition of local rights / traditional knowledge
Political economy & sectors	High dependence on external inputs, low productivity, and low local value-add	Creates jobs, wealth and resilience by mobilising indigenous Amazon natural, social and human capital	<b>Policy dialogue</b> that connects across stakeholder groups to assess trade offs of different options and compensates adequately.
	Led by small elite - government, military, big business	Led in consultation with local peoples, businesses, and the public	<b>Inclusive and participatory decision-making processes</b> , through structured dialogue and an accessible platform.
Finance flows	Finance and loans limited to commodity production	New finance mechanisms favour MSMEs / green services; and account for environmental and social risks.	<b>New mechanisms</b> to combine natural capital with payments for public goods; <b>blended finance mechanisms</b> to incentivise green and inclusive business.
Governance	Some green economy ‘islands’ exist – but in a ‘sea of failure’, fragmented and unsupported by mainstream institutions	Policy, governance and economic rules incentivise inclusive, green activities and penalise deforestation	Research on <b>policy and management options</b> that work well; <b>knowledge</b> and dissemination programmes  <b>Institutional analysis</b> and platform on green economy drivers, mandates, functions, powers and constraints

An inclusive green economy approach will invest in standing forests, rather than deforestation, and it will respond to the host of values important to the many people in their diverse Amazon settings as well as unique global public goods– and not simply the desires of small elites. An Amazon green economy will sustain:

- **Forest peoples** rights, needs and need for inclusion in economic decisions



- **Local needs** for income and livelihoods; health, education and basic needs
- **National** needs for jobs and economic growth in forestry, farming, fisheries and tourism as well as clean water and air that intact forests provide to economic sectors.
- **Global** needs for biodiversity, carbon storage and climate regulation.

The mission is to radically scale up people-centred activities that make forests worth more standing than cut. This requires targeting the underlying policy, business, technical and financial conditions on which economic decisions are made in the Amazon region.

- *Aiming for:* A sea-change in how Amazon economies are shaped and governed. This will involve rewiring policy, business, technical and financial conditions to lay the foundations for a significant expansion of people-centred activities that make forests worth more standing than cut.
- *How:* A Hub connected set of work streams, each involving a mix of research, engagement, empowerment, and communications, based on FAS and GEC precedents. They will be scoped through an inception year of dialogues, diagnostics, and learning.
  - *A cross-sectoral platform* for dialogue, learning, and policy development
  - *A research and knowledge focal point* on green economy approaches that work
  - *Communications and capacity* development and empowerment support
  - *A business incubator* to scale-out MSME 'bioeconomy' enterprises and forest restoration
- *Where:* It is anticipated that the Hub will eventually support major programmes in Amazonas State, the Brazilian Amazon, and the wider Amazon region. It will provide a platform for exchanging learning on sustainable economic models for forested regions with Southeast Asian and African stakeholders through GEC's network of seven other Hubs.

### Questions for discussion

What are the **key challenges** facing an Amazon Green Economy?

What are the **best strategies for scaling up** local and inclusive green economies in the Amazon?

What does success look like in five years?