USAID
FROM THE AMERICAN PEOPLE

STRATEGIES FOR TRANSFORMING LANDSCAPES IN MEXICO
Communities as Agents of Sustainable Change

February 2021

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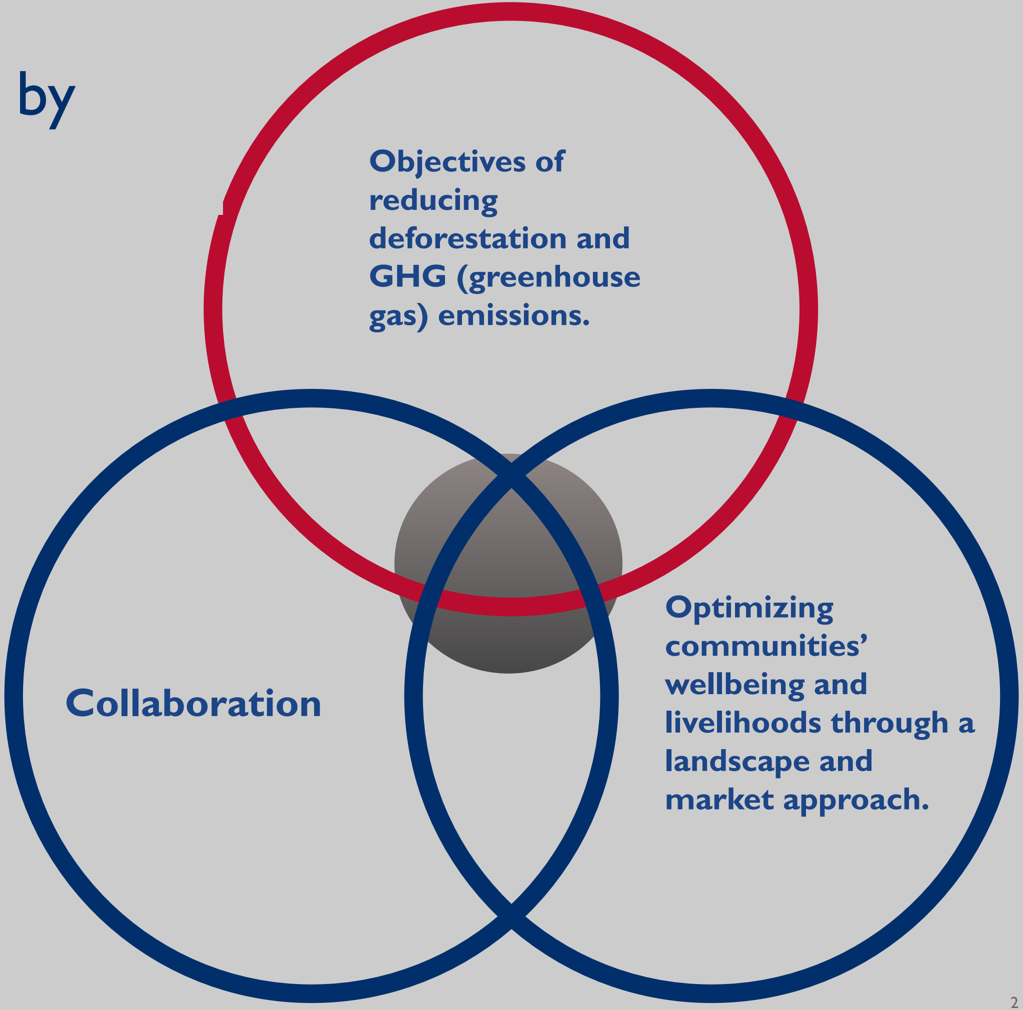
Activity Objectives Identified by USAID Mexico

The project team identified a landscape approach as a methodology for achieving the combined objectives of community wellbeing, GHG emission reduction, reducing deforestation, and collaboration among diverse stakeholders.



Key Elements to Achieve Integrated Landscape Management

1. Interested stakeholders come together for cooperative dialogue and action in a **multi-stakeholder platform**.

2. They undertake a systematic process to exchange information and discuss perspectives to achieve a **shared understanding of the landscape** conditions, challenges and opportunities.

3. This enables **collaborative planning** to develop an agreed action plan.

4. Stakeholders then **implement the plan**, with attention to maintaining collaborative commitments.

5. Stakeholders also undertake **monitoring for adaptive management** and **accountability**, which feeds into subsequent rounds of dialogue, knowledge exchange and the design of new collaborative action.

6. Success is catalyzed by good **governance** and access to adequate and sustainable **finance** and **markets.**

Source: The Little Sustainable Landscapes Book

Landscape regeneration is an opportunity to increase productivity and restore eco-social health

Source: SVX Mexico

Mexican Context: Potential & Conditions of a Sustainable Landscape

- Social capital
- Traditional knowledge
- Biodiversity and Ecosystem services
- Development of community enterprises
- Productive Diversification
- Financing and Potential Markets

Landscape potential

Enabling Conditions

- Local Governance
- Biodiversity Conservation = improved livelihoods
- Valuation of ecosystem services
- Public Awareness of Deforestation
- Culture of Association
- Gender equity and inclusion of young people
- Rule of Law

Recommended Ingredients for Managing Complex Change

Missing	Skills	Incentives	Resources	Action Plan	=	CONFUSION
Co-Created Vision	Missing	Incentives	Resources	Action Plan	=	ANXIETY
Co-Created Vision	Skills	Missing	Resources	Action Plan	=	RESISTANCE
Co-Created Vision	Skills	Incentives	Missing	Action Plan	=	FRUSTRATION
Co-Created Vision	Skills	Incentives	Resources	Missing	=	FALSE STARTS
Co-Created Vision	Skills	Incentives	Resources	Action Plan	=	SUCCESS

*Diseño de SVX MX, inspirado de Dr. Mary Lippitt (1987)

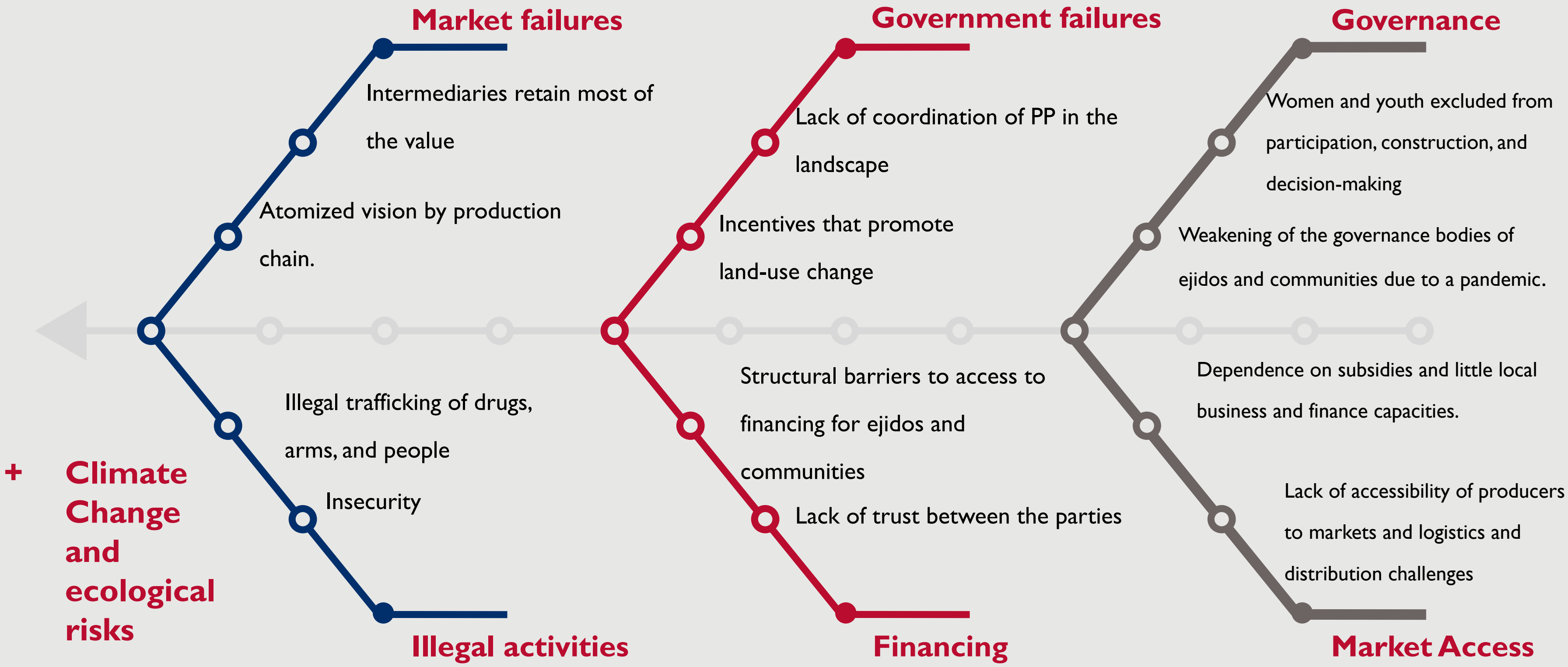
Focus Groups

USAID developed a consultation process during February 2021. Consultation included meetings with USAID partners, other donor agencies and 5 focus groups with a variety of stakeholders to inform its new Activity.

- Chiapas Focus Group
- Selva Maya / Calakmul Focus Group
- Oaxaca Focus Group
- Focus Group of global organizations operating in a landscape approach.
- Market Catalysts Focus Group

Focus Groups’ Recommendations

Challenges Identified in the Landscapes



Common Findings among all Focus Groups

Markets	Shared understanding and public policy influence	Effective implementation	Finance	Governance and Multi Stakeholder platform	Monitoring
Business strengthening of all cooperatives and community companies to meet corporations' requirements.	Generate multi-scale territorial interventions to invest in a systemic way, serving value chains with easy access to markets.	Change agents that remain in the territory in the long term, to generate transformations at the landscape scale	Creation of resilient funds and strengthening of Non-Banking Financial Institutions to improve rates for final borrowers	Governance but with a focus on the involvement of women and youth	Generate direct impact and indicators to measure progress at the landscape scale
Encourage associativity in the form of community owned enterprises to achieve common objectives, economy of scale, skills, and potential.	Integration with the private sector, since the public approach seeks a community company covers a significant extension of the value chain, which is unrealistic and achievable.	Long-term vision, against project vision, considering all process.	Design adequate financing and reduce structural barriers for ejidos, communities, women, and youth in a differentiated and intentional way.	The organization and local governance provide a fertile ground that allows systemic interventions and promotes climate and social resilience.	Valuation of ecosystem services and specify the link between Biodiversity Conservation and GHG mitigation.
Coupling incentives with technical assistance towards business development to achieve added value and biodiversity conservation.	It is essential to change the incentives and direct them effectively to offset the opportunity cost towards land use for agricultural and livestock activities.	Generate strategic alliances between the three levels of government, civil society, and the private sector.	Blended finance needed: No single layer of finance would work for whole landscapes: Interweaving dedicated grants + subsidies + debt + capital + Purchase Orders.	Capacity building must come from the recognition of traditional knowledge, also promoting the exchange of experiences between producers	Design training processes in a way that is not dependent on technical assistance. It should be designed to catalyze but also to give independence.

Key Finding: Local Governance, Including Women and Youth

- Development of local leadership and business capacity takes time and trusting relationships thus working with local partners is fundamental.
- Youth engagement is an urgent challenge due to intergenerational transition of land ownership, illegal activities and migration.
- Women are disenfranchised mainly due to lack of land ownership and unpaid labor.
- Community enterprises offer the opportunity for women and youth to take ownership in the landscape, even if they do not have access to land.

Photos of PNUD CONANP 2020

Key Finding: Integrating Biodiversity and Communities

- Communities value **biodiversity and ecosystem services** as the basis for thriving life. **"Biodiversity is everyone's life insurance"**.
- This implies incentives to think beyond linear supply chains of commodities going towards diversification of landscape value-added products and services.
- The focus groups mentioned strength of local governance and long term grassroots organizations as key assets.
- Most recommended structure: **Collaborative community enterprises**.
- Communities want to be agents of their own change: more bottom-up decision making and co-designing interventions with them instead of just being consulted as beneficiaries could be a driver and a **powerful incentive** for transformative change.

Key Finding: Financing and Productive Markets

How to create more wealth within the landscapes through landscape management?

- Focus group participants voted that they would allocate the most investment towards assets that add value to products cultivated in the landscapes.
- "Transforming local community leaders into businesspeople needs constant development and we need fair and trusted partners to provide business capacities." Community Leaders in Southern Mexico.
- Distributing the ownership and benefits of the companies that have the value added margins within the communities is a space for social justice and women and youth inclusion.
- Blended finance needed: No single layer of finance would work for whole landscapes: Interweaving dedicated grants + subsidies + debt + capital + (prepaid and long term) purchase orders.

Association, scale and access to markets + finance are linked

Distributors and Market Access Points

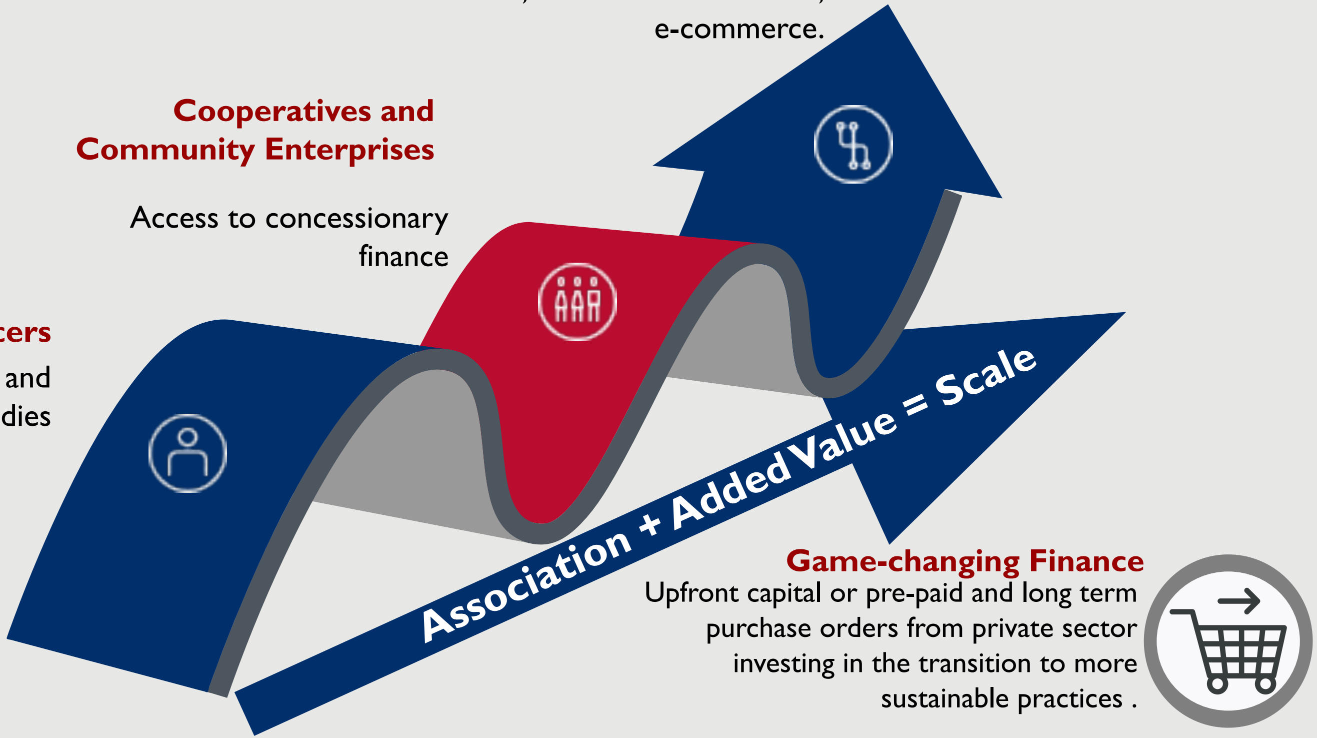
Greater access to commercial finance, differentiated markets, e-commerce.

Cooperatives and Community Enterprises

Access to concessionary finance

Individual Producers

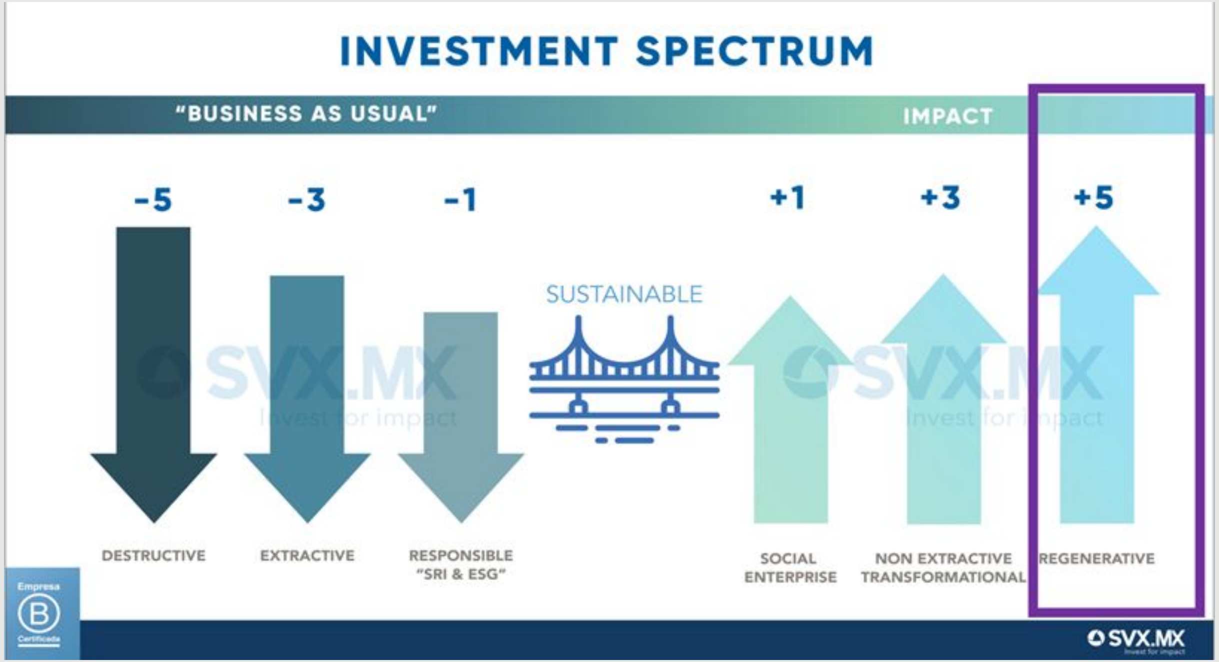
Access to philanthropy and subsidies



Game-changing Finance

Upfront capital or pre-paid and long term purchase orders from private sector investing in the transition to more sustainable practices .

Landscape investments focused on restoring ecosystems fall within the spectrum of regenerative investments:



Source: The Holistic Investment Spectrum. Laura Ortiz Montemayor. 2017.

Key Finding: Financing and Productive Markets

How to add value to commodities and raw material within the landscapes?

- Local sourcing of inputs reduces costs and risks. Is there an opportunity for packaging materials with leftover scraps of local processes?
- Develop competitive products that can tackle different market segments (the differentiated retail markets versus wholesale and bulk markets).
- Accessibility of products in the stores is a much more effective investment than marketing and packaging investments.

Benefits of Combining a Landscape approach + Market focus

Beyond supply chain’s lineal sourcing:

- Environmental benefits
- Risk management benefits
- Information efficiencies
- Resilience for natural capital and social capital

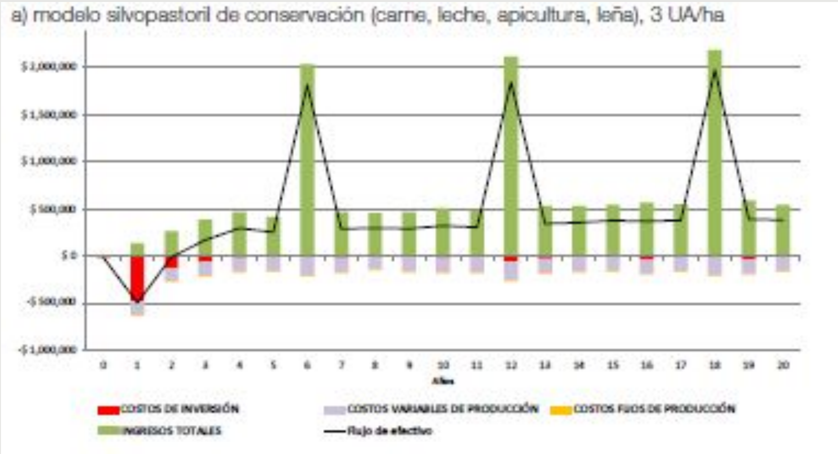
For the Farmer, diversified income stream means:

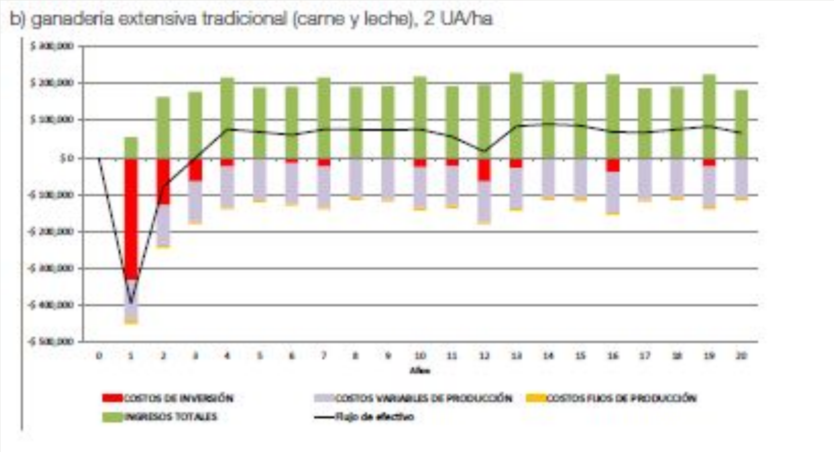
- Resilience against certain crop losses
- More stable and diversified cash flow
- Higher income overall
- Long term social and health benefits of maintaining forested lands

Example: Comparative of cash flow for the forest grazing cattle ranching compared to traditional extensive cattle management.

The rancher in the traditional model has an NPV (net present value) of $767 MXN per hectare per year (20 year model) while the forest grazing model had a NPV of $15,174 MXN per hectare per year, including the cost of the rancher's labor.

This model mentioned the importance of complementary income such as the income from the sales of honey, which represent 36% of income for the forest grazing cattle rancher in the first few years after the transition of her ranch.





Source: Opportunities for Functional Restoration of Landscapes in Oaxaca. IUCN. 2020.

Recommendation:

Build on Good Governance Platforms that Exist within the Landscapes

- Landscapes **have some local capacities and leadership** and may need support that can gradually decrease by developing and strengthening these local capacities.
- Seek to design with the intention that most leadership and budget stays in the community and local organizations can incentivize an allow for the path to self-reliance more effectively.
- The focus groups asked for local leadership and the power of the communities to co-design and manage the projects that affect their landscape. Accountability and transparency of resources can improve.

Recommendation:

Design by and with the Community or "Nothing for me Without Me"

According to the transformative finance principles:

1. Projects are primarily designed, governed, and where feasible owned by communities (beyond consulting for their prior informed consent).
2. Investments add more financial value than they extract.
3. The financial relationship fairly balances risks and returns among all stakeholders.

Examples of this principles where the invested capital is accountable to the local communities can be found in the impact investing funds of:

- Buen Vivir Fund that partners with local indigenous groups
- Grupo Paisano Fund in Mexico
- And CyclEffect Fund

transform finance

Source: Real Impact, Morgan Simon. 2017.

Recommendation:

Private Sector or Corporations should Contribute more "Skin in the Game"

- A corporation's supply chain originates in the landscape as raw material or commodity, yet companies' finances consider the landscape as an externality. The corporations' payroll, benefits and insurance mostly only cover marketing and finance teams, not last-mile producers, let alone their climate risks.

- Producers currently bear all risk in sustainable transition practices: climate, health, livelihoods, opportunity costs among others and are reluctant to make the transition to sustainable landscape practices without a guaranteed market.

- If corporations want better sustainable products they should bear most of the risk of the sustainable transition as well (certifications, capacities, resilient last-mile infrastructure).

"We must all bleed equally"
Representative of Large Corporation

The business and investment case for this transition ultimately benefits the corporations that sell these products at a profit the most.

Components of a Successful Landscape Intervention in Mexico

According to the Focus Group Participants

- Long-term vision, against project short term vision, considering all local process (Community Leader, Focus group Chiapas).
- Governance process with a focus on engaging women and youth actively and effectively.
- Community-led interventions are more successful long term because they create buy-in and trust.
- Participation in the added value of the product (the community partially owns the companies that process landscape products).
- Some projects and ejidos are already advanced in good governance practices; including that base in any activity is key while also continuing to strengthen governance.
- Consideration of normative and programmatic issues and international commitments for interventions.

Photo of PNUD CONANP 2020

From productive projects towards investability and a distributive exit

Productive Conservation Projects

Many projects need support to evolve beyond grants

Profitability

Added Value and Enterprise capabilities allow for healthier margins.

Scalable

Market consolidation, diversified clients, recurrent sales. Certified impact.

Investable

Access to more diverse finance and better conditions due to market power and track record.

Distributive Exit

Distributed ownership can increase income + asset base for communities. Opportunity for women and Youth

Annexes

1. List of consulted stakeholders
2. Summary tables by focus group
3. Bibliography

CHIAPAS	SELVA MAYA / CALAKMUL	OAXACA	GLOBAL STRATEGIES	MARKET CATALYZERS	USAID PARTNERS
AMBIO	LOOM Capital	PNUD	Fomento Ecológico Citibanamex	Neek Capital/ Tierra de Monte	CCMSS
Educampo	The Nature Conservancy	FINDECA	ALCOTT Group México	CCMSS	Rainforest Alliance
FMCN	Walmart Foundation	WRI	PEPSICO International	IBERO	USFS
Conservación Internacional México	YAAX	Financiera Nacional de Desarrollo	Reforestamos México	Obio	PRONATURA
TOKS	Alianza Selva Maya	CEPCO	WWF México	Lacteos del Potrero	WRI/PRONATURA
Ganadería Regenerativa	CONAFOR	GAIA	Techno Serve	Omni Credit/ Anónimo Café	
La Mano del Mono	Nuup	Fomento Ecológico Citibanamex	Biodiversity Finance Group	Maxiterra	
El Buen Socio		Obio	Nestlé	World Resource Institute	
			Athelia/MIROVA	ECOSTA Yutu cuii	
				Commonland Foundation	

Landscape Assets (Chiapas)	Enabling Conditions	Challenges	Systemic Intervention
Local acknowledgment	Conservation projects to favor people's well-being	Generate empowerment processes within the community to transform women's private and public sphere participation.	Change-makers agents involved in the medium and long-term to create landscape scale transformations.
Biodiversity, supporting conservation targets and the way local communities manage them	Make the relationship between human nature and links with productive activities visible.	Review each segment of the production chain where producers can be strengthened. Link to companies, develop overall conditions understanding.	Carry through goal-directed actions on gender and youth involvement.
Social Capital	Men focus on productive economic actions, women have financial insights but are also more objective on sustainability and are open to experimenting and exploring adaptive management.	Lack of coordination in public policies that generate perverse incentives.	Generating strong chains through the promotion of governance and knowledge of other successful experiences can help maintain actions in the long-term (knowledge and collective consciousness).
	Social capital and long-term processes experience in the state.	Diagnostics cannot continue; actions must be implemented .	Joint projects between state and municipal governments to maintain them in the long-term.
	Encourage associativity to achieve common objectives like economy of scale, skills, and potential.	Community enterprises have a high dependency on subsidies and little connection to markets.	Make indirect impact and crate indicators to measure progress at the landscape scale.
			Private sector integration. The general approach seeks a community company to cover a significant value chain section, unrealistic and unreachable.
			The capacity development should recognize traditional knowledge and promote experiences exchange among producers.
			Design courses and consultancies that do not depend on technical assistance. It must be designed to catalyze but also to give independence.

LANDSCAPE ASSETS (SELVA MAYA)	ENABLING CONDITIONS	CHALLENGES	SYSTEMIC INTERVENTION
Local capacities	Diversified use resource	Market and government failures generate perverse incentives and foster an opportunity cost to benefit land-use change	Create multi-scale territorial interventions to invest with a systemic approach, covering value chains with easy market access.
Traditional knowledge	Promote the strengthening of local governance	Women and youth lack decision-making spaces and acquire financial credits or other resources due to limited land access	Long-term vision refers to a process vision beyond the project and considerations of each project's value cycles.
Ecosystem services	It is necessary to start from the ejidal and communal structure. It is desirable to lead them towards a healthy market scheme that includes the community's worldview.	Structural barriers for ejidos and communities to access financing, both from the first and second-tier banks.	Design adequate financing and seek to reduce structural barriers. For ejidos, communities, women, youth in a differentiated and goal-oriented way.
Social and natural capital	The need to enable the joint vision of the landscape between actors and sectors.	Government programs such as *"Sembrando Vida" (sowing life) and Tren Maya* (Mayan train) are megaprojects with a significant impact on the landscape.	Create links between government, civil society and local communities.
	Bring to the discussion and buy-in from design to implementation.	Organize the land use of the landscape, avoid competition between ecosystem and economic services.	The link between the social, private, and public sectors, through participatory planning processes from the local level, recognizing preconditions, such as market failure.
	Transfer technical service from production to ecosystem services.	The main focus must be on the communities, not on the GHG. GHG reduction will be an external benefit if these programs are well managed.	To have community trust, it is vital to recognize failures and have the capacity to solve them with a systemic approach.
	Recognize the value of ecosystem services and their relationship with productive activities.	There must be a better articulation between programs and public policy in the landscape.	For policy failures, it is essential to change incentives and address them effectively.
			Collaborative creation of incentives to improve the production chain and production systems
			Pair incentives with technical assistance towards business development to achieve added value to demonstrate that the standing forest is worth more than sorghum /corn.
			Constant follow up is needed to transform ejidatarios into entrepreneurs

LANDSCAPE ASSETS (OAXACA)	ENABLING CONDITIONS	CHALLENGES	SYSTEMIC INTERVENTION
Remarkable community governance	Diversified use of landscape resources.	Market and government failures, which generate perverse incentives and foster an opportunity cost to benefit land-use change.	Business strengthening for cooperatives and community companies, to cover requirements of the self-services.
Traditional knowledge	Consolidate interventions through local Governance platforms.	Women and youth lack decision-making spaces or access to financial credits or other resources due to limited land access.	Creation of resilient funds and strengthening of IFNB to improve rates for final borrowers
A large number of ecosystem services and diversified use of the territory in productive activities (milpa, wood, ecotourism)	Institutional development of the community enterprise to reach a more significant number of markets.	Structural barriers for ejidos and communities to access financing, both from first and second-floor banks	Design adequate financing to seek a reduction of structural barriers for ejidos, communities, women, youth in a differentiated and goal-directed way.
Community forest management as an example of the integration of various values: Governance-markets-ecosystem services			Local organizations and governance create a great environment to implement systemic interventions that promote climate and social resilience.
			Competitive products launch in different market segments. There should be products that can compete with supermarket products. Accessibility kills marketing.
			Diversity of financing mechanisms.
			Systemic Change in previous links.
			More equitable distribution of benefits-oriented to the producers

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