



# STRATEGIES FOR TRANSFORMING LANDSCAPES IN MEXICO

## Communities as Agents of Sustainable Change

March 2021

This report is made possible by the support of the American People through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of INVEST managed by DAI and do not necessarily reflect the views of USAID or the U.S. government.

## ACKNOWLEDGEMENTS

This report is made possible by the support of the American People through the United States Agency for International Development (USAID). The contents of this report are the sole responsibility of INVEST managed by DAI and do not necessarily reflect the views of USAID or the U.S. government.

The U.S. Agency for International Development leads the U.S. Government's international development and disaster assistance through partnerships and investments that save lives, reduce poverty, strengthen democratic governance, and help people emerge from humanitarian crises and progress beyond assistance.

The INVEST mechanism was set up by USAID in September of 2017, through a contract awarded to DAI, to build and engage a network of partner organizations with valuable investment and finance expertise, including those that have not worked extensively with USAID in the past. INVEST enables USAID Missions, Bureaus, and Independent Offices to quickly access niche expertise from this diverse network of partner organizations. These partners work alongside USAID to deliver customized financing solutions that address investment constraints, mobilize additional private capital, and produce development results for a variety of sectors and geographies.

Sofía García Sánchez, Laura Ortiz Montemayor, and Stevie Smyth Valdez co-authored this report as independent consultants under INVEST. Stevie Smyth Valdez and Laura Ortiz Montemayor are impact investing advisors and partners at SVX México, an impact investing firm dedicated to catalyze investments in service of life, and Sofía García is an expert in landscape management, mitigation, and adaptation to climate change in the AFOLU sector and multiscale governance.

We would like to thank the many producers, associations, financial institutions and intermediaries, companies, non-governmental organizations (NGOs), donors, and other experts who helped create this report. These individuals are listed in Annex 2. Given the limited timeframe of the study, we recognize we were not able to speak with everyone working on sustainable landscapes in Mexico. Going forward, we look forward to hearing additional perspectives from other partners.

## CONTENTS

|                                                                                              |    |
|----------------------------------------------------------------------------------------------|----|
| PURPOSE AND CONTEXT                                                                          | 5  |
| CAUSES OF DEFORESTATION AND FOREST DEGRADATION                                               | 6  |
| BENEFITS OF A LANDSCAPE APPROACH                                                             | 7  |
| ENVIRONMENTAL AND RISK-MANAGEMENT BENEFITS                                                   | 7  |
| BENEFITS FOR PRODUCERS                                                                       | 7  |
| BOTTOM-UP DECISION MAKING AND SUSTAINABILITY OF RESULTS                                      | 8  |
| METHODOLOGY                                                                                  | 9  |
| FOCUS GROUP RESULTS                                                                          | 10 |
| SUMMARY OF FINDINGS FROM ALL FOCUS GROUPS                                                    | 10 |
| BIODIVERSITY CONSERVATION                                                                    | 10 |
| FINANCING AND POTENTIAL MARKETS                                                              | 11 |
| LOCAL GOVERNANCE, INCLUDING WOMEN AND YOUTH                                                  | 12 |
| INTER-INSTITUTIONAL GOVERNANCE                                                               | 12 |
| RULE OF LAW                                                                                  | 12 |
| RECOMMENDATIONS                                                                              | 12 |
| BIODIVERSITY CONSERVATION INCLUSION                                                          | 13 |
| ACCOUNTABILITY, TRANSPARENCY, OWNERSHIP, LEADERSHIP, GOVERNANCE, AND BUDGETS ARE INTERTWINED | 13 |
| DESIGN BY AND WITH THE COMMUNITY: “NOTHING FOR ME WITHOUT ME”                                | 14 |
| LOCAL LEADERSHIP INITIATIVES: EMPHASIS ON GENDER INCLUSION AND YOUTH                         | 15 |
| BUILD ON GOOD GOVERNANCE PLATFORMS THAT ALREADY EXIST WITHIN THE LANDSCAPES                  | 15 |
| PRIVATE SECTOR CORPORATIONS CAN CONTRIBUTE MORE “SKIN IN THE GAME”                           | 16 |
| ENSURING WEALTH IS DISTRIBUTED WITHIN THE LANDSCAPE                                          | 16 |
| DESIGN WITH THE EXIT STRATEGY IN MIND                                                        | 18 |
| CONCLUSION                                                                                   | 18 |
| ANNEX I. CASE STUDIES                                                                        | 19 |
| GOVERNANCE AND COMMUNITY LEADERSHIP: UZACHI                                                  | 19 |

|                                                                      |    |
|----------------------------------------------------------------------|----|
| TECHNICAL ASSISTANCE ASSOCIATED WITH FINANCING: FINDECA              | 19 |
| FINANCIAL SUPPORT FOR MARKET ACCESS: BUEN VIVIR FUND'S CORAZÓN VERDE | 20 |
| PARTICIPATORY OR DISTRIBUTED MANAGEMENT AND OWNERSHIP: GRUPO PAISANO | 21 |
| GUARANTEED PURCHASE ORDERS: TOKS AND SANTA ROSA MARMALADE            | 21 |
| LUSH CORPORATION                                                     | 21 |
| ANNEX 2. LIST OF FOCUS GROUP PARTICIPANTS                            | 23 |
| ANNEX 3 FOCUS GROUP SUMMARY FINDINGS                                 | 27 |
| CHIAPAS (SIERRA MADRE) FOCUS GROUP                                   | 27 |
| SELVA MAYA (CALAKMUL Y LACANDONA) FOCUS GROUP                        | 27 |
| OAXACA (SIERRA SUR) FOCUS GROUP                                      | 28 |
| GLOBAL LANDSCAPES FOCUS GROUP                                        | 28 |
| MARKET CATALYZERS FOCUS GROUP                                        | 29 |
| ANNEX 4. TABLE OF FINDINGS FROM EACH FOCUS GROUP                     | 31 |
| ANNEX 5. ADDITIONAL BEST PRACTICES                                   | 35 |
| BIBLIOGRAPHY                                                         | 37 |

## PURPOSE AND CONTEXT

Development Objective (DO) 2 of USAID/Mexico's five-year Country Development Cooperation Strategy (CDCS) targets expanded bilateral economic ties through an improved competitive business climate. Under this DO, USAID will focus on improving the competitive business environment by capitalizing on the projected growth of sustainable value chains and the initiative of the Mexican private sector to self-regulate in terms of transparency and integrity practices.

USAID's approach under DO 2 will be scaled by the private sector, amplifying one of Mexico's comparative strengths. The vision is that an improved competitive business environment—brought about through better managed natural capital, increased market opportunities, and greater transparency and integrity—will advance and expand the U.S.-Mexico strategic partnership, resulting in broader prosperity for both countries. This report focuses on the challenges and recommendations to achieve these objectives in three Mexican landscapes: Campeche / Quintana Roo (Calakmul), Chiapas (Sierra Madre and Lacandona), and Oaxaca (Sierra Sur).

Deforestation, forest degradation, biodiversity loss, and climate risks threaten Mexico's competitive business climate. Conservation, restoration and even regeneration are necessary to protect communities' livelihoods and reduce risks to businesses' supply chains, reputations, and ability to attract investment.



## CAUSES OF DEFORESTATION AND FOREST DEGRADATION

According to the Food and Agriculture Organization (FAO) and analysis of national-level information sources (Land Use Series of INEGI), the deforestation rate in Mexico decreased to an average rate of 0.2% between 2010 and 2015, which represents a net loss of approximately 91,700 hectares per year (FAO, 2015). The decrease in the national rate does not adequately represent regional heterogeneity. Each forest ecosystem in Mexico is unique. The deforestation dynamics, degradation processes, human activities, and natural disasters vary in each and their dynamics can change over time.

Forest degradation is a complex process. Public policies and market forces directly and indirectly contribute to deforestation and land degradation. The costs of deforestation and forest degradation include the loss of economic opportunities, ecosystem functioning, biodiversity, and environmental services (Sarukhán, J., et al. 2009). In addition, many activities that cause deforestation and forest degradation also generate significant greenhouse gas (GHG) emissions.

According to the 2015 emissions inventory, the Agriculture, Forestry, and other Land Use (AFOLU) sector contributed 14.59% (102,059.50 Gg of CO<sub>2</sub>e) of total emissions in Mexico. Of that amount, emissions from livestock contributed 69%. Emissions from other land uses contributed the remaining 31%. However, because the amount of greenhouse gases removed from the atmosphere through sequestration (-148,346.07 Gg of CO<sub>2</sub>e) is higher than the amount of greenhouse gases emitted, the sector still is a net carbon sink (INECC, SEMARNAT, 2015).

There is some consensus among scientists regarding the causes of forest degradation. In the south and southeast of Mexico, forest degradation is related to land-use change, with a transition to agricultural uses, tourist development, and urban and industrial uses that generate higher profits. While there are policies, laws, and regulations in place to reduce deforestation, there are challenges in implementation and coordination with the sectors that have the greatest impact on land-use change. (Challenger, A. and R. Dirzo, 2009).

These changes in land use are fostered by growth and production models that do not prioritize sustainable economic development nor the ecosystems' cultural, social, and spiritual values in decision-making, instead favoring production and consumption models that lead to vegetation cover loss.

Economic forces and incentives also have an impact. Domestic forest products are not profitable enough, facing disadvantage in the market due to high transaction costs and lower productivity. Additionally, government subsidies available for livestock, fruit, or agro-energy activities are often more attractive than forest subsidies. As a result, they favor productive conversion towards non-forest uses and the unsustainable use of natural resources.

Despite the challenges, there are positive examples in Mexico. For more than a decade, the Yucatan Peninsula, Oaxaca, and Chiapas have been part of REDD+, an initiative of the U.N. Framework Convention on Climate Change focused on reducing emissions from deforestation and degradation. They were particularly engaged in early activities, which provide an excellent foundation for designing and implementing sustainable landscape management activities. Capacity exists at the community and

subnational level to continue implementing activities to stop deforestation and ecosystem degradation and promote sustainable practices (ENAREDD+, 2017).

## **BENEFITS OF A LANDSCAPE APPROACH**

According to the Global Landscapes Forum, a landscape approach “is about balancing competing land use demands in a way that is best for human well-being and the environment.” To reduce deforestation and greenhouse gas emissions in specific landscapes in Mexico requires collaboration with a wide array of stakeholders including local communities, environment NGOs, the private sector, and others who have an interest in the governance and management of a landscape. Adopting a landscape approach can offer several economic and environmental benefits.

### **ENVIRONMENTAL AND RISK-MANAGEMENT BENEFITS**

The private sector has acknowledged the need to mitigate supply chain risks and understands that raw materials come from landscapes affected by climate change. Companies that do not consider climate and social justice risks present in their supply chains contend with intense pressure from investors to disclose and mitigate climate and social risks or face the prospect of losing investment (Mohin, 2021). A landscape approach, including local governance and land management so that the landscape can act as a carbon sink, addresses both the social and environmental factors currently pressuring supply chains.

Making rural agriculture and livestock practices more sustainable as part of a landscape approach can contribute to the reduction of GHG emissions. For example, aggregation to manage multiple products collectively can reduce transportation needs and combining polyculture systems with holistic management can reduce the need for fertilizers and pesticides. Approaches like these can reduce emissions and safeguard biodiversity and water quality.<sup>1</sup>

Ecosystem-based adaptation approaches can mitigate climate risks from droughts, floods, drastic changes in temperature, and megafires. Expanding existing approaches to incorporate a system’s perspective at both bioregional and watershed scales offers enhanced benefits over risk management by production unit. Social risks can also be mitigated by promoting community empowerment and participation in decision-making, budget planning, and activity design, both in the early planning stages as well as in the longer term. Wider data collection can also lead to greater information efficiencies.

### **BENEFITS FOR PRODUCERS**

A holistic approach is fundamental in designing interventions that mitigate GHG emissions as well as activities that generate new sources of income for communities and promote adaptation to climate change. The landscape approach fosters efficiency and efficacy as it promotes synergies between emissions reductions and other environmental, social, and economic benefits. In southern Mexican landscapes, activities that have proven to mitigate GHG emissions in the past include: regenerative and silvopastoral livestock; biodynamic agriculture; polyculture systems; conservation agriculture;

---

<sup>1</sup> There are many studies that look at options for reducing GHG emissions in agriculture, cattle ranching, animal husbandry and other land related activities (Soloviev, 2018).

agroforestry systems; payment for environmental services in areas with high deforestation rates; sustainable forest management; reforestation; and restoration of degraded areas, among others.

An effective landscape approach must offer opportunities to produce diversified products and services that in turn diversify income streams for local communities, thus reducing environmental stress on forests and other ecosystems. This diversification can generate resilience against certain crop losses, more stable and diversified cash flows for producers, higher overall incomes, and long-term health benefits that healthy forested lands confer.

These benefits were highlighted in a recent report and analysis conducted by the International Union for Conservation of Nature (IUCN) in Oaxaca. The report found that producers using agroforestry practices to produce arabica or robusta coffee alongside other crops such as banana, cacao, cardamom, beekeeping, and timber production could earn a net income between \$90,000 and \$300,000 MXN (approximately \$4,300-\$14,500 USD) per hectare per year—much higher than producers using traditional models.

The study also compared traditional cattle ranching versus a forest grazing model that included beekeeping and timber production. The rancher in the traditional model has a net present value (NPV) of \$767 MXN per hectare per year (looking at a 20 year model) while the forest grazing model had an NPV of \$15,174 MXN per hectare per year, including the cost of the rancher's labor. This model highlights the importance of complementary sources of income, such as income from honey sales, which in this case represented 36% of the forest grazing cattle rancher's income in the first few years after the ranch's transition.

## **BOTTOM-UP DECISION MAKING AND SUSTAINABILITY OF RESULTS**

In the past, most landscape-level interventions involved a top-down approach, with government-led land-use planning for biodiversity conservation leaving little decision-making power for local communities. During a series of focus groups held in February 2021, participants reiterated the importance of employing a bottom-up approach, because smallholder producers (including all landscape labor) and private sector actors have, until now, been underrepresented in landscape initiatives. Capacity-building and knowledge transfer, which are essential for local stakeholder involvement, could also improve representation. Finally, it is increasingly understood that the success of landscape-level sustainable development can only be measured and enhanced by deploying monitoring frameworks that include a broad array of representative indicators, creating transparency and the ability to adjust approaches as needed. Monitoring and adaptation, therefore, are essential elements in landscape approaches (Sarah van der Horn and Johan Meijer).

*“Processes generate effective long-term results; projects do not.” Elsa Esquivel, AMBIO*

The challenges to be addressed in the priority landscapes highlighted in this report are many and systemic. However, the focus groups came to a consensus that the main challenge to be addressed is increasing value to all land stakeholders, including more income to producers through better land management and consumer value of the products that come from the land. The groups identified

community-owned enterprises as a key solution but were careful to mention that ensuring adequate processes with an intervention was more important than the intervention itself.

## METHODOLOGY

This report is the product of a consultation process held in collaboration with USAID with the purpose of identifying approaches to decrease greenhouse gas emissions and increase smallholder producer income in targeted regions in Mexico. USAID/Mexico is interested in catalyzing innovative solutions that utilize a landscape approach and fostering collaboration among the private sector and other key stakeholders along zero-deforestation value chains.

USAID/Mexico identified Campeche and Quintana Roo (Calakmul), Chiapas (Sierra Madre and Lacandona), and Oaxaca (Sierra Sur) as priority landscapes. Due to COVID-19 restrictions and a short timeline to gather data, field visits to the landscapes could not be conducted and all work was carried out remotely. As a result, the report team used interviews, review of previous studies, focus groups, and surveys to gather data and draw conclusions for this report.

In order to build on lessons learned from current USAID programs, interviews were conducted with current USAID/Mexico partners. Additionally, the report team and USAID identified a long list of actors as potential focus group participants, considering the priority landscapes. The actors were sent a survey before each focus group asking about their activities in the priority landscapes at the intersection of GHG emission reduction, reduction of deforestation, improving livelihoods, and collaboration among actors in the landscapes. The report team received 33 responses by the end of the data collection period.

The report team held five focus groups in total (See Annex 2), one group for each priority landscape focusing on that landscape's challenges and needs, one group of global actors working with a landscape approach, and one group of market catalyzers. The market catalyzers group was composed of businesses or business associations that add value and commercialize sustainable products from the landscapes in national and local markets—mostly grocery chains, small cafés, and retailers. In the focus groups for each of the three landscapes, diverse stakeholders were invited, including NGOs, producer groups, financing entities, market intermediaries, large corporations, carbon credit experts, and local governments. Each of the five focus groups were held over a 2-hour video call session where participants were given context and asked questions as the project team took notes and facilitated follow up conversation. (See Annex 3 for the specific results of all focus groups.)

Once the focus groups were completed, the report team systematized the qualitative data based on theoretical categories of integrated landscape management. Throughout the process, the report team conducted an ongoing literature review looking at sources relevant to Mexican landscapes, ecosystem regeneration, landscape management, complex change, and systems thinking.

## FOCUS GROUP RESULTS

### SUMMARY OF FINDINGS FROM ALL FOCUS GROUPS

The report team found that a number of findings cut across all focus groups. . An overarching outcome of focus group discussions was a refined understanding of landscape potential and enabling environment characteristics relative to Mexico.

Focus group participants identified several different examples of enabling conditions and types of potential present in each of the landscapes, as illustrated in the graphic below. Biodiversity conservation, financing and productive markets, local governance, and government and rule of law were the categories most cited or emphasized across all landscapes.

### Mexican Context: Potential & Conditions of a Sustainable Landscape



Graphic 1. Source: Prepared by the authors based on focus group results.

### BIODIVERSITY CONSERVATION

Many focus group participants acknowledged that biodiversity is key to landscape health and mentioned biodiversity loss as a major threat to sustaining livelihoods within the landscapes. The impacts of climate change and biodiversity loss on value chains are significant, ranging from losses due to pests, floods, and

droughts to megafires and pandemics, which threaten food security and communities' livelihoods. Those impacts are exacerbated by the loss of biodiversity due to the expansion of the agricultural frontier when communities undervalue the ecosystem services or biodiversity conservation benefits provided by forests, rainforest, and other ecosystems. This reflects the existence of public policy that creates incentives for agriculture and extensive livestock at the expense of ecosystem services conservation.

Trends are shifting in the global financial sector and in donor discussions. There is a growing consensus that efforts on climate change and carbon neutrality have to evolve beyond reducing emissions to restoring and regenerating<sup>2</sup> ecosystems, with an increase in focus on natural capital<sup>3</sup> as a whole. Interventions could take advantage of the growing demand from investors of publicly traded companies to report on and respond to climate and nature-related risks and impacts.<sup>4</sup>

## FINANCING AND POTENTIAL MARKETS

Focus group participants suggested that supporting community-owned market intermediaries, instead of external actors, with impact-motivated, profitable, and transparent business models would be beneficial. In addition, initiatives to guarantee the purchase of products produced from zero-deforestation value chains are needed. Purchase guarantees like these can give producers confidence that the risks associated with the transition to sustainable and regenerative practices are worth taking. Initiatives could include activities to partner with local companies and connect them with markets, while in the long term embedding these market linkages within the community enterprise operations. Furthermore, raising awareness among consumers to consider social and environmental sustainability of the products they purchase is needed.

The need for improved business capacity was mentioned in all groups, highlighting that some producers and community businesses maintain short-term financial perspectives, with no in-depth analysis to identify whether they are profitable. Several participants mentioned that the costs associated with women and youth labor are not considered in the pricing of products.

Enhanced access to finance was mentioned in three out of five of the focus groups: the market catalyzers group, the Calakmul group, and the global actor's group. If the transition to sustainable agricultural practices is to be financed, there is no single finance tool that would work for whole landscapes. Financing community enterprises and the transition to a production landscape approach would require the interweaving of dedicated grants, subsidies, debt, capital, and purchase orders. In the case of debt for smallholder producers, participants mentioned that the size requirements and terms

---

<sup>2</sup> Regenerative agriculture and regenerative paradigms are increasingly popular as "solutions" for the climate and biodiversity crisis. Regeneration is profound and not just about capturing carbon back into soil. It is about putting reciprocity back in our relationship with nature and each other. These two sources – regeneration and regenerative agriculture could provide valuable insights: 1. [Levels Of Regenerative Agriculture by Terra Genesis International](#) and 2. [The Regenerative Agriculture Continuum by Ethan Roland Soloviev](#).

<sup>3</sup> In recent decades and due to ecologists and pioneering economists' influence, natural capital has been incorporated as the set of ecosystems, both natural and those managed by humankind, which generates goods and services and is perpetual either by themselves or through human management. Some authors include in this last type of capital other natural assets such as hydrocarbons and minerals (CONABIO, 2017)

<sup>4</sup> One example of this trend shifting is that the [Task Force on Climate Related Financial Disclosures](#) has moved into mainstream finance and many asset managers and banks are already signed up to improve reporting information. The most advanced pioneers and cutting-edge leaders went one-step ahead and formed the The Taskforce on Nature Related Financial Disclosures (TNFD).

and conditions would need to be better aligned with smallholder producer needs. They also suggested offering at least two years of business capacity-building to support producers to grow enough so that larger financial intermediaries could then finance their working capital and other enterprise needs.

## **LOCAL GOVERNANCE, INCLUDING WOMEN AND YOUTH**

Within a landscape, two types of governance predominate. One is the inter-institutional governance that enables conditions for implementing sustainable actions at the landscape scale. The other refers to the local governance structures associated with communities and producers, specifically communal decision-making bodies and their internal structures. The need to strengthen inter-institutional governance is highlighted in the next section. The focus groups largely agreed that each landscape already has a strong base for local governance, but any intervention should continue to build capacity for local governance as part of larger projects. In particular, the participation of women and youth must be strengthened since they usually lack access to land ownership and are typically left out of the design and construction of interventions at the landscape scale.

## **INTER-INSTITUTIONAL GOVERNANCE**

One of the toughest challenges to address in terms of forest cover and biodiversity loss are the lack of inter-institutional arrangements to align public policies within a territory. Consolidation of agreements with sub-national and local governments to promote territorial planning that favors policy alignment is important. However, most focus groups noted that because of recent budget cuts, particularly those impacting national environmental agencies, there may be more immediate opportunity to work with subnational governments and community-level governance and decision-making to progress work to stop deforestation and species loss in specific landscapes. One example of a success regarding institutional arrangements from Chiapas, is the inclusion of the landscape approach in the Vision of 2030 and the Estate Program of Development (2019-2024), which is operationalized in the Map for Resilience to Climate Change (MARACC)<sup>5</sup>.

## **RULE OF LAW**

Illegal activities involving drugs, arms, and human trafficking have increased exponentially in recent years and have caused a breakdown of the social fabric, giving rise to greater insecurity and making it difficult to operate businesses within the priority landscapes highlighted in this report. Impunity also contributes to a lack of investor interest and confidence as 95% of crimes go unreported and only 12% of reported crimes are investigated.<sup>6</sup>

## **RECOMMENDATIONS**

The following is a summary of recommendations from the focus groups, with references to relevant literature and examples. Additional examples are provided in the report's annexes.

---

<sup>5</sup> <https://maracc.chiapas.gob.mx/descargas.php>

<sup>6</sup> <https://aristeginoticias.com/1303/mexico/la-impunidad-en-mexico-es-de-99-3-no-hay-policias-ni-jueces-suficientes-udlap/>

## **BIODIVERSITY CONSERVATION INCLUSION**

One of the main topics discussed in the focus groups was the importance of biodiversity at the landscape level. There is ample evidence that climate change already affects and will continue to affect biological diversity, but diversity also can be used to reduce climate change impacts. The adoption of adaptation and mitigation strategies based on biodiversity and nature-based-solutions can increase ecosystems resilience and reduce the risk of harm to human and natural ecosystems. (See Nature-Based Solutions (CBD, 2007) for other examples of such strategies).

Some strategies that promote biodiversity at the landscape scale are: a) maintenance and restoration of native ecosystems; b) protection and enhancement of ecosystem services; c) management of endangered species habitats; d) creation of refugee and buffer zones; e) establishment of networks of terrestrial, marine, and freshwater protected areas in alignment with climate change projections; and f) promotion of multifunctional agro-diverse landscapes and sustainable production practices, including native species (CBD, 2007 and CONABIO, CONANP, PNUD, 2020).

These actions can improve ecosystem services, including primary productivity, the formation of fertile soils, the recycling of nutrients, and the water cycle. They can also help reduce GHG emissions and deforestation and forest degradation (Balvanera et al. 2009). All the above are important factors that contribute to food security and community livelihoods.

Local landscape experience illustrates the benefits of designing multidimensional interventions that link biodiversity to reduction of GHG emissions. These interventions should also incorporate regenerative approaches, such as sustainable agriculture and holistic livestock management, sustainable forest management, and agroforestry. There is scientific evidence demonstrating that increasing biodiversity has a positive effect on ecosystem services, including in carbon sinks that reduce GHG emissions. Moving beyond goals to reduce deforestation and GHG emissions towards goals to increase biodiversity represents an important shift in development finance. Every sector should recognize biodiversity's role and value to the landscape and support initiatives that actively promote conservation and restoration.

## **ACCOUNTABILITY, TRANSPARENCY, OWNERSHIP, LEADERSHIP, GOVERNANCE, AND BUDGETS ARE INTERTWINED**

According to the focus groups, any effective landscape project must be accountable and transparent to local communities as much as possible and should be co-designed, co-managed, and co-owned by the landscape communities wherever possible. Landscapes already have some well-recognized local capacities and leadership that, with some additional technical assistance or business support, would be capable of gradually assuming control over larger, more effective, and profitable businesses. If management responsibilities and ownership are shared with local communities, their need for external support should gradually decrease as they develop and strengthen local business capacities and leadership.

Focus group participants recommended that interventions be designed so that communities and local

organizations retain leadership and decision-making control. . In the past, foreign interventions at the landscape level have failed to provide enough transparency and decision-making for local communities in the landscape. In most cases, organizations that are external to the landscape should co-design programs and make budget decisions with community enterprises and community-level governance.

In addition to using the strategies above, activities should follow the three Transformative Finance Principles(Simon, 2017): “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;” and 3) “the financial relationship fairly balances risks and returns among all stakeholders.” Examples of the application of these principles can be found in Annex I.

### **DESIGN BY AND WITH THE COMMUNITY: “NOTHING FOR ME WITHOUT ME”**

Each of the landscape-based focus groups mentioned the need for community leadership and a focus on the long term in addressing the key challenge of placing more of the landscape value into the hands of the producers and stewards of the land. Future projects should demonstrate that the community was not only consulted, but that they were co-designers of proposed projects.

This concept is well summarized by the first of the three Transformative Finance principles<sup>7</sup> above, which recommends engaging communities in design, governance, and ownership. This principle was developed as a response to communities being treated as inputs—*i.e.* as labor or consumers—rather than participating in all stages of enterprise development and management, as well as in long-term value creation through ownership, thus becoming agents of their own change. This does not mean that all smallholder producers need to become entrepreneurs that add value to their products and commercialize and scale their companies. They can, however, become shareholders and profit from the value-add of their products and services. The focus groups highlighted that this can happen through a community enterprise model.

---

<sup>7</sup> Real Impact: The new economics of Social Change. Morgan Simon. <http://morgansimon.com/>

## LOCAL LEADERSHIP INITIATIVES: EMPHASIS ON GENDER INCLUSION AND YOUTH

Women and youth could benefit from building an asset base participating in the shares and equity of companies that contribute to added value markets. Ownership of assets can prove to be more effective in the long term to graduate people from poverty than increasing their income from a very low starting point. An example of participatory or distributed management and ownership in Mexico can be found in Annex I, in the Grupo Paisano case study. Distributing ownership of and benefits from companies that have the value-added margins within the communities is a space for social justice and women and youth inclusion.



Source: Prepared by the authors based on focus groups' results

## BUILD ON GOOD GOVERNANCE PLATFORMS THAT ALREADY EXIST WITHIN THE LANDSCAPES

The focus groups emphasized the importance of leveraging the work already conducted over the years in each of the landscapes to build up community governance and landscape management. In some cases, these were decades-long investments by many local, national, and international governments and local communities.

Future activities should demonstrate direct involvement of complementary programs and activities, ultimately providing evidence of collaboration and the leverage (whether financial or in-kind) of various programs that are ending or in progress.

## **PRIVATE SECTOR CORPORATIONS CAN CONTRIBUTE MORE “SKIN IN THE GAME”**

A corporation’s supply chain originates in the landscape as a raw material or commodity. Even though the core product originates in the landscape, the companies’ finances treat the landscape as an externality. Large corporations in the global focus group mentioned that it is challenging for them to work at the individual producer scale. The producer community and the forests that provide ecosystem services are not in these companies’ control. Therefore, while producers may receive capacity-building services, small grants, or loans from corporations, they bear nearly all of the risk in sustainable transition practices.

Corporations’ payroll, benefits, and insurance do not cover last-mile producers, let alone their climate risks. If corporations want better, sustainable products, shouldn’t they bear most of the risk and costs of the sustainable transition (such as certifications, capacities, and resilient last-mile infrastructure) as well? In the end, the business and investment case for this transition ultimately benefits the corporations that sell these products at a profit the most.

Corporations and donors working toward more sustainable landscapes must ask themselves:

- *Are producers currently subsidizing the sustainability evolution of corporation’s products and services?*
- *Can we shift risks and benefits of the sustainability transition, so they are better or more fairly distributed?*

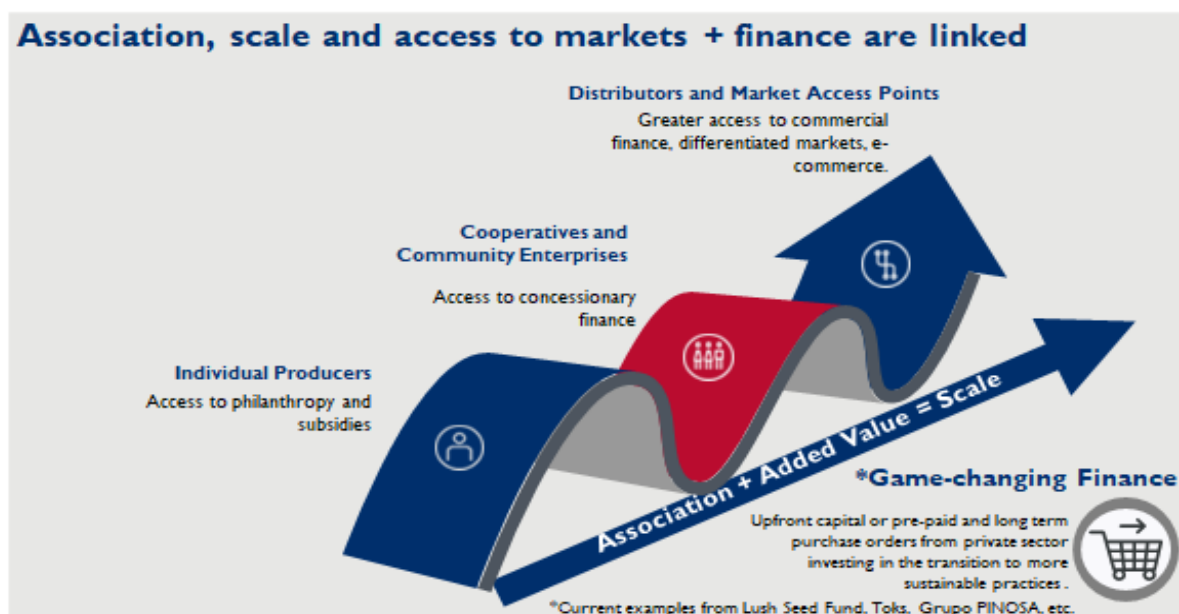
## **ENSURING WEALTH IS DISTRIBUTED WITHIN THE LANDSCAPE**

Community-owned enterprises are key to adding value to commodities and raw material within the landscape. Every focus group mentioned community enterprises and the power for a community enterprise to gain additional income through adding value to products cultivated in the landscapes. However, the recommendations went beyond just associating producers to buy inputs and sell commodities. The recommendation is to redesign enterprises according to the community’s vision, transform producer’s associations into businesses, and increase products’ value by working with local partners. Fostering community companies’ associativity would generate significant progress in market challenges, such as achieving common objectives, economies of scale, skills, potentials, and logistics (See Toks and LUSH Corporation study cases in Annex I).

## **ADDED VALUE AND FACILITATING ACCESS TO MARKETS**

*“Transforming local community leaders into business people needs constant development and we need fair and trusted partners to provide business capacities.” Alfonso Argüelles (Alianza Selva Maya) and Hugo Cárdenas (The Nature Conservancy)*

Usually, if a smallholder producer is working in isolation, he or she can only obtain limited resources through selling his or her produce (usually at very low prices established by local intermediaries). Options for complementing income are limited to subsidies or philanthropy. Association with more producers is a key strategy for producers to increase their income potential.



Source: Prepared by the authors based on focus group results

The greater the number of producers associated under one organization or cooperative, the greater access to markets they attain and the greater added value they can provide. Achieving a critical mass of product volume is important for logistics and distribution, investments such as packaging or processing equipment, and the ability to sell to higher-end markets, corporate buyers, or exporters. Developing competitive products and associativity that can tackle different market segments (*e.g.* the differentiated retail markets versus wholesale and bulk markets) is related to scale: the greater the scale, the more the producer group can invest in value-adding assets.

Focus group participants shared evidence from several supply chains that pre-paid purchase orders, upfront capital from buyers, and long-term purchase orders can transform producers' transition to sustainability at scale. Producers are taking great risks and usually lack the capital to transition to more sustainable practices that require them to change systems or inputs. With the security provided by future purchase contracts, producer groups can access financing on better terms, for example with lower interest rates or longer repayment timelines. Evidence of this type of financing can be found in Annex I.

## **DESIGN WITH THE EXIT STRATEGY IN MIND**

The continuity and sustainability of landscape interventions was first mentioned in a conversation with other global development donors and was reinforced during the focus group conversations. For example, a representative of one financial institution mentioned their frustration with NGOs approaching them to finance smallholder producers when donor funding for technical assistance was about to end. If the use of financial institutions to continue the project had been designed with participation from the lending institution, the lending institution could have designed better loan products for the producers, and designed the technical assistance to include credit-readiness from the beginning of the project.

This recommendation not only applies to the long-term financial sustainability of the project but also the desire of the focus group participants to have the communities in the landscapes take ownership and leadership of the interventions early on in the project in order to guarantee continuity. For this reason, one participant from the donors' meeting noted that a lesson learned from their programming was to support capacity-building for local business managers.

## **CONCLUSION**

The transition to more sustainable supply chains offers both compelling development impacts, as well as attractive investment opportunities. Transforming practices which currently deplete the landscape and exploit communities into regenerative models can also foster greater justice and climate resilience. This report's findings offer helpful insights for co-designing and implementing future interventions for productive landscapes in Mexico. These recommendations provide a blueprint for long-term impact and are based on the understanding that thriving communities can only happen within thriving landscapes. Therefore, any intervention aimed at promoting more sustainable supply chains and more competitive business environments must recognize natural and social capital, associated with ethical and cohesive infrastructures, as key sources of value creation.

# ANNEXES

## ANNEX I. CASE STUDIES

### GOVERNANCE AND COMMUNITY LEADERSHIP: UZACHI

Union of Zapotec-Chinanteco Forest Producing Communities of the Sierra Juárez de R. I. (UZACHI) is an ejidos' union, founded in 1989 that includes 4 agrarian nuclei in 3 municipalities: Capulálpam de Méndez, La Trinidad Ixtlán, Santiago Xiacuí, and Santiago Comaltepec. It has a total area of 24,000 hectares of mesophyll forests, pine-oak forests, and pine forests.

UZACHI was created in response to the struggle to return forests to local communities and indigenous peoples, and bolster their ancestral knowledge of social, economic, environmental, and cultural forest management. UZACHI is governed by an assembly of 16 delegates, who are appointed by the communal landholders' assemblies that represent their four agrarian nuclei.

These are truly organized communities where land and forest are socially owned (community vision). They have well-developed administration and management plans aligned with Mexican laws and programs. Their processes are inclusive, full-cycle (log-industrialization of woodland management), and vertical, and the union is functional and profitable.

The integrated ecosystems management employed by UZACHI results in harmonious coexistence and supports the preservation of the Sierra-Norte Chinantla region, one of the most biodiverse ecosystems in Oaxaca and Mexico. UZACHI's successful experience in monitoring its resources is mostly the result of a robust organizational structure that links community authorities, their technical team, and members' assemblies.

This is the first case of voluntary land-use planning led by indigenous peoples (the Zapotec culture) in Mexico. This triggered a process that resulted in what is known as "community forestry", a process that the Mexican government has institutionalized within the National Forestry Commission (CONAFOR).

### TECHNICAL ASSISTANCE ASSOCIATED WITH FINANCING: FINDECA

The Forest Investment Program (FIP) operates within the Climate Investment Fund framework and supports countries' efforts to reduce deforestation and forest degradation. The FIP promoted sustainable forest management, reduced emissions, and increased forest carbon stocks (REDD+). They operate through donations, concessional funds, and risk mitigation instruments, which leveraged financing from private and multilateral development banks.

As an FIP pilot country, Mexico received a \$60 million USD grant to design and implement its Investment Plan for a 6-year period (2013-2019). This plan was focused on the REDD+ Early Action Areas (AATREDD+) and included four projects:

- Building capacity for sustainable management of forest landscapes
- Adaptation capacity, mitigation, and sustainable profitability in forest landscapes

- Creation of a financing line for low-carbon strategies in forest landscapes
- Support for micro, small and medium-sized enterprises that operate in community-owned forests.

In partnership with FINDECA, the EmFoCo y Desarrollo project created an agile and timely mechanism for financing Community Forestry Enterprises (CFEs) Their approach fostered close follow-up with borrowers as a key element for loan approval and repayment. FIDECA's role was essential to promote local capacity development and their participation encouraged CFEs to keep a clean credit record, a requirement for recurring users.

Unlike most forestry sector programs, EmFoCo y Desarrollo approach facilitated CFEs' access to financing and technical assistance through a flexible framework that administered credit according to producers' capacities. Offering adequate credit packages for CFEs was challenging, because traditional guarantees are uncommon in the rural business segment, which prioritizes pledge and mortgage guarantees. FINDECA found advantages in working with alternative guarantees better suited for rural businesses and accessing support offered by other institutions in the sector, such as the Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero (FND), and the National Forestry Commission (CONAFOR).

The credit products designed by FINDECA also had other comparative advantages, such as overall lower costs. While the interest rates FINDECA offered to CFEs were higher than those offered by the National Development Bank, they did not charge commission for activities such as file integration, credit study, and account opening and management. This was reflected in the total annual cost, which was lower than those reported by government banking institutions that operate in rural Mexico.

FINDECA had a remarkable loan placement performance. Their approach made it easier for companies to manage credit, increased confidence in their instrument, and strengthened solvency and internal administration capacity. In total, 64 CFEs received assistance, and they extended 92 loans totaling \$103 million MXN to 28 CFEs with a 0% default rate.

#### **FINANCIAL SUPPORT FOR MARKET ACCESS: BUEN VIVIR FUND'S CORAZÓN VERDE**

Ñepi Behña means "woman with dignity" in ñähñú, an indigenous language spoken by the Otomí people in Hidalgo, Mexico. They are an independent and engaged grassroots organization working with women artisan groups living in poverty and with high migration rates. They foster economic, social and cultural strategies that promote dignity and equal development for their rural indigenous communities.

In 1998, they partnered with Idear S.C to help a ñähñú artisan women's group at the Mezquital Valley secure a Fair-Trade Principles certification, so that they could continue selling their products to The Body Shop.

Ñepi Behña fosters leadership skills in women, so that they can have a positive impact on their community's food and environmental sustainability, and overall, wellbeing. They work on four pillars: education, sustainability, alternative economies, and Fair Trade.

They have helped create nine cooperatives which serve as educational and production spaces offering women beneficiaries an alternative for their economic autonomy. In 2008 they co-founded the Fair-Trade Central Corazon Verde along with the cooperatives, to help their products achieve greater market reach. Their experience with artisans has shown that existing Fair Trade certification has their own limitations. To address that gap, they are now designing a Participatory Certification System that creates a Fair-Trade certification with a focus on gender and inclusion, specifically tailored for women producing crafts.

#### **PARTICIPATORY OR DISTRIBUTED MANAGEMENT AND OWNERSHIP: GRUPO PAISANO<sup>8</sup>**

Grupo Paisano was designed in 2013 as a sustainable agriculture fund that financed a group of companies capitalizing the entire supply chain - from producers to exporting companies - of different fruits and vegetables in Mexico. They work with more than 600 producers in three different Mexican states.

Grupo Paisano was designed to include all value-added processes and assets within the same holding group, and to distribute dividends to all involved, including producers and investors. The model was built on a structure called self-liquidating equity, which works like a reverse gradual cooperative. Instead of owning the whole company from the outset, producers start by owning very few shares of the company, but acquire more equity from investors over time, in a gradual process that takes over a decade to complete. The producers are grouped in Rural Production Society (RPS) companies which in turn are owners of a small part of the exporting company's equity. Producers are paid for their commodities and also receive annual dividends from their shares in the exporting company. This allows for a structured exit, as ownership is transferred from investors to the producer community. This model was created by Hector Martinez, who is now applying this experience, combined with a landscape approach, in Loom Capital. He exited Grupo Paisano in 2019 so the model might have changed since then.

#### **GUARANTEED PURCHASE ORDERS: TOKS AND SANTA ROSA MARMALADE**

A women's producer group in the state of Guanajuato sold their artisanal marmalade and other preserved foods only at local markets. They signed an agreement with the company Toks, after meeting them in an artisanal food fair. After they started producing for Toks, their income grew from \$2,500 USD in 2001 to \$350,000 USD in 2013. Some of the elements that have enabled their success were: guaranteed purchases, capacity-building, capital for upfront support, quality systems and organization.

#### **LUSH CORPORATION**

Lush Corporation buys herbs and key ingredients from indigenous groups in the Sonoran Desert as a key input for their products. They hired Terra Genesis International as a Regeneration consultant and TGI helped the company design projects and supply relationships for key ingredients that prioritize regeneration.

Under this partnership, TGI helped launch a SEED fund to give smallholder producers access to start-up capital to scale their permaculture projects. After working together for three years, Lush North

---

<sup>8</sup> <https://www.uv.mx/redssss/files/2014/03/Grupo-Paisano.pdf>

America continues to run the Sustainable Lush Fund supporting global supplies of regenerative agriculture. One of the initial key ingredients that they purchased from the Sonoran Desert could only be accessed by local indigenous groups. These communities were among the first to receive upfront funding from Lush's fund to support their production and they now have a working relationship of more than five years.<sup>9</sup> The Sustainable Lush Fund is actively managed by Lush's team. Following their experience working alongside Terra Genesis International, the team created their own metrics for success, deepened their ecological literacy, and created a supply initiative and investment fund that is leading the cosmetics world towards a vision of regenerative supply.<sup>10</sup>

---

<sup>9</sup> General information about this case was provided through an interview with Ethan Rolan Soleviev. Further details are not publicly available.

<sup>10</sup> <http://www.terra-genesis.com/lush-case-study/>

## ANNEX 2. LIST OF FOCUS GROUP PARTICIPANTS

| NAME                                          | INSTITUTION                                          |
|-----------------------------------------------|------------------------------------------------------|
| FOCUS GROUP CHIAPAS                           |                                                      |
| Karina Perez Canseco                          | Educampo                                             |
| Juan Manuel Frausto                           | Fondo Mexicano para la Conservación de la Naturaleza |
| Juan Labougle                                 | Conservación Internacional México                    |
| Gustavo Pérez Berlanga                        | TOKS                                                 |
| Elsa Esquivel                                 | AMBIO                                                |
| Daniel Suárez                                 | Ganadería Regenerativa                               |
| Mauricio Martínez Miramontes                  | La Mano del Mono                                     |
| Karla Breceda                                 | El Buen Socio                                        |
| FOCUS GROUP SELVA MAYA (CALAKMUL + LACANDONA) |                                                      |
| Héctor Martínez                               | LOOM Capital                                         |
| Liliana Dávila                                | The Nature Conservancy                               |
| Jimena Rodríguez                              | Walmart Foundation                                   |
| Hugo Cárdenas                                 | The Nature Conservancy                               |
| Julio Cesar Hernández                         | YAAX                                                 |
| Alfonso Arguelles                             | Alianza Selva Maya                                   |
| Jorge Fernández                               | CONAFOR                                              |

|                                 |                                                           |
|---------------------------------|-----------------------------------------------------------|
| Vincent Lagace                  | Nuup                                                      |
| FOCUS GROUP OAXACA (SIERRA SUR) |                                                           |
| Sebastien Proust                | Programa de las Naciones Unidas para el Desarrollo México |
| Joan Lagos                      | FINDECA                                                   |
| Teresa Tattersfield             | World Resource Institute, México                          |
| Elleli Huerta                   | Financiera Nacional de Desarrollo                         |
| Ana Tejero                      | CEPCO                                                     |
| Marco Antonio González          | GAIA                                                      |
| Vanessa Gonzalez                | Fomento Ecológico Citibanamex                             |
| Salvador González Hernández     | Financiera Nacional de Desarrollo                         |
| Francisco Abardía               | Obio                                                      |
| FOCUS GROUP GLOBAL              |                                                           |
| Vanessa Gonzalez                | Fomento Ecológico Citibanamex                             |
| Enrique Lendo                   | ALCOTT Group México                                       |
| Natasha Schwarzbach             | PEPSICO International                                     |
| Ernesto Huerta                  | Reforestamos México                                       |
| Lucía Ruíz                      | WWF México                                                |
| Gabriela Campuzano              | Techno Serve                                              |
| Eglé Flores                     | Biodiversity Finance Group                                |

|                               |                                                          |
|-------------------------------|----------------------------------------------------------|
| Carlos Becerra                | Nestlé                                                   |
| Edit Kiss                     | Athelia/MIROVA                                           |
| FOCUS GROUP MARKET CATALYZERS |                                                          |
| José Castro                   | Neek Capital/ Tierra de Monte                            |
| Tere Rojo                     | Consejo Civil Mexicano para la Silvicultura Sostenible   |
| Alberto Irezabal              | IBERO (Cooperativa Yomol a'tel y marca Capeltic de Café. |
| Francisco Abardía             | Obio                                                     |
| Pepe Trejo                    | Lacteos del Potrero                                      |
| Juan Arce                     | Omni Credit/ Anónimo Café                                |
| Carlos Azcuaga                | Maxiterra                                                |
| Teresa Tattersfield           | World Resource Institute, México                         |
| Heladio Reyes                 | ECOSTA Yutu cuui                                         |
| Alessandra Caine              | Commonland Foundation                                    |
| FOCUS GROUP DONORS            |                                                          |
| Alejandra Bolde Coto          | GIZ                                                      |
| Daniela Torres                | BIOFIN                                                   |
| Rubén Pérez Peña              | Interamerican Development Bank                           |
| Citlali Cortés Montaña        | KFW                                                      |
| Katharina Siegmann            | World Bank                                               |
| Yvonne Davidis                | UK embassy                                               |

| FOCUS GROUP PARTNERS |                                                        |
|----------------------|--------------------------------------------------------|
| Lucía Madrid         | Consejo Civil Mexicano para la Silvicultura Sostenible |
| Edgar González Godoy | Rainforest Alliance                                    |
| Rachel Sheridan      | USFS                                                   |
| Rafael Flores        | USFS                                                   |
| Teresa Tattersfield  | WRI / PRONATURA                                        |
| Ana Gargollo         | PRONATURA                                              |

## **ANNEX 3 FOCUS GROUPS SUMMARY OF FINDINGS**

### **CHIAPAS (SIERRA MADRE) FOCUS GROUP**

#### **LANDSCAPE ASSETS**

The group immediately identified the diversity of the community and the geography as a key asset in the Chiapas (Sierra Madre) landscape. Combined with the indigenous groups' cultural values, diversity generates added value for commercializing products with a biodiversity conservation approach. Furthermore, the group mentioned that this landscape has a strong social fabric and basis for conservation practices, noting that various organizations, government, and the community have been working on conservation and sustainable management projects for decades.

#### **ENABLING CONDITIONS**

This group noted that different genders have a different, but complementary, view of the landscape. Men were said to be focused on the most direct economic productive activities, while women were said to earn income from secondary activities, but with a greater focus on sustainability. They are open to experiment and explore adaptive management.

The key challenges identified in the landscape were the conflict between personal food security and the need to commercialize products from the landscape. However, current commercialization of landscape products is not profitable for individual producers due to the high volume of intermediaries and low commodities prices that don't consider unpaid labor of women and youth. Another major challenge in this landscape is the rise of illegal activities, especially those involving trafficking of drugs, people and weapons in the Lacandona region. Local drug consumption has also risen significantly.

### **SELVA MAYA (CALAKMUL Y LACANDONA) FOCUS GROUP**

#### **LANDSCAPE ASSETS**

The focus groups identified the Mayan jungle region's strong local capacity and talent with traditional knowledge for conservation and sustainable management of the landscape as a key asset. This region has outstanding natural, social, and cultural capital. Specifically, it is the second most important rainforest ecosystem in the American continent. Many endemic species inhabit this landscape, and the Mayan culture is one of the most attractive hotspots for tourists in Latin America. This landscape has been carrying out sustainable productive activities (such as honey, coffee, cacao, and timber production, and arts and crafts) for many years, establishing solid experience in local governance, with a high potential for strengthening and replication.

#### **ENABLING CONDITIONS**

The focus group highlighted that building a landscapes' joint vision between stakeholders and commercial activities must address market and policy failures. In other words, the products and services from this landscape need to be better connected to the market, through a healthy framework that takes the

community's worldview into account. Farming technical assistance must be adapted to benefit ecosystem services and lead to the communities' self-reliance, empowering youth and women.

The accelerated transition of acahuales (secondary vegetation resulting from swidden agriculture in tropical lands) to cattle ranching through slash and burn methods was noted as a key risk.

## **OAXACA (SIERRA SUR) FOCUS GROUP**

### **LANDSCAPE ASSETS**

Community governance is remarkable in the Oaxacan landscape and has often been featured as a successful case study. Community governance has been built on traditional knowledge and community organization, which seeks collective well-being. Specifically, the community forest management experience is an example of successfully integrating different criteria in implementing landscape-scale strategies: governance + productive chains + valuation of ecosystem services. Landscape-level activities and strategies have been successfully developed thanks to this asset.

This region has a large number of ecosystem services and diverse, productive activities (milpa, wood, ecotourism, coffee, mezcal, certified wood, handicrafts). Local communities have formed long-term community enterprises as part of their resources, which strengthens the social, environmental, and economic resilience of those communities.

### **ENABLING CONDITIONS**

All interventions should be carried out through existing local governance platforms and empower women and youth to strengthen value chains. Insufficient business capacity-building for the timber sector was also mentioned by some participants.

## **GLOBAL LANDSCAPES FOCUS GROUP**

The Global Actors focus group was the fourth of the five focus groups held under this activity. Prompt questions were adapted to include discussion of complex change within a landscape setting, based on the participants' different profiles and the learnings from the first three focus groups. Many perceptions from the first three focus groups were reiterated in the global focus group, but one key difference was the focus on scale, and the incentives and disincentives of the transformation towards sustainable landscape management.

Multiple participants in this group highlighted bringing pilots to scale as a key challenge and area where there is room for improvement. This makes sense given the scale and global nature of the operations of the represented organizations. This was also the first focus group that recognized the need for incentives for transformation towards sustainable landscape management. Existing disincentives were also mentioned, most notably subsidies.

How does the value chain approach promote the diversification of products to enhance community resilience and adaptation to climate change?

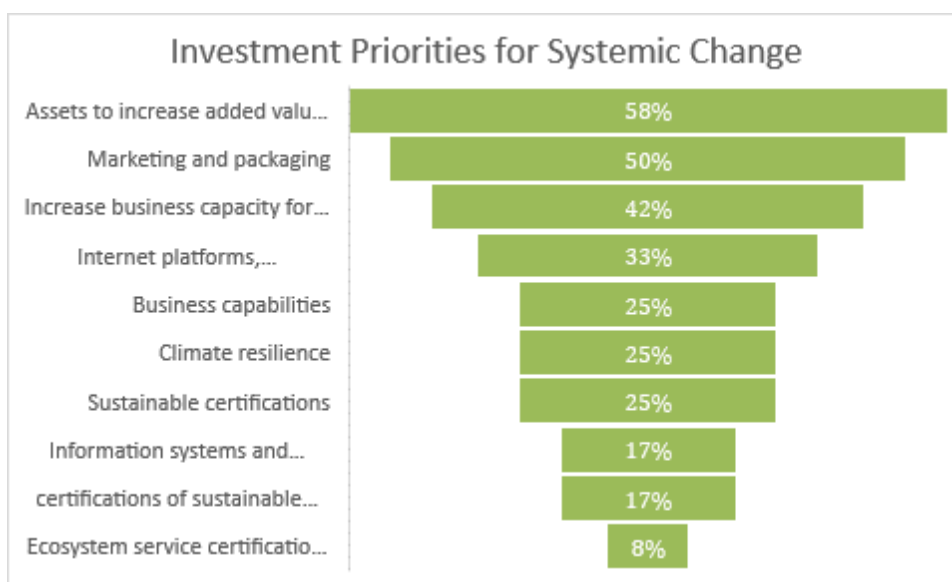
- We must engage with the supply chain and have local implementation partners because corporations are far from the land.
- Companies apply policies to not source commodities where deforestation has taken place. This is not an easy policy to communicate to communities, which is why we need engagement at the community level.
- Redesign the enterprise for the community, transform producer's association into a business, and increase the product's value, working with a local partner, having the community vision as guidance. Have a landscape organization to diversify resources and maintain the project in the long-term.
- Market access remains a challenge for smallholder producers to invest in adequate logistics, infrastructure, and capacity to sell directly.
- Many companies have to be willing to take a shared risk in order to create the necessary transformations for a sustainable landscape approach.

### MARKET CATALYZERS FOCUS GROUP

Many comments from the first four focus groups were reiterated in the market catalyzers group, but the focus on food sovereignty and confidence in markets as key levers of change in the landscapes were key differences.

Specifically, the group mentioned the need to diversify local production to guarantee food sovereignty and to improve livelihoods within the communities. To promote resilience, communities must be able to control their livelihoods and subsistence.

Producers lack confidence in the market, which discourages them from investing. As a result, they miss out on opportunities to produce higher value products. The group identified the need for new commercial frameworks that guarantee purchase of products. These prepaid purchase orders would give producers confidence, incentivizing sustainable actions in the long-term.



The members of this focus group were asked to prioritize three areas where they would invest to generate systemic change the poll results are displayed in the graph above.

Financing and technical assistance in producing commodities and generating business capacities were not included in the survey, but the experts highlighted their importance.

The key actors identified to carry out these processes are:

- Community cooperatives and collective forest enterprises that have contributed the most to stopping deforestation. All shade-grown coffee and beekeeping developments have biodiversity-friendly production processes that control the agricultural frontier.
- Aggregators that link consumers and producers.
- Large agricultural companies who must work hand in hand with small producers to carry out restoration and regeneration processes, guaranteeing a market for their products and taking on equal risk and responsibility in greening their supply chains.

## ANNEX 4. TABLE OF FINDINGS FROM EACH FOCUS GROUP

| 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 create 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.<br>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 <i>"Sembrando Vida"</i> (sowing life) and <i>Tren Maya</i> (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                                                                                             |

## ANNEX 5. ADDITIONAL BEST PRACTICES

Additional good practices to include communities in design and implementation processes include:

- Recognize and prioritize participation structures established by the communities.
- Follow the internal systems of ejidos and communities to jointly build projects.
- Involve communities in the design and implementation of activities.
- Recognition of traditional practices in sustainable productive activities.
- Respect communities' uses and customs.
- Generate spaces of trust and collective construction.
- For indigenous communities, the project developer should consider the framework of ILO 169 and the United Nations Declaration for Indigenous Peoples<sup>11</sup> to guarantee their specific rights.

### PROMOTE GENDER INCLUSION

Access to and management of natural resources is expressed in different ways between men and women. Considering a gender perspective when implementing activities at the landscape level supports the reduction of environmental and social vulnerabilities of families and communities. In the design and implementation of an intervention, USAID should consider:

- Participation in decision-making: Increase women's involvement in decision-making at the landscape level and train women to participate in these decision-making spaces.
- Credit programs: Create specific credit programs for women, adapted to their needs (reduced interest rates, credits linked to savings and training schemes, longer repayment terms, etc.).
- Training programs: Create training programs with women's specific needs in mind (unique places where women can move quickly, provide childcare, and use a common language).
- Create gender training within the community, particularly for male leaders and family members, and other stakeholders to generate awareness of barriers that women face, how to overcome them, and the advantages of incorporating women into value chains for households and communities.
- Promote agroforestry value chains: These chains are good economic productive alternatives for women and generate income in the short-term, facilitate the recovery of landscapes, and reduce the pressure off forests.
- Women's groups: Organize women producers and processors into groups to facilitate their market access by achieving better organization and negotiation skills. Or, if there are barriers to women owning land or being producers in the landscape, ensure that women and youth are involved in the community-owned enterprises as managers and directors of businesses that commercialize products and services from the landscapes.

---

<sup>11</sup> [https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::PI2100\\_INSTRUMENT\\_ID,PI2100\\_LANG\\_CODE:312314,es](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::PI2100_INSTRUMENT_ID,PI2100_LANG_CODE:312314,es)

- Introduction of technology: Introduce technological changes that reduce collection and processing time to increase women's participation in certain activities in the value chain and maximize their time when they are away from home.
- Childcare: Facilitate the care of children in the various stages of the value chain so that women can work.

## BIBLIOGRAPHY

- Mexican Fund for nature conservation, Findeca and BID LAB ([2019](#)). EmFoCo y Desarrollo: Financiamiento a Empresas Forestales Comunitarias.
- Mexican Civil Council for Sustainable Forestry ([2020](#)). Unión de Ejidos Chinanteca Zapoteca, UZACHI.
- Lush Cosmetic ([2020](#)) A journey towards regenerative supply chain. Recover:
- Scherr, Sara & Belleld, Helen & Gregory, Josh & Mardas, Niki & Oakes, Nick & Buck, Louise & Heiner, Krista & Lentini, Marco & Sarkar, Sunita & Reed, James & Ackermann, Klaus & Hack, Matthias & Lange, Andreas & Wallrapp, Corinna & Richter, Frank & Bakarr, Mohammed & Calmon, Miguel & Zagt, Roderick & Aguilar, Leida & Bogeza, Robert. ([2015](#)). The Little Sustainable Landscapes Book: Achieving sustainable development through integrated landscape management.
- Horn, S. van der and Meijer J. (2015), The Landscape Approach, The Hague: PBL Netherlands Environmental Assessment Agency
- National Forestry Commission ([2017](#)), National REDD+ Strategy.
- National Institute of Ecology and Climate Change and Secretary of Environment and Natural Resources ([2018](#)). Sixth National Communication and Second Biennial Report to the United Nations Framework Convention for Climate Change.
- Ethan Soloviev ([2018](#)) Regenerative Agriculture Continuum.
- International Union for Conservation of Nature ([2020](#)). Opportunities for Functional Restoration of Landscapes in Oaxaca.
- Sarukhán, J., et al. ([2017](#)). Capital natural de México. Síntesis: evaluación del conocimiento y tendencias de cambio, perspectivas de sustentabilidad, capacidades humanas e institucionales. Comisión Nacional para el Conocimiento y Uso de la Biodiversidad (CONABIO), México
- CONABIO, CONANP, PNUD. ([2020](#)). Conservación, restauración y conectividad: la biodiversidad de México ante el cambio global. Síntesis y mensajes clave. Comisión Nacional para el Conocimiento y Uso de la Biodiversidad - Comisión Nacional de Áreas Naturales Protegidas, Semarnat - Programa de las Naciones Unidas para el Desarrollo, México.
- Simon, Morgan (2017) Real Impact: The New Economics of Social Change.