Landscape Assessment of Financial Flows

Lessons learned from pilot implementation

2020

TROPENBOS INTERNATIONAL

ecoagriculturepartners

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1.   Introduction

1.1.   Background and objectives

Collaborative landscape initiatives demonstrate enormous potential to mobilize stakeholders across sectors, supporting them to work together on shared objectives. This meets a wide range of human needs, economic goals and ecosystem objectives. However, implementing these partnerships is challenging. Perspectives, values and ways of working differ greatly among partners; in many cases there is a legacy of misunderstanding and distrust. Strategies and tools are needed to overcome the resulting tendency for stalemate and conflict.

To support these landscape initiatives, Tropenbos International and EcoAgriculture Partners jointly developed the **Landscape Assessment of Financial Flows (LAFF)** methodology (Shames, Louman and Scherr 2019; see Box 1).

Box 1. Landscape Assessment of Financial Flows (LAFF)

This practical two-phase approach helps stakeholders identify local sources of finance for new investment ideas, determine which current financial flows are most in need of transformation, and better understand the elements of a landscape's financial context. LAFF has been designed so that it can also be used to complement the Landscape Investment and Finance Tool, developed by EcoAgriculture Partners and IUCN NL to identify opportunities for specific business cases (https://liftkit.info).

The broad objective of the LAFF methodology is to facilitate the participatory identification and characterization of major flows of finance in landscapes and thereby better understand how a landscape's financial context does or does not support integrated landscape objectives.

The LAFF approach allows a range of stakeholders — including civil society organizations (CSOs), local and national government actors, development authorities, and private companies active in landscapes — work towards a set of common objectives to achieve the following:

- understand the make-up of the landscape economy;
- identify and understand the financial flows with the most important impacts, both positive and negative, on landscape objectives;
- identify financial resources that could support strategic projects and activities critical to sustainable landscape management;
- identify those key existing financial flows that will need to change in order to better meet landscape objectives;
- identify opportunities to strengthen the financial governance mechanisms of key financial flows;
- identify system-wide challenges to the landscape's financial structure (e.g., key gaps in services); and
- identify opportunities to strengthen the coordination of investment in the landscape.

1.2. LAFF methodology

The LAFF methodology has two phases:

- In **Phase 1** participants characterize the landscape economy, focusing on the most relevant economic sectors and sub-sectors; and
- In **Phase 2**, within a selection of those sectors and sub-sectors, participants identify and assess the sources and recipients of the financial flows that are most relevant to meeting sustainable landscape objectives.

Phase 1

The purpose of Phase 1 is to stimulate and inform discussion among multiple stakeholders within the landscape. Participants need to understand the economic context of the landscape. In Phase 1 participants analyze this economic context, based on existing documentation. This produces an overview of the structure of the landscape economy. The overview addresses these aspects of the landscape:

- boundaries;
- key landscape objectives as identified by the stakeholders;
- broad structure of the landscape economy;
- trends and drivers in the landscape economy;
- value of ecosystem services and their relationship to the relevant sectors; and
- the key roles of government and civil society.

At the end of Phase 1, the Implementing Partner (IP) produces a report and PowerPoint presentation to communicate the findings. The IP coordinates the LAFF process and has the main responsibility for carrying out the methodology. The report is discussed during a meeting of stakeholders; participants assess and identify those economic sectors in the landscape that they think have the most impact on landscape objectives. These sectors are then further discussed in Phase 2.

Phase 2

In Phase 2, participants in sector or sub-sector focal groups identify and characterize the key financial flows for that sector within the landscape. They also evaluate the impacts of these flows — both positive and negative — on landscape objectives. The goal is to collect as much of the following information as possible:

- the most important financial flows in each of the selected key sector and sub-sector;
- why the flow is important and how it affects landscape objectives;
- the sources and recipients of these flows;
- the type of financial mechanism involved (e.g., loan, concessional loan, grant, payment for services, equity investment);
- the terms of the financing arrangements (e.g., in the case of loans, the interest rate, collateral, type of investments; or in the case of grants, the outcomes expected);

- the governance mechanisms that affect these flows (e.g., rules on transparency, need for monitoring);
- the constraints to better terms for financing (e.g., interest rates, type of collateral, trust, scale);
- any notable innovations of the flow (e.g., blended finance models, special conditions); and
- any additional information that needs to be learned about a flow.

The sources and recipients of financial flows include a wide range of actors, such as local, national and international companies and financial institutions; government agencies at all levels; local, national and international CSOs; business leaders; and end users of products and services. Ideally, the methodology considers all types of flows, including informal and illegal flows, and remittances.

1.3.   Learning from the LAFF pilots

Between November 2018 and August 2019, pilot projects were implemented in Indonesia and Ghana. The goal was to address the following questions:

- does the LAFF methodology meet its objectives?
- what aspects of the methodology could be improved?
- are the results of LAFF implementation useful for the development of strategies that will lead to greater positive impacts by new or existing investments on the landscape objectives?

2. Results of pilot LAFF implementation

2.1. Selection of pilot landscapes

The ideal context for implementing this methodology is a landscape where an established multi-stakeholder partnership (MSP) has identified a set of landscape objectives that stakeholders agree on and are working to pursue. Ideally, these objectives are defined within a landscape action plan.

By operating in the context of a defined set of objectives, the MSP will not only be seen as more legitimate by potential collaborators, but the process of identifying key financial flows for analysis will be more efficient. Furthermore, the MSP can be targeted as the key user of the project's findings, and the process can be tailored to its needs from the beginning.

The LAFF methodology can also be used in "non-MSP" landscapes; for example, where a local government, regional agency, or NGO seeks to advance sustainable landscapes and assess its financial flows. However, these cases will require additional background work before Phase 1 begins in order to identify key audiences, collaborators and landscape objectives.

To pilot the LAFF methodology a sub-landscape was selected in two of the landscapes where the Tropenbos International network is supporting local efforts to contribute to more sustainable and climate-resilient landscapes: the Ketapang-Kayong Utara landscape in Indonesia and the Juabeso-Bia and Sefwi-Wiawso landscape in Ghana. In both landscapes TBI is aiming to mobilize finance that will contribute to greater resilience and sustainability. Using the LAFF approach was also expected to provide important information and ideas for detailed investment planning for climate resilience.

The Ketapang-Kayong Utara Landscape, Indonesia

Landscape summary

Tropenbos Indonesia (TI) conducted the LAFF methodology in the Gunung Tarak Landscape (GTL) from September 2018 until July 2019. The GTL covers a total land area of 506,000 ha,[1] the forest cover of which changed from 60% in 2000 to 42% in 2016.[2] The landscape also contains the Ketapang Industry Estate, which was established to support Kalimantan Island as a strategic area for oil palm, mineral mining and energy. Together, oil palm and (illegal) mining were responsible for approximately 35% of gross regional domestic product between 2011 and 2015, although off-farm sectors — such as financial and insurance services, information and communication services, construction and trade — grew more quickly. Oil palm has been a main driver of change, although cultivation of other crops has also increased, with the exception of rice paddy fields; these decreased over the last decade. Mining, mixed gardening and urban settlements were responsible for most of the other loss of forest and scrub cover.

Landscape objectives

During a training workshop, 15 participants from NGOs, local authorities and the private sector defined six landscape objectives as follows:

1. create economic benefits for local people (income, employment);
2. contribute to restoration of landscape biodiversity;
3. strengthen social capital;
4. contribute to food security;
5. contribute to secure access to clean water; and
6. contribute to climate change mitigation.

Key sectors

At the end of Phase 1 participants selected five key sectors for in-depth analysis in Phase 2:

- conservation and sustainable use of forests;
- rice cultivation;
- swift bird nest production;
- oil palm cultivation; and
- (illegal) mining.

Main findings

Data on the volume of flows was not available for all financial flows in the landscape, but in general, private-sector flows were more than ten times larger than public flows. The latter are mainly related to the conservation programmes of the government and NGOs. The private flows assessed have positive impacts on income, but negative impacts on other landscape objectives.

Participants used a scale of −2 to +2 to rate the negative and positive impacts of financial flows on each landscape objective. They calculated a total score for each financial flow based on the sum of the scores of its impacts on all six landscape objectives. See Figure 1.

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1   The boundaries were later adjusted and the area was renamed the Ketapang-Kayong Utara Landscape, with a total of 3.5 million ha and a population of 585,000, covering both Ketapang and Kayong Utara regencies. The results of the LAFF process appear to be valid for most of the new landscape, except the northeastern part, where land-use dynamics are different due to the domination of mineral soils, rather than peat soils, and to the presence of indigenous Dayak people, with a different culture than the Malay people who dominate in the rest of the landscape.

2   See Widayati A, K. Wijaya, E. Purwanto and R. Zagt. 2018. Reviving Conservation Values in Agro-commodity Landscape: The Case of Gunung Tarak Landscape, West Kalimantan, Indonesia. Info Brief 2018, Tropenbos Indonesia, Bogor.

Figure 1. Perceived average impacts of public and private investments on landscape objectives in the Ketapang-Kayong Utara Landscape

Obj. 1 Create economic benefits for local people

Obj. 2 Contribute to restoration of landscape biodiversity

Obj. 3 Strengthen social capital

Obj. 4 Contribute to food security

Obj. 5 Contribute to secure access to clean water

Obj. 6 Contribute to climate change mitigation
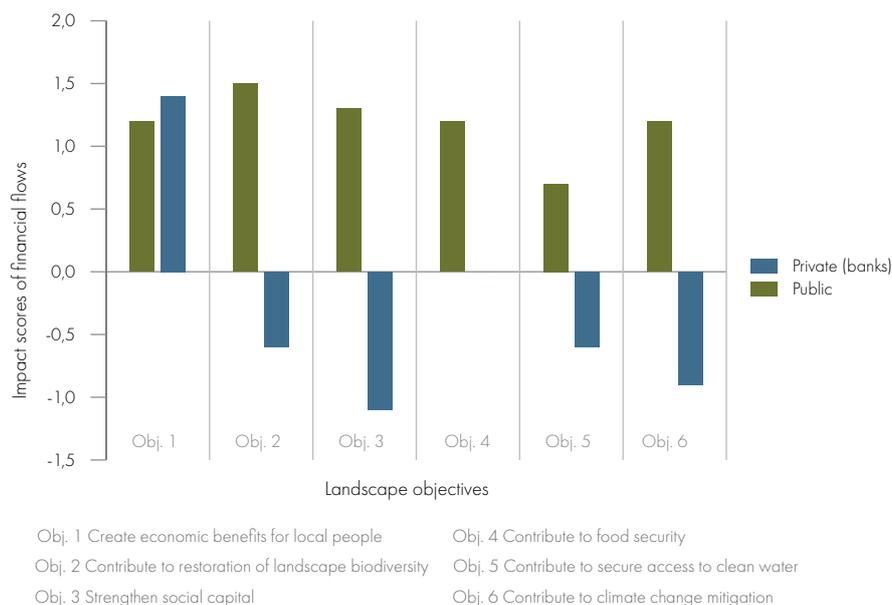
The flows from the banking sector have both positive and negative impacts on landscape objectives. Finance provided to smallholder rice producers, for example, is perceived to support landscape objectives related to income and food security and is not perceived to have any effect on the other landscape objectives. Conversely, financial flows to palm oil producers and oil palm growers (both large and small) and mining are perceived to degrade the environment and cause social conflicts. There appears to be an opportunity for banks to improve their investment impacts in the short term in all sectors; for example, by applying environmental, social and government (ESG) criteria to their loan assessments.

Financial flows to large-scale land-based investments (oil palm, mining) continue to degrade natural resources and have a negative impact on the nature-based economic activities of the most vulnerable communities (local communities/villagers). Collaboration with investors and implementers is needed to transform these flows so they have fewer negative impacts and more positive impacts on the environment and the community.

CSOs in the landscape had previously concentrated their work on oil palm growers and palm oil producers, local communities on peat lands and existing protected areas. The LAFF process has helped them realize that their work will be more successful if they collaborate more with the financial sector. They have contacted a local bank and a credit union to explore further collaboration.

Participants in the training workshop, sector focal group discussions and interviews evaluated the LAFF process in writing (through a survey after the training) and orally (during reflection sessions at the end of each discussion). They reported that the process broadened their understanding of financial flows in their landscape and of the importance of partnerships and working collectively in developing a landscape-wide financial strategy.

Facilitators of the sector focal groups recommended that training of participants should be expanded to include more stakeholders. In particular, they felt that more training was needed on the basics of financial flows and the application of the methodology. They further suggested that follow-up training should be conducted at the end of Phase 1 to allow for in-depth analysis of the findings from the sectors.

Some discussion arose about specific aspects of the methodology, such as the rating and the impact of the flows (positive and negative) and about incorporating more information on the monetary size of the flows and the extent of their impacts (i.e., in size of area or number of people affected).

The Juabeso-Bia and Sefwi-Wiawso landscape, Ghana

Landscape summary

The landscape is comprised of four administrative districts: Juabeso, Bia West and East, and Sefwi-Wiawso. The total land area is 481,000 ha and there is a population of 314,000. The landscape overlaps three of the nine Hotspot Intervention Areas identified under the Ghana Cocoa Forest REDD+ Programme.[3] Agriculture is the major economic activity in terms of employment and income generation. The main cash crop is cocoa; other common crops are cassava, maize and plantain, with some rice cultivation in inland valleys. Some people raise livestock (mainly chickens, goats, sheep and pigs). The landscape also contains extensive forest resources and some scattered mineral deposits, including gold.

There has been a gradual but substantial loss of closed forest cover since 1990, along with an increase in cropland. In recent years, management practices in areas newly acquired for cocoa have been associated with widespread forest clearing and loss of shade. Agricultural expansion is the leading cause of deforestation and forest degradation in the landscape, followed by logging, illegal mining and in-migration. This agricultural expansion is driven by economic factors that include poverty, a lack of off-farm employment and an increase in the value of cash crops such as cocoa. Barriers to forest conservation, management and restoration include lack of revenue and incentives for managing trees on farms, lack of tree seedlings/late supply of seedlings, lack of income during the off-cocoa season, natural disasters (e.g., fires, floods), illegal logging, illegal small-scale mining (galamsey operations), disregard for traditional authorities, insecure land and tree tenure, interference by political leaders, and lack of education about effective environmental management.

Since 2017, the cocoa company Touton has promoted climate-smart cocoa production in the Juabeso and Bia districts, leading the Partnership for Productivity Protection and Resilience in Cocoa Landscapes (3PRCL). For this landscape district development plans have been developed that provide development strategies, but these include little data on current economies and their trends. The data that are available relate to employment distribution and to production levels in terms of volume rather than monetary value. One main economic challenge is the low yield of cocoa (450 kg/ha/year versus a potential 1,000 kg/ha/year).[4]

Landscape objectives

LAFF activities started with a training workshop attended by 38 participants from various sectors and types of organizations. Participants defined seven main landscape objectives:

1. reduce deforestation and enhance forest cover;
2. conserve biodiversity;
3. reduce emissions in various sectors;
4. strengthen capacity to adapt to climate change;
5. increase food and nutrition security;
6. improve local economies; and
7. increase inclusiveness in decision-making processes.

Key sectors

Based on the information available on the economics of the landscape, the participants agreed that there were four key sectors in the JBSW landscape:

- cocoa;
- conservation;
- timber and land use; and
- planning.

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3   See www.ghanaredddatahub.org/hias/index.

4   See https://www.idhsustainabletrade.com/uploaded/2018/06/IDH_Business-case-study_Touton_Ghana_cocoa-1.pdf.

Main findings

Investment in timber harvesting is perceived to have negative environmental impacts due to irresponsible logging practices and inadequate management. In the case of legal harvesting, these negative impacts are partially compensated for by communities and the Forestry Commission, who use the fees they receive from loggers and millers for restoration and afforestation. Processors and manufacturers in this sector could increase positive impacts if they adhere to standards for both environmental and social well-being; for example, buying wood only from legal sources, and complying with climate, biodiversity conservation and socially acceptable standards.

In the case of timber harvesting, being legal is considered to be a prerequisite but not sufficient for achieving an overall positive influence on landscape objectives, particularly in relation to biodiversity (and thus on ecosystem services).

The timber sector has an important role in providing finance for millers and retailers. The could influence the impacts of tree harvesting if they were willing to link finance to standards such as sourcing only from sustainably managed areas.

Flows in the cocoa sector were perceived to be more sustainable than those in the timber sector, although the Ghana Cocoa Board (COCOBOD) was perceived to have some negative effects on landscape objectives due to the restrictions they impose on cocoa production and trading, which reduce the opportunities for farmers to enhance their income.

Cocoa farmers make a pivotal contribution to landscape objectives. They can be influenced by criteria that govern access to markets, such as linking purchases to social and environmental safeguards. For example, Yankupa, a cocoa-purchasing company, and Advans Ghana Bank have set up an innovative loan scheme, where the company mediates between farmers and the bank and is guarantor for the loans. The loans allow farmers to purchase inputs for cocoa production. The terms and conditions of these loans could be further studied to improve their ability to support landscape objectives, and to address the impacts on farmers in terms of income, food security and market and climate vulnerability.

Private-sector flows support the objectives of improved living standards or increased income, but have generally negative impacts on other landscape objectives (Figure 2). The positive impact on inclusiveness in the landscape (objective 7) has been led by Touton under the 3PRCL project partnership.

Figure 2. Perceived average impacts of public and private investments on landscape objectives in the JBSW landscape

Obj. 1 Reduce deforestation and enhance forest cover
Obj. 2 Conserve biodiversity
Obj. 3 Reduce emissions in various sectors
Obj. 4 Strengthen capacity to adapt to climate change
Obj. 5 Increase food and nutrition security
Obj. 6 Improve local economies
Obj. 7 Increase inclusiveness in decision-making processes
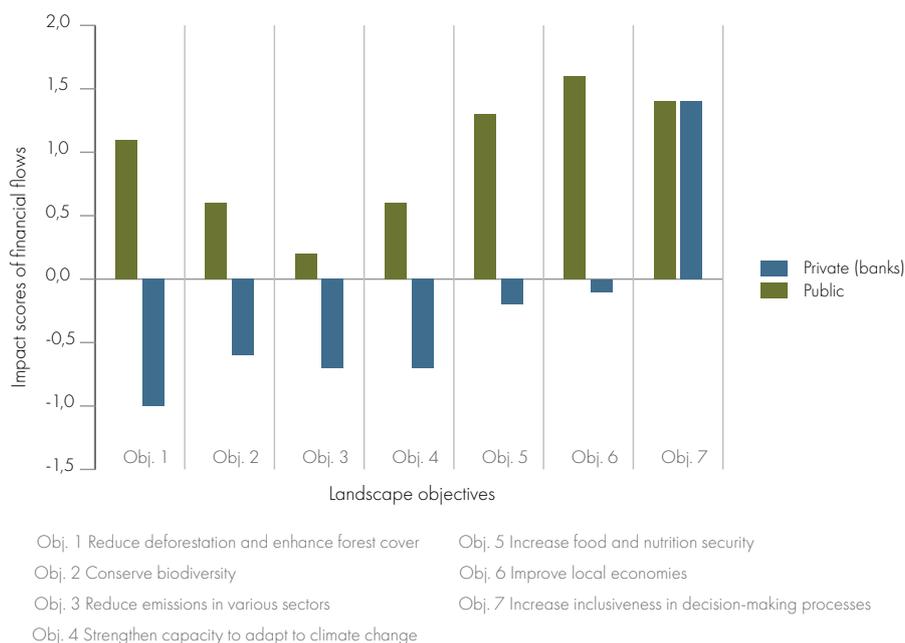
District public-sector agencies play a major role in complementing private investments by funding activities with positive impacts on objectives that are negatively affected or not affected by those investments. However, the agencies do not receive enough money from the national government to address and mitigate the negative effects on climate and biodiversity conservation. It may be possible to blend public and private finance; those flows would need to be managed in a transparent way and consider the interests of all landscape stakeholders.

Participants in the workshop who also participated in focal group discussions were able to contribute more information on the financial flows. However, the size of the various flows remained difficult to compare because they used different measuring units.

3. Lessons learned from the two pilots

The LAFF methodology was designed as a tool for multi-stakeholder platforms (MSPs) to analyze the impacts of finance on their landscape and on landscape objectives. The process is not exhaustive: not all sectors or sub-sectors are assessed, and not all financial flows are discussed. The methodology does not provide precise and comparable data on the flow sizes or measure actual impacts using quantitative data. It does, however, give an overview of the main actors and main flows that affect the objectives of the MSP or of the organizations that are carrying out the process. This information can be used to identify flows that could reduce their negative impacts or increase their positive impacts and that should therefore be studied in more detail.

3.1. Creating the conditions for successful LAFF implementation

Landscape partnerships

Landscape partnerships such as multi-stakeholder platforms stand the greatest chance of successfully implementing LAFF and deriving the most benefit from it if they are already planning a major process to attract investment in the landscape or targeting key financial flows through an advocacy campaign. LAFF implementation is most effective when combined with a broader process that stakeholders already participate in and have a general plan for. If it is difficult for potential implementers to understand how LAFF fits into a broader strategy, then it will be helpful to dedicate some time to clarify this before the process begins.

Establishing workable landscape boundaries

In both pilot cases (Indonesia and Ghana), the selected landscapes were quite large and included multiple jurisdictions. Working within such large geographical areas increased the level of complexity in the selection of key sectors and financial flows. Key sectors and flows may differ in the various jurisdictions within a landscape (although that was not the case in the two pilot landscapes). This diversity can create confusion during the selection of key sectors and flows. Furthermore, as the size of the landscape increases, the number of potential sectors and financial flows increases, while the importance of each individual flow may decrease. Conversely, working with smaller landscapes will likely increase the relative significance of each flow. In those cases, the results of LAFF

may have more impact than in larger landscapes. In terms of logistics, it can be difficult for participants over large areas to attend workshops. Also, if landscapes boundaries differ from local administrative boundaries, it may be more difficult to implement Phase 1, since economic data usually are linked to administrative units. For the purpose of LAFF, landscape boundaries are therefore best linked to the smallest administrative units for which data are publicly available.

Finding an effective Implementing Partner

The effectiveness of the LAFF process is directly correlated to the capacities of the people implementing it. To be most effective, LAFF requires an individual or small group with a deep understanding of the financial and economic concepts used for the analysis of the landscape context to be the Implementing Partner (IP).

Finding the right IP is critical. The person or group can be trained in the elements of the methodology, but must have knowledge of financial concepts and the landscape. This is particularly relevant when selecting financial flows. A good understanding of the terms and conditions of the flows can help in identifying strategies to influence the impacts of these flows on landscape objectives.

Context

The LAFF process may produce very different results in different contexts. Results will depend on several factors:

- what the landscape objectives are;
- the willingness of stakeholders to openly share information on financial flows; and
- the perceptions that various groups of stakeholders have of the impacts of these flows on the landscape objectives.

Both pilot landscapes presented a range of challenging conditions for implementing the LAFF process, including limited resources for implementation, lack of financial literacy among some of the participants, and lack of access to relevant data. Implementation may vary in different landscapes where more economic and financial information exists or is more easily accessible.

Even if participants are not able to develop a detailed map of all the financial flows for each key sector, and in-depth information on financial flows is not available, there are other ways in which the LAFF process can be valuable. This was demonstrated in the pilots. Simply asking questions about financial flows can stimulate landscape stakeholders to think about actions and impacts in new ways. Also, not all landscape objectives will be met by each financial flow. Highlighting certain financial flows for stakeholders can motivate new modes of discussion and focus, even if the LAFF process does not produce detailed data. Having a basic notion of the key flows in a landscape can be an important starting point for a landscape partnership. Thus, the LAFF process can provide a way to strengthen the landscape partnership itself.

Capacity building to implement LAFF

A fairly high level of capacity is needed for Implementing Partners, particularly for Phase 2, which requires a range of people to generate, collect and analyze information. A minimum level of knowledge is needed for implementers and participants to effectively participate in the process.

The facilitators of the sector focal groups (SFGs) should be deeply familiar with the key concepts of financial flows, the landscape context and the sector being discussed, and should have strong facilitation skills.

The methodology requires substantial resources to be invested in training prior to Phase 2. This involves a two-day capacity-building workshop on key topics in landscape financial flows. Implementing Partners should ensure that some of the people in this training workshop also participate in the SFGs. This will allow for the transfer of knowledge from the training workshop participants to other SFG participants, who may not be familiar with LAFF concepts and terminology. This is especially important if the members of the SFG split into sub-groups to score the selected financial flows.

For many participants in the pilots the financial flow concept is new. They found that the training was not extensive enough and requested additional training. For example, members of one SFG questioned whether technical assistance provided by NGOs to the community should be considered a financial flow. Although this issue, and similar ones, are addressed in the training workshop, the facilitators of the SFG workshops need a solid grasp of definitions to decide these issues on a case-by-case basis.

3.2. Implementing the sector focal groups and interviews

Attracting participants and resource persons for SFGs and interviews

Key participants and resource people should be chosen for SFGs and interviews based on relevant expertise. Often there are challenges in convincing people to participate and/or share information. In the pilots, this was particularly true for high-level government officials and private-sector actors. A variety of techniques can be used to attract participants. One is to increase collaboration between the Implementing Partner and government institutions. For example, in the case of the Gunung Tarak landscape, the Ketapang District Head (Bupati) was seen as a key partner whose support would encourage other institutions, particularly government agencies, to collaborate. Even obtaining a letter of support from a District Head could open doors. For private-sector actors, more can be done to clearly articulate the financial benefits of the LAFF process in order to encourage them to participate. Financial benefits include reducing financial or political risks to businesses, increasing the value of businesses, and improving business owners' relationships and reputation with other stakeholders in the landscape.

Selecting the key flows

In Phase 2 members of the sector focal groups identify the key flows. The selection of key financial flows is subjective and will depend on the perception of the stakeholders who participate in the sector focal groups. In order to accurately select the key flows, therefore, it is important to seek the participation of as broad a range of stakeholders as possible. This has been a challenge, particularly in participation by the private sector.

The members of the sector focal groups draw a map of all the financial flows they can identify and then analyze and score them to determine which ones are most important. The process of selecting these key flows can be time consuming, and it requires highly skilled facilitators who can guide the process without leading it.

Both pilots experienced time constraints and could not analyze and score all the flows mapped. Therefore, an initial set of approximately ten key flows was selected based on a consensus among SFG participants.

There are alternatives to the selection process. For example, each participant could be allocated ten votes, weighted 1 to 10. Each person's highest priority flow would get a vote of 10. The flows with the ten highest scores would be targeted for further analysis and interviews.

Detailed documentation of the SFG discussions on selecting the flows is critical, so that the decisions can later be evaluated and communicated. Interviews should also be documented. Each group or interview should have a note taker and he or she should follow the outlines for the SFG and interview sessions.[5]

Scoring key flows

Sector focal groups score the key flows. There may be inconsistency in participants' inputs, partly due to the differences in people's understanding of what is being asked of them. Different focal groups may score the same financial flow differently due to their different perceptions. Selecting participants in a way that provides overlap between the various focal groups may provide greater consistency in the interpretation of the impacts of the flows. There is also a need for more data on the specific impacts of economic activities and financial flows and for greater communication about those impacts among stakeholders.

Participants use economic, ecological and social criteria to select and score the key flows. Criteria could include "creates economic benefits for local people" and "contributes to food security." Even though the criteria for scor-

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5   See Shames, Louman and Scherr 2019.

ing the selected flows were discussed in depth during the training workshop in Phase 1, there was some inconsistency across SFGs on how to apply them. Although LAFF is a participatory methodology and participants should have some latitude to interpret the criteria, there is a need for consistency across the SFGs in order to analyze the data for the whole landscape in a way that is easy to understand, compare and communicate.

Another challenge was observed in scoring the flows. LAFF organizers assumed that the flows with the most impacts would be those that the landscape stakeholders were most eager to engage with. However, this may not be the case. In some situations, the Implementing Partner and/or landscape partnership are not well positioned to influence these flows, even though they score highly. Since a key objective of LAFF is to stimulate action and impact, a new scoring criterion on "potential to influence" could be developed.

Strong positive impacts from a flow or sector can potentially distract participants from noticing its negative impacts. It is important for participants to look at each flow's impact on individual landscape objectives, rather than only its overall score.

Little data is available about the scale of the impacts of flows (i.e., size of the area affected, number of people affected, or intensity of impact). This was partially addressed in the Ghana pilot by adding a narrative description of the impacts when known, but this issue can be resolved only by more in-depth analysis of each of the flows. The score should therefore be considered as a tool that helps guide the selection of flows and not a final assessment of the impact of those flows.

Sources and recipients

On several occasions in both landscapes participants were unclear about how to assess the impacts of a financial flow. In some cases, they attributed impacts to the source of the flow, rather than to the use of the money from that source. For example, a conservation-oriented SFG considered that royalties from logging that were used for community development and forest restoration had negative impacts, since the source of the money was logging, which causes forest degradation. Conversely, the same royalties were considered to have a positive impact by a timber-oriented SFG. In such a case the flow that supports the logging itself should be scored as having a negative impact, while the use of the flow to restore damage from logging should be scored as having a positive impact.

Similarly, there was some confusion on how to attribute the impacts of a flow when it is the result of another flow. Interpreting the impacts of such flows may differ between focal groups and it is therefore important to add descriptive information or a diagram that explains how a flow causes its perceived impacts. For example, a financial flow from a bank to an oil palm company may in turn result in several flows from the oil palm company. These flows may support a range of activities with various impacts, both positive and negative. The total score of the flow is determined by considering the combined impacts — positive and negative — of the various activities supported by the recipient of the flow.

3.3.   Communicating findings

Presenting data

There is an inherent challenge in managing and synthesizing the data collected from the LAFF process. Data includes maps from each SFG, each of which may show dozens of financial flows; in addition, substantial qualitative and quantitative data is collected for each of the key financial flows from the SFGs and interviews.

One important challenge that both pilots confronted was the creation of the maps of financial flows in the SFGs. The most effective method of creating these maps was to initially hand-draw them and then redraw them using the drawing tools of Microsoft PowerPoint. These digital versions could then be validated with the participants. Once the map was redrawn on the computer, it was relatively easy to modify it (for example, by changing colour or line thickness) so that it better represented the relative size of flows or impacts.

Although this mapping process went fairly smoothly, the hand-drawn maps were sometimes difficult to understand. For example, the names of flow sources and recipients used on the maps were not always clear. It was also a chal-

lenge to compile maps that integrated the information from the various SFGs. In some cases, different SFGs used different names for the same flow, and did not necessarily show a flow in the same way. This confusion required time-intensive communication between SFG participants and the project team. This could have been avoided if more detailed flow descriptions and scoring information had been discussed during the SFG sessions.

Facilitators may find it useful to dedicate time at the beginning of each SFG session to define the various actors or groups that are the sources or recipients of flows and to ask participants to provide detailed descriptions of the flows they are scoring. Designers of the LAFF methodology experimented with data presentation tools such as Sankey diagrams that can help to illustrate the financial flows. The use of these tools requires a minimum level of data precision to be useful, however, and the tools may be useful only when such data is available.

Further improvements could be made to digitizing the maps and scoring the flows. However, using simple drawing and writing tools allows for greater participation by the SFG members in the exercises and this participation will help support the use of the results by them. If more elements of the process are digitized or made more complex, care should be taken that this does not reduce the ability of people to participate. When participants have access to computers and are computer literate, software such as MIRO[6] or Mural[7] could be used to digitize information while maintaining a high level of participation. This may also reduce confusion when transcribing the maps with the flows and when combining information.

Report writing

A substantial amount of information is contained in the Phase 2 reports from both of the pilots, but this information is not always clearly organized or presented in clear language. The ultimate audiences for these reports are the landscape partnerships, which will use them to plan or otherwise support their joint activities. It is very important that the key findings be presented in clear and understandable ways.

The discussion sections of the Phase 2 reports are intended to provide an initial guide for how the landscape stakeholders can use the information in a practical way to plan or implement actions. Unless the people who write the report understand the expectations of the stakeholders, it will be difficult for stakeholders to interpret the LAFF results in a useful way. As mentioned above, there is a need to clarify these expectations before the LAFF methodology begins.

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6   See https://miro.com/workshops.

7   See https://www.mural.co

4. Implications for LAFF design and implementation

4.1. Creating the conditions

Landscape partnerships

Before implementing the LAFF methodology in a landscape it is important to clarify expectations, since the process may produce different results in different contexts. For example, when Rijksdienst voor Ondernemend Nederland considered implementing the methodology in a Dutch landscape, local stakeholders expected that all relevant quantitative information would be collected. This made it a very expensive exercise, since many records exist on financial flows, and Dutch landscapes include many different stakeholders. In such data-rich contexts it will be very important in Phase 1 of the methodology to narrow the process to the most relevant sectors and landscape objectives.

The methodology is more qualitative than quantitative, and therefore can be very useful to obtain a first impression of the financial flows in landscapes, even without detailed data. Understanding the expectations of the local stakeholders is an important first step in deciding whether LAFF is applicable and useful in a landscape.

Landscape boundaries

In order to manage the size of the sector focal groups and the diversity of the landscapes, the landscape could be divided into sub-landscapes, and separate workshops and analyses could be conducted for each of these sub-landscapes. In such cases it would be important to document the results from the various sub-landscapes with the same level of detail and in the same form so that they can be compared and unified for final analysis.

Implementing Partner

The knowledge and skills of the Implementing Partner (IP) will determine the success of the LAFF process. It is therefore essential that this individual or group understands clearly the capacities required and the potential contribution that LAFF results can make to the landscape. The IP should be able to provide complete descriptions of the financial flows and their impacts, following the outlines and templates prepared for that purpose by Shames,

Louman and Scherr (2019), and must allow sufficient time to carry out the LAFF process and analyze the results. Ideally, the IP will attend all of the workshops and interviews and be responsible for coordinating the communication of the findings. It is useful if this person or group has a long-term commitment to the processes in the landscape.

Type of scenario

Before implementing LAFF it is useful to clarify which of two scenarios applies to the landscape: Type 1 (low capacity/data) or Type 2 (high capacity/data). The objectives and potential benefits of the LAFF could differ in the two scenarios, and in both cases the methodology should describe which goals are likely to be achieved. The main aim of LAFF is to develop ideas for targeted actions that increase the contribution of financial flows to the landscape objectives. A Type 1 scenario would focus more on framing key issues for stakeholders, capacity building and communicating basic information about financial flows. The sector focal groups would provide the information for this analysis. A Type 2 scenario would focus more on gathering existing data and producing more precise quantitative results. This would be the main task of the Implementing Partner. In a Type 2 scenario the sector focal groups would focus on validating these results and contributing to their analysis, rather than providing the information for the analysis. In both scenarios it is important to select a broad range of key informants for each SFG who represent the various stakeholder groups engaged in the sector.

Capacity building

As mentioned above, it is recommended that some of the participants in the sector focal groups in Phase 2 also attend the training workshop at the end of Phase 1. At least one participant from each sector or sub-sector should receive the training. In addition, workshop materials should be supplemented by specific guidance for the SFG facilitators on potential topics that may come up in the workshop.

To ensure that the right mix of participants attend the training workshop and the SFGs, the sectors to be analyzed in Phase 2 need to be identified before the training workshop begins. The Project Team can then ensure that representatives from each of the identified sectors attend the training workshop and are better prepared to participate in the SFGs. If the selected landscape crosses jurisdictions, each jurisdiction should be represented at the training workshop. This is even more important if the sub-sector focal groups are based on geography.

4.2. Implementing the sector focal groups and interviews

Attracting participants and resource persons for SFGs and interviews

High-level government officials and representatives of financial institutions and influential companies and businesses should participate in the SFGs and interviews. To achieve this, it is useful for the Implementing Partner to prepare a list of techniques on how to reach out to these individuals. It may also be useful for the Implementing Partner to predict which sectors will most likely be assessed during the SFGs and start planning the SFGs and follow-up interviews for these sectors even before they take place. This will give potential participants more time to plan to attend the meetings.

Selecting the key flows

Once the SFGs are planned, the IP should provide additional guidance to the facilitators on how to help participants select the financial flows to be evaluated. The length of the training workshop can be extended from six hours to eight hours to allow additional time to do this.

Providing accommodation

People's participation can be facilitated, in part, by providing overnight accommodation for those who have to travel to the SFGs. Providing accommodation should also limit the number of late arrivals, who can reduce the amount of time available.

Documentation

Because of the importance of documenting the SFGs and interviews, facilitators should prepare templates for note taking that clarify the level and type of detail required (see examples in Shames, Louman and Scherr 2019, Annex 1 and 2), and should assign one person to accompany each SFG and interview as a note taker.

Additional criterion for scoring priority flows

The LAFF analysis provides information about the perceived level of the impacts of financial flows, but does not include a criterion for whether local landscape initiatives can influence these impacts. A scoring criterion for this factor could be added. This should be done only for the ten or more flows that are fully scored so it does not affect the development of the initial large map of flows.

Attributing impacts

To avoid confusion when analyzing the financial flows, it is important to clarify before each SFG that impacts should be attributed to the use of the flow (i.e., the recipient), not to the source of the flow. For example, fees from logging that are used to restore the forest have a positive impact on landscape objectives, even if investments in the logging itself may have negative impacts.

It is also recommended that facilitators prepare detailed descriptions of flows and actors, in order to recognize when different SFGs identify the same flow by different names. This will be particularly helpful when combining the information of all the focal groups. It is also important to justify the scoring in detail. This will help when a financial flow receives different scores from different SFGs.

4.3.   Communicating findings

Presenting data

It is important that all participants use the same names and definitions for actors and financial flows. This requires clear guidance from the facilitators. Facilitators also need to show participants how to draw the initial maps of financial flows so that all SFG participants use the same symbols and arrows.

Report writing

The template for the Phase 2 report (see Shames, Louman and Scherr 2019, Annex 2) should be revised to provide a more detailed outline of the topics covered in the Discussion section. It should also give examples of the kinds of specific questions that would be most useful for the landscape stakeholders, who are the audience for the report. Here are some examples:

- Which specific flows could be targeted for advocacy campaigns and which changes could be advocated?
- What are the specific landscape priorities?
- Which specific financial actors might be most receptive to investing in specific landscape priorities?
- Which financial actors might be most receptive to participating in a landscape partnership?
- Which financial flows require particular attention to reduce their negative impacts on landscape objectives?
- Which financial flows need to be redirected to better meet these objectives?

5.   Conclusions

The LAFF methodology is designed to carry out a relatively quick assessment of financial flows in a landscape. Systematically represented information on these financial flows can help multi-stakeholder partnerships and other landscape initiatives find ways to identify, use and influence financial resources more effectively. In order to be feasible and affordable, the LAFF methodology is designed to be simple to implement, and to provide results that can lead to further, more in-depth investigations.

The assumption that LAFF is a quick process to implement, however, is challenged by the time it takes to identify appropriate participants/interviewees and to arrange and carry out interviews. This can partly be addressed by the Implementing Partner predicting the potential sectors that will be analyzed before Phase 1 begins, and by efficient planning of SFGs and interviews.

Based on the pilots in Indonesia and Ghana the LAFF tool, if applied correctly and with the appropriate guidance, can respond to one or more of these goals:

- understand the make-up of the landscape economy;
- identify and understand the financial flows with the most important impacts — both positive and negative — on landscape objectives;
- identify financial resources that could support strategic projects and activities that are critical to sustainable landscape management;
- identify key existing financial flows that will need to change in order to meet landscape objectives;
- identify opportunities to strengthen the financial governance mechanisms of key financial flows;
- identify system-wide challenges to the landscape's financial system (e.g., key gaps in services); and
- identify opportunities to strengthen the coordination of investment in the landscape.

In both pilot landscapes financial flows, particularly those from the private sector, provided greater contributions to the landscape objectives related to income and food security than to the other landscape objectives. Public flows were mainly used to achieve environmental and social objectives, but were perceived to be insufficient to counteract the negative impacts of private financial flows. Banks are in a particularly good position to influence

the impacts of private flows, since they link to stakeholders who have both positive and negative impacts on a range of sectors and sub-sectors.

A number of revisions to the methodology would make the LAFF process more efficient and more useful:[8]

- The methodology is designed to assess the impacts of financial flows. This assessment is based on the perceptions of the participating stakeholders, so it is important to have a representative group of stakeholders.
- It is important to incorporate tools or facilitation methods that help stakeholders come to agreement on the perceived impacts and that document the needs for additional information in order to improve the impact assessments.
- Information about the monetary size of the flows and the extent of their impacts (for example, in size of area or number of people affected) would provide greater depth to the assessment, but finding this information would also increase the complexity and costs of the process. It would be worthwhile to study these additional information requirements in future LAFF implementations.

Despite these challenges, the LAFF methodology is very useful for assessing financial flows and their impacts on the landscape. Rather than including more information during the LAFF process, it might be more useful for the LAFF methodology to identify those flows that require additional information or impact assessments, and to carry out those assessments in collaboration with the flows' sources and recipients.

Note: The results of the pilot projects were used by the implementing agency (Tropenbos Indonesia) to describe the economic context for the Mobilising More for Climate programme (MoMo4C),[9] which built on the results to identify priority investments for climate action in the landscape.

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8   Several of these revisions have been incorporated in the LAFF process in Viet Nam, now in process.
9   The MoMo4C programme is a joint initiative by IUCN National Committee of the Netherlands, TBI and WWF.

Further reading:

Pamerneckyte, G., K. Sekyere and B. Louman. 2020. *Report on implementation of the Landscape Assessment of Financial Flows (LAFF) in the Juabeso-Bia and Sefwi-Wiawso Landscape.* Wageningen, the Netherlands, Tropenbos International. https://www.tropenbos.org/resources/publications/report+on+implementation+of+the+landscape+assessment+of+financial+flows+(laff)+in+the+juabeso−bia+and+sefwi−wiawso+landscape.

Rossanda, D., G. Pamerneckyte, I. Koesoetjahjo and B. Louman. 2020. *Report on implementation of the Landscape Assessment of Financial Flows (LAFF) in Gunung Tarak Landscape, Indonesia.* Wageningen, the Netherlands, Tropenbos International. https://www.tropenbos.org/resources/publications/report+on+implementation+of+the+landscape+assessment+of+financial+flows+(laff)+in+gunung+tarak+landscape,+indonesia.

Shames, S., B. Louman and S. Scherr. 2019. *The landscape assessment of financial flows: A methodology.* Wageningen, the Netherlands, Tropenbos International and EcoAgriculture Partners. Available at: https://www.tropenbos.org/resources/publications/the+landscape+assessment+of+financial+flows+-+a+methodology.

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