

**FINANCE SOLUTION Proposal Template**

**(DO NOT PRINT – Save the planet)**

Country: South Africa Submission date:28/06/2021

Contact person: Pamela Kershaw Email Address: pkershaw@environment.gov.za

Nokutula Mhene Nokutula.mhene@undp.org

**SECTION 1 – FOR PROPOSED FINANCE SOLUTIONS**

**The preparatory stage** *(If the solution is in the preparatory stage less details will be expected. Only the* ***white sections in the table must be filled****, the grey sections will be filled at the next stage).*

**Full implementation stage** *(If the solution enters in the full implementation stage, more details are expected. The* ***white and the grey sections must be filled*** *with as many details as possible)*

**Scaling up existing BIOFIN finance solution** *(If the solution was already being implemented under the previous phase by BIOFIN and the objective is to scale it up the proposal needs to be also developed to reflect this.* ***White and the grey sections must be filled*** *with as many details as possible)*

|  |  |
| --- | --- |
| **Proposal Summary** | |
| Title of the Finance Solution | **Building a sustainable financing model to adequately fund the biodiversity stewardship programmes** |
| Concise Description (*Approx 150 words*) | The BIOFIN – Policies and Institutional Review (PIR) recognised a need for mechanisms to ensure ring-fenced allocations for the environmental sector to transfer funds to provinces for discrete purposes to do resource management and protection. Biodiversity stewardship programmes, an approach to entering into agreements with private and communal landowners to protect and manage land in biodiversity priority areas. It recognises landowners as the custodians of biodiversity on their land, provide a highly cost-effective mechanism for expanding protected areas in South Africa and can secure investments in climate resilience and natural resource management, contributing to national development goals. Despite the financial, socio-economic and environmental benefits of biodiversity stewardship, these government-led programmes remain substantially under-resourced within all conservation authorities.  This solution, ***a sustainable financing model for adequately funding biodiversity stewardship capacity in state agencies***, aims to build the first sustainable finance appropriation program in the National Environment budget vote for disbursement to provinces for stewardship staff and operational capacity. This goal is supported through the draft national policy framework on biodiversity stewardship which has now been approved for public participation. The provision of finance will directly enable pursuing protected area expansion targets; securing strategic water source areas through good land management; as well as securing investments in the wildlife economy; and ecosystem restoration for climate resilience. As the direct financing of biodiversity stewardship implementation can come from a number of different sources (including tax and rates incentives, water tariffs and existing government funds and private investments), this finance solution will also seek to remove obstacles to using other innovative finance sources to complement direct state funding. **It is worth noting that this mechanism does not request additional fiscal funds from an already constrained fiscal budget, but rather makes the case that existing funds can be better spent if redirected towards biodiversity stewardship programs which can deliver on a number of environmental and development outcomes.** In practical terms, this will enable other finance solutions and programmes of work. It will also play a facilitating role increasing the likelihood that other finance solutions, such as unlocking returns from the wildlife economy and revolving land trusts, will succeed. |
| Contribution to SDGs | **This solution directly contributes to SDGs 12, 13, 14, 15 & 17, and indirectly to 1, 5, and 8.**  **Goal 1** No poverty  **Goal 5** Gender equality  **Goal 8** Decent work and economic growth  **Goal 12** Responsible production and consumption  **Goal 13** Climate change  **Goal 14** Life below water  **Goal 15** Life on land  **Goal 17** Partnerships for the goals |
| Contribution to Aichi Targets / National Targets | **Aichi target 11:** “By 2020, at least 17 per cent of terrestrial and inland water areas and 10 per cent of coastal and marine areas, especially areas of particular importance for biodiversity and ecosystem services, are conserved through effectively and equitably managed, ecologically representative and well-connected systems of protected areas and other effective area-based conservation measures and integrated into the wider landscape and seascape.”  **NBSAP Goal 1:** People are mobilized to adopt practices that sustain the long-term benefits of biodiversity.  **Goal 3**: Biodiversity considerations are mainstreamed into policies, strategies and practices of a range of sectors.  Realizing the **National Development Plan** vision will require improving mechanisms to secure priority sites and ecosystem services (including ecological infrastructure). Biodiversity stewardship has been shown to be the most cost-effective tool we currently have to improve protection and management of non-state land and underpin rehabilitation.  **Draft post 2020 Biodiversity Framework Target 3**: By 2030, ensure active management actions to enable wild species of fauna and flora recovery and conservation, and reduce human-wildlife conflict by [X%].  **Target 17:** By 2030, redirect, repurpose, reform or eliminate incentives harmful for biodiversity, including [X] reduction in the most harmful subsidies, ensuring that incentives, including public and private economic and regulatory incentives, are either positive or neutral for biodiversity.  This finance solution was included in the Biodiversity Finance plan and is seen as crucial for the success of other finance solutions in the Plan. |
| Implementing / Strategic partners (if other than UNDP) | Department of Fisheries, Forestry and Environment - DFFE (principal), South African National Parks (SANParks), Provincial conservation authorities and local government (implementation of stewardship programs), National Treasury (support and technical assistance), South African National Biodiversity Institute (SANBI ). |
| Start and End Date | 2020- 2024 |

|  |
| --- |
| **Finance Results** |

|  |  |
| --- | --- |
| Solution Category/ies from the [BIOFIN Catalogue](http://www.biodiversityfinance.net/finance-solutions) | Enhanced Land or Marine Stewardship Enhance public budget execution;Remove barriers for public budget execution-internal;Conservation services for private land-owners |
| Relevant Finance Result(s) | 1) Mobilizing Resources 2) Delivering Better 3) Re-aligning existing resources 4) Preventing future costs |
| Estimated Finance Result | *R80 million (USD6 million) per annum channeled directly from the state to provincial biodiversity stewardship programmes by 2025.*  This investment from the state will result in substantial costs savings, as it will leverage private sector investment in Protected Area establishment and management. |
| Finance Source | Public/Private - national/international |
| Sector | Conservation and Biodiversity |
| Instrument Type | Fiscal, market |

Note: if Private sector please check due diligence requirements / guidelines at [this LINK](https://popp.undp.org/UNDP_POPP_DOCUMENT_LIBRARY/Public/BERA_Partnerships_UNDP%20Private%20Sector%20Risk%20Assessment%20Tool%20Guideline%20March%202016.docx)

|  |  |  |
| --- | --- | --- |
| **Budget (USD)** | | |
| **Total resources required:** | USD 320 000 | |
| **Total resources allocated:** |  | |
| **BIOFIN** | USD190 000 |
| **Donor (e.g., UNDP-GEF) 1:** | USD … |
| **SANBI, in-kind** | USD 70 000 |
| **Government of South Africa – in-kind** | USD 10 000 |
| **In-Kind** | USD… |
| **Unfunded:** | | USD 50 000 |

|  |  |
| --- | --- |
| **Main Proposal and approach** | |
| 1. Background information *(150 words approx.)* | South Africa’s biodiversity stewardship programmes provide trained Provincial conservation authority staff to encourage communal and private landowners to better conserve biodiversity. A suite of options is available, with applicable incentives and support for Provincial conservation authority staffscaled according to protection levels adopted. Eligible sites are secured through agreements (including protected area designation) and appropriate management plans. The (2018/9) government (R22,5m) and donor (predominantly NGOs) (R14,5m) budgets for stewardship programmes fall short of the minimum required for meeting Protected Area expansion targets (R74m), let alone for a concerted effort to secure water source areas, protect and rehabilitate undeclared state land with important biodiversity and serve the emerging biodiversity economy. Fully fledged programs in all 9 provinces are estimated to cost R120m p.a.  Provincial government budgets are constrained, and biodiversity is seldom prioritised. The COVID19 pandemic has worsened the situation with the economy and fiscal environment taking a knock resulting in a tight fiscal environment. As such treasury is at the moment not receptive to additional grants being added to the fiscus.  This is despite the Environment sector being the only concurrent competency (i.e. a function shared between national and provincial government) that does not to have a mechanism for conditional grants (i.e. funds which are directly tied to specific programmes/outcomes) to provinces for implementing national priorities.  Without vibrant biodiversity stewardship programmes, it is difficult to deliver on other biodiversity finance solutions (including tax incentives, property rates incentives, and private sector wildlife economy investments, the investment platform) or deploy other revenue (e.g. from water tariffs) for ecosystem rehabilitation or protection.  The BIOFIN team and partners are aware of the importance of providing innovative and sustainable sources of funding for the biodiversity stewardship programmes over the long term. This FS is one mechanism aimed to do so. However, to supplement this mechanism, or to as an alternative if this mechanism is not as successful as hoped, the biodiversity conservation community in South Africa will continue to seek alternative solutions. Given the multifaceted nature of the biodiversity stewardship programmes, there is a strong case to be made for innovative funding mechanisms to be developed to complement direct state investment. Viable opportunities for this have been set out in the BFP. These include water tariffs, biodiversity offsets; climate change funding. This finance solution seeks to pilot at least one of these mechanisms as part of the integrated work on resilient funding for biodiversity stewardship programmes. At this point, there is only budget allocated in the BIOFIN programme for one of these to be explored further as a stand-alone finance solution (biodiversity offsets – which will be programmed in 2022), and USD50,000 to initiate the exploration of one of the other finance solutions as an additional funding source for biodiversity stewardship (a final step/activity in this FS).  The finance solution has begun to conduct a review of existing grants to identify stewardship funding opportunities. The study is around 30% complete having begun in Q1 2021. The literature review which the consultant has delivered has shown that there is a precedence for Government of South Africa supporting similar sustainable financing mechanisms albeit in different sectors. It is anticipated that this review will be complete by August 2021. |
| 1. Objective(s) and Results expected *(100 words approx..)* | Objective: Secure adequate resourcing of biodiversity stewardship capacity and operational costs in provinces.  Results:   1. A sustainable financing model for biodiversity stewardship is developed with National Treasury for financial allocation to provincial biodiversity stewardship programs 2. Three to five-year resource allocation plan setting out national and provincial funds required and the resulting Medium-Term Expenditure Framework (MTEF) and Medium Term Strategic Framework MTSF submissions on biodiversity stewardship programmatic funding. 3. A successful pilot of deployment of water tariffs, offset funds or other (impact) investments in priority areas through stewardship. |
| 1. Gender Aspects | * A minimum of 20% of women in all training |
| 1. Business Case (*Approx 150 words*) | A detailed business case for investing in biodiversity stewardship has been developed by SANBI (201*7).* Establishing a protected area through biodiversity stewardship is between 70 and 400 times less costly to the state than land acquisition, ongoing management of a contract protected area is between 4 and 17 times less costly than managing a state-owned protected area.  This sustainable financing model is feasible as it is commonly used by other government departments in South Africa with concurrent competencies. For instance, the National LandCare program in Department of Agriculture allocates around R80 million annually (in quarterly tranches) to provincial departments to implement natural resource protection programs. |
| 1. Structure of the Finance Solution *(100 words approx.)* | 1. Develop a sustainable finance model that allocates national fiscal resources to provinces, and ring-fences them for implementation for discrete purposes to undertake resource management and protection.  2. Pilot the use of an alternative finance source in priority areas using the established stewardship program capacity. |
| 1. Description of Activities and Milestones *(150 words approx.)* | 1. Review existing national budget appropriations for provincial implementation in other jurisdictions (such as the Land-Care in Agriculture) to elicit key success factors for an environmental sector mechanism. Determine options to transfer to provincial department or statutory conservation agencies. Scope out matching grant requirements (to prevent provincial budget substitution).  2. Clarify a stewardship value proposition (story of stewardship) in supporting key government policies, including the National Biodiversity Economy Strategy; Securing Strategic Water Source Areas; The Ecosystem-based Adaptation Strategy for Climate Resilience, and specifically the National Development Plan. Determine most appropriate mechanism to promote for synergy with contractual stewardship implementation.  3. Building on the costing needs analysis (SANBI) and information obtained from activity 1 and 2 above, scope out appropriate cost-sharing between national and provincial budgets. Draw up a 3-5-year nominal budget for each provincial implementation entity, and associated targets.  4. Develop a policy proposal on tagging biodiversity related Medium Term Strategic Framework priorities such as water tariff funding, climate funding, land reform and land care, and biodiversity offsets from existing grants for Medium Term Expenditure Framework appropriation for a national stewardship sustainable financing program implementation.  5. Develop a plan of activities on Medium Term Strategic Framework advocacy through series of engagements for the creation of a sustainable funding mechanism for biodiversity  6. Draw up an implementation checklist for provincial biodiversity stewardship implementers to ease the burden of monitoring effectiveness and reporting on condition grants to the National Treasury.  7. Workshop program implementation with 9 provinces, Department of Fisheries, Forestry and Environment, SANParks, SANBI and Treasury/ GTAC support.  8. Pilot the deployment of at least 1 innovative funding source (e.g. water tariff funding, climate finance, and biodiversity offset funds) through the stewardship mechanisms in priority areas in two provinces. If additional project funding is secured in the biodiversity conservation sector, it can be put towards further development of one or more of these mechanisms, either through BIOFIN, or through a different avenue (e.g. as a GEF project). Due to limited resources and time, BIOFIN is currently not in a position to commit further to pursuing this additional work at this stage. |
| 1. Institutional Arrangements *(100 words approx.)* | This is a cross-cutting financial solution and will require institutional support from National Treasury, Department of Water Services, Department of Agriculture, Land Reform and Rural Development, Department of Fisheries, Forestry and Environment, SANBI, SANParks and provinces. SANBI is leading work on a cost analysis for biodiversity stewardship, with support from NGOs, conservation authorities and Department of Fisheries, Forestry and Environment. National Treasury will need to advise on the appropriate sustainable financing model.  It is likely that a Task Team comprising of multiple institutions will be convened to manage the work programs under this financial solution. There already exists a national Biodiversity Stewardship Task Team, convened by SANBI with representation from all nine provinces, Department of Fisheries, Forestry and Environment, SANParks and some NGOs, which can support this work. |
| 1. Main risks and management response for solution implementation *(100 words approx..)* | 1. The COVID 19 has tightened the fiscal space making it less receptive to new financing models. This solution needs to determine why, and purpose-build a response to address any residual concerns. 2. The COVID19 pandemic has created major uncertainties and it remains unclear the extent to which this will shape future institutional contexts and their response to the finance solution. Additionally, due to the pandemic, there is a risk around the reallocation of NGOs resources from supporting the stewardship programmes. The solution will have to make the case to Department of Fisheries, Forestry and Environment senior management and their political principals in the Minister’s and Member of the Executive Council’s forum to support the flexible, systematic and low-cost stewardship approach to achieve national environmental and development priorities. 3. It is possible that some provinces may substitute national program funds for their own budget commitments to stewardship efforts. This will be managed through building a matching requirement into the grant program structure and tracking provincial allocations through the annual expenditure review. 4. Pressure on the fiscal framework or existing commitments prevents Department of Fisheries, Forestry and Environment budget including a conditional grant component. Reduced financial opportunities within the private sector to support public sector funding. This will be mitigated by capitalizing on other sources such as biodiversity offsets, funding from water tariffs, or social responsibility programmes. 5. Department of Water Services and Department of Agriculture Rural Development and Land Reform may not want their allocation and grants to be used to support stewardship. This will be mitigated through engagement and advocacy, strengthening the stewardship value proposition to these departments. |
| 1. Sustainability and institutionalization *(100 words approx..)* | It is envisaged that sustainable financing becomes a durable part of the public sector financing approach to policy priorities for biodiversity, complemented by private sector financing mechanisms. The deeper understanding of the sustainable financing model administration and reporting requirements within Department of Fisheries, Forestry and Environment and the provinces should achieve the institutionalization.  The provinces will be expected to accommodate the existing or nascent stewardship program staff within their staff structures (as a useful way to organize most work involving Protected Area expansion and non-state land protected areas). |
| 1. M&E *(100 words approx.)* | Monitoring of the project will be conducted by the core team with support from UNDP monitoring and evaluation team every quarter. A monitoring report will be submitted to the global team on a bi-annual basis.  The main indicators will be verified by the National Budget /medium term fiscal framework of 2020/21 (or beyond) containing an allocation, a grant or an equivalent program. Even if the R80m target is not reached, the existence of the sustainable financing model will be a satisfactory outcome under current economic conditions.  The nine provincial budgets (or those of the six statutory agencies in those provinces where this function resides in them) provide the means of verification for the continued support of provincial stewardship programs. |

|  |  |  |
| --- | --- | --- |
| Impacts of the solution will be assessed by the national team and reported to the global team every 6 months as part of the progress reporting process and focusing on the main indicators listed below: | | |
| **Global/Headline indicators** | | |
| **Indicator** | **Baseline** | **Target** |
| Number of stakeholders with increased basic knowledge on the specific finance solution by participating in trainings, workshops, | **0 in 2021** | **At least 40 by 2023 with 20% being women** |
| Number of stakeholders with increased practitioner knowledge on the specific finance solution through direct participation to the implementation of the finance solution | **0 in 2021** | **At least 5 by 2023 with 20% being women** |
| National funds routed directly to provinces for provincial biodiversity stewardship type programs for Protected Area expansion, climate resilience, watershed management (*Estimated resources aligned to benefit biodiversity conservation or sustainable use)* | R0 (2019) | R80 million (USD6 million) p.a. grant program by 2024. |
| Provincial treasury allocations to provincial biodiversity stewardship programs (*Estimated resources aligned to benefit biodiversity conservation or sustainable use)* | R22 million (2018/9) | R40 million (USD3 million) p.a. mobilized by 2024 |
| Existence of conditional grant type mechanism in environment sector | None exists (2020) | A sustainable financing model structure is in place by 2023 |
| **Project Management Indicators/milestones** | | |
| Number of stewardship sites using innovative funding sources for rehabilitation and management | Zero (2020) | Five sites (using water tariff, impact investment, or offset funds) by 2024 |

**SECTION 2 – FOR FINANCE SOLUTIONS APPROVED BY TECHNICAL ADVISOR ONLY**

Please provide the following information which will be included in next Workplan/Budget revision (or use actual Workplan document):

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Action Plan | | | | | | | | |
| **Activities** | |  | **Timeframe** | | | | **Responsible actor/s** | **Funding source** | **Costs[[1]](#footnote-1) (USD)** |
| 2020 | 2021 | 2022 | 2023 | 2024 |
| **Preparatory activities** (includes feasibility studies, stakeholder engagement, etc.): | |  |  |  |  |  |  |  |  |
| Consultation with National Treasury | | X | X |  |  |  | BIOFIN DFFE and SANBI |  |  |
| Review of existing grants to identify stewardship funding opportunities | |  | X |  |  |  | BIOFIN DFFE and SANBI | BIOFIN /  SANBI | 35 000  10 000 |
|  | |  |  |  |  |  |  |  |  |
| **Implementation** | |  |  |  |  |  |  |  |  |
| Develop a value proposition for stewardship for consultation with other departments | |  | X |  |  |  | BIOFIN DFFE SANBI | BIOFIN /  SANBI | 50 000  20 000 |
| Develop a costing and sustainable financing model for stewardship | |  |  | X |  |  | BIOFIN DFFE  SANBI | BIOFIN / SANBI | 70 000  40 000 |
| Develop a policy proposal on tagging biodiversity related Medium Term Strategic Framework (MTSF) priorities from existing grants for Medium Term Expenditure Framework (MTEF) appropriation for a national stewardship sustainable financing program implementation | |  |  | x |  |  | BIOFIN  SANBI  DEEF | BIOFIN | 10 000 |
| Draw up an implementation checklist for provincial biodiversity stewardship implementers | |  |  |  | X | X | SANBI  DFFE | DFFE | 10 000 |
| **Validation** | |  |  |  |  |  |  |  |  |
| Stakeholder consultation | |  |  | X | X | X | SANBI  BIOFIN  DFFE | BIOFIN/ | 25 000 |
| Pilot the deployment of at least 1 innovative funding source in 2 provinces (to be done in 2025 after BIOFIN phase 2 or possible link to offsets finance solution can be explored earlier) | |  |  |  |  |  | BIOFIN  SANBI  DFFE | DFFE  SANBI | 50 000 |
|  | **TOTAL** | | | | | | | | 320 000 |

**Annex 1: BIOFIN Scoring and Screening Questions**

|  |  |  |
| --- | --- | --- |
| **Questions** | **Indicative marks for scoring (1-5)** | **Score** |
| Is there a positive record of implementation? | 1= no, or limited records of success  3= successful pilots  5= yes, high potential of scalability | 3 |
| Will it generate, leverage, save, or realign a large volume of financial resources? | 1= minimal scale  2= <5 per cent of current expenditures / needs  3= 5-15 per cent of current expenditures / needs  4= >20 per cent of current expenditures / needs  5= game changer | 3 |
| Will financing sources be mobilized in a compatible timeline with needs? | 1 = no, the mobilization is not aligned with needs  3 = likelihood of being mobilized in alignment with needs  5 = yes, forthcoming and compatible schedules | 3 |
| Will financing sources be stable and predictable? | 1 = no, the source of revenue may be highly unstable and vulnerable to external factors  3 = likelihood of being reasonably stable and predictable source  5 = yes, very stable and predictable | 3 |
| Do the persons or entities paying have a willingness and ability to pay or invest? | 1 = no  3 = possibly  5 = yes | 3 |
| Are the financial risks adequately managed (e.g. exchange rate, lack of investors, etc.)? | 1 = no, high risks remain  3 = moderate risks  5 = yes, low residual risks | 5 |
| Are start-up costs onerous in comparison to the expected financial returns? | 1 = very costly (compared to returns)  3 = moderate (compared to returns)  5 = very low/minimal (compared to returns) | 5 |
| Does the solution improve incentives to manage biodiversity and ecosystems sustainably? (see Chapter 1). | 1 = not clear  3 = likely  5 = most certainly | 5 |
| Will the financial resources remain targeted to biodiversity over time? | 1 = not clear, high risk of misallocation  3 = likely, administrative provisions  5 = yes, strong legal provisions | 5 |
| Are risks to biodiversity (e.g. disrespect of mitigation hierarchy) low or easily mitigated? How challenging would it be to develop safeguards? | 1 = high risks, no easy mitigation  3 = reasonable risks, mitigation possible  5 = low risks, easy safeguards | 5 |
| Will there be a positive social and economic impact (e.g. jobs, poverty reduction and cultural)? | 1 = no  3 = moderate  5 = strong positive impact | 5 |
| Would there be a positive impact on gender equality, especially regarding participation in design and implementation or access to opportunities and benefits? | 1 = no  3 = moderate  5 = strong positive impact | 4 |
| Have risks of significant unintended negative social consequences been anticipated and managed? | 1 = no, high risks remain  3 = moderate and manageable  5 = yes, minimal residual risks | 3 |
| Will it be viewed as equitable and will there be fair access to the financial and biodiversity/ecosystem resources? | 1 = no, risk of inequitable outcome  3 = maybe  5 = yes | 4 |
| Is it backed by political will? | 1 = no, resistance from key stakeholders  3 = maybe  5 = yes, with public statements in support | 3 |
| Have political risks been anticipated and managed? | 1 = no, high risks remain  3 = moderate and manageable  5 = yes, minimal residual risks | 3 |
| Is buy-in among stakeholders (i.e. potential investors/ decision makers, implementers, and beneficiaries) sufficiently strong to counter potential opposition? | 1 = no  3 = partial buy-in  5 = yes, strong buy-in | 3 |
| Do the managing actor(s) have sufficient capacity? Can they rapidly acquire it? | 1 = no, severe capacity gap  3 = moderate capacity gap  5 = yes, strong capacity | 3 |
| Is it legally feasible? How challenging will any legal requirements be? | 1 = no, new law is required  3 = new regulations required  5 = yes, new regulations are not needed | 3 |
| Is it coherent with the institutional architecture, can synergies be achieved? | 1 = no, limited or no synergies / coherence  3 = potential synergies  5 = yes, fully coherent / large synergies | 5 |

1. Please add budget years if needed. [↑](#footnote-ref-1)