

**FINANCE SOLUTION Proposal Template**

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Country: South Africa               Submission date: 23/06/2021

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**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)*

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| **Proposal Summary** | |
| Title of the Finance Solution | **Improve effectiveness of biodiversity related permits and fees** |
| Concise Description (*Approx 150 words*) | The Department of Forestry, Fisheries and the Environment (DFFE) and regulatory authorities administer different types of permits and enforce compliance through fines and penalties under the National Environmental Management Biodiversity Act (NEMBA) and National Environmental Management Protected Areas (NEMPAA) Act, global conventions and protocols. This includes permits and licenses for Threatened or Protected Species (TOPS) including marine, Bioprospecting Access and Benefits Sharing (BABS), Alien and Invasive Species (AIS) and Convention on International Trade on Endangered and Threatened Species (CITES). Marine TOPS, Marine Cites, Bioprospecting Access and Benefits Sharing (BABS), Alien and Invasive Species (AIS) are administered at National level. Additionally, permits related to activities in a national protected area, marine species, organs of state and rhino horns are also administered at national level. The rest of the fees and permits are done at provincial level by provincial authorities whilst others are collected and retained by Management Boards.  The current system across the country presents a challenging situation. Whilst reporting on volumes on applications handled varies, the challenges are similar. Challenges include   * Storage of data related to fees and permits * Lack of adjustment of the cost of fees and permits regularly to keep pace with inflation (some fees have not been adjusted upwards for over 10 years), * lack of standardization across provinces on permit fees * Majority of provinces rely on outdated legislation from 70s and 80s when issuing permits.   Hunting fees in the Eastern Cape have remained unchanged for so long that in some cases there have stopped charging for them as they cannot justify issuing permits for R3/R5 and in some cases they have stopped charging at all due to lack of stationary. In the Eastern Cape its costs ZAR2 (~0.13 usd) for an angling licence in inland waters (this was set in 1975). Another example is that of permits for alien invasive species where in order to import an invasive species you pay ZAR200 (~13 USD) to get the permit which is very low and detrimental to biodiversity conservation efforts.  The situation is more complex when we look at hunting fees and permits. Each of the provinces treat hunting fees and permits differently that standardization difficult. Currently some provinces charge some of the permits based on quotas whilst others charge based on species value which implies there is no uniformity. Mpumalanga province for example charges per animal fee plus the hunting licence, whereas Northern Cape charge hunting licence and only charge per hunting fee for Rhino and Lion. Western Cape Province has taken an approach where they don’t charge per animal, charge hunting licence and regulate with quotas through the hunting notice. (they have determined that it costs too much money to work on per animal leading to financial losses being incurred)  The fee structure for permits should, whilst it is an administrative cost to the state (staff time), needs to be environmentally, socially and economically responsive so that it does not have a negative effect on State finances or the achievement of national policy goals.  This finance solution aims to streamline the fee setting process by reviewing existing procedures and criteria to determine how fees are set and increased when the need arises. The fees are currently determined under different regulations and lack a mechanism to review the amount as and when determined. The finance solution will help develop a guideline for determining fees and enabling the gazetting of such fees in a single regulation or different regulations, including the drafting of any required regulatory documents. Recommendations will be included for the required institutional structure and capacity, including an organization chart and staff numbers, including a projected cost required. Based on the possible increase in income, a proposal will be made to National and provincial treasuries for regulatory authorities to retain revenue in order to support administration operations as per the above specified needs.  The DFFE will also use the products from the finance solution to put in place an advocacy and capacity building plan to ensure their adoption. |
| Contribution to SDGs | SDG 8 Decent work and economic growth  SDG 12 Responsible production and consumption  SDG 14 Life below water  SDG 15 Life on land  Well-managed Protected Areas can lead to improved human welfare and wellbeing including poverty alleviation, food and water security, health, disaster risk reduction, sustainable cities and climate change strategies. |
| Contribution to Aichi Targets / National Targets | AICHI 11 By 2020, at the latest, Governments, business and stakeholders at all levels have taken steps to achieve or have implemented plans for sustainable production and consumption and have kept the impacts of use of natural resources well within safe ecological limits  NBSAP 1 Management of biodiversity assets and their contribution to the economy, rural development, job creation and social well-being is enhanced. |
| Implementing / Strategic partners (if other than UNDP) | DFFE, National Regulatory Authorities (Threatened or Protected Species (TOPS), Convention on International Trade in Endangered Species (CITES), - Bioprospecting, Access and Benefit Sharing (BABS) and )and provincial Regulatory Authorities ( Eastern Cape Parks Board, Ezemvelo wildlife KZN, iSimangaliso Wetland Park Authority, Department of Economic Development, Tourism and Environmental Affairs Free State, Gauteng Department of Agriculture and Rural Development, Limpopo Department of Economic Development, Environment and Tourism (LEDET), Mpumalanga Tourism and Parks Agency, Department of Environment and Nature Conservation (D.E.N.C.), North West Parks and Tourism Board, The Western Cape Nature Conservation Board trading as CapeNature) |
| Start and End Date | 2021 – 2024 |

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| **Finance Results** |

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| Solution Category/ies from the [BIOFIN Catalogue](http://www.biodiversityfinance.net/finance-solutions) | Taxes and fees in the wildlife sector; Taxes fees and quotas in the Fisheries sector; |
| Relevant Finance Result(s) | 1. Delivering Better , 2) Mobilizing Resources |
| Estimated Finance Result | This FS’s primary aim is Delivering Better, which will be achieved by more appropriate biodiversity-related fees. By setting more appropriate fees, the unsustainable use of natural resources could be decreased. eg higher fees for importing alien invasive species could function as deterrent.  Mobilising resources is a secondary result, which *may* result, if retention of these fees comes to pass.  There is currently insufficient data to calculate the amount of funds that could be retained. |
| Finance Source | *Public/Private national/international* |
| Sector | Protected Areas |
| Instrument Type | Market and Regulatory |

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)

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| **BUDGET (USD)** | | |
| **Total resources required:** | USD 95 000 | |
| **Total resources allocated:** |  | |
| **BIOFIN** | USD 95 000 |
| **Donor:** | - |
| **Donor 2:** | - |
| **In Kind: Government of South Africa:** DFFE and provincial staff time (not calculated) |  |
| **Unfunded:** | | - |

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| **Main Proposal and approach** | |
| 1. Background information *(150 words approx.)* | DFFE and Regulatory Authorities administer a number of different permits in line with the National Environmental Management: Biodiversity Act (NEMBA) legislation in relation to:   * Threatened and protected species (TOPS) * Bioprospecting, Access and Benefit Sharing (BABS) * Convention on International Trade of Endangered Species (CITES) * Alien Invasive Species (AIS) regulations   Over the years, attempts have been made to harmonize the permit process and ensure minimum administration and capacity requirements for the application process. The current permit fees are below cost recovery levels, when comparing to the cost of processing the permit applications, or the value of the relevant species. The implementation of an effective and efficient fee structure also has to consider socio-economic factors to allow previously disadvantaged individuals to apply for permits and licenses. From a legal perspective, permit fees are published in the respective Regulations rather than a separate gazette. This makes any adjustments to the fees a time and resource consuming exercise. Integrating the fee structure into a separate gazette would make periodic adjustments easier.  Regulatory authorities that are required to process the applications do not have the required supporting expertise (i.e., social scientist, economist and legal experts) to undertake a comprehensive assessment of the fees to objectively determine the level of increment of permit processing fees (although a Task Team has been established to propose implementation mechanisms for TOPS regulations), and there is no standard mechanism to review these fees. An increment of permit processing fee may be met with challenges and opposition if the above information is not appropriately determined and made available.  Finally, the ability of regulatory authorities to retain funds related to permits and licenses varies across legislation, and therefore an attempt should be made to improve the retention of these fees to reduce the burden on the fiscus. In terms of public finance requirements, all revenue accrued goes to the national fiscus through National Treasury and there is no direct revenue recovery to the issuing authorities. At the moment, the Conservation Authorities which are managed by boards retain the funds generated, however provincial authorities submit the funds to the provincial treasury. National Conservation Authorities in turn submit funds that they generate from permit processing to National Treasury.  A consultant has been engaged to complete a baseline report on the types of permits issued and the cost of processing applications and total revenue generated by the issuing authorities. This process is almost complete and a baseline document will be available by the end of August 2021. The baseline study will give indications on the amounts generated by fees and permits in South Africa and the cost of processing these permits. Once the baseline study is completed, a mechanism will be recommended on the determination of an effective and efficient fee structure that meets environmental, social and economic criteria.  Further to this, recommendations on any regulatory changes through legal mechanisms will be made. Provision has also been made for public participation once the new fee structure has been developed. |
| 1. Objective(s) and Results expected *(100 words approx..)* | To comprehensively assess and review the administrative system and charges for permits for biodiversity related all regulations and develop an appropriate framework for determining adjustments to these.  To recommend a robust regulatory system for implementation for an appropriate framework for determining cost-reflective fees and for increase of such fees and to consider the ring-fencing or retaining of funds related to permits and licenses at the sectoral level. |
| 1. Gender Aspects | * 20% of participants in training and stakeholder engagement being women. * 20% of people on the FS task team being women |
| 1. Business Case (*Approx 150 words*) | The process was motivated by the lack of an environmental, socially and economically responsive mechanism to determine fees for biodiversity related permits and licenses to implement TOPS regulations. Further to this there is no mechanism to increase the fees or facilitate responses to changing conditions such as inflation. There is need for a mechanism to determine the setting and increase of fees in line with administrative requirements, operational costs, cost to the environment and social and economic considerations.  The High Level Panel report released by the Minister of  Environment in May 2021 recommends that Permit fees be standardized across the provinces, and that a conservation fee is levied on all permits issued, in order to support the research monitoring and assessment process. It also recommends that a detailed proposal be drawn up and submitted to the National Treasury regarding the viability of establishing a conservation fund that can be used to fund scientific assessments, monitoring and broad level wildlife extension services. The results of this FSP can contribute to both. |
| 1. Structure of the Finance Solution *(100 words approx.)* | This finance solution will investigate a mechanism to ensure that fees and fines are environmentally, socially and economically responsive and cost-reflective. It will result in the development of a new regulatory mechanism to determine fees. It is believed that once an appropriate model/ guideline for determining fees is developed, this will lead to an increase in the charges and result in a direct financial result and reduction of negative impacts on biodiversity. Further to this, the model will enable a new legal mechanism (gazette) which will allow fees to be published and adjusted as and when determined. |
| 1. Description of Activities and Milestones *(150 words approx.)* | 1. BIOFIN will hire a consultant to conduct a baseline assessment of provincial income from fees for different types permits and licences. 2. BIOFIN will hire a consultant to review fees model for permits and licenses that different regulatory authorities use and make recommendations on how to determine a fee structure based on social, environmental and considerations 3. BIOFIN will hire a consultant to develop a guideline for determining and amending fees for permits and licenses to be used in an appropriate regulatory mechanism (gazette) for implementation of new fees. Support the drafting of necessary regulations. 4. BIOFIN will support DFFE to conduct stakeholder engagement on the guidelines and associated regulations, based on stakeholder mapping including the relevant decision makers. 5. DFFE will develop and implement a dedicated capacity development plan for all relevant authorities. 6. DFFE will develop a proposal for a process of retention of some of the funds generated to biodiversity conservation functions, including the development of any required regulatory document, consultation and advocacy. 7. DFFE will advocate for adoption of the findings through the DFFE existing institutional mechanisms i.e the Permit and Enforcement Committee, Working Group 1 and other relevant working groups, MINTECH and MINMEC |
| 1. Institutional Arrangements *(100 words approx.)* | BIOFIN and DFFE will work with regulatory authorities to map the current income from fees for the different types permits and licenses. Further work will be undertaken with National Treasury to determine the framework/ mechanism for the determination of the fees. Once this is agreed to, the guideline will go through public participation and promulgated in the government gazette to give effect to the finance solution.  The provincial issuing authorities will, through work with their respective Provincial Treasuries, propose a mechanism for retaining some of the funds generated through the permit processing fees. These ring-fenced funds would then be directed back to relevant functions within the provincial issuing authorities |
| 1. Main risks and management response for solution implementation *(100 words approx..)* | **Main Risks:**   * Public acceptability, which may lead to implementation challenges and low revenue. * National Treasury could be hesitant to agree to ring-fence fees generated. * Increased permit processing fees may have negative impact on already disadvantaged individuals. * Lack of capacity to implement.   **Management response:**   * Public participation for improved buy-in and engage with National Treasury to create and implement a mechanism which will allow conservation authorities to retain some funds acquired through permit processing fees. * Develop a dedicated advocacy campaign to explain the needs and benefits to Treasury, including long term cost reductions. * Reduce capacity requirements through enabling exemption for certain categories of persons from paying permit processing fees. * Develop and implement a dedicated Capacity development plan for all relevant authorities, based on long term support |
| 1. Sustainability and institutionalization *(100 words approx..)* | The results of this finance solution will be institutionalized through an enabling mechanism in the form of a guideline to determine cost reflective fees and also allow for review as and when necessary. The results will also assist in ensuring that determination of fees is applied uniformly across the regulatory authorities.  Through the finance solution it is hoped that National Treasury will implement a mechanism for retention of revenue.  Further to this it is anticipated that the result of the finance solution will be effected in a legislative tool which is a government gazette.  The continued implementation of the finance solution will be made possible through the ongoing capacity building of management authorities and linkages to other BIOFIN South Africa Finance Solutions on growing protected area own revenue. |
| 1. M&E *(100 words approx.)* | The implementation of this finance solution will be monitored through regular quarterly reports on permits and licenses issued by the regulatory authorities. The quarterly reports form part of institutional reporting by the regulatory authorities to the DFFE Working Group 1 – Biodiversity and Conservation[[1]](#footnote-1) (This Working Group are established and meet on a quarterly basis). Further monitoring will be done through management account reports that regulatory authorities submit to respective treasuries. |

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| 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** |
| Stakeholders with increased basic knowledge on the specific finance solution by participating in trainings, workshops | 0 in 2021 | 20 stakeholders by 2023 |
| Stakeholders with increased practitioner knowledge on the specific finance solution through direct participation to the implementation of the finance solution. | 0 in 2021 | 2 stakeholders by 2023 |
| Complete a National framework and formula for setting fees and determining increases | No National framework for setting fees and determining increases (2020) | By 2023, there will be a framework for setting fees and determining increases |
| Complete guideline for setting fees and determining increases | No guideline for setting fees and determining increases  (2020) | By 2023, there will be a guideline for setting fees and determining increases |
| **Project Management indicators/Milestones** | | |
| **Indicator** | **Baseline** | **Target** |
| Complete baseline assessment on income report from fees charged for different permits and licenses | The same amount is asked X Rand for different TOPS/ CITES and Bioprospecting permits and licenses  (2020) | By 2022, the baseline assessment income for fees/ charges for different permits and licenses will be completed. |
| Complete Analysis report of legislation and proposed fee models | No Analysis report | By end of 2021 an analysis report of legislation and proposed fee models |
| Draft framework guideline for setting feed and determining increases | No draft framework | By 2022 there will be a draft framework for setting fees and determining increases |

**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):

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| **Action Plan and Budget** | | | | | | | |
| **Activities** | **Timeframe** | | | | **Responsible actor/s** | **Funding source** | **Costs[[2]](#footnote-2) (USD)** |
| 2020 | 2021 | 2022 | 2023 |
| **Preparatory activities (includes feasibility studies, stakeholder engagement, etc.):** |  |  |  |  |  |  |  |
| Baseline assessment of national and provincial income from fees  +  Review fees model for permits and licenses that different competent authorities use and make recommendations on how to determine a  fee structure based on social, environmental and considerations + Develop a guideline for determining and amending fees for permits and licenses to be used in an appropriate regulatory mechanism (gazette) for implementation |  | X | X |  | DFFE  BIOFIN | BIOFIN | 75 000 |
| **Implementation** |  |  |  |  |  |  |  |
| - Stakeholder engagement on the proposed guideline + developing a proposal on process of income retention |  |  |  | X | DFFE  BIOFIN | BIOFIN | 20 000 |
| Proposal development for a process of retention of some of the funds generated to biodiversity conservation functions |  |  | X |  | DFFE | DFFE | In-kind |
| Implementation of Capacity Building and Advocacy plan |  |  |  | X | DFFE | DFFE | In-kind |
| **TOTAL** | | | | | | | 95 000 |

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

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| **No** | **Questions** | **Indicative marks for scoring (1-5)** | **Score** |
| 1 | Is there a positive record of implementation? | 1= no, or limited records of success  3= successful pilots  5= yes, high potential of scalability | 5 |
| 2 | 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 |
| 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 |
| 4 | 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 |
| 5 | Do the persons or entities paying have a willingness and ability to pay or invest? | 1 = no  3 = possibly  5 = yes | 5 |
| 6 | 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 |
| 7 | 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 |
| 8 | Does the solution improve incentives to manage biodiversity and ecosystems sustainably? (see Chapter 1). | 1 = not clear  3 = likely  5 = most certainly | 5 |
| 9 | 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 | 3 |
| 10 | 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 |
| 11 | 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 |
| 12 | 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 | 3 |
| 13 | 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 |
| 14 | 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 | 3 |
| 15 | Is it backed by political will? | 1 = no, resistance from key stakeholders  3 = maybe  5 = yes, with public statements in support | 5 |
| 16 | Have political risks been anticipated and managed? | 1 = no, high risks remain  3 = moderate and manageable  5 = yes, minimal residual risks | 5 |
| 17 | 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 | 5 |
| 18 | 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 |
| 19 | 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 | 5 |
| 20 | 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. Working group 1 forms part of Ministerial technical structure (MINTECH). MINTECH is a technical structure informs and advises the Minister and Members of the Executive Councils (MECs). MINTECH is informed by Working Groups consisting of national and provincial and local government officials. [↑](#footnote-ref-1)
2. Please add budget years if needed. [↑](#footnote-ref-2)