



WWF

SOUTH AFRICA

THE SUSTAINABLE LANDSCAPE FINANCE COALITION

DRIVING FINANCING FOR CONSERVATION
IN SOUTH AFRICA'S CRITICAL LANDSCAPES



WWF

SUSTAINABLE
LANDSCAPE
FINANCE
COALITION

WILDERNESS
FOUNDATION
AFRICA

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WWF Finance Practice: Innovation Fund
UNDP GEF 5 Sustainable Land Management Project
SANParks
Webber Wentzel
USAid Resilient Waters
Oak Foundation and the Rhino Recovery Fund

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Anchor Capital: Wealth and asset management business focussed on personable client relationships and a world-class investment process. Website: <https://anchorcapital.co.za/>
Indalo Inclusive: To create an entrepreneurial ecosystem that contributes to a thriving, inclusive, and green economy in South Africa. Website: <https://www.iisa.org.za/>
Lemang Agricultural Services (AFGRI): Offers both farmers and corporates a variety of training and development choices, with the aim of supporting new era farmers in a way that ensures they are viable, independent and economically successful. Website: <https://www.afgri.co.za/lemang-agricultural-services/>
ReWild: We identify and shine a light on solutions for a wilder world. Working with businesses, innovators and changemakers who value people, wildlife and our planet, we can collectively regenerate, restore and transform the world we live in. Our aim is to create a positive, large scale impact through film, education and experiences. Website: <https://www.rewildafrica.org/>
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FOREWORD

WWF

WWF: Justin Smith

South Africa's landscapes (and seascapes!) are incredibly rich in fauna and flora species, from the succulent karoo to the fynbos biomes, from the savannas to the grasslands, and others in between, making our country one of the most biologically diverse in the world. These magnificent landscapes are also complex natural systems that help regulate and support life and the livelihoods of millions of people. The need for protecting these areas has always been important, but as we move into a new decade, the urgency of this is growing, especially with tourism income, such a critical conservation support, being reduced as the world grapples with the impacts of Covid-19. A key challenge to conservation is the conservation finance shortfall and how to close it. To address this key challenge a new coalition was formed to help drive solutions to this financing shortfall.

As an environmental conservation organisation WWF is aware of the acute challenges in raising finance for conservation efforts. After over 50 years of working in conservation in South Africa WWF has witnessed many successful and inspiring efforts that have promoted conservation. However, there have also been many great conservation projects that were not able to get to the scale that was necessary because of funding constraints. Over this time there has also been a growing awareness of the negative impacts of many traditional financial and economic models on nature. The typical financial models used within the finance sector have fallen far short of providing the financial flows needed to protect nature.

The need to innovate in the sector around financing models is something the conservation and finance sectors agree on. There is a growing awareness amongst stakeholders, both within and outside of the conservation sector, about the potential opportunities that conservation finance offers. The business community is equally increasingly searching for new opportunities that can drive sustainable impacts. WWF is often at that interface of these stakeholder groups and recognises and appreciates the coalition's efforts so far in generating cross-sector collaboration.

The Coalition has been able to secure working relationships and strategic partnerships with stakeholders from the private sector, public sector, civil society and other collaborators. We are delighted to be part of the Sustainable Landscape Finance Coalition as it has quickly become a leading and truly collective platform for landscape finance in South Africa. We hope this publication showcases the Coalition to a broader audience, and that readers will find it useful in getting to know the work of the Coalition and hopefully reach out to join and drive future collaboration. From this we hope that the Coalition will continue to grow and catalyse finance for the long-term conservation of our unique natural assets and biodiversity.



JUSTIN SMITH
WWF: HEAD OF BUSINESS DEVELOPMENT

FOREWORD

WILDERNESS FOUNDATION AFRICA

WFA: Candice Stevens

The world is currently faced with a number of critical crises, calling for global responses on an unprecedented scale: Covid-19, Climate Change and the Biodiversity Crisis. As we experience these tipping points, as a result of decades of environmental destruction, we are called upon to foster a new era of innovation, problem solving and opportunities for systemic change. Economic systems, sectors and decision making that have been disconnected from the planet, and which have largely ignored the role of our essential natural assets, are now thrust into the spotlight. Creating sustainable solutions that integrate nature into our homes, businesses, economies and governments is now an imperative.

The Dasgupta Review describes Nature as “our most precious asset” and finds that humanity has collectively mismanaged its “global portfolio”. The last few decades of human prosperity have taken a “devastating” ecological toll. Biological diversity is disappearing faster now than at any other time in our history, with a 70% drop in all species.

One of the primary shortfalls in addressing this, is the current global underspend on environmental efforts. The Nature Conservancy estimates that we need \$700 billion to reverse the global biodiversity crisis. This conservation finance shortfall is even bigger when you consider efforts for water, food and soil security and addressing climate change and livelihoods linked to environmental processes. The United Nations Development Programme places the figure at close to US \$2.5 trillion annually in order to achieve the Sustainable Development Goals.

The Sustainable Landscape Finance Coalition (Coalition) was established to create a cohesive and catalytic enabling environment to address some of these shortfalls. The Coalition has two primary aims that provide the foundational pillars for these efforts: i) hosting a cohesive landscape finance sector in South Africa and beyond to the African continent, and ii) developing new and innovative sustainable finance mechanisms. The Coalition’s four-stage Finance Solution Approach® allows for this growing platform to practically problem solve and transfer solutions to landscapes in dire need of sustainable financing. By increasing the flows of finance to environmental efforts we can address our collective crises. The first aim of the Coalition is allowing for sectors which have been historically siloed from one another, such as finance and conservation, to engage meaningfully for the first time and to jointly co-create these solutions. The second aim is advancing on-the-ground incubation, testing and strategic implementation of new finance solutions, with an estimated value of between USD 98 million (R1.4 billion) and USD 133 million (R1.9 billion) over the next 10 years’.

Humanity has a history of rising to the challenge, and South Africans in particular have a diverse, resilient and innovative ethos. These are the characteristics needed to innovate for change and to pioneer solutions. The Coalition’s vision is one of positive problem solving and collaborative partnerships with a diverse range of sectors, specialists and stakeholders to bring about flows of sustainable finance that address the conservation finance shortfall and allow for greater environmental impact, at scale and into the future.



CANDICE M D STEVENS
CHAIR: SUSTAINABLE LANDSCAPE FINANCE COALITION

BACKGROUND TO THE SUSTAINABLE LANDSCAPE FINANCE COALITION

ENVIRONMENTAL CRISIS AND CONSERVATION FINANCE SHORTFALL

Global reports emphasise the need for urgent action as we reach tipping points in the environmental crisis. One of the critical shortcomings of addressing this crisis is the global underspend on environmental efforts. Africa is no exception and currently faces a substantial financial shortfall in financing and resourcing to effectively address environmental and social challenges. This situation has been exacerbated by the impacts of the Covid-19 crisis.

SUSTAINABLE LANDSCAPES AND PROTECTED AREAS

Sustainable landscapes underpin human health and well-being as well as sustainable and resilient economies. Protected and conserved areas are critical to the United Nations Sustainable Development Goals (SDGs) and contribute significantly to South Africa's National Development Plan (NDP) 2030 goals, notably raising employment, safeguarding access to clean water, ensuring environmental sustainability and resilience to future shocks, and increasing the amount of land and oceans under protection. However, they require tailor-made finance solutions to offer these benefits.

SUSTAINABLE FINANCE

The development of innovative finance solutions for sustainable landscapes is critical. To this end, WWF and Wilderness Foundation Africa (WFA) have partnered to lead the region's first **Sustainable Landscape Finance Coalition** (Coalition). The Coalition offers a team of leading specialists and access to key decision makers from all sectors in advancing sustainable finance through pioneering the implementation of new finance interventions as well as hosting a cohesive conservation finance sector.



INTRODUCTION

The Coalition was launched at the end of 2019 to address the ongoing financial shortfalls that persist in hampering the advancement of conservation and sustainability efforts across landscapes critical for the environment and for people. The Coalition was established through negotiated strategies between thought leaders Candice Stevens, Hendrik Pfaff, Cerin Maduray, Shela Patrickson, Wendy Engel and Angus Burns and a formal partnership between WWF and WFA.

The Coalition received catalytic funding from the WWF Nedbank Green Trust to launch its efforts. Since the Coalition's launch, the array of activities has increased beyond the scope of the original proposal. New finance interventions for sustainable finance strategies, feasibility studies and pilots are being run through the Coalition. Key to the Coalition's ethos is collaboration and any new finance intervention involves partnering with stakeholders who work as a team to solve challenges and test solutions. On new finance interventions the Coalition is collaborating with a range of partners including: SANParks, Webber Wentzel, USAID, Coral Tree Conservation and UNDP GEF 5 SLM. Critical to these collaborations is that partners contribute to working on these interventions by providing capacity or funding or both.

Since its inception the Coalition has seen substantial growth and the advancement of landscape finance innovations and solutions, including:

- Six Finance Solution Incubators.
- Three Finance Strategies for priority landscapes.
- One Feasibility Study.
- Four Innovative Finance Projects.
- Two established solutions: scaled innovative finance.

More information on these is provided in other sections within the report.

The Coalition has established its Council representing ten sectors and 22 leading decision-makers. Figures 1 and 2 below illustrate the various levels that stakeholders are engaging with the Coalition. The Innovation Hub now represents over 569 members (and growing) with 12 specialist contributors representing expertise in niche areas of landscape finance and three strategic partnerships, with an additional one in the pipeline. The Coalition has established relationships with global conservation finance networks including the Conservation Finance Alliance and the Conservation Finance Network. The Coalition now has access to global experts, thought leaders, knowledge, case studies and guidelines which it is able to make available to its network in Africa and in turn share breakthroughs from its work in South Africa.

Figure 1. The coalition's network

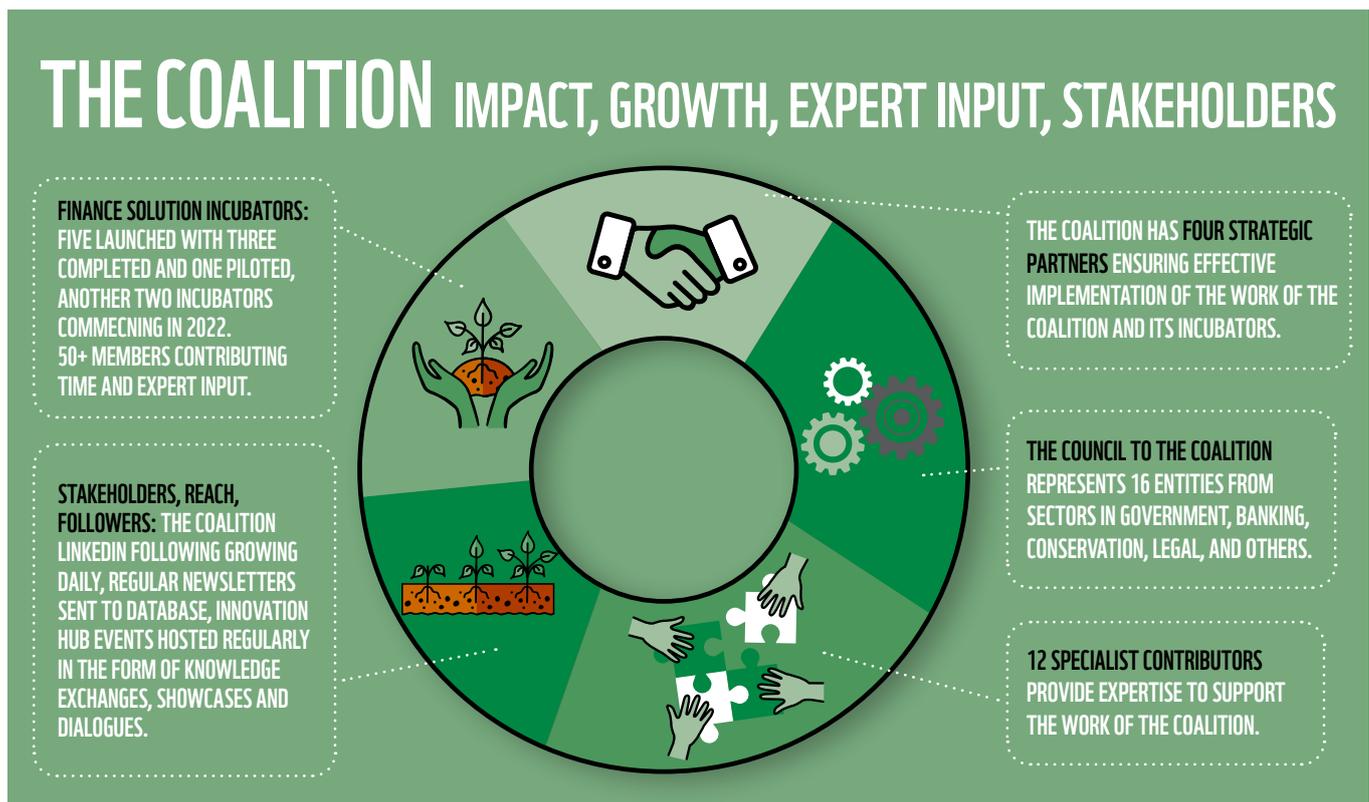


Figure 2. Areas of engagement with stakeholders

THE COALITION

IMPACT, GROWTH, EXPERT INPUT, STAKEHOLDERS



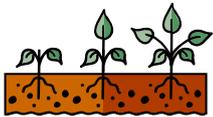
FINANCE SOLUTION INCUBATORS:

1. BIODIVERSITY TAX INCENTIVE INVESTIGATION - CONCLUDED AND UNDER PILOT.
2. BIODIVERSITY OFFSETS - CONCLUDED.
3. CARBON PAYMENTS - CONCLUDED AND UNDER PILOT.
4. GREEN BANKABLE PROJECTS.
5. MUNICIPAL PROPERTY RATES.



THE COALITION'S FOUR STRATEGIC PARTNERS:

1. ANCHOR CAPITAL
2. INDALO INCLUSIVE
3. REWILD
4. LEMANG AGRICULTURE SERVICES



STAKEHOLDERS, REACH, FOLLOWERS:

1. LINKEDIN PAGE
2. NEWSLETTER DATABASE
3. INNOVATION HUB EVENTS:
 - KNOWLEDGE EXCHANGES
 - SHOWCASES
 - DIALOGUES



SPECIALIST CONTRIBUTORS:

1. ANGUS BURNS (WWF SA)
2. CECILIA NJENGA (UN)
3. CANDICE STEVENS (WFA)
4. ELLANE VAN WYK (WFA)
5. GAVIN ERASMUS (SUSTAINABLE DIGITAL FINANCE)
6. HUGO VAN ZYL (INDEPENDENT)
7. KAMLESHAN PILLAY (ADAPTIVE MANAGEMENT & FINANCE)
8. MARK BOTHA (INDEPENDENT)
9. SAMANTHA DE VILLIERS (NDLOVU DE VILLIERS)
10. SHELA PATRICKSON (WWF SA)
11. WENDY ENGEL (WWF SA)



THE COUNCIL OF THE COALITION:

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2. CECILIA NJENGA (UN)
3. DESHNI PILLAY (SANBI)
4. GARYN RAPSON (WEBBER WENTZEL)
5. JANICE GOLDING (UNDP)
6. JERROD MOODLEY (RMB)
7. JUSTIN SMITH (WWF SA)
8. KRISTAL MAZE (SANPARKS)
9. MEMORY MACHINGAMBI (NATIONAL TREASURY)
10. NOKUTULA MHENE (UNDP)
11. OMRI VAN ZYL (AGRI ENTERPRISES)
12. PIERRE VENTER (BASA)
13. SAPHIRA PATEL (DBSA)
14. SHAMEELA SOOBRAMONEY (JSE)
15. SHAYNE JACOBS (SU)
16. TANYA VAN LILL (SAVCA)
17. YASEEN LOCKAT (BASA)
18. YUVAL TCHETCHIK (DEFF)

STRUCTURE AND AIM OF THE SUSTAINABLE LANDSCAPE FINANCE COALITION

The Coalition aims to advance the development and implementation of innovative finance solutions to support the delivery of optimal landscape conservation and the maintenance of ecological infrastructure to provide enduring benefits for the environment, people and economies.

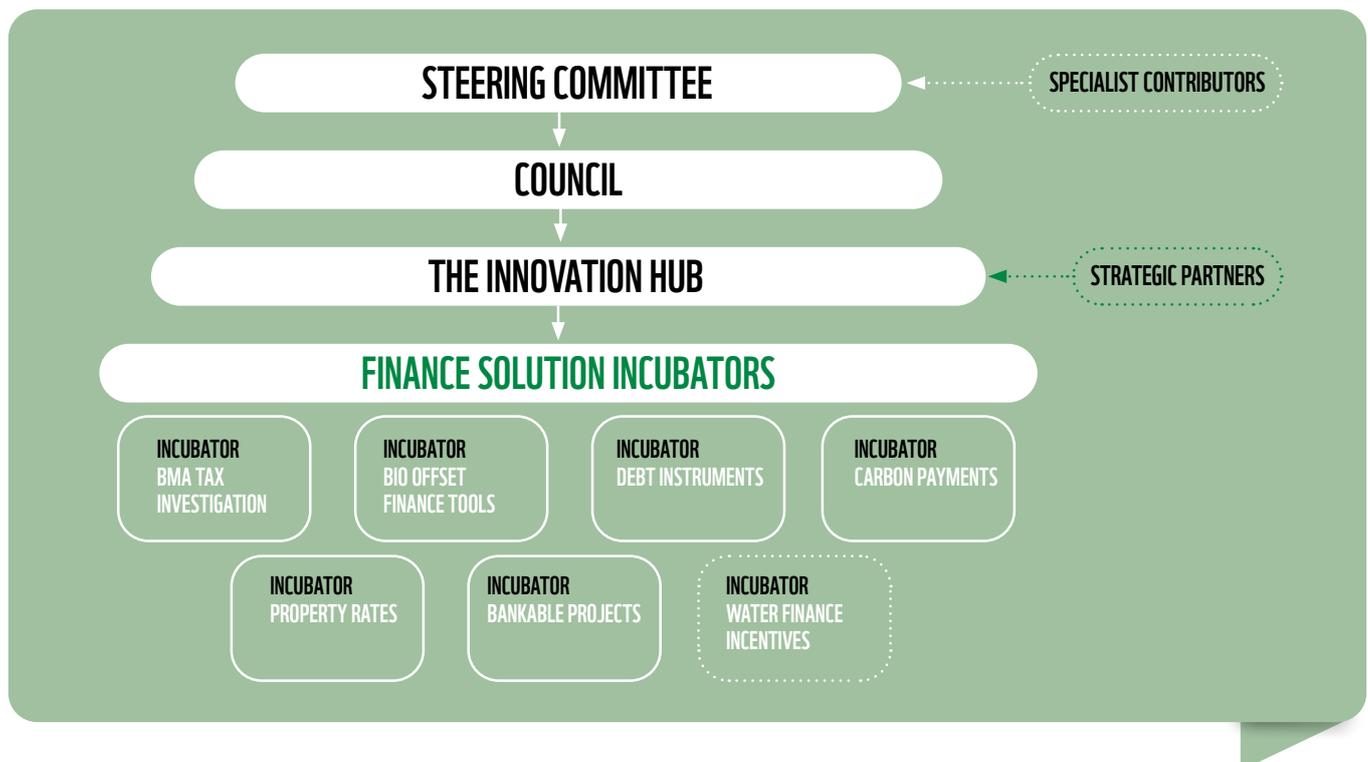
COALITION AIMS

1. Address the urgent need for the development of additional finance for sustainable landscapes.
2. Support a network to foster the advancement of financial solutions through The Sustainable Landscape Finance Coalition.

COALITION STRUCTURES

The Coalition has two structures, namely the Council to the Coalition, and the Innovation Hub. In addition, the Coalition facilitates a cohesive landscape finance sector through access to specialist contributors and strategic partners. The Coalition is run administratively by a Steering Committee and is chaired by Candice Stevens.

Figure 3. The coalition structure

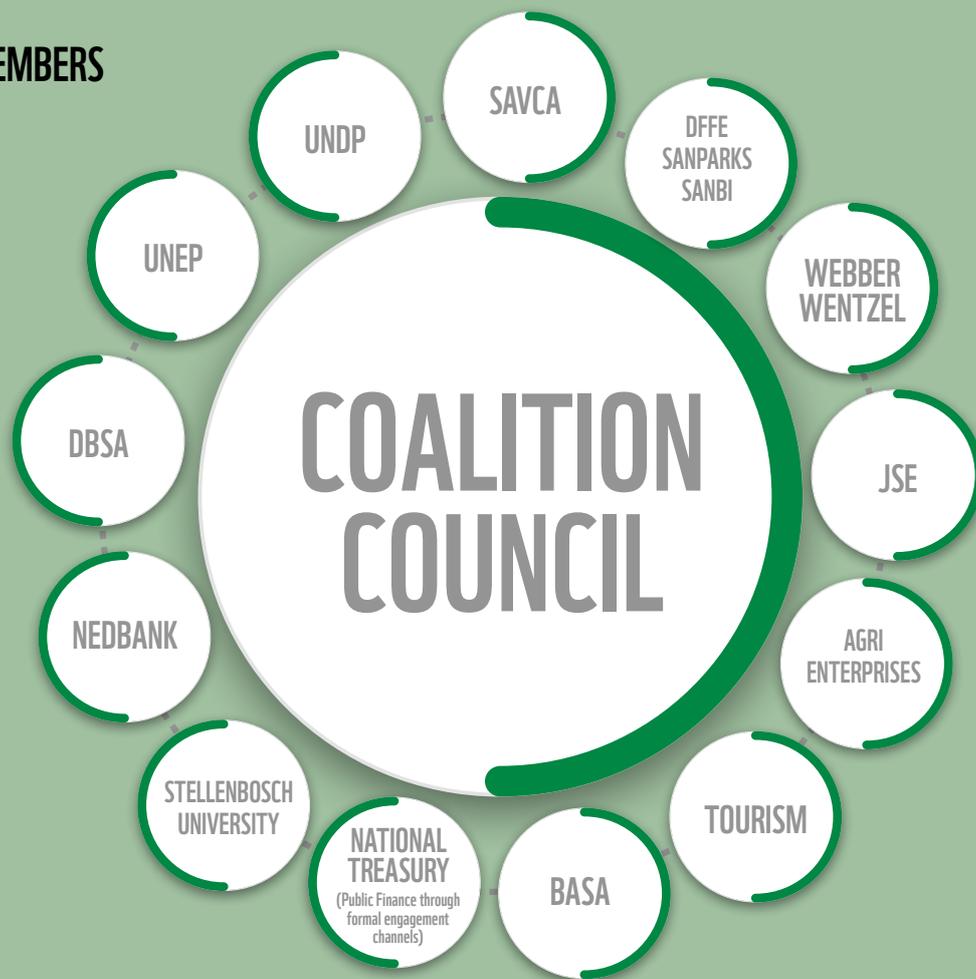


COUNCIL TO THE SUSTAINABLE LANDSCAPE FINANCE COALITION

The Council functions as a national advisory body to the Coalition representing decision makers and experts from key sectors. The Council is comprised of a select number of seats with a regional agenda aimed at strategically supporting the coordination,

policy alignment, and sectoral input critical for the advancement of landscape finance. The overarching aim of the Council is to provide strategic advice regarding the development of a cohesive landscape finance sector in Africa and forge integration between sectors.

COUNCIL MEMBERS



Sector	Representation
Civil Society	WWF Wilderness Foundation Africa
South African National Fiscal Policy	Department of Forestry Fisheries and the Environment (DFFE) South African National Biodiversity Institute (SANBI) National Treasury
Investment Sector	Johannesburg Stock Exchange South African Venture Capital & Private Equity Association
Banking Sector	Nedbank Banking Association of South Africa (BASA) Rand Merchant Bank (RMB)
Legal Sector	Webber Wentzel
Development Sector	Development Bank of South Africa United Nations Development Programme (UNDP) United Nations Environment Programme (UNEP)
Academia	The University of Stellenbosch (SU)
Agriculture	AgriEnterprises African Farmers Association of South Africa (AFASA)

THE INNOVATION HUB

The Innovation Hub is a dynamic and flexible engagement platform for landscape and finance stakeholders to facilitate discussion, networking and knowledge exchange between implementers and stakeholders. Its aim is to foster cross-collaboration and the development of partnerships to advance sustainable landscape conservation finance in South Africa and beyond. The Innovation Hub also hosts a number of Finance Solution Incubators which are driving finance solution investigations.

INNOVATION HUB EVENTS

WORKING TOGETHER ON FINANCIAL SOLUTIONS FOR SUSTAINABLE LANDSCAPES

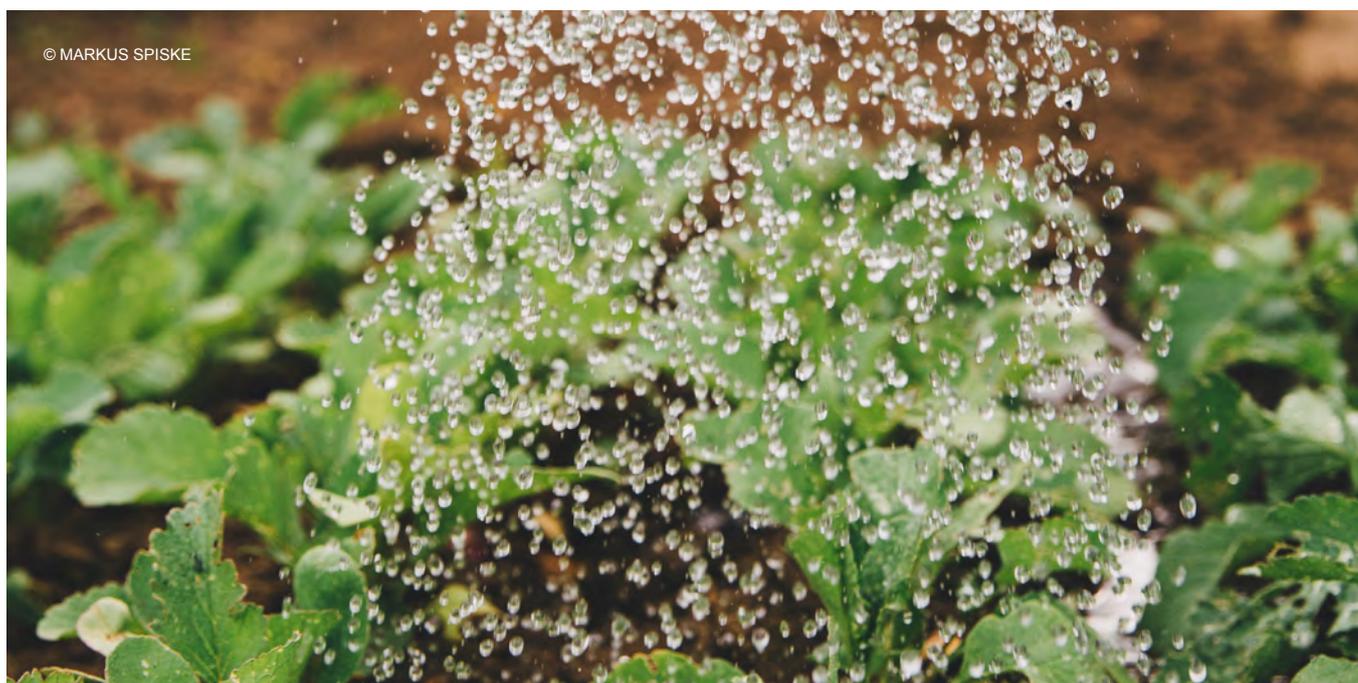
The Innovation Hub is geared towards hosting events and networking opportunities to facilitate discussion and knowledge exchange regarding landscape finance interventions and innovations:

1. Knowledge Exchanges: 1 hour | 30 min topic presentation | 30 min Q&A. Focused knowledge exchange and lesson sharing on a landscape finance topic with an emphasis on implementation building blocks.
2. Showcases: 1 hour 30 min | 45 min showcase | 45 min networking. Platform provided for innovations and bankable projects to showcase themselves in a networking ecosystem of finance and environmental role-players.
3. Dialogues: 1 hour | 10 min topic intro | 40 min moderated discussion | 10 min closing. Focused dialogue with a landscape finance expert where participants have the opportunity to ask direct questions in a relaxed and interactive format.

The Innovation Hub events were originally meant to be held in person but due to the Covid-19 pandemic these were switched to virtual events. The events are open to all, with attendees invited through mailing lists and contact databases of the Coalition. For further reach, the event details are shared via social media platforms such as LinkedIn and through professional networks. The schedule of the Coalition's Innovation Hub Events includes important topics of interest and expert speakers. The Coalition hosted the first Innovation Hub event in Quarter 2 2021, which has been followed by monthly online events, as described above. Feedback from stakeholders across a broad array of sectors has been overwhelmingly positive and is indicative of the need for a designated platform for these types of interactions.

Through the first event as well as dedicated surveys, the Coalition also captured important information about the audience which will be used to improve further engagements and innovation hub events, such as the need for cross-sectoral networking and dedicated knowledge sharing on finance topics.

In addition to the planned events the Innovation Hub will host a series of Finance Solution Incubators which are described in the next section.



FINANCE SOLUTION INCUBATORS

AIM

Provide a coordinated approach to specific finance solution investigations in order to ensure strategic implementation and unlock new pipelines of finance.

OBJECTIVE

Incubators develop the finance solution concept they are created for, following the Finance Solution Approach®, in order to unlock new and sustainable financial mechanisms for conservation landscapes and to provide a road map to determine viability and ensure effective implementation.

STRUCTURE

Incubators fall under the Coalition's Innovation Hub and aim to remain relatively small and niche to allow for fast and flexible innovation and implementation. They aim to build on existing partnerships involved in the particular finance solution that they are responsible for and are facilitated by the Coalition.

DESIGN

- Maximum of 10 members per incubator;
- Each member of an incubator is required to represent a focal area and/or core skill set;
- Member responsibilities involve providing expert input, actioning key points as and when required, and translating incubator thought leadership into their respective sector to enable implementation;
- Incubators act as the preparatory work for finance solutions and lead into feasibility studies and/or finance strategies (seed funding dependent) which then lead into pilots for practical implementation (co-funding dependent);
- They also list Anchor Projects: existing projects or initiatives being implemented by Coalition stakeholders;
- Incubator findings are recorded throughout the process and any key learnings are documented; and
- Each incubator has an Origins Document detailing the key elements of the incubator in question.

SPECIALIST CONTRIBUTORS

The Coalition has established a team of cross-disciplinary specialists to drive the development and implementation of innovative finance solutions as well as to provide high level advice and financing strategies to decision makers and organisational implementers. The role of specialist contributors is undertaken on an ad hoc basis and at the discretion of the specialist, across a spectrum of projects and strategies and includes collaboration with the Coalition. Financial solutions, particularly those that are unique and innovative, require technical input across a number of disciplines in order to both develop the solutions as well as take them to scale. A full list of specialist contributors working with the Coalition can be found in the acknowledgements.

STRATEGIC PARTNERS

The primary object of the Coalition's strategic partnerships is to collaborate and foster the advancement of financial solutions for sustainable landscapes across an array of sectors and disciplines. Partnering with organisations and initiatives that hold different competencies or networks to the Coalition creates a complementarity that is critical to sustainable landscape finance at a broad scale.

Strategic partnerships note the autonomy, separate competencies and organisational focal areas of each collaborator and their representatives. These strategic partnerships are designed to achieve the aim of ultimately establishing a constructive landscape finance sector in South Africa and across Africa with particular reference to collaborative focal areas between the partners. A full list of strategic partners working with the Coalition can be found in the acknowledgements.



FINANCE SOLUTION APPROACH[©]

The Coalition has developed a four-stage approach to developing and implementing new finance solutions to particular landscape contexts. The Finance Solution Approach[©] is based on experience in developing successful landscape finance solutions, such as section 37D of the Income Tax Act, and ensuring a strategic approach to ensuring viability of solutions before piloting to effect lasting change and transferability of solution building blocks to enhance scale. The approach is applicable to any innovative finance solution and can be embedded into a diversity of projects, entities and landscapes.

FOUR-STAGE APPROACH

Stage 1: Incubation

Finance Solution Incubators act as a strategic approach to investigating a specific finance solution with a niche group of experts (refer to structural detail above). They are designed to function without cost and to nimbly advance critical findings that have the potential to unlock new and sustainable landscape finance opportunities. This is facilitated by the presence of a cross-section of leading specialists and the provision of framing questions that guide the investigation. Ultimately, this yields findings that determine if a solution has the necessary building blocks to be implemented or not. This is evidenced by the Coalition's BMA Tax Incentive Incubator findings which are now being practically implemented through the BMA Tax Incentive Pilot Project (refer to below for further detail).

Stage 2: Strategic Development

Strategic Development involves the creation of finance strategies and/or feasibility studies that provide a road map for implementation and detail finance solution viability. Finance Strategies can be developed per project, per organisation or entity or for entire landscapes. Feasibility Studies are designed to target a specific type of intervention within a defined context to ascertain if the finance intervention in question is viable within the pre-defined context. The Coalition's Finance Solution Approach[©] focuses critically on strategic implementation and advocates for context specific approaches to be clearly scoped. This accurately determines and assesses the viability of finance interventions before they are piloted. The approach notes greater success with regards to effectiveness, transferability and success at moving to scale by focusing on the initial finance solution building blocks and their strategic implementation.

Stage 3: Piloting

Piloting of finance solutions is often a time consuming and costly exercise, sometimes without success, or with limitations of scale and importantly, unnecessary delays due to the absence of factors critical to the pilot's implementation (referred to as finance solution building blocks). The Coalition's Finance Solution Approach[©] seeks to ensure piloting success and scale and reduce unnecessary costs and delays by ensuring that viability checks have been established in stages 1 and 2. For example, where an incubator investigates a specific finance solution for which the findings indicate that there are missing building blocks, the next stages will not be conducted unless those critical success factors can be ensured. Essentially, all pilots under Stage 3 are based on finance strategies or feasibility studies in elected landscapes to test practical implementation and are often based on catalytic findings from incubators.

Stage 3 also involves the support of Anchor Projects. Anchor Projects are pilots or interventions being implemented by Coalition stakeholders and are not pilots implemented directly by the Coalition, WFA or WWF. Anchor Projects are supported if they are listed under a specific finance solution incubator in their Origins Document. Support is offered by feeding incubator expertise and findings into Anchor Project(s) and through ad hoc strategic advice, integration with other Coalition efforts, and by providing access to the broader Coalition network.

Stage 4: Scalability

Ultimately the aim of all finance solution efforts is to ensure the scale of successful innovation in order to plug finance shortfalls for conservation and sustainability efforts. This requires two critical factors: 1) Mainstreaming successful pilots to all landscapes that can benefit from the same finance solution; and 2) ensuring that the building blocks essential to getting the new finance solution off the ground are clearly illustrated so that they can be assessed in other landscapes to facilitate mainstreaming.



DEVELOPMENT OF INNOVATIVE LANDSCAPE FINANCE SOLUTIONS

The Coalition has launched six Finance Solutions Incubators between June 2020 - June 2021 with varying results and progress made on a number of fronts. Working with an independent consultant, Dr Hugo van Zyl of Independent Economic Researchers, the Coalition investigated the potential economic impacts of each of the Finance Solution Incubators and their associated interventions, as detailed below.

COALITION FINANCE SOLUTION INCUBATORS: STAGE 1 INTERVENTIONS

1. BIODIVERSITY MANAGEMENT AGREEMENT (BMA) TAX INCENTIVE INVESTIGATION

Incubator 1 aimed to create new financial flows for biodiversity conservation by unlocking section 37C(1) of the South African Income Tax Act No. 58 of 1962 (ITA). Section 37C(1) (tax incentive) of the ITA allows for the deduction of conservation and maintenance expenses where a Biodiversity Management Agreement (BMA) is concluded in terms of section 44 of the National Environmental Management: Biodiversity Act No. 10 of 2004 (NEMBA). The incentive is dedicated to supporting conservation management of threatened species and ecosystems.

This incubator successfully concluded with the result being viable for piloting. The incubator was able to clearly answer some questions regarding the tax incentive's application that have remained unclear since its inception in legislation in 2009. These findings have formed the basis of the BMA Tax Incentive Pilot Project. In addition, the incubator process was also able to identify and be introduced to the species management community of practice(s) with whom the tax incentive will be piloted, notably for the conservation management of rhino and lion. The incubator also created the foundation for the transferability of this solution post piloting by ensuring that the finance solution building blocks are in place. It is anticipated that this finance solution can be replicated to benefit other threatened species, such as cycads and vultures, as well as ecosystems in future.

Tax incentives, dedicated to biodiversity conservation, have an important role to play in effectively managing conservation costs and removing some of the financial burden placed on ordinary citizens that are safeguarding species and conservation landscapes in the public interest.

2. BIODIVERSITY OFFSETS FINANCE MECHANISMS

The Biodiversity Offset Finance Mechanism Incubator aimed to investigate and unlock financial flows for landscape conservation

in South Africa using biodiversity offsets. The Incubator encountered multiple layers of complexity due to the nature of biodiversity offsets in South Africa and undertook to address three large financial solution components in different contexts. As a result, this made progress slow. However, two of the three components are now being directly addressed through implementation. Component 1 of the incubator sought to address the long-term management and financing of offset receiving sites by the private sector. Component 2 sought to address this same impact but within the public sector. Whilst Component 3 sought to address the large picture and potential of 'Conservation Banking' in South Africa.

Incubator 2 has been concluded with Component 1 being addressed by a pilot project and Component 3 being addressed by a dedicated study. Component 1 is supported by a biodiversity offset pilot project to address corporate financing of biodiversity offset sites being led by Webber Wentzel, WFA and with pivotal assistance from select national experts. The pilot has made progress in drafting the first sustainable finance structure for the payment of management costs for a minimum of 30 years for an offset receiving site to be protected in perpetuity. It is hoped that this model can be replicated by other developers within the corporate sector in time. Component 3 is currently the focus of a dedicated 'Conservation Banking' study being undertaken by SANParks and WFA.

3. CARBON PAYMENTS

Incubator 3 aims to investigate creating additional finance for landscape conservation in South Africa by determining the viability of carbon payments. The incubator is primarily focused on the grasslands landscapes while ensuring alignment and integration with the sustainable agriculture sector. This incubator is moving at a rapid pace with meetings taking place more frequently than other incubators due to the need to grasp the possible potential of carbon payments within South African landscapes. The incubator hosts a plethora of niche specialists who are systematically answering each framing question to unlock the implementation of carbon payments. A number of corresponding areas of carbon payments implementation are under investigation by incubator members and this combination of theoretical investigation and practical exploration is critical to unlocking the long overdue potential of this instrument.

4. GREEN ECONOMY BANKABLE PROJECTS

Incubator 4 is a unique incubator in that it is not investigating a technical finance solution but rather seeking to address the

systemic gaps between the finance and investment sectors, and the environmental sector. Typically, the narrative indicates that the finance sector lacks access to bankable projects and the environmental sector lacks access to diverse pipelines of finance for projects. Understanding why this situation persists and how to address this is no easy task and the incubator has convened expertise from across the public, private and civil sectors to unpack this. Additionally, the incubator is supporting a number of Anchor Projects aiming to provide tangible solutions to this problem.

This incubator aims to investigate the best way to showcase and align potential bankable projects in the green economy with financiers, and investors who want to get access to green finance on a broad scale. The incubator has the objective to look at the viability of aligning potential green economy bankable projects with the investment and lending markets (or alternative alignment) to ensure that finance is attracted to legitimate bankable projects within emerging green economy sectors with tangible environmental and livelihoods/social outcomes.

5. MUNICIPAL PROPERTY RATES

Incubator 5 deals with the issues pertaining to the application of municipal property rates rebates, reductions and exclusions at both a local and national level. The incubator was initially convened only at a technical level and has now been reconvened with a broader member group to look at implementation of clear and practical approaches to the use of municipal property rates as a fiscal benefit for landscape conservation and sustainable cities. The incubator is supported by ongoing piloting work from WFA on the application of municipal property rates rebates, reductions and exclusions for protected areas. The UNDP BIOFIN Initiative is looking to address this issue at a national policy level.

6. DEBT INSTRUMENTS

Incubator 6 is supported by a dedicated feasibility study on one particular debt finance instrument: Green Bonds. It is hoped that further studies into other potential debt finance instruments for landscapes may be unpacked in future. In addition to the above incubators and their corresponding implementation interventions, two additional incubators are in design: 7. Water Finance Incentives and 8. Sustainable Agriculture Models.

COALITION FINANCE STRATEGIES AND FEASIBILITY STUDIES: STAGE 2 INTERVENTIONS

The Coalition is currently undertaking a number of Stage 2 finance solution interventions together with key partners. These finance strategies and feasibility studies are critical to the strategic advancement of addressing finance challenges faced in these contexts. The aim of these studies is to determine the most viable finance solutions and how to implement them with the greatest probability of introducing new and sustainable finance flows.

The strategies and studies are also being supported by the various incubators where applicable and are being integrated with pilot and anchor projects where possible. In short, none of these efforts are being undertaken in isolation and it is the aim of the

Coalition to ensure cohesion in landscape finance efforts, to avoid duplication of effort, and to enhance collaboration with key partners and stakeholders throughout its scope of work.

UNDP GEF 5 SUSTAINABLE LAND MANAGEMENT (SLM) PROJECT: FINANCE STRATEGY AND PLATFORM FOR SLM FINANCE

The key rationale of the UNDP-GEF 5 SLM Project is to support the national efforts to arresting land degradation and achieving sustainable land management, which are essential for achieving this vision.

The objective of the project is “to strengthen the enabling environment for the adoption of knowledge-based SLM models for land management and land/ecosystem rehabilitation in support of the green economy and resilient livelihoods through capacity building, improved governance and financial incentives demonstrated in the Karoo, Eastern Cape and Olifants landscapes.”

The UNDP-GEF 5 SLM Project is funded by the Global Environment Facility (GEF), and lead by the United Nations Development Programme (UNDP) in partnership with the Department of Forestry, Fisheries and the Environment and the Department of Agriculture, Land Reform and Rural Development. The design of the project includes four overarching outcomes. Component 2 of the UNDP-GEF 5 SLM Project is set out as follows: Financial and policy mechanisms devised and implemented and governance systems supported for the adoption of SLM, more specifically, Outcome 4: Financing and governance frameworks strengthened to support the adoption of SLM approaches. This finance strategy and the piloting of promising financial mechanisms represents the implementation of Outcome 4.

GREAT LIMPOPO TRANSFRONTIER CONSERVATION AREA (GLTFCA) SECRETARIAT FINANCE STRATEGY THROUGH RESILIENT WATERS AND USAID

The goal of the USAID Resilient Waters Program is to build more resilient and water secure Southern African communities and ecosystems through improved management of transboundary natural resources and increased access to safe drinking water and sanitation services. To this end, the USAID Resilient Waters Program is supporting the development of a sustainable finance strategy for the GLTFCA Secretariat. The Joint Management Board (JMB) of the GLTFCA has embarked on a process to design, implement and establish a Secretariat for this three-country transboundary conservation and development initiative. The first phase of this process identified and reviewed a range of institutional governance structure design options for the GLTFCA. Stakeholders were unanimous in supporting the vision of the GLTFCA: regional integration in effecting improved ecosystem management and biodiversity conservation outcomes, with associated sustainable development opportunities for rural and national economies. To this end this project seeks to address the creation of a finance strategy that will enable the Secretariat to function with long term financial sustainability.

GRASSLANDS NATIONAL PARK (GNP) FINANCE STRATEGY THROUGH THE GNP TASK TEAM

The project team for the GNP has indicated the need for a finance strategy to be detailed to ensure the effective and sustainable financing of this new protected area. The project team is a collaborative effort between SANParks and WWF. The GNP Technical Task Team (Task Team) has requested the development of a dedicated finance strategy for the GNP which is supported and co-funded by WFA, WWF and the WWF Nedbank Green Trust.

The GNP is the first park of its kind and will focus on critical grassland habitat in South Africa in the Eastern Cape Province. The Park will focus on an integrated declaration and management model incorporating state, communal and privately owned land.

Sustainable financing is required to ensure the effectiveness of this park in both its establishment as well as its ongoing management and its provision of co-benefits to South African livelihoods. Thus, a tailor-made finance strategy is required to determine the most viable finance solutions for this endeavour, including a road map for implementation.

FEASIBILITY STUDY FOR DEBT FINANCE FOR SOUTH AFRICAN NATIONAL PARKS (SANPARKS)

SANParks has indicated that its primary mandate is to conserve biodiversity and to manage the country's national parks. Adequate financing is required in order to achieve this mandate. The Covid-19 crisis has affected the tourism industry with devastating impacts for protected areas reliant on tourism income for the financing of their conservation and commercial activities. These impacts have also been felt by SANParks. Innovative finance mechanism/s are required to assist SANParks in sustainably financing its mandate. One suggested innovative finance mechanism is the use of debt-finance instruments.

Traditionally, debt-finance instruments are defined as assets that require a fixed payment to the holder, usually with interest. Examples of debt instruments primarily include bonds. Issuing green bonds, i.e. bonds whose proceeds are earmarked for funding climate and environmental-friendly projects remain the most mature green debt-finance instrument. The green bond, however, is no longer the only debt-finance instrument available for sustainable landscape finance. Thus, comparing sustainable debt-finance instruments in conjunction with determining their viability for SANParks is being undertaken in this dedicated feasibility study.

PILOT PROJECTS: STAGE 3 INTERVENTIONS

The Coalition is directly driving a number of finance solutions pilots through WFA and WWF. The pilots are actively testing and implementing new finance solutions and are integrated into Stages 1 and 2 as detailed above.

THE BIODIVERSITY OFFSET CORPORATE FINANCE MECHANISM WITH WEBBER WENTZEL AND OTHER INDEPENDENT EXPERTS

One un-mitigatable development impact relating to biodiversity is the rapid and consistent transformation of certain ecosystems and vegetation types, leading to biodiversity loss and extinction. In these instances, a corporate developer needs to either find an alternative site for development (avoid the impact) or offset remaining portions of the affected ecosystem by securing an area for conservation and managing it for its biodiversity value. Any offset receiving site should then receive long term protection and a minimum of 30 years management costs, financed by the developer.

If biodiversity offsets are undertaken with the highest standard, they can expand the protected area network and ensure that the financial sustainability for those areas is provided for in terms of the developers' obligations without placing additional strain on the State. Financial provisioning for offset receiving sites that are declared as protected areas is critical for their long-term security as well as their ongoing and effective management. This pilot is developing a unique and innovative corporate finance model to facilitate this.

MUNICIPAL PROPERTY RATES: SERVICE APPLICATION BY WFA

The financial sustainability of management authorities of protected areas across the spectrum, including those privately- and communally owned, and those owned by South African National Parks (SANParks), is under constant threat. This is especially so for protected areas heavily reliant on tourism.

One biodiversity finance mechanism which can contribute significantly to protected area financial sustainability is section 17(1)(e) of the Local Government: Municipal Property Rates Act, 6 of 2004 (the MPRA) which grants an exclusion from municipal property rates on natural areas within a nature reserve or national park. However, municipal property rates policies across the country in respect of protected areas are confusingly disparate. They range from not acknowledging the provisions of section 17 (1) (e) of the MPRA, to granting a 100% rebate, to anything in between. As one is dealing with the application of one set of legislation, the MPRA, read with the National Environmental Management: Protected Areas Act 57 of 2003 (NEMPAA), it is important that consistency be established.

The WFA team assists private and communal landowners across the country to access these much-needed municipal property rates rebates, reductions or exclusions and afford them savings that assist in covering the costs of managing these critical areas.

SECTION 37D FOR NATIONAL PARKS WITH SANPARKS

Section 37D of South Africa's Income Tax Act is globally unique and an award-winning biodiversity finance success story that creates additional financing for protected areas. This tax incentive contributes to closing South Africa's conservation finance shortfall by 8.8 per cent and is predicted to release R1.4 billion into South Africa's protected areas by 2026.

The application of section 37D to nature reserves has released an additional flow of sustainable finance totalling R200 million between the 2016 and 2020 tax years of assessment.

The successful application of section 37D is now being extended to national parks as well as nature reserves. The SANParks Section 37D Project aims to effectively pilot the use and application of section 37D at selected contract national parks to either existing and/or prospective landowners. To date, section 37D has not been utilised for contract national parks. This project would serve to facilitate this process and ensure that all qualifying contract national parks have a clearly defined process to access this unique financial benefit going forward. This will extend the impact of this finance innovation to all qualifying protected areas. More information on section 37D is provided in the forthcoming and further sections below.

SECTION 37D FOR VERIFICATION AND VALIDATION OF PRIVATE NATURE RESERVES WITH GROOTBOS NATURE RESERVE

The “Compliance and Regularisation of Nature Reserves in the Western Cape” Project, also referred to as the Verification and Validation Project (V&V Project) aims to make qualifying historically proclaimed provincial protected areas in the Western Cape compliant in terms of NEMPAA. Once compliant, these verified and validated protected areas may become eligible for the section 37D tax benefit.

WFA’s Environmental Tax & Training Services is assisting Grootbos Nature Reserve to potentially access section 37D of the ITA after having successfully completed the V&V process. The successful completion of this project will unlock additional finance for other qualifying private nature reserves across the country and further extend the impact of section 37D.

BMA TAX INCENTIVE

WFA has launched a new finance solution pilot project dedicated to threatened species management: The BMA Tax Incentive Pilot Project. WFA’s Innovative Finance Unit, in partnership with the Coalition, will test the BMA tax incentive, section 37C(1), for the first time since its inclusion in the ITA. The project aims to unlock much needed sustainable finance for the conservation management of important species such as rhino and lion, with the possibility of transferring the intervention for vultures and cycads as well. This pilot was made possible by the BMA Tax Incentive Incubator and is evidence of the effectiveness of the Coalition’s Finance Solution Approach®.

Section 37D National Report 2015- 2020. Stevens, C. M. D., and Van Wyk, E. Wilderness Foundation Africa (WFA).



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SCALED SOLUTIONS: STAGE 4 ONGOING AVAILABILITY

The Coalition makes two critical scaled finance solutions available to landscapes together with the partners critical to their delivery. These are important examples of what can be achieved at scale through the Finance Solution Approach[©] and the ultimate introduction and mainstreaming of new finance for environmental outcomes and landscapes.

SECTION 37D OF THE INCOME TAX ACT: SOUTH AFRICA'S FIRST BIODIVERSITY TAX INCENTIVE

Section 37D is South Africa's dedicated biodiversity tax incentive that provides a tax deduction for communal and private landowners who declare protected areas on their land. It meaningfully incentivises the expansion of the country's protected area estate assisting South Africa to report on its conservation targets. The operational management for these areas does not burden the State with any related costs, while section 37D assists the State to leverage private sector investment in its protected areas. It is also a vital tool in assisting business growth and job creation by providing much needed financial sustainability to protected areas and their corresponding livelihoods, particularly considering the impacts of the Covid-19 crisis.

Section 37D was introduced into legislation effective March 2015 with the first nature reserve receiving the deduction in 2016 through the BirdLife South Africa pilot project lead by Candice Stevens. To date (2020 tax year of assessment) and through mainstreaming efforts supported by SANBI and the GEF 5 Biodiversity and Land Use Project, the incentive has provided close to R200 million to South Africa's privately and communally owned protected areas. Projections indicate that by 2026, section 37D's projected scale will amount to approximately R1.4 billion. This solution is continually being applied by WFA's Innovative Finance Unit and Environmental Tax & Training Services Lead, Ellané van Wyk.

Due to the niche nature of section 37D, the loss to the fiscus is negligible whilst the return on investment is impactful within the conservation sector. The tax deduction is also pivotal in the development and success of other financial solutions for conservation efforts in South Africa.

THE GREEN OUTCOMES FUND (GOF)

The Green Outcomes Fund (GOF) is a first-of-its-kind structure that incentivises local South African fund managers to increase investment in green Small, Medium, and Micro-sized Enterprises (SMMEs). It creates demand for verified pre-agreed green outcomes generated by SMMEs. Simultaneously, it creates a common base for growing the South African green impact investing market. The need for the GOF is to help respond to crucial financing bottlenecks in South Africa's green economy.

The Green Outcomes Fund results from a World Bank Climate Technology Program pilot initiated in 2016, with the Bertha Centre for Social Innovation and Entrepreneurship, GreenCape and WWF as the main design partners. It set out to test whether a green outcomes-based impact investing fund of funds mechanism would stimulate growth in the South African green economy. The Green Outcomes Fund is aligned with the UN's Sustainable Development Goals (SDGs) and mobilises private capital in support of these global goals.

The GOF was officially launched in January 2020. Through a partnership between National Treasury's Jobs Fund and GreenCape, the Green Outcomes Fund is now able to provide outcomes-based matched (concessional) funding to local investment funds (Catalytic Finance Partners) to support investments into local SMMEs that make a demonstrable contribution to South Africa's green economy, as well as job and enterprise creation in priority impact areas. This was also made possible by catalytic support from the FirstRand Foundation. For funders, the GOF creates a market for pre-agreed, verified green outcomes.

More information can be found on the GOF website: <https://thegreenoutcomesfund.co.za>

³Business Case for Biodiversity Stewardship, SANBI.

⁴Tax Testimonials, Wilderness Foundation Africa.

⁵This information is available in abbreviated tables and verified by SARS tax returns Section: 37D Tax Returns, Wilderness Foundation Africa.



COALITION RESPONSES TO THE COVID-19 CRISIS

The Coalition has engaged directly and deliberately with stakeholders and decision-makers regarding the Covid-19 crisis providing support, advice, funding, and resources, policy advice, and technical green finance input (Green Taxonomy, Draft Green Stimulus Package, Green Recovery Thought Knowledge including a Parliamentary debriefing, to name a few).

THE WWF NEDBANK GREEN TRUST

The WWF Nedbank Green Trust, founded in 1990 by Nedbank and the World Wide Fund for Nature (WWF), funds innovative projects that have the potential to contribute to solving some of South Africa's greatest societal and environmental challenges.

The impact is achieved through working with partners and communities who champion the custodianship of natural resources and directing their energy and efforts to key levers of change for South Africa's future. From the early days of conserving the Kalahari lions and sea turtles to more recent climate change, water conservation and environmental leadership initiatives, the WWF Nedbank Green Trust has been there, pathfinding and forging the way.

From the beginning the Green Trust recognised that the future prosperity of South Africa depends on the coming together of governments, businesses, organisations and all people, and so has worked to create and cement these interconnected relationships.

The WWF Nedbank Green Trust achieves its impact through a very clearly defined strategy, which allows us to direct scarce resources and projects to key focus areas in order to make a difference.

The WWF Nedbank Green Trust has provided the foundation funding for the Coalition as well as provided the initial catalytic funding for the section 37D biodiversity tax incentive success. Visit greentrust.org.za to learn more.





CONCLUSION

In the South African conservation and finance sectors, momentum has been growing and many voices are calling for new methods of attracting, developing, and enhancing finance for conservation and sustainability. Much work has been done by multiple organisations and stakeholders on both the challenges and solutions for sustainable landscape finance. The South African conservation sector, however, needed a coordinated approach for investigating and testing new solutions to attract sustainable landscape finance. The Coalition has so far been able to tap into the growing momentum in the South African landscape finance space. It has harnessed the energy of organisations and people who recognize the importance and the urgency of developing sustainable financial flows directed towards conservation efforts and nature-based solutions and a sustainable future for its people, environment, and economy. These thoughts are now being echoed across the continent.

The initial high-level cost benefit analysis of the finance solution incubators, highlights the significant economic potential that the existing financial solution incubators possess. The Coalition is still in the early days of its existence, however, the successes and momentum to date are promising signs of things to come and evidence of a collaborative and coordinated approach to developing and implementing new solutions to complex problems. The networks that have been established are well placed to continue testing the financial solutions discussed in the preceding sections, as well as new solutions that may arise. With strong links established to critical stakeholders in priority landscapes, the Coalition has the opportunity to implement solutions that could be revolutionary for attracting and developing sustainable finance to secure enduring conservation across all landscapes in South Africa.

There is still much to do, and the road ahead presents considerable challenges, but it also hosts opportunities that have not been present until now. As new members join the Coalition at various levels, the capacity to tackle these challenges grows. Growth in members must coincide with tangible results that prove the effectiveness of the Coalition's Finance Solution Approach[©] but is also there to inspire others to join the Coalition, and as a collective more can be achieved together. The Coalition aims to continue its growth while enhancing its position as the leading platform for driving sustainable landscape finance solutions in South Africa and across its borders.

GLOSSARY

ARC: The Agricultural Research Council

The ARC is a premier science institution that conducts research with partners, develops human capital and fosters innovation to support and develop the agricultural sector.

Blended Finance

Use of catalytic capital from public and philanthropic sources to increase private sector investment in developing countries and sustainable development. It is not an investment approach and different from impact investing.

Biodiversity Stewardship

According to the South African National Biodiversity Institute Biodiversity, stewardship is an approach to securing land in biodiversity priority areas through entering into agreements with private and communal landowners, facilitated by conservation authorities.

DEA: Department of Environmental Affairs

The Department of Environmental Affairs is one of the departments of the South African government. It is responsible for protecting, conserving, and improving the South African environment and natural resources.

DFFE: Department of Forestry, Fisheries and the Environment

The Department of Forestry, Fisheries, and the Environment (DFFE) was renamed on 1 April 2021, from the previous Department of Environment, Forestry and Fisheries (DEFF). In June 2019, the DFFE had been established by incorporating the forestry and fisheries functions from the previous Department of Agriculture, Forestry and Fisheries into the Department of Environmental Affairs.

DWS: Department of Water and Sanitation

The DWS legislative mandate seeks to ensure that the country's water resources are protected, managed, used, developed, conserved, and controlled in a sustainable manner for the benefit of all people and the environment.

Ecological Infrastructure

Naturally functioning ecosystems that delivers valuable services to people. Examples include healthy mountain catchments, rivers, wetlands, coastal dunes and nodes and corridors of natural habitat, which together form a network of interconnected structural elements in the landscape. (Colvin, C. et al. 2015)

Integrated Landscape Management

A way of managing the landscape that involves collaboration among multiple stakeholders, with the purpose of achieving sustainable landscapes.

Landscape

A socio-ecological system that consists of natural and/or human-modified ecosystems and which is influenced by distinct ecological, historical, economic and socio-cultural processes and activities.

Landscape Approach

A conceptual framework whereby stakeholders in a landscape aim to reconcile competing social, economic, and environmental objectives.

National Environmental Management Act (NEMA)

Section 24 of the South African Constitution gives the right to every person for a non-harmful environment and simultaneously mandates the government to protect the environment. The National Environmental Management Act (NEMA) is the framework that is used to enforce this constitutional right. NEMA is used to help inform decision making at an individual, institutional and governmental level. NEMA provides a broad definition of the environment and is the overarching legislation for integrated environmental management.

National Environmental Management: Protected Areas Act (NEMPAA)

NEMPAA provides for the “protection and conservation of ecologically viable areas representative of South Africa’s biological diversity and its natural landscapes and seascapes”. These protected areas can include all private, communal, and state-owned land. NEMPAA enables the declaration of protected areas and provides for matters specific to the administration for these areas.

National Environmental Management: Biodiversity Act (NEMBA)

NEMBA provides the framework for “the management and conservation of biological diversity within the Republic and of the components of such biological diversity”. It specifically focuses on the preservation of species and ecosystems in and out of protected areas. South African National Biodiversity Institute (SANBI) is the chief implementer of NEMBA, whose mandate is largely charted in the National Biodiversity Framework. NEMBA outlines the identification of threatened and/or endangered species and ecosystems and deals with their protection as well as threats to biodiversity such as alien an/or invasive species. Although NEMBA covers a national implementation provincial biodiversity can differ slightly from province to province.

National Water Act

The primary purpose of the National Water Act is to “ensure that the nation’s water resources are protected, used, developed, conserved, managed and controlled in ways.” This legislation, amongst others focuses on promoting the efficient, sustainable and beneficial use of water in the public interest; protecting aquatic and associated ecosystems and their biological diversity; reducing and preventing pollution and degradation of water resources and managing floods and droughts. The Act provides scope to establish suitable institutions to achieve these purposes.

National Treasury

The National Treasury is one of the departments of the South African government. The Treasury manages national economic policy, prepares the South African government’s annual budget, and manages the government’s finances.

SANBI: South African National Biodiversity Institute

SANBI contributes to South Africa’s sustainable development by facilitating access to biodiversity data, generating information and knowledge, building capacity, providing policy advice, showcasing and conserving biodiversity in its national botanical and zoological gardens.

SANParks: South African National Parks

SANParks is the body responsible for managing South Africa’s national parks. SANParks was formed in 1926, and currently manages 21 parks consisting of over 4,000,000 hectares, over 3% of the total area of South Africa.

Sustainable Landscape

A sustainable landscape helps to meet the principles of sustainable development as defined in the UN Sustainable Development Goals. These are landscapes that can meet the needs of the present, without compromising options for future generations.

Water Stewardship

The Alliance for Water Stewardship defines water stewardship as the use of water that is socially equitable, environmentally sustainable and economically beneficial, achieved through a stakeholder-inclusive process that includes both site and catchment-based actions.

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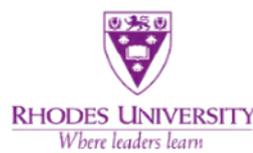
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