

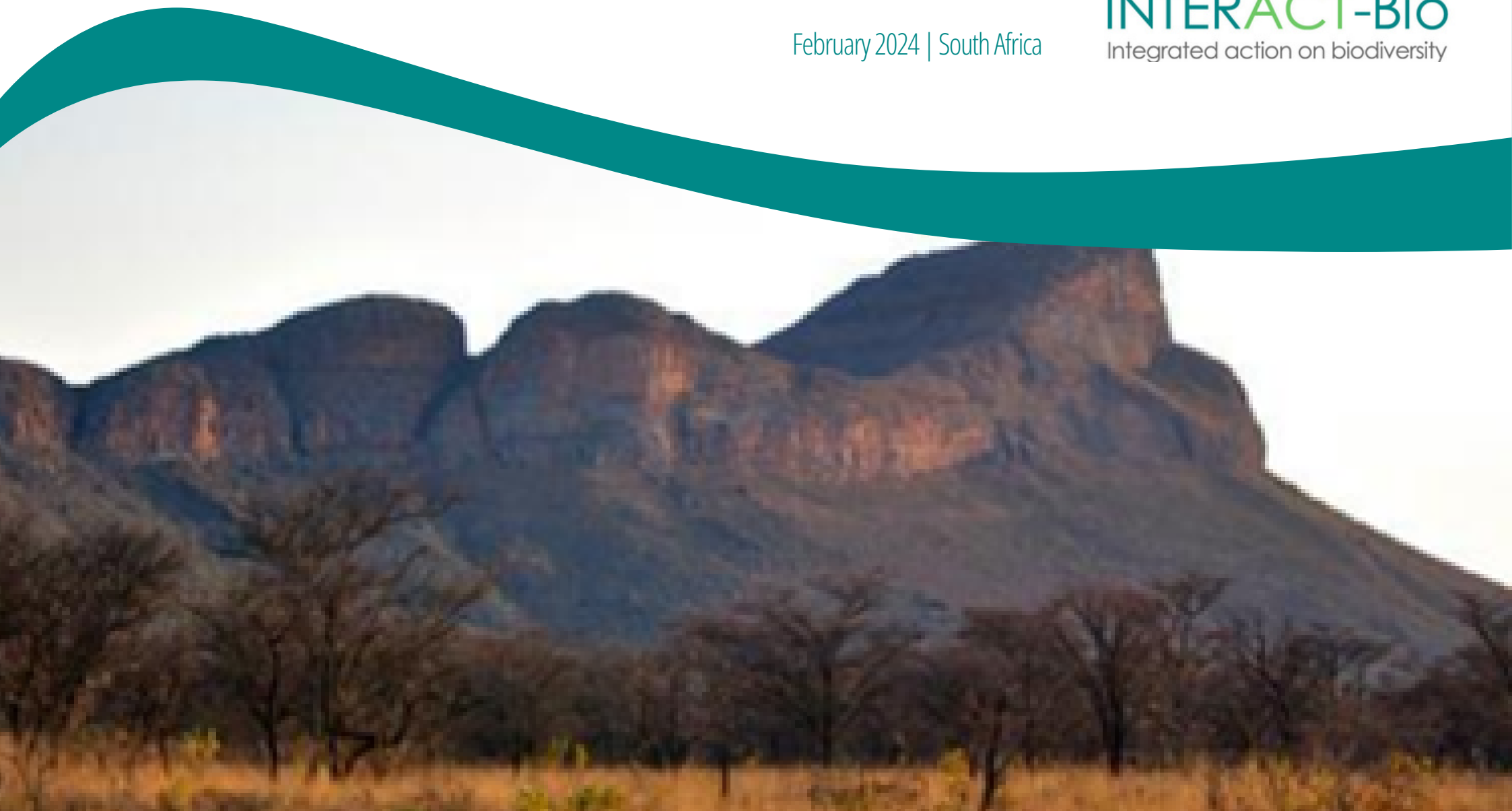
INTERACT-BIO DIALOGUE

UNLOCKING BIODIVERSITY FINANCE FOR WATERBERG DISTRICT
MUNICIPALITY THROUGH FINANCIAL INSTRUMENTS



INTERACT-Bio
Integrated action on biodiversity

February 2024 | South Africa



1. BACKGROUND

The INTERACT-Bio project includes the promotion and enablement of the mainstreaming of biodiversity management between national governments and city-regions. Historical decisions by Parties to the UN Convention on Biological Diversity (CBD) and the global biodiversity targets, e.g. Aichi Biodiversity Targets 2011-2020, have created the mandate for these efforts. Sub-national government biodiversity action, however, now supports the aspirations and targets set out in the post-2020 Global Biodiversity Framework and the Long-Term Approach to Mainstreaming biodiversity.

The INTERACT-Bio project is funded through the International Climate Initiative (IKI) implemented by the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV) in close cooperation with Federal Ministry for Economic Affairs and Climate Action (BMWK) and the Federal Foreign Office (AA). The second phase of the project focused on Colombia, China and South Africa. The ICLEI Africa team was the implementation partner for South Africa and selected Waterberg, Limpopo and the pilot region.

In South Africa, one of the primary limitations that impede sub-national and local governments contributing towards national objectives is the lack of capacity and financial resources. However, INTERACT-Bio aims to develop mechanisms for multilevel collaboration and governance that bridge the gaps between the National Biodiversity Strategy and Action Plan (NBSAP) (2015-2025) commitments and the implementations of local biodiversity actions. Furthermore, biodiversity finance mechanisms were developed for South African local governments to facilitate implementation of biodiversity actions based on global considerations and best practice. The project focused on the Waterberg District Municipality (WDM) as the pilot area.

As part of the INTERACT-Bio project this dialogue was held in the pilot area, Waterberg, in pursuit of improving information and knowledge sharing, to enhance institutional capacity building, facilitate multi-stakeholder discussion and to encourage multi-level collaboration. The focus was, specifically on biodiversity finance, to create an understanding of specific biodiversity finance mechanisms, their impacts, and explore the investment and financing opportunities that the private sector could unlock for biodiversity.

Why the need to mobilise biodiversity finances for Waterberg?

The WDM is home to diverse climates and landscapes, supporting rich species diversity. It's a recognised ecotourism destination with protected areas, including provincial and national parks, and the UNESCO-designated Waterberg Biosphere Reserve. Tourism, alongside agriculture and mining sustain the local economy. The region faces environmental challenges from mining activities and deforestation, which are exacerbated by climate change and biodiversity loss. Environmental threats which result from various economic activities include overgrazing, urbanization, and poor air quality. The region's importance to the national economy and biodiversity underscores its designation as a national priority in spatial development planning. The significance of the region therefore calls for adequate action and financing to manage and protect the rich biodiversity to ensure future sustainability, well-being and growth.



Methodology

ICLEI – Local Governments for Sustainability – Africa Secretariat appointed the expertise of Adaptive and Management Finance (AMAF) in 2023 to support the biodiversity finance project deliverables and to help develop the following:

1. Identify suitable financial instruments, and assisting with developing and trialing the relevant instrument/s to support the implementation of Biodiversity Strategy and Action Plans (BSAPs) in South Africa, particularly at the local and sub-national levels
2. Development of indicators, including their methodology to measure and report on sub-national contributions to global and national biodiversity targets

To further the work done by AMAF this exploratory dialogue was held with the WDM officials and relevant stakeholders, including private sector representatives, to present the finance instruments developed for the area and test the applicability thereof of the finance instruments developed.

2. DIALOGUE ON DRIVING BIODIVERSITY FINANCE

This dialogue forms part of a series of dialogues. The series of dialogues are intended to bring together national, sub-national, local and private sector actors for a vertically and horizontally integration. The finance dialogue was hosted in February 2024 in Bela Bela, Limpopo. It was held as the second session of the multi-stakeholder forum for WDM. The dialogue was facilitated by the In-Transformation Initiative, and it followed a panel discussion format whereby the conversation was framed by a few guiding questions. All questions were shared with the participants ahead of the discussion.

The panelists included representatives from the INTERACT-Bio project, WDM, provincial government and national government.



Daniel Ngwepe, Executive Director:
In-Transformation Initiative



Preciousstone Raputsoa, Municipal
Manager: Waterberg District Municipality



Kamlesh Pillay, Director- Adaptive
Management and Finance



Sagwata Manyike, Deputy Director:
Municipal Support South African National
Biodiversity Institute (SANBI)



Ursula Wellmann, Manager:
Biodiversity and Nature, ICLEI Africa



Masilo Manoko, Director Environmental
Empowerment Services: Limpopo
Economic Development, Environment and
Tourism (LEDET)

3. EMERGING THEMES AND LESSONS LEARNT

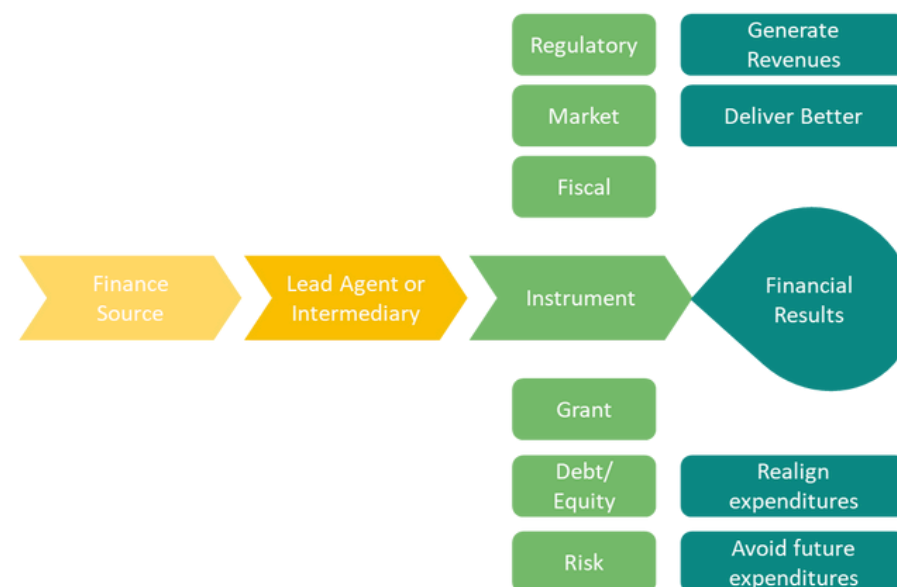
To address the rapid loss of biodiversity, suitable financial solutions and mechanisms need to be identified, developed and implemented. Preventing further changes to sea and land use, direct exploitation of organisms, climate change, pollution and invasion of invasive/non-native species, it is important to raise and manage capital and use financial incentives to support sustainable and effective biodiversity management. Investing in protecting and managing our diversity of natural assets will directly and indirectly increase resilience to the increasing environmental threats which society faces.

Local governments and cities can mobilise investment through creating an enabling environment by,

- improving the current use of resources through planning and prioritisation;
- working collaboratively and innovatively with the private sector and civil society; and
- developing legal and policy reforms. This will support innovation and sustainable utilisation of natural resources

Local governments and cities also need to identify and develop suitable financial solutions to channel investment and other biodiversity finances. The financial solutions are made up of several key elements which will produce the desired financial result/s:

Some examples of financial solutions which have been developed and trialed in various scenarios include: Biodiversity Offsets, Carbon Markets (REDD+), Corporate Social Responsibility (CSR), Green Bonds, Official Development Assistance (ODA), Payment for Ecosystem Services and Taxes and fees.



Source: BIOFIN, 2018

Figure 1: The various elements that form part of the development of a finance solution

Overview of biodiversity finance instrument selection for WDM

Biodiversity finance involves funding for protecting biodiversity, adapting ecosystems, and sustainably using biodiversity resources. Mainstreaming of biodiversity considerations is key to implementing effective biodiversity management and protection, using biodiversity finance. At the local level biodiversity finances may be incorporated into fiscal budgets, but these are often not sufficient and do not prioritize sustainability.

To address the need for biodiversity finances in the WDM, an assessment of biodiversity finance instruments was undertaken in the form of a scoring matrix, to understand which instruments were most suitable for the municipality. Political, legal and technical factors were used as criteria in the assessment. The aspects taken into account, when determining suitable financial instruments, were:

To address the need for biodiversity finances in the WDM, an assessment of biodiversity finance instruments was undertaken in the form of a scoring matrix, to understand which instruments were most suitable for the municipality. Political, legal and technical factors were used as criteria in the assessment. The aspects taken into account, when determining suitable financial instruments, were:

1. Ensuring that it aligns with current bioregional plan and EMF of the municipality
2. It is under the control of the municipality in terms of management of funds
3. Sustainable financial flows that are scalable and reliable in the long term
4. Allow for consistent support and implementation of biodiversity plans

The assessment considered a vast number of biodiversity finance instruments and the most relevant were shortlisted. Together with the municipality it was determined which instruments in the short list would be most viable. The process, however, brought to light that biodiversity finance is fairly new, at the local level and WDM, and the application thereof has remained theoretical. Despite this, the WDM was still able to identify CSR as an attractive option for financing biodiversity projects in the District Municipality. In addition, to overcome the issue of donor/grant reliance, the WDM has also identified two additional financial instruments that could be used in the future. These instruments are biodiversity-linked property rates/tariffs and a biodiversity fund. It is important that long-term financial mechanisms, such as these, are explored at the local level. Long-term financial sustainability and good public financial management is essential for local governments to continue to access biodiversity finance.

Corporate Social Responsibility and its strengths and limitations

CSR is a management concept whereby companies integrate and commit to social and environmental concerns in their business operations and their interactions with their stakeholders and shareholders. The “Triple-Bottom-Line-Approach” is commonly used to describe CSR efforts by a company to achieve a balance between economic, environmental and social imperatives while meeting the needs of their investors. A properly implemented CSR strategy can reflect competitive advantages, such as improved brand image and reputation, enhanced customer loyalty, and increased sales and profits, amongst others.

The appeal of CSR budgets lies in their familiarity to entities seeking funding. CSR budgets have been tapped into for biodiversity projects to varying extents, making them receptive to creating financial instruments to maximize these resources. However, a key obstacle for local entities aiming to raise funds for biodiversity projects is the lack of robust project pipelines capable of attracting CSR funds and other forms of philanthropy. While local governments often identify potential biodiversity projects within their policy frameworks, they frequently overlook assessing their financial, economic, and biodiversity benefits. A comprehensive concept note or business plan can address these challenges. By doing this local governments, such as WDM create a blueprint which can aid decision-making and stakeholder engagements. The notable concern with CSR funds and similar financial sources, that local governments need to be aware of, is the potential for CSR funding to perpetuate dependence on unsustainable funding in the long term. To overcome this, other alternate biodiversity finance mechanisms should be identified and used concurrently to ensure sustainability.



4. OUTCOMES OF THE DIALOGUE

Opportunities

There is one Sustainability Linked Bonds (SLB) in South Africa through Rand Merchant Bank, as a practical example: RMB Debt Capital Markets (DCM) and Sustainable Finance and ESG Advisory teams successfully arranged R1.2bn in sustainability-linked bonds for Rand Water. The transaction marks several African firsts, including being the largest South Africa Rand denominated bond issued, and the first ever to an African State-Owned company (SOC). To meet their issuance and sustainability strategy, Rand Water needed a trusted advisory partner that understands the key role that debt markets can play in funding and encouraging companies that contribute to sustainability.

- Biodiversity is included at the Integrated Development Plan (IDP) level to ensure a responsive municipality. WDM ensures that nature-based solutions and biodiversity are widely known and understood in the municipality. Nature-based solutions were brought forward to ensure that industries such as agriculture don't have negative impacts on the environment. Practitioners in the municipality are given the tools to deal with biodiversity related issues. This ensures that they are able to ask and answer the relevant questions to mainstreaming biodiversity and understanding how it affects sustainability
- Small initiatives such as school gardens, built on the Green Economy Strategy, has a positive domino effect - teaching children about biodiversity in school results in this being taken home, to increase the understanding of the importance of biodiversity Coordinated through the municipality, these initiatives create a platform for stakeholders to come together. In addition, cross departmental planning allows for a dedication of funds to initiatives such as school gardens.
- LEDET has money to support the municipalities - as the provincial authority they are obligated to support municipalities in regard to environmental functions. WDM has the bioregional plan which is facilitating the environmental mandate. The provincial government supports the municipalities in planning, analysing the information and ensuring it aligns with the current policies in place. In addition, LEDET looks at compliance within the environmental sector.
- The Waterberg Biosphere is one of the arms in terms of biodiversity conservation. The provincial authority has a MOU and funds go from LEDET to the biosphere to implement biodiversity conservation initiatives. There is a suggestion to consider the biosphere reserve in budget and finance planning as they have a great range of projects.

- Private sector is consulted especially the mining sector as it plays a large role in WDM, to be a partner in implementation in some biodiversity programmes.
- LEDET is in the process of establishing biodiversity economy nodes. In WDM there will be one or two nodes established - a study is currently underway and should be done in the 2024/25 financial year.
- SANBI and the national government have mapped out the strategic water sources - these give us 50% of our water. Waterberg has one and these need to be protected as populations will double in future, it needs to be ensured that companies don't pollute these sources hence mining is a big role player.
- The vision for Waterberg is that people can live in harmony with nature. A sustainable agricultural environment and that people can make a living from the natural environment.
- It is necessary to re-establish the WEBEC forum and this forum did great work and addressed the issue of communication between government and the private sector.

Challenges

- The problems municipalities experience in protecting biodiversity and finding resources for it, is that most of the people in municipalities do not work solely in biodiversity but more waste and air quality, this impacts the mainstreaming of biodiversity
- Municipalities are not able to enforce their own by-laws for example around illegal land invasion. This demonstrates that it is not just a biodiversity issue but it is also a compliance issue and encompasses a range of social issues
- There is a lack of communication on the projects taking place to the private sector and the general public and opportunities for the private sector to get involved is not very evident. There are smaller private sector companies that would be willing to get involved if they knew what was being done on the biodiversity front.
- Bad audits in the municipality hinder donors from investing their money in local municipality

5. CONCLUSION

The dialogue on biodiversity finance and its integration into the WDM highlighted both opportunities and challenges in the pursuit of sustainable development and biodiversity conservation and protection. Opportunities such as SLB and CSR and the incorporation of biodiversity considerations into the IDP provide avenues for funding and mainstreaming biodiversity initiatives. Moreover, small-scale projects like school gardens not only educate the youth on biodiversity but also foster collaboration among stakeholders. Collaboration with provincial authorities like the LEDET, the establishment of biodiversity economy nodes, and engagement with the private sector, especially in industries like mining, present promising avenues for furthering biodiversity goals. However, challenges persist, including the need for better communication between municipalities and the private sector, enforcement of by-laws, and addressing compliance issues. Overcoming these challenges requires concerted efforts in improving governance, communication, and stakeholder engagement.

Moving forward, it is essential to build upon the identified opportunities while addressing the challenges through enhanced collaboration, transparency, and capacity building. By doing so, the WDM can continue its journey towards achieving harmony between nature and human development, ensuring the long-term sustainability of its biodiversity and ecosystems.

INTERACT-Bio project at a glance

Full title: Integrated subnational action for biodiversity: Supporting implementation of National Biodiversity Strategy and Action Plans through the mainstreaming of biodiversity objectives across city-regions

Funded by: The INTERACT-Bio project is funded through the International Climate Initiative (IKI) implemented by the Federal Ministry for Economic Affairs and Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), Climate Action (BMWK) in close cooperation with the Federal Ministry for the Environment, and the Federal Foreign Office (AA).

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Project countries: Brazil, India, Tanzania, China, South Africa and Colombia

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