



THE WORLD BANK  
IBRD • IDA | WORLD BANK GROUP

**FOR OFFICIAL USE ONLY**

Report No: PAD3537

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED GRANT  
FROM THE GLOBAL ENVIRONMENT FACILITY

IN THE AMOUNT OF US\$8.99 MILLION

TO THE

REPUBLIC OF SOUTH AFRICA

FOR A

CATALYZING FINANCING AND CAPACITY FOR THE BIODIVERSITY ECONOMY AROUND  
PROTECTED AREAS PROJECT

June 17, 2021

Environment, Natural Resources & The Blue Economy Global Practice  
Eastern and Southern Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2021)

Currency Unit = South African Rand (R)

R14.94 = US\$1

US\$1 = SDR 0.7056

## FISCAL YEAR

January 1 - December 31

Regional Vice President: Hafez M. H. Ghanem

Country Director: Marie Francoise Marie-Nelly

Regional Director: Mark Lundell

Practice Manager: Africa Eshogba Olojoba

Task Team Leaders: Nathalie Weier Johnson, Sarah Moyer

## ABBREVIATIONS AND ACRONYMS

BAS	Business Accounting Software
CAs	Conservation Areas
CBD	Convention on Biological Diversity
CDF	Conservation Development Framework
CPA	Communal Property Associations
CPF	Country Partnership Framework
COVID-19	2019 novel coronavirus
DFFE	Department of Forestry, Fisheries and Environment
DRDLR	Department Rural Development and Land Reform
DT	Department of Tourism
EEZ	Exclusive Economic Zone
ECPTA	Eastern Cape Parks and Tourism Agency
EKZNW	Ezemvelo KwaZulu-Natal Wildlife
EPIP	Environmental Protection and Infrastructure Programme
GDP	Gross Development Product
GEF	Global Environment Facility
GoSA	Government of South Africa
GRM	Grievance Redress Mechanism
GWP	Global Wildlife Program
IDP	Integrated Development Plans
IWPA	iSimangaliso Wetland Park Authority
IWT	Illegal Wildlife Trafficking
LED	Local Economic Development plans
LDN	Land Degradation Neutrality
LEDET	Limpopo Economic Development, Environment and Tourism
NBES	National Biodiversity Economy Strategy
NBSAP	National Biodiversity Strategies and Action Plan
NDC	Nationally Determined Contribution
NDP	National Development Plan
NDT	National Department of Tourism
NNGO	Non-Governmental Organization
NPAES	National Protected Areas Expansion Strategy
NRM	Natural Resource Management
NT	National Treasury
PAs	Protected Areas
PDO	Project Development Objective
RDP	Reconstruction and Development Program
SANBI	South African National Biodiversity Institute
SANParks	South African National Parks
SCD	Strategic Country Diagnostic
SEP	Stakeholder Engagement Plan
SDG	Sustainable Development Goal
SDF	Spatial Development Framework
SLM	Sustainable Land Management
SMMEs	small, medium and micro-sized enterprises
WAVES	Wealth Accounting and Valuation of Ecosystem Services
WTTC	World Travel and Tourism Council

## TABLE OF CONTENTS

<b>DATASHEET .....</b>	<b>1</b>
<b>I. STRATEGIC CONTEXT .....</b>	<b>6</b>
A. Country Context.....	6
B. Sectoral and Institutional Context.....	8
C. Relevance to Higher Level Objectives.....	11
<b>II. PROJECT DESCRIPTION.....</b>	<b>14</b>
A. Project Development Objective .....	14
B. Project Components .....	14
C. Project Beneficiaries .....	21
D. Results Chain .....	22
E. Rationale for Bank Involvement and Role of Partners.....	24
F. Lessons Learned and Reflected in the Project Design .....	25
<b>III. IMPLEMENTATION ARRANGEMENTS .....</b>	<b>27</b>
A. Institutional and Implementation Arrangements .....	27
B. Results Monitoring and Evaluation Arrangements.....	27
C. Sustainability.....	27
<b>IV. PROJECT APPRAISAL SUMMARY .....</b>	<b>28</b>
A. Technical, Economic and Financial Analysis .....	28
B. Fiduciary.....	29
C. Environmental and Social .....	33
<b>A. GRIEVANCE REDRESS SERVICES.....</b>	<b>37</b>
<b>B. KEY RISKS .....</b>	<b>38</b>
<b>C. RESULTS FRAMEWORK AND MONITORING .....</b>	<b>40</b>
<b>ANNEX 1: Implementation Arrangements and Support Plan .....</b>	<b>61</b>
<b>ANNEX 2: Project Map .....</b>	<b>69</b>
<b>ANNEX 3: Economic and Financial Analysis.....</b>	<b>70</b>
<b>ANNEX 4: Feasibility Studies for Potential Anchor Investments.....</b>	<b>78</b>
<b>ANNEX 5: Adjustments to the South Africa Country Program in Response to COVID-19 .</b>	<b>83</b>



## DATASHEET

## BASIC INFORMATION

Country(ies)	Project Name	
South Africa	Catalyzing Financing and Capacity for the Biodiversity Economy around Protected Areas Project	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P170213	Investment Project Financing	Substantial
GEF Focal Area		
Biodiversity		

## Financing &amp; Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
08-Jul-2021	31-Dec-2025

Bank/IFC Collaboration

No

## Proposed Development Objective(s)

To increase investment in three target protected area (PA) landscapes to grow the biodiversity economy and benefits to local communities.

## Components

Component Name	Cost (US\$, millions)
Component 1: Build biodiversity economy nodes for community stewardship and livelihoods	7,480,339.00
Component 2: Knowledge exchange across nodes and capturing learning on wildlife conservation, community stewardship and biodiversity economy	1,082,515.00
Component 3: Project management and monitoring	427,971.00

## Organizations

Borrower:	Republic of South Africa
Implementing Agency:	South Africa National Parks (SANParks) iSimangaliso Authority Department of Forestry, Fisheries and Environment (DFFE) South African National Biodiversity Institute (SANBI)

## PROJECT FINANCING DATA (US\$, Millions)

### SUMMARY

Total Project Cost	8.99
Total Financing	8.99
of which IBRD/IDA	0.00
Financing Gap	0.00

### DETAILS

#### Non-World Bank Group Financing

Trust Funds	8.99
Global Environment Facility (GEF)	8.99

#### Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2021	2022	2023	2024	2025	2026
Annual	0.27	0.70	1.09	2.08	3.06	1.78

Cumulative	0.27	0.98	2.07	4.15	7.21	8.99
------------	------	------	------	------	------	------

## INSTITUTIONAL DATA

Practice Area (Lead)	Contributing Practice Areas
Environment, Natural Resources & the Blue Economy	Agriculture and Food, Climate Change, Urban, Resilience and Land

## SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Moderate
7. Environment and Social	● Substantial
8. Stakeholders	● Moderate
9. Other	
10. Overall	● Moderate

## COMPLIANCE

### Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

### **Environmental and Social Standards Relevance Given its Context at the Time of Appraisal**

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

**NOTE:** For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

### **Legal Covenants**

#### **Sections and Description**

Project Steering Committee: By no later than one (1) month after the Effective Date, the Recipient shall establish and thereafter maintain, at all times during the implementation of the Project, a Project steering committee which shall be chaired by DFFE and comprise of representatives from selected stakeholders, private sector and civil society. Such Project steering committee shall be responsible for, inter alia: (a) providing high-level guidance to the Project; and (b) maintaining the Project aligned with the Recipient's policies.

#### **Sections and Description**

Project Management Unit: By no later than one (1) month after the Effective Date, the Recipient shall establish and thereafter maintain, at all times during the implementation of the Project, a Project Management Unit within DFFE, which shall: (a) be chaired by a Project director; (b) comprise of a financing management specialist, procurement specialist, safeguard specialist, administration officer, among others, all with qualifications, experience and terms of reference acceptable to the Bank; and (c) be responsible for, inter alia, providing oversight and implementation support to the Project Implementing Entities.

#### Sections and Description

**Project Implementation Manual:** By no later than one (1) month after the Effective Date, the Recipient shall prepare and adopt a Project implementation manual (“Project Implementation Manual”), which shall contain detailed guidelines and procedures for the implementation of the Project, including with respect to: administration and coordination, monitoring and evaluation, financial management, procurement and accounting procedures, environmental and social safeguards, corruption and fraud mitigation measures, a grievance redress mechanism, criteria for selecting SMMEs to be supported under the Project, and such other arrangements and procedures as shall be required for the effective implementation of the Project, in form and substance satisfactory to the Bank. Except as the Bank shall otherwise agree in writing; not amend or waive or permit to be amended or waived any provision of the Project Implementation Manual. In case of conflict between the provisions of the Project Implementation Manual and this Agreement, the provisions of this Agreement shall prevail.

#### Conditions

## I. STRATEGIC CONTEXT

### A. Country Context

1. **South Africa is one of the most biodiverse countries in the world, and its biodiversity contributes significantly to the national economy, local livelihoods, and climate change resilience.** With a varied geography ranging from plains and savannas to deserts and high mountains, South Africa's ecosystems support over 95,000 species, and its rich biodiversity contributes to an estimated 418,000 jobs directly using or protecting biodiversity.<sup>1</sup> The total contribution of travel and tourism to South Africa's gross domestic product (GDP) in 2018 was about 9 percent,<sup>2</sup> a significant portion of which is directly linked to natural assets, particularly protected areas (PAs),<sup>3</sup> and abundant wildlife. Biodiversity also contributes to the livelihoods of the poorest, by providing a range of goods – such as food, biomass fuel, and medicine – and services, such as water. South Africa's ecological infrastructure<sup>4</sup> also increases resilience to climate shocks, by reducing the impact of extreme weather events, such as drought and floods.

2. **South Africa's political transition into a democracy in the mid-1990s is known as one of the most remarkable in the past century, but the country's economic transformation remains incomplete and hinges on the ability to facilitate inclusive job creation.** With a Gini coefficient of 0.63, South Africa has one of the highest inequality levels in the world. Globally it has one of the worst unemployment rates. In 2019, prior to the COVID-19 pandemic unemployment was at 29 percent.<sup>5</sup> In 2020 unemployment jumped to 32.5 percent.<sup>6</sup> Only 42 percent of adult South Africans are working, compared to the 61 percent average for middle-income countries. Youth unemployment exceeds 50 percent. Poverty fell from 33.8 percent in 1996 to 16.9 percent by 2008, but further progress has slowed in recent years due to domestic structural challenges and weak global growth since the 2008 global financial crisis. In 2020, the country's poverty rate stood at 21.9 percent. The economy grew on average 2.79 percent from 1994 to 2018.<sup>7</sup> However, overall growth slowed between 2017 and 2019 (1.3 percent in 2017, 0.8 percent in 2018, and 0.2 percent in 2019)<sup>8</sup> and dropped substantially in 2020 (an estimated 7 percent). GDP per capita growth has been stagnant or low since 2014. Government of South Africa (GoSA) is aware of the challenges that need to be overcome to accelerate progress and build a more inclusive society. It developed a

<sup>1</sup> Estimated number of jobs directly using or protecting biodiversity according to SANBI, National Biodiversity Assessment 2018: The Status of South Africa's ecosystems and biodiversity – Synthesis Report.

<sup>2</sup> World Travel and Tourism Council, 2019; Department of Tourism (2017) National Tourism Sector Strategy, which has as a target to increase the direct contribution of tourism to the GDP from R118bn in 2015 to R302bn in 2026 while increasing direct jobs supported by the sector from 702,824 to one million.

<sup>3</sup> National Parks under SANParks, including the Addo Elephant Park and Kruger National Park (residents of whose buffer zones this project will benefit) have seen visitor numbers rising from 5.2 million in 2014 to over 7 million in 2018, making nature-based tourism a major economic driver and providing a wide range of value chain development opportunities in support of rural development.

<sup>4</sup> Ecological infrastructure refers to naturally functioning ecosystems that deliver valuable services to people, such as water and climate regulation, soil formation and disaster risk reduction – including healthy mountain catchments, rivers, wetlands, coastal dunes, and nodes and corridors of natural habitat, forming a network of interconnected structural elements in the landscape.

<sup>5</sup> The Economist Pocket World in Figures 2019. South Africa's official unemployment rate stood at 29.1 percent in the third and fourth quarters of 2019.

<sup>6</sup> World Bank Macro Poverty Outlook for South Africa available here: [http://macropovertyoutlook.worldbank.org/mpo\\_files/mpo/mpo-sm21-zaf-scope.pdf](http://macropovertyoutlook.worldbank.org/mpo_files/mpo/mpo-sm21-zaf-scope.pdf).

<sup>7</sup> World Bank – SA Country Profile, [www.databank.worldbank.org](http://www.databank.worldbank.org).

<sup>8</sup> World Bank Macro Poverty Outlook for South Africa available here: [http://macropovertyoutlook.worldbank.org/mpo\\_files/mpo/mpo-sm21-zaf-scope.pdf](http://macropovertyoutlook.worldbank.org/mpo_files/mpo/mpo-sm21-zaf-scope.pdf).

2030 National Development Plan (NDP), outlining a vision and priorities, and the strategic goals of eliminating poverty and reducing inequality by 2030.

3. **The NDP 2030 demonstrates strong commitment to environmental and biodiversity protection as a vehicle to address South Africa's most crucial development challenge—accelerating growth while reducing inequality.** In support of the NDP, the National Biodiversity Strategy and Action Plan (NBSAP) 2015-2025 promotes the development of a *biodiversity economy*, defined as “the businesses and economic activities that either directly depend on biodiversity for their core business or that contribute to conservation of biodiversity through their activities” including the bioprospecting and wildlife sub-sectors.<sup>9</sup> The biodiversity economy is recognized as a crucial engine for inclusive rural economic development that supports the three goals of the NDP: increase employment, decrease inequality, and reduce poverty.

4. **The biodiversity economy is central to South Africa's tourism industry; but more could be done to make it sustainable and inclusive.** Within the NDP, tourism is identified as a highly labor-intensive industry that stimulates the development of small businesses and generates foreign direct investment and significant export earnings. Still, the rate of transformation in the tourism industry is slow, with few black entrants in the market.<sup>10</sup> The National Tourism Sector Strategy 2017 includes a strategy for People Development, with programs to attract and support more black entrepreneurs. The president also announced a new Tourism Equity Fund in February 2020 to boost transformation of the sector, including participation by rural communities, who are historically underserved and among the country's most vulnerable, and opportunities for new entrants to enter the industry and own and operate small-, micro- and medium-sized enterprises (SMMEs).

5. **Land reform is an important part of boosting black ownership and leadership of the sustainable tourism industry.** In South Africa the process of land reform has made some progress toward restitution of land back into the hands of local communities,<sup>11</sup> but land is not being utilized optimally for conservation and many other communities living in the integrated land-use zone adjacent to parks remain unable to access economic opportunities. In rural areas, some communities have successfully claimed back nature reserves, or portions of national parks, often in prime tourism destination areas. The challenge is that communities are frequently not equipped with the expertise and investment capital to participate, take over, and maintain these areas as functional economic units. Access to markets, incentives for putting land under conservation, and insufficient resources for expansion remain a challenge. A lack of systematic financial, technical support, and capacity<sup>12</sup> means that game farms and nature reserves may experience economic stagnation and ecological degradation and, ultimately, a decline or halting of benefits accruing to community owners. The Department of Forestry, Fisheries and Environment (DFFE) implements a National Biodiversity Strategy and Action Plan (NBSAP) to address these challenges, establishing ‘biodiversity economy nodes’ in high potential areas. A node is defined as a geospatial platform that establishes networks that enable market access, skills transfer, investment attraction, and supply

---

<sup>9</sup> Bioprospecting is research on, or development or application of, indigenous biological/genetic resources for commercial or industrial exploitation. The Bioprospecting sector is being facilitated the Bio Products Advancement Network South Africa (BioPANZA), a collaborative initiative between DFFE, the Department of Science and Technology and the Department of Trade and Industry, mandated to harness existing initiatives and new opportunities in bioprospecting and address the innovation chasm that exists between early product development and commercialization. The wildlife subsector includes live sales of indigenous wildlife; sale of game meat and products, and safari hunting. Department of Environment Affairs, National Biodiversity Economy Strategy, 2016

<sup>10</sup> Department of Tourism, 2017. National Tourism Sector Strategy, p. 36.

<sup>11</sup> This is due to the Restitution of Land Rights Amendment Act (Act 48 of 2003).

<sup>12</sup> Barriers to investment in the biodiversity economy are analyzed in Taylor, W.A., Lindsey, P.A. & Davies-Mostert, H. 2015. An assessment of the economic, social and conservation value of the wildlife ranching industry and its potential to support the green economy in South Africa. The Endangered Wildlife Trust, Johannesburg.

chain linkages through incorporating underdeveloped but biodiversity-rich communal lands, private lands, and existing PAs. Potential benefits in these rural nodes of high biodiversity economy potential may accrue from bioprospecting and biotrade, the wildlife sector, ecotourism/nature-based tourism, or value addition to cleared alien biomass, economies of scale as well as sustainable use of biodiversity through community-based natural resource management (CBNRM). Nodes also contribute towards achieving the country's target of PA Expansion Strategy.

## B. Sectoral and Institutional Context

6. **South Africa's PAs are important catalysts for socio-economic<sup>13</sup> transformation and poverty alleviation.** The vast system of PAs<sup>14</sup> is managed by national conservation agencies (such as South African National Parks (SANParks) and the iSimangaliso Wetland Park Authority), provincial conservation agencies (such as the Eastern Cape Parks and Tourism Agency (ECPTA), Limpopo Economic Development, Environment, and Tourism (LEDET) department, and Ezemvelo KwaZulu-Natal Wildlife (EKZNW)), and private and communal structures. South Africa's NBSAP highlights access to and sharing of benefits with communities adjacent to national parks and provincial nature reserves as vital to the sustainability of the PA system. SANParks and the provincial conservation authorities have developed mechanisms for targeted support to small- and medium-sized enterprises, and for creation of employment opportunities for people around PAs. SANParks facilitates schemes for communal landholders and land claimant communities, and meaningful participation of communities in the business of SANParks, including through preferential procurement.<sup>15</sup> Strengthening partnerships with government agencies and other strategic partners, and regular liaison with neighboring communities, are seen by all PA authorities as critical to achieving responsible socio-economic transformation alongside biodiversity conservation, with a key focus on integrated land-use scenarios.

7. **Expansion of South Africa's PAs through biodiversity stewardship is critical to overall biodiversity protection.** Given the ecological and socio-economic relevance of the PA system, and the fact that the existing system does not yet include a representative sample of all ecosystems as well as key ecological processes,<sup>16</sup> the GoSA established a 20-year National Protected Area Expansion Strategy (NPAES) in 2008. In addition to expanding land under protection and declaration of state land, the strategy places strong emphasis on contract agreements with private and communal landowners/users, developed through 'biodiversity stewardship programs', as the most cost-effective mechanism<sup>17</sup> for government to adequately conserve land identified as having high value biodiversity and to achieve targets associated with expanding PAs. Between 2008 and 2016 the Stewardship Program added 560,000 ha to the country's PA estate, equivalent in size to one-third of Kruger National Park.<sup>18</sup> Initially, stewardship efforts were focused on commercial farmers but in recent years 20 stewardship agreements (covering more than 100,000 ha of land) have been signed between land reform beneficiaries and conservation

---

<sup>13</sup> South African National Parks, 5-Year Strategic Plan 2019/20 - 2023/24 & Annual Performance Plan 2019/20.

<sup>14</sup> South Africa's PA system covers an area of 102,060 km<sup>2</sup> and over 1,115,600 km<sup>2</sup> of marine area (8.34 percent of the national terrestrial territory, and 5 percent of the country's Exclusive Economic Zone). This includes world-renowned PAs, such as the Kruger National Park and the iSimangaliso Wetland Park, a World Heritage Site.

<sup>15</sup> Guided by the Public Finance Management Amendment Act (Act 29 of 1999).

<sup>16</sup> DEA, 2016. National Protected Areas Expansion Strategy (updated from 2008), p. 5.

<sup>17</sup> See figures on p. vii of South African National Biodiversity Institute (SANBI), 2017. The business case for biodiversity stewardship. A report produced for the Department of Environmental Affairs.

<sup>18</sup> SANBI, Stewardship Achievements as of 2017.

authorities or non-governmental organizations (NGOs), with co-management arrangements in place in certain areas to help manage the land.<sup>19</sup>

8. **Biodiversity stewardship with land reform beneficiaries<sup>20</sup> can stimulate rural development.** However, facilitating conservation-compatible businesses and livelihoods is challenging, given the extensive barriers to rural business development. Communities with settled claims may access post-settlement financial support from the Department of Agriculture, Land Reform, and Rural Development (DARRD), but there is a lack of clear and viable financing models, poor alignment of multiple government developmental programs, and insufficient access to technical assistance including extension support, business development support and market linkages. The Land Reform and Biodiversity Stewardship Initiative (LRBSI), established in 2009, is a conservation and development initiative between the South African National Biodiversity Institute (SANBI), DFFE, and the DARRD. It recognizes community landowners<sup>21</sup> as the custodians of biodiversity on their land and supports conservation and rural development benefits for land reform beneficiaries in areas of critical biodiversity importance. The initiative has been successful in supporting communities to secure agreements and is now seeking to intensify efforts to support livelihoods in stewardship sites through capacity for ecotourism, game farming, sustainable natural resource harvesting, and related entrepreneurial opportunities.

9. **Poverty in PA landscapes contributes to overexploitation of natural resources, including wildlife crime through poaching.** An estimated 9-12 million people live around PAs, mostly in rural settings, and face high levels of poverty, and high rates of unemployment. A significant proportion of this population also depends on natural resources for part of its livelihoods. With weak access to credit, markets, training, and few formal employment opportunities, some resort to poaching for household consumption, as well as encroachment on PAs for harvesting fuelwood or cultivating crops. In other cases, community members are employed by illegal wildlife trafficking syndicates. The growth of transnational organized criminal networks in South Africa since the 1990s has led to a significant escalation in the poaching and trafficking of the country's wildlife resources. Despite concerted efforts to strengthen enforcement, poaching of high-value species such as cycad, abalone, rhino, elephant, pangolin, and lion remains a scourge in South Africa.<sup>22</sup> In the 2018/19 financial year, SANParks reported a 27.1 percent reduction in recorded rhino poached in the Kruger National Park, but a 37.5 percent increase in elephant poaching, albeit off of a low base. Wildlife crime has broader implications on national security leading to social disruption and weakened governance and institutional systems.

10. **There is strong and unprecedented momentum in South Africa to promote biodiversity conservation-compatible inclusive rural economic development.** In September 2018 President Ramaphosa launched 'Operation Phakisa: Biodiversity Economy,'<sup>23</sup> which seeks to balance biodiversity and natural resources protection

---

<sup>19</sup> SANBI, 2015. Biodiversity stewardship: Partnerships for securing biodiversity.

<sup>20</sup> The creation of many PA in South Africa historically resulted in the forced removal of black populations from their land and resources. In post-apartheid South Africa, the national government has implemented a land restitution program that allows dispossessed communities to reclaim the land they were forcefully removed from, or other land in compensation.

<sup>21</sup> Community land may include communal land, held in trust by the Traditional Authority on behalf of clearly defined community/ies, in terms of the Traditional Leadership and Governance Framework Act (Act 41 of 2003), or land owned by land reform beneficiaries with successfully settled land claims in terms of the Restitution of Land Rights Amendment Act (Act 48 of 2003), and governed by a Communal Property Association or Development Trust.

<sup>22</sup> This project forms "Pillar 2" of a joint South African Government country project under the GEF-7 Global Wildlife Program, together with Pillar 1, supported by UNEP on Combatting Illegal Wildlife Trafficking.

<sup>23</sup> The Operation Phakisa initiative was launched by Government in 2014 to help implement the National Development Plan, by fast-tracking the implementation of solutions on critical development issues. The methodology brings together key stakeholders from the

with sustainable use for economic development and equitable distribution of benefits. The National Biodiversity Economy Strategy (NBE Strategy) sets out measures to develop the wildlife, biotrade<sup>24</sup> and ecotourism sectors, aiming to create 162,000 jobs and generate US\$3.19 billion<sup>25</sup> in revenue by 2030. The wildlife sector, already employing about 100,000 people across the value chain, is seen as key to this – increasing business and land ownership by previously disadvantaged individuals and boosting participation by communities. A new coordinating mechanism for the multi-stakeholder Biodiversity Economy Lab initiative<sup>26</sup> is being established to keep track of implementation. DFFE, SANParks, iSimangaliso Wetland Park Authority and other PA authorities prioritize the promotion of socio-economic development of communities around PAs, with coordination through the national DFFE-led People and Parks program,<sup>27</sup> and other community forums, which aim to address issues at the interface between conservation and communities—in particular the realization of tangible benefits by communities who were previously displaced for the establishment of PAs or who live adjacent to PAs.

**11. Growth within the wildlife sector is particularly promising and a key objective to fulfil the potential of the biodiversity economy.** This sector includes game and wildlife farming and ranching activities related to the stocking, trading, breeding, and sustainable safari hunting<sup>28</sup> of game, and all the services and goods required to support this value chain. The wildlife sector is regulated by government and operationalized by the private sector with support from academic and research organizations. The wildlife sector has been growing consistently faster than the general economy, contributing US\$203 million to GDP in 2014,<sup>29</sup> with stable growth of 6 percent per annum in jobs from 2008 to 2013.<sup>30</sup> The NBE Strategy<sup>31</sup> targets for 2030 are to: (i) create 100,000 additional jobs, (ii) improve and develop 2 million hectares of privately-owned land, communal and restituted land for conservation and commercial game ranching, and (iii) enable US\$475 million in new equity in the sector – US\$272 million in game, and US\$203 million in fixed assets and infrastructure. A targeted 300,000 head of wildlife would be owned by black-empowered or black-owned ranches, promoting inclusive nature-based tourism development around PAs. Equity in the sector by communal landholders, land reform beneficiaries and other entrepreneurs

---

public and private sectors, academia and civil society to collaborate on detailed problem analysis, priority setting; intervention planning; and delivery, through collaboration sessions called laboratories (labs). The results of the labs are ambitious targets coupled with public commitment for implementation. Implementation is rigorously monitored and reported on. Labs have been held for two pillars of the Biodiversity Economy, namely the Wildlife Sector and the Bioprospecting Sector. The third pillar is Ecotourism.

<sup>24</sup> Also referred to as “bioprospecting” and referring to indigenous biological resources for commercial exploitation, e.g. cultivation of medicinal plants for their biological or genetic properties.

<sup>25</sup> Using exchange rate of ZAR14.75 = US\$1

<sup>26</sup> The Biodiversity Economy Lab Coordinating Committee is being established with the Department of Planning, Monitoring and Evaluation (DPME) at national level.

<sup>27</sup> The People and Parks program aims to address issues at the interface between conservation and communities, in particular the realization of tangible benefits by communities who were previously displaced to pave way for the establishment of protected areas.

<sup>28</sup> Although managed safari hunting or trophy hunting is controversial, it remains one of the best ways to cover the costs of maintaining large areas of intact natural habitat for wildlife and is widely seen as a vital element of conservation across Southern Africa. According to the authors of a new study - Luc Hoffmann Institute (2020) *Diversifying Local Livelihoods While Sustaining Wildlife: Exploring incentives for community-based conservation* – “To date, trophy hunting and tourism have generated significant returns on a large scale to enable wildlife conservation on community-owned or community-managed land. With challenges facing both those models, there are no easy or obvious new business models that can generate the same returns on the same scale.”

<sup>29</sup> The boom period from 2009 to 2014, in which exceptionally high prices were fetched in South Africa for game, especially color variants, ended in 2015 when prices dropped sharply; but the sector has continued to grow, and overall turnover of formal game auctions nationwide in 2018 was still high at US\$50.9 million.

<sup>30</sup> Department of Environmental Affairs, Wildlife Lab Report, 2016.

<sup>31</sup> Department of Environment Affairs, National Biodiversity Economy Strategy, 2016 estimates that the sector could reach a US\$950. million contribution to GDP and double the number of jobs by 2030.

from previously disadvantaged backgrounds is seen as enabling improved income, skills development, institutional capacity building, entrepreneurship, and food and environmental security.

**12. Barriers to the transformation of the wildlife sector are significant and complex.** There is currently insufficient intergovernmental coordination, institutional capacity and understanding of the full potential of the biodiversity economy.<sup>32</sup> The wildlife economy and ecotourism sectors reflect the historically skewed ownership patterns of the whole South African economy under colonialism and apartheid. Black entrepreneurs in the rural areas, especially women and youth, still lack technical support, infrastructure support, and access to finance and markets. Land reform beneficiaries lack access to technical training, infrastructure, skills development and business support, and exposure to effective business and partnership models. Financial institutions are often hesitant to provide loans to communities, who often cannot afford the initial step of creating a business plan. Although SANParks and provincial conservation agencies are making game animals available to community reserves through game donation or custodianship programs, there is a lack of technical capacity to manage new game ranches, translocation restrictions due to foot and mouth disease (FMD), and lack of veterinary technicians, as well as inadequate fence infrastructure. In the absence of a formalized game meat industry, there are gaps in industry standards and challenges around compliance, especially for producers who lack access to veterinary care, infrastructure, and legal markets.

**13. The COVID-19 pandemic is causing major disruptions to the South African economy, including in the tourism sector in PAs.** In response to the virus, the GoSA imposed a mandated lockdown in March 2020, which included the cessation of all international and interprovincial travel and saw the closure of most economic activity, including all tourism-related activities. The impact has led to declining revenues at national parks, as tourists are kept away. This had negative, knock-on impacts for livelihoods in PAs. In a May 2020 survey of the entire tourism industry within South Africa, 83 percent of respondents reported revenues in March 2020 were down more than 50 percent compared to March 2019, and 34 percent of reported revenues were 100 percent less.<sup>33</sup> In that same survey, 58 percent of firms were unable to service their debts and 54 percent of firms were unable to cover fixed costs in March 2020. As of May 2021, eco-based tourism has re-opened, but international travel has not resumed to pre-COVID-19 levels and tourism in PAs and dependent upon the wildlife economy remains hamstrung.

## C. Relevance to Higher Level Objectives

**14. The proposed project is strategically aligned with South Africa's Strategic Country Diagnostic 2018 (SCD) and a draft World Bank Group Country Partnership Framework (CPF) for South Africa for FY21-25.** The SCD identifies five binding constraints to tackling poverty and inequality: (i) insufficient skills; (ii) the skewed distribution of land and productive assets, and weak property rights; (iii) low competition and low integration in global and regional value chains; (iv) limited or expensive spatial connectivity and under-serviced historically disadvantaged settlements; and (v) climate shocks. The proposed project speaks to each of these constraints by creating the strategic enabling environment for the following: (i) skills enhancement for business development; (ii) efforts to enable community equity in new wildlife ventures; (iii) development of value chains in rural economies; and (iv) increased resilience to climate shocks by securing long-term sustainability of land use through biodiversity stewardship. The project also aligns with the draft CPF, specifically its focus on inclusive job creation

---

<sup>32</sup> DFFE and the People and Parks National Steering Committee are working to consolidate the full spectrum of learning and tools development under "The Journey of Thriving Biodiversity Economy Enterprises", so that there is more transparency, and easier access to available tools and guidelines.

<sup>33</sup> International Finance Corporation and GoSA Tourism Industry Survey May 2020. The survey had 1610 respondents from across the industry. The survey can be accessed [here](#).

and economic growth through investment in the development of SMMEs, integrated value chains, and entrepreneurship.

15. **The proposed project contributes to the World Bank's corporate goals and initiatives.** Notably, the project aligns with the following: i) the Global Wildlife Program (GWP), a US\$213 million global platform led by the World Bank and financed by the Global Environment Facility (GEF) to support wildlife conservation; ii) the WBG's 2021-2025 climate targets, building on the 2016 Climate Change Action Plan; (iii) the WBG Action Plan on Climate Change Adaptation and Resilience, prioritizing the Sub-Saharan African region and building on the Africa Climate Business Plan (ACBP); iv) the Integrated Landscape Management (ILM) approach, which recognizes the value of connected natural resource management across different land uses at the landscape level as a basis for enhancing people's livelihoods, security and resilience to climate variability and change; and (v) the WBG Gender Strategy (FY16-23) which seeks to empower women through four objectives: improving human endowments, removing constraints for more and better jobs, removing barriers to women's ownership and control of assets, and enhancing women's voice and agency and engaging men and boys.

16. **The project contributes to the World Bank's Maximizing Finance for Development approach.** The project supports the World Bank's efforts to leverage private sector solutions<sup>34</sup> and financing to provide value for money and boost development prospects, reserving scarce public financing for those areas where no private funding is available. The project supports DFFE's work to develop a platform that both showcases a pipeline of biodiversity-related investment opportunities as well as facilitates matchmaking between investors and these opportunities. The platform will help match public resources and identify where private finance would be better suited.

17. **The project responds to the objectives of the GEF Biodiversity Focal Area.** The Country child Project: "South Africa Biodiversity Economy and Illegal Wildlife Trade" was approved by the GEF in June 2019 and is structured around two "pillars" (Table 1). Pillar 1 is led by UNEP and focuses on illegal wildlife trafficking, which contributes to GEF Focal Area BD-1-2a to "mainstream biodiversity across sectors as well as landscapes and seascapes through global wildlife program," while Pillar 2 is led by the World Bank and contributes to GEF Focal Area BD-1-2b to "mainstream biodiversity across sectors as well as landscapes and seascapes through global wildlife program for sustainable development". This project is developed jointly by the World Bank and the UNEP is a participating child project under the GWP Phase II with an approved GEF -7 grant in the amount of US\$13.4 million. The project will collaborate with the global coordination grant of the GWP, an umbrella to coordinate and share lessons across projects aiming to combat activities along the global illegal wildlife trafficking (IWT) value chain from supply to demand. The World Bank-supported project follows the Program's theory of change, which posits that IWT will be reduced if, among other things, communities are empowered in and around PAs to be stewards and beneficiaries of wildlife in its source countries.<sup>35</sup>

18. **The project also contributes to global and national targets.** This project is designed to contribute to the Aichi 2020 Targets of the Convention on Biological Diversity<sup>36</sup>, specifically Target 1 and 2 under Strategic Goal A: *Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society*, through implementing the biodiversity economy. It also contributes to Targets 5 and 7 under Strategic Goal B: *Reduce the direct pressures on biodiversity and promote sustainable use* by promoting rural livelihoods that reduce incentives to become involved in illegal wildlife trafficking value chains. Finally, the project will contribute to Target 11 under Strategic Goal C *To improve the status of biodiversity by safeguarding ecosystems, species and*

---

<sup>34</sup> Whilst meeting the highest environmental, social, and fiscal responsibility standards

<sup>35</sup> UNEP has developed a separate program document (PRODOC) for Pillar 1.

<sup>36</sup> In October 2020, the 15th Conference of the Parties to the CBD in China is expected to decide on the CBD Strategic Plan 2021 to 2030

*genetic diversity* by securing 20,000 hectares of important wildlife habitat through conservation agreements. In support of Target 14 of Strategic Goal D: *Enhance the benefits to all from biodiversity and ecosystem services*, the project will promote SMME development and improve community governance capacity. The project also supports South Africa's attainment of the 2030 Agenda for Sustainable Development – contributing to achievement of SDG 1: *No Poverty*; SDG 5: *Gender Equality*; SDG 8: *Decent Work and Economic Growth*; SDG 9: *Industry, Innovation and Infrastructure*; and SDG 15: *Life on Land*. On SDG 13: *Climate Action*, the project will contribute to climate change adaptation, strengthening the adaptive capacity and resilience of communities living around selected PA landscapes, and promoting stewardship for increased and more sustained delivery of ecosystem goods and services, especially hydrological services in the face of greater intensity and frequency of droughts and floods. The project aligns with several of South Africa's NDP objectives: i) Environmental Sustainability and Resilience, ii) Economy and Employment, iii) Social Protection through contributing to food security and iv) Inclusive Rural Economy; and will contribute to several DFFE strategies and programs – the National Protected Areas Expansion Strategy, the NBE Strategy, various Small Business Development mechanisms, the Natural Resource Management Programs, Environmental Protection and Infrastructure Program, and the Transfrontier Conservation Areas Program.

**Table 1. World Bank-UNEP Joint Approach within the Global Wildlife Program**

<b>GEF-7 Financing and Distribution</b>	
<b>Total Project Cost: US\$13,427,982</b>	
<b>World Bank GEF part: US\$8,990,826</b>	UNEP GEF part: 4,437,156
<b>GEF 7 Child Project Objectives</b>	
<p><i>Overall GWP Child Project Goal:</i> Strengthen South African capacity to combat illegal wildlife trade and improve PAs and landscape management for increased community benefits</p> <ul style="list-style-type: none"> <li>• <i>WB GEF sub-PDO:</i> increase investment in three target PA landscapes to grow the biodiversity economy and benefits to local communities.</li> <li>• <i>UNEP GEF sub-PDO:</i> strengthen South Africa's capacity to implement the National Integrated Strategy to Combat Wildlife Trafficking (NISCWT).</li> </ul>	
<b>Proposed Components</b>	
<p><b>Pillar 1 (UNEP)</b></p> Component 1. Consolidate and increase compliance and enforcement with wildlife-related legislation Component 2. Enhance forensic and scientific support services linked to wildlife trafficking investigations Component 3. Establish specialized prosecution and court capacity to focus on wildlife trafficking <p><b>Pillar 2 (World Bank)</b></p> Component 1. Build biodiversity economy nodes for community stewardship and livelihoods Component 2. Knowledge exchange across nodes and capturing learning on wildlife conservation, community stewardship and biodiversity economy Component 3. Project Management and Monitoring	

**19. Implementation of this project coincides with a critical time as South Africa works to rebound from COVID-19.** It is expected, at the time of project effectiveness, that the country will still be battling the health risks associated with COVID-19. Regulations such as limits on group activities and requirements to remain socially distance could impact this project and the general ability of the country's biodiversity-based tourism sector to come back online. Still, this project will invest project funds – and leverage others – for investment into PA

economies as a time when such areas are hurting because of the government response to the global pandemic. Safeguarding South Africa's biodiversity – and the economy that is built around it – so that it can be grown in the future is important and this project can support that effort.

## II. PROJECT DESCRIPTION

### A. Project Development Objective

#### PDO Statement

20. **The Project Development Objective is to increase investment in three target protected area landscapes to grow the biodiversity economy and benefits to local communities.**

#### PDO Level Indicators

21. **The project performance toward the PDO will be measured by three outcome indicators:**

- a) Area of landscapes under improved practices (hectares)<sup>37</sup>;
- b) Volume of public and private sector resources leveraged<sup>38</sup> for Wildlife sector;
- c) Number of SMME businesses in Biodiversity Economy nodes supported to start or expand operations; and
- d) Number of beneficiaries disaggregated by gender.

The Results Framework in Section VII of this document presents the project outcome and intermediate indicators.

### B. Project Components

22. **South Africa has been granted US\$13.4 million by the Global Environment Facility's 7th replenishment (GEF7) to support the growth and development of its Biodiversity Economy.** US\$9 million of this grant will be used to implement the "Catalyzing Financing and Capacity for the Biodiversity Economy around Protected Areas Project." The project will target activities in three Biodiversity Economy nodes: (i) the Greater Addo to Amathole Node in the Eastern Cape Province, (ii) the Greater Kruger-Limpopo Node in Limpopo Province, and (iii) the Greater-iSimangaliso Node in KwaZulu-Natal Province.

23. **Based on the priorities of Government, the project design will address the following development constraints and issues:** (a) high unemployment and limited livelihoods options in and around PAs; (b) inequality in rural economies; (c) unrealized potential of the country's wildlife and biodiversity economy, including untapped opportunities for expansion of conservation areas; and (d) threats to the country's PAs and conservation objectives.

<sup>37</sup> This includes community land defined as (i) communal land, held in trust by the Traditional Authority on behalf of clearly defined community/ies, in terms of the *Traditional Leadership and Governance Framework Act (41 of 2003)*, or (ii) land owned by land reform beneficiaries with settled land claims in terms of the *Restitution of Land Rights Amendment Act (48 of 2003)*, and governed by a Communal Property Association or Development Trust.

<sup>38</sup> Resources secured will include public and private sector investment (capital and operational expenditure) leveraged during project implementation, above and beyond initially committed project co-finance, to be tracked and reported on annually during project implementation.

**24. The project has the following three components:**

- Component 1. Build biodiversity economy nodes for community stewardship and livelihoods;
- Component 2. Knowledge exchange across nodes and capturing learning on wildlife conservation, community stewardship and biodiversity economy; and
- Component 3. Project management and monitoring.

**25. The project design builds on South Africa's NBE Strategy, which seeks to balance biodiversity and natural resource protection with sustainable use for economic development and equitable distribution of benefits.** The strategy sets out measures to develop the wildlife, biotrade,<sup>39</sup> bioprospecting, and ecotourism sectors, aiming to create 162,000 jobs and generate US\$3.19 billion<sup>40</sup> in revenue by 2030. DFFE, SANParks, iSimangaliso Wetland Park Authority and other PA authorities prioritize the promotion of socio-economic development of communities around PAs, with coordination through the People and Parks Program and other community forums, which aim to address issues at the interface between conservation and communities – in particular the realization of tangible benefits by communities living around PAs.

**26. Component 1 activities will be carried out at the level of the three project sites, which correspond to biodiversity economy nodes identified under the Biodiversity Economy Phakisa.** These include the Greater Addo-Amathole Node in the Eastern Cape Province, the Greater Kruger-Limpopo Node in Limpopo Province, and the Greater iSimangaliso Node in KwaZulu-Natal Province. Component 2 activities will be carried out at the national level and will focus on sharing lessons learned from Component 1 with other biodiversity economy nodes across South Africa for replication and scale-up, with additional knowledge exchange through the regional and global forums of the GWP. Component 3 relates to project management activities.

**Component 1 (US\$7,480,339). Build biodiversity economy nodes for community stewardship and livelihoods**

**27.** This component is designed to demonstrate DFFE's biodiversity economy nodes concept in the three project sites through (i) improving stakeholder coordination, more efficient use of existing resources, and alignment of investment; (ii) channeling funding and technical assistance to SMME development to improve economic activity and create jobs; (iii) improving benefit sharing by local communities through strengthened governance models; and (iv) expanding the PA estate through South Africa's stewardship program. Intact biodiversity resources, and specifically wildlife, are the cornerstones of the biodiversity economy. The activities financed under this component focus on protecting wildlife assets and supporting greater biodiversity conservation through better leadership and coordination of the biodiversity assets. The goal is to empower the communities living near the PAs and improve their livelihoods thereby reducing the threat to the biodiversity resources.

**Subcomponent 1.1 (US\$2,697,781) Support multi-stakeholder coordination platforms to develop and/or strengthen a shared vision for biodiversity economy nodes on land use and economic development**

**28. Activities under this subcomponent aim to bring together stakeholders around a shared vision for the biodiversity economy in each of the three project nodes.** Stakeholders will come together to:

---

<sup>39</sup> Also referred to as “bioprospecting” and referring to indigenous biological resources for commercial exploitation, e.g. cultivation of medicinal plants for their biological or genetic properties.

<sup>40</sup> Using exchange rate of ZAR14.75 = US\$1

- (i) **Strengthen and/or coordinate actions around a shared vision of the biodiversity economy for the node through multi-stakeholder arrangements:** Each project node will establish a coordination structure, following or adapting the model of the Umfolozi Biodiversity Economy Node (UBEN) in KwaZulu-Natal.<sup>41</sup> The project node coordinators will be responsible for holding capacity development workshops in the first year of operation, facilitating regular meetings, and reporting on the structure's progress on planning and investments. The objective is to create a shared vision that can then be translated into actions to protect the wildlife and biodiversity assets that the biodiversity economy is dependent on and identifying investment opportunities specific to each node.
- (ii) **Produce a Biodiversity Economy Node Master Plan** that ensures biodiversity economy goals and actions are integrated into existing municipal planning processes and the Government's new Coordinated District Service Delivery Model:<sup>42</sup> Currently no planning exercise exists at the nodal level, though several pieces of legislation govern development and spatial planning at national, provincial and local levels.<sup>43</sup> The project node coordinator will facilitate the Master Plan process, guided by the coordination structure, and with support from a project spatial planning advisor (see Subcomponent 2). The content of the Master Plan will also be shared with municipalities in the node – aiming to integrate relevant goals and actions into processes for updating municipal Integrated Development Plans (IDP), Spatial Development Frameworks (SDF) and Local Economic Development (LED) plans and Conservation Development Frameworks (CDF). The project will also ensure that goals and actions of the Master Pan are integrated into the new Coordinated District Service Delivery Model, launched in October 2019. Support will also be provided to site-specific CDFs for community-owned land – to inform conservation and development land-use options on the piece of the land, after which more detailed feasibility studies can be conducted. The detailed studies will include appropriate siting, design, costing, environmental permitting, as well as business viability, analysis of supply pipeline, and market analysis for value-added products.
- (iii) **Facilitate and align public and private investments to fulfil the Master Plans.** Project node coordinators will be responsible to adapt the Biodiversity Economy Node Master Plans into investment frameworks, including identifying potential anchor investments suitable to each node. Particular focus will be on identifying and aligning public and private investment sources. A short list of potential "anchor" investments for each node is available in Annex 3. Funds will be made available for five detailed feasibility studies in each node. The process will involve: (i) completing a pre-feasibility study to determine whether a proposed venture is appropriate and viable, and if so, what business model should be followed; and (ii) undertaking a more detailed feasibility study and providing transaction advice – to access private and/or public finance (e.g. EPIP Program<sup>44</sup>).

### **Subcomponent 1.2 (US\$1,871,220) Provide SMME support in Project Nodes**

<sup>41</sup> This model holds quarterly meetings of its coordination structure, including a wide range of representatives, including local government, traditional authorities, community groups, local businesses, national departments, and conservation agencies.

<sup>42</sup> The new Coordinated District Service Delivery Model launched in October 2019.

<sup>43</sup> Existing planning tools are governed by principles set out in the Development Facilitation Act (Act 67 of 1995). Since 2000, all municipalities are required by law to have an Integrated Development Plan (IDP), updated every five years, and supported by a SDF and implemented through LED plans.

<sup>44</sup> EPIP is DFFE's Environmental Protection and Infrastructure Programme, focusing on infrastructure-related projects that contribute towards environmental protection, conservation, and sustainability, while creating work opportunities and providing skills development. EPIP public investments mobilized in the three nodes will provide significant co-finance to the project.

29. **This subcomponent focuses on support to SMMEs in the project nodes.** Businesses in the biodiversity nodes are dependent on wildlife and intact biodiversity. With support from the project, communities will see tangible benefits from the wildlife resources and appreciate the need to protect those resources. Financial and technical support will be provided to selected SMMEs. All three nodes have high unemployment and include communities that have historically been excluded from access to training, finance, and markets. Project funding will support the development of a comprehensive package of SMME support services, which will build on the efforts of the Department of Small Business Development, Department of Trade and Industry, and Small Enterprise Development Agency, and best practice models developed through two recent GEF investments in South Africa.<sup>45,46</sup> The support will be divided as follows: approximately 70 percent will go to strengthen existing, viable businesses to help them grow through facilitating increased market linkages, training and mentorship; and 30 percent will be invested in the identification and incubation of new start-ups. Special focus will be placed on supporting women-led SMMEs and expanding job opportunities to woman and youth. Wherever possible project funding will be used to crowd-in public and private financing sources to maximize finance available for development. Specific activities to be financed include the following:

- (i) **Training on business planning / expansion:** A training course will be delivered to approximately 150 existing and would-be entrepreneurs in each project node. Trainings will develop participants' understanding of social, economic and environmental sustainability, and will provide hands-on support to develop a business development or improvement plan to take advantage of opportunities in Biodiversity Economy value chains. Emphasis will be placed on practical skills such as market research, business planning, marketing and advertising, cash flow management, stock control and security, supply chain agreements, access to finance, and employee management. Participants may be individuals running small or micro businesses<sup>47</sup>, or cooperatives whose ambitions include going into business, e.g., youth organizations, women's groups, farmer cooperatives, or "stokvel" savings associations. Trainings will leverage existing knowledge hubs in each of the project nodes to build on existing capacity and to help ensure long-term sustainability.
- (ii) **Mentorship and grants:** Targeted support in the form of mentoring and grant funding will be provided to selected businesses in each node. Focus will be on assisting new businesses to integrate into existing value chains. Specialized technical advice (i.e., transaction, investment, legal) will be provided. Grants will be provided with project funding for both equipment and small-scale infrastructure, and for working capital up to the anticipated break-even point of the business.

30. **To support the development of the biodiversity economy, DFFE is developing a platform designed to “match make” between investment opportunities within the sector and potential investors.** Development of this platform is happening outside the confines of this project but is meant to support it. The platform will be a

---

<sup>45</sup> The REAP model was developed under the recent project on “Development, Empowerment and Conservation in the Greater St Lucia Wetland Park and Surrounding Region” (World Bank-iSimangaliso); and the SEED model in the current project on “Improving Management Effectiveness of the Protected Area Network” (UNDP-SANParks)

<sup>46</sup> Definitions in terms of the National Small Enterprises Act (29 of 2004), “micro-businesses” have five or fewer employees and a turnover of up to ZAR 100,000. “Very small businesses” employ between 6 and 20 employees, while “small businesses” employ between 21 and 50 employees. The upper limit for turnover in a small business varies from ZAR 1,000,000 in the Agricultural sector to R13,000,000 in the Catering, Accommodations, and other Trade sectors.

<sup>47</sup> Micro-businesses have 5 or fewer employees, and small businesses have 6-50 employees (with those between 6 and 20 classified as very small) in terms of the National Small Enterprises Act (29 of 2004).

place where promising SMMEs can more easily seek out and leverage national development support, such as those offered by the Department for Small Business Development, as well as private sources of finance. The ultimate goal is to identify viable business concepts that fit directly into growing biodiversity economy value chains within South Africa's biodiversity economy nodes and that promise multiplier effects in the local economy and invite them to "pitch" to potential investors identified by the platform.

**Subcomponent 1.3 (US\$1,302,090) Strengthen governance capacity and ownership for equitable benefit sharing**

31. **This subcomponent aims to improve the benefit sharing of the Biodiversity Economy within each of the project nodes,** in particular with the communities that live in and around the PAs, by (i) supporting equity ownership by communities in biodiversity economy investments; (ii) improving the governance capacity of communities; (iii) providing capacity building to strengthen leadership capacity of communities; and (iv) including a targeted effort to build women's leadership roles. Through these investments, communities will see increased benefits from wildlife and biodiversity assets and their improved leadership will allow them to appreciate their stake in protecting and managing the biodiversity assets that their livelihoods depend upon.

**Subcomponent 1.4 (US\$1,609,248) Facilitate community stewardship to expand wildlife habitat**

32. **This subcomponent aims to support communities to participate in biodiversity stewardship agreements and expand land under conservation in the nodes.** Protected lands can be categorized as protected areas (Category 1), conservation areas (Category 2) and biodiversity partnership areas. Protected areas require national legislation, conservation areas structured according to contract law and property law, and biodiversity partnership areas are flexible agreements that do not make use of a legal mechanism. Biodiversity Stewardship is voluntary, and the nature of the agreements are done collaboratively with landowners. There are penalties for exiting from Category 1 agreements due to their legislative nature and, in some cases, their tax incentive benefits. This requires a high court ruling to dismantle. Category 2 agreements are completed in terms of property law and contract law. Biodiversity agreements are legally binding, and therefore enforceable, between the contracting parties, typically a landowner and a conservation authority. It stipulates the obligations of the landowner and the conservation authority in managing specific aspects of the biodiversity on the relevant property. There is a strong interrelationship between the biodiversity agreement and the management plan prepared for the property. An agreement contains the following key components: 1) The management objectives for the biodiversity stewardship site; 2) The rights and obligations of the landowner, which relate primarily to compliance with the management plan and include restrictions on development, sustainable resource use and commercial activities, except if the activities are in compliance with the management plan; 3) The rights and obligations of the conservation authority, which include monitoring and review of the management plan, the provision of technical assistance to the landowner in the management of the biodiversity stewardship site, and the protection of its biodiversity. A legal process is required to dismantle the agreement. If a biodiversity agreement relates to a property that is also a game farm, the legal provisions stand. Biodiversity agreements and protected areas are audited every year to assess the progress made according to the management plan and annual plan of operation. The conservation agency ensures that the agreements are biodiversity compatible. Specifically, activities under this component will:

- i) **Support landowners in the project nodes to secure land with valuable biodiversity and wildlife habitat for conservation.** This support will include, but is not limited to, seven target land-owning

communities<sup>48</sup> across the three nodes, who were identified during project preparation as being ready or interested in entering into a biodiversity stewardship agreement with a national or provincial conservation agency. A stewardship agreement involves a commitment to conserving and maintaining valuable biodiversity on the owners' land, allowing only biodiversity-compatible land uses, such as game-ranching, nature-based tourism, or sustainable offtake of wildlife and harvesting of medicinal plants. The project aims to secure either CAs, or more formal Biodiversity Agreements or Protected Environments<sup>49</sup> over at least 15,000 hectares of community land within the three biodiversity economy nodes. To achieve this, the subcomponent will support project stewardship and livelihoods facilitators hosted by the conservation agencies and/or NGO partnerships in each node, to explore options<sup>50</sup> with landowners and communities for optimal, responsible utilization of their land. The agencies will also facilitate the necessary legal and technical support for the signing of conservation agreements and/or the declaration of new PAs.

- ii) **Provide technical assistance for management and monitoring of community conservation land** to achieve the following: (i) design, implement, and monitor land-use management plans; (ii) restore and/or maintain the veld for grazing productivity and ecosystem functioning; (iii) undertake infrastructure planning and development (e.g., in the form of a CDF); (iv) implement a system for sustainable off-take and harvesting rates and procedures, e.g. for timber, medicinal plants, game; (v) equip youth as community monitors of ecosystem condition and functioning; and (vi) manage potential human-wildlife interaction. This ecological planning and monitoring will be linked with business planning so that all income and expenditure streams can be considered together in the community's financial planning. The community will also be assisted to negotiate a long-term arrangement involving NGO or conservation authority support post-project, and to access government stewardship incentives such as tax deductions and help with clearing of alien invasive vegetation. In addition to this work on landscape management and ecological monitoring, the stewardship communities will receive business development support through investment unlocked in Subcomponent 1.1, through SMME support in Subcomponent 1.2, and through leadership governance training in Subcomponent 1.3, all brought together with the support of the project node coordinator and stewardship and livelihoods facilitators.
- iii) **Develop capacity for community stewardship, in the nodes and nationally.** This work will be overseen by SANBI and include three objectives: (i) advise the stewardship facilitators in the project nodes based on SANBI's best practice experience, (ii) pilot a national training course on stewardship in biodiversity nodes, and (iii) showcase best practices in community stewardship emerging from the nodes. This will help ensure that equitable and sustainable models are

---

<sup>48</sup> These are the Mabaso and Makhosa communities in KwaZulu-Natal, the Gidjana, Bevhula and Shangoni communities in Limpopo, and the Enon-Bersheba and Brakfontein communities in Eastern Cape.

<sup>49</sup> Protected Areas in this context are defined as geographical areas that are formally protected by the National Environmental Management: Protected Areas Act (NEMPA) (Act 57 of 2003). They are managed mainly for biodiversity conservation, but also allow for specific additional land uses, for example, a Protected Environment under NEMPA, or a 5-30 year Biodiversity Agreement in terms of the National Environmental Management: Biodiversity Act (Act 10 of 2004). Conservation Areas are not formally protected by the NEMPA Act, but are nevertheless managed at least partly for biodiversity conservation, and contribute to the broader conservation estate. An example would be a Community Conservation Area established through a Conservation Agreement between a community governance structure and a provincial or national conservation agency.

<sup>50</sup> For example, to utilize suitable portions of the land for tourism infrastructure, agriculture and agri-processing, and to set aside other portions which have valuable biodiversity and/or provide suitable habitat for biodiversity-compatible land uses like game-ranching and sustainable resource use

developed and showcased – including innovative co-management and stewardship agreements. New tools will be disseminated through SANBI's networks and internationally through South Africa's participation in the GWP.

**Component 2 (US\$1,082,515) Knowledge exchange across nodes and capturing learning on wildlife conservation, community stewardship and biodiversity economy**

33. **This component is designed to share lessons learned from the three project nodes, between the nodes, at national level, and internationally through the Global Wildlife Program – for replication and scale-up.** There are two aims of the learning and lesson capture. The first is to collect lessons from the experience of implementing the biodiversity economy node concept in the three project sites and to share this nationally with the country's other identified nodes. This would include creation of knowledge products on biodiversity stewardship and biodiversity economy livelihoods and knowledge learning events to foster exchange. Focus will be on the experience of local communities and the biodiversity node concept and sharing this experience with communities in other nodes through community learning events. Learning events will begin in year 2. The second aim is to capture lessons from wildlife conservation, protected area expansion in partnership with local communities through the stewardship program. Through this component, stewardship advisor services will be financed to support communities in their engagement in land stewardship and to empower their decision making around their land-use choices. Transaction advice will also be provided to communities to understand the links between stewardship, the biodiversity economy and community benefits. As part of the knowledge exchange for this second aim, the project will host two National Land Reform and Stewardship Learning events.

34. In addition, this component will support knowledge sharing through capacity-building workshops for key stakeholders to improve awareness and knowledge relevant to biodiversity economy and broader thematic issues which will also feed into global knowledge exchange at events such as GWP events. Participation in GWP regional and global events and programs will be supported. Important lessons learned that pertain to the GWP will be distilled and shared. Knowledge exchanges will allow stakeholders to exchange: (i) good practices on GWP-related topics such as wildlife conservation, nature-based tourism, and regional/global multi-country dialogue on IWT; (ii) extract lessons learned and systematization of knowledge on Project issues; and (iii) capture and dissemination of information at the community biodiversity node level to produce knowledge products for broader dissemination, including in local languages.

**Component 3 (US\$427,971) Project management and monitoring**

34. **This component will support project management activities** to ensure cost-efficient, timely, and quality delivery of project activities and results, including coordination between the nodes, monitoring and evaluation (M&E) and project reporting. This will include workshops, and operational costs to support the project's day-to-day implementation and management, including procurement, financial management (FM), environmental and social safeguards, and preparation of annual work plans and organization of audit reports.

35. **Innovation.** The project puts into action South Africa's biodiversity economy node concept. Biodiversity economy nodes recognize geographies within the country that contain high-value biodiversity as well as opportunities for economic development. Supporting these biodiversity economy nodes and helping them reach their economic potential forms part of Operation Phakisa. Operation Phakisa is GoSA's program, launched in 2014 and supported by the National Development Plan, to fast-track implementation of solutions on critical

development issues, including protection of biodiversity.<sup>51</sup> Biodiversity economy nodes range in landscape type and population. There is no single prescription for development of a node. The components of this project will build on existing node development activities, especially those focused on community engagement. The three nodes selected for this project range in geography, landscape type, and biodiversity. It is expected that lessons from this project will be relevant to a variety of the other biodiversity economy nodes across the country.

**Table 2. Project components financing**

	GEF (US\$)
<b>Component 1: Build biodiversity economy nodes for community stewardship and livelihoods</b>	Subcomponent 1.1: Support multi-stakeholder coordination platforms to develop and/or strengthen a shared vision for biodiversity economy nodes on land use and economic development
	2,697,781
	Subcomponent 1.2: Provide SMME support in project nodes
	1,871,220
	Subcomponent 1.3: Strengthen governance capacity and ownership for equitable benefit sharing
	1,302,090
	Subcomponent 1.4: Facilitate community stewardship to expand wildlife habitat
	1,609,248
	<b>Sub total</b>
	<b>7,480,339</b>
<b>Component 2: Knowledge exchange across nodes and capturing learning on wildlife conservation, community stewardship and biodiversity economy</b>	1,082,515
<b>Component 3: Project management and monitoring</b>	427,971
<b>Total</b>	<b>8,990,826</b>

36. **Knowledge management, sustainability, and potential for scale up.** Component 2 of this project supports replication, scale up and long-term sustainability of project outcomes. This project aims to develop methods to provide training, mentoring and access to finance within the project site nodes in order to increase and/or strengthen micro and small businesses, increasing economic activity. It also supports improved biodiversity management through expansion of protected areas. Lessons from each node will be shared nationally, with the goal of replicating best practices in biodiversity economy nodes elsewhere in the country. Component 2 also provides funding for project knowledge management with an aim to both capture lessons and best practices for the sharing nationally, but also internationally through the GWP.

### C. Project Beneficiaries

37. **At the nodal level,** communities who live adjacent to PAs, especially within the three targeted nodes, are the targeted beneficiaries. An estimated 293,648 people who live in the project nodes<sup>52</sup> will be indirect beneficiaries of the project, because of better planning and coordination of investment in the biodiversity economy. The project will also benefit the regional and global community through the protection of globally significant biodiversity and natural habitats from accrued protection and improved management. This will be

<sup>51</sup> The other Phakisa priority areas are education, oceans, agriculture, mining, health, and waste.

<sup>52</sup> See the project area map in Annex 2.

achieved through the addition of 15,000 hectares of land brought under stewardship program within the biodiversity nodes.

38. **At the national level**, the direct beneficiaries are DFFE, SANParks, SANBI and iSimangaliso Wetland Park Authority, while indirect beneficiaries include civil society organizations and other government departments and agencies at the national, provincial, district, and local government levels involved in providing the enabling environment for making the project implementation successful. These institutions will benefit from a variety of capacity-strengthening activities. Also, at the national level, the overall economy is expected to benefit from the increase in technical skills, new business opportunities, and enhanced resilience to climate change in rural areas, and further inclusion of historically disadvantaged segments of the in the biodiversity economy, with an emphasis on participation by women and youth.<sup>53</sup>

39. **Private sector businesses that enter partnerships** with landholding communities to develop enterprises in nature-based tourism and the wildlife sector will benefit from new investment opportunities, e.g. in an ecotourism lodge or game meat processing plant. This includes impact investors who enter into partnership agreements with communities and help develop their capacity to operate ecotourism facilities and who will see a social as well as an environmental return on their investment. Private sector businesses such as existing lodges and private reserves surrounding the national parks who conclude supply agreements with entrepreneurs in local communities supported through the project will benefit from increased sustainability in their supply chains. New small and micro businesses supported through the project will help to build an entrepreneurial culture in rural areas where this has been lacking, facilitating access to information on opportunities for financial and technical support beyond the project itself, and leveraging further investments over time.

#### D. Results Chain

40. **The theory of change for this project can be found in the diagram below.** It shows how the outcomes of this project, World Bank-supported Pillar 2 of the approved GEF-7 Global Wildlife Program Country Project: "South Africa Biodiversity Economy and Illegal Wildlife Trade", are also supported by the outputs of Pillar 1, the complementary UNEP-supported project. The complementary project, also implemented by DFFE and guided by a Joint Project Oversight Committee, will strengthen anti-poaching operations on the ground in PAs and enhance the national enabling environment for effective investigation and prosecution of wildlife crimes. A two-way relationship exists between the pillars of preventing illegal trade and promoting rural livelihoods. On the one hand, securing the natural capital base on which rural communities depend is critical to ensuring long-term benefit flows. On the other hand, enhancing rural prosperity and strengthening legal wildlife sector value chains gives communities a stake in wildlife conservation, and lessens the likelihood of community engagement in illicit activity. The critical assumptions behind this project are indicated in the diagram, and the results framework in Section VII of this document presents the project outcome and intermediate indicators. Project activities have been designed to achieve a set of short-term and medium-term outcomes that lead cumulatively to the overall project development objective.

---

<sup>53</sup> See section VII for the Results Framework where direct beneficiary targets are disaggregated.

## Theory of Change

- Critical assumptions for project's success:**
- Projects coordination structures are able to facilitate effective intragovernmental coordination to realize the vision of the Biodiversity Economy (BE)
  - The Biodiversity Economy Investment Platform and actions in the nodes are able to unlock private sector investment in demonstrably viable business opportunities
  - Communities see tangible benefits in first few years of project, generating commitment for longer-term engagement with process for longer-materializing benefits

### Pillar 1 Activities:

- Strengthen antipoaching enforcement in PAs
- Strengthen forensic and judicial capacity to combat trafficking

**Component 1:**  
Building BE nodes  
for community  
stewardship and  
livelihoods

### Activities

- Support multi-stakeholder platforms for BE economy nodes
- Conduct feasibility studies
- Create small business incubation
- Leadership/governance training
- Enhance community equity shares
- Enhance community BE stewardship

- Promote knowledge exchange
- Conduct municipality and agency training

**Challenges and constraints the project aims to address:**  
Rural poverty; Involvement in poaching because of absence of livelihood alternatives; Environmental degradation and loss of biodiversity; Failure to align investments and unlock potential of ecotourism and wildlife economy

### Short-Term Outcomes

- Public-private-community dialogue and partnerships initiated
- Women and men able to negotiate strong deals capacitated
- New visions for optimal utilization of community land implemented
- Land under community stewardship increased
- Anchor investments unlocked, with public and private investment alignment

- Capacitated officials and agencies
- Governance structures capacitated; youth and women empowered
- Knowledge and finance for BE scaled up

### Medium-Term Outcomes

- Community land brought under biodiversity stewardship, enlarging wildlife habitat and improving connectivity
- Public and private sector resources leveraged for wildlife economy, making it viable to keep large areas of intact natural habitat
- BE stimulated in nodes with thriving small businesses linked to anchor investment supported to start or expand operations

- Poaching reduced

- Area of community land brought under biodiversity stewardship in PA landscapes
- Volume of public and private sector resources leveraged for BE
- Number of SMME businesses in BE nodes supported to start or expand operations

### Long-Term Outcome

- Reduction in poverty among communities living in or around protected landscapes

#### E. Rationale for Bank Involvement and Role of Partners

41. For nearly 30 years, the World Bank has been a significant player in biodiversity conservation and remains one of the largest financers of biodiversity conservation. The World Bank Group provides added value through (a) client focus, scale, and long-term engagement; (b) financial leverage and convening power; (c) economy-wide engagement; (d) public and private sector engagement, experience; and (e) global knowledge. This includes World Bank support to the South African Government on other GEF projects supporting biodiversity conservation and sustainable development, on which the new project builds, particularly work through this project portfolio to support conservation agencies' engagement with communities on biodiversity-based livelihoods, and the development of the innovative and cost-effective biodiversity stewardship approach.

**Table 3: List of GEF-financed Projects in South Africa**

World Bank-supported project in South Africa (P086528)	GEF Replenishment
Cape Peninsula Biodiversity Conservation Project	GEF-1
Conservation Planning for Biodiversity in the Thicket Biome	GEF-2
Conservation of Globally Significant Biodiversity across Agricultural Landscapes through Conservation Farming	GEF-2
Greater Addo Elephant National Park Project	GEF-2
Sustainable Protected Area Development in Namaqualand	GEF-3
C.A.P.E Biodiversity Conservation and Sustainable Development Project	GEF-3
Richtersveld Community Biodiversity Conservation Project	GEF-4
Development, Empowerment and Conservation in the Greater St Lucia Wetland Park and Surrounding Region <sup>54</sup>	GEF-4

42. The World Bank experience, scale, focus, and convening role within the donor community leverages finance across sectors and actors, as well as helps mainstream biodiversity within national agendas such as the GOSA's National Development Plan and inclusive growth agenda. The World Bank also provides technical and economic knowledge and expertise on key themes relevant to the project, such as biodiversity conservation, climate change, law enforcement and governance, wildlife crime, natural resources management, and public policies.

43. Country eligibility for GEF financing. GEF-7 financing to South Africa provides a vehicle to unlock additional resources to advance global environmental objectives within the context of national development policies and programs. The project is consistent with the GEF-7 Strategy for Biodiversity, and with this support, South Africa through programming its GEF STAR resources can mainstream biodiversity across sectors, address direct drivers to protect habitats and species; and use biodiversity stewardship and ecosystem restoration on communal land to promote land degradation neutrality and resilience to climate change impacts.

44. The project will create synergies and collaborations with existing interventions and projects for government, NGOs, traditional authorities, private sector, community organizations etc., which is cardinal for the successful implementation and actualization of project activities. The project is expected to build on the synergies

<sup>54</sup> The project supported significant consolidation of the PA under the World Heritage Site, and iSimangaliso Wetland Park is now 1,328,901ha in extent (marine and terrestrial areas combined).

of partners in the targeted nodes as quick entry points for engagement. Many of these partners will provide co-finance at national scale and in the project nodes, including those listed below following below. (Note: private sector partners are numerous and not listed):

- Department of Forestry, Fisheries and Environment (DFFE)
- Department of Small Business Development (DSBD)
- Department of Trade and Industry (DTI)
- Department of Agriculture, Land Reform and Rural Development (DALRRD)
- Department of Tourism (DoT)
- South African National Biodiversity Institute (SANBI)
- South African National Parks (SANParks)
- iSimangaliso Wetland Parks Authority
- Eastern Cape Parks and Tourism Agency (ECPTA)
- United States Agency for International Aid USAID
- Wildlands Conservation Trust
- World Wildlife Fund (WWF) Khetha
- Department of Economic Development, Environment and Tourism Limpopo (LEDET)
- Conservation Outcomes
- Vhembe Biosphere
- K2C Biosphere
- Great Limpopo Transfrontier Conservation Area (GLTFCA)
- GLTFCA Cooperative Agreement clusters

#### F. Lessons Learned and Reflected in the Project Design

45. **The proposed project design integrates lessons learned and experiences from South Africa, southern Africa and other regions.** The proposed project will build on lessons learned from the GEF-financed “Development, Empowerment and Conservation in the Greater St Lucia Wetland Park and Surrounding Region Project (P086528)” which ran till 2017. In particular, it will incorporate some of the fundamental community development innovations introduced through the Rural Enterprise Accelerator Programme (REAP), which provided community entrepreneurs with training, mentorship and seed capital for businesses, enabling businesses to leverage opportunities in iSimangaliso Wetland Park, catalyzing job creation and economic growth. The project helped to create or strengthen 75 conservation-compatible enterprises. In addition, 185 people were trained in business development, 77 young people were given scholarships to attend courses, and 393 local leaders applied skills from the training provided in resource management to improve co-management of the park. Other important lessons from this project include the importance of making sufficient project resources available for tangible benefits to community members that affect their daily lives, in addition to investments in wider processes such as the restoration of coastal ecosystem and functioning through the iSimangaliso project.

46. **The project will build on the lessons from recent and current investments in South Africa and the SADC region.** This includes learning from South Africa’s participation in the Great Limpopo and Lubombo Transfrontier Conservation Areas, where the importance of community livelihood support in areas vulnerable to poaching has been highlighted. The Great Limpopo TFCA Livelihoods Strategy is a particularly useful resource. Lessons were also gleaned from the “Biodiversity and Land Use Project”, a GEF-financed Biodiversity Mainstreaming project implemented by SANBI, to increase the capabilities of local authorities and landowners to regulate land use and

manage priority biodiversity at municipal level. This project has built capacity of local government for successful implementation of inclusive rural economic development, resulting in opportunities for PAs to be viewed as key economic assets, drivers of the local economy and relatively large employers in the region. The current GEF project implemented by SANParks on “Improving Management Effectiveness of the Protected Area Network” has utilized successful models for both small business development and leadership governance training, which can be replicated in the project. An important lesson learnt relates to the value of casting the net wide geographically in making available opportunities to benefit from such capacity development activities, even if other activities directly supporting PAs or biodiversity stewardship are targeted at a narrower group of beneficiaries.

**47. Lessons can also be drawn from the World Bank’s portfolio of biodiversity conservation projects in Africa** – currently about 50 projects worth US\$360 million in GEF and other financing. The “Mozambique Conservation Areas for Biodiversity and Development” (Mozbio) (P172777-Phase 1 and P166802 – Phase 2) project aims to strengthen protection of conservation areas (CAs) and improve the lives of communities in and around CAs. The first phase of MozBio (2015-2019) demonstrated the power of the biodiversity economy – income derived from tourism and wildlife utilization in targeted CAs and returned to communities by 2018 amounted to over US\$3 million, with 1,549 tourism jobs created and biodiversity fund disbursement of over US\$1 million. One of the most valuable lessons learnt has been that supporting many CAs is important to assist with conservation but hampers the possibility of transforming them and enhancing their financial sustainability. Lessons have also been learnt from the “Sustainable Management of Critical Wetland Ecosystems” (P143914) project in Gabon which has focused on enhancing the conservation of biodiversity in parks, buffer zones, and forested wetlands. The project has expanded the knowledge and expertise of conservation-related entities, providing useful models for capacity building. Income-generating activities have also reduced illegal fishing and poaching and promoted eco-responsible behavior in adjacent communities. Recognizing, measuring and managing natural capital and ecosystem services at the country level has also proven to be a valuable tool and the World Bank has been working with several countries in Africa through the Wealth Accounting and Valuation of Ecosystem Services (WAVES) partnership to incorporate the physical and monetary values of natural capital in decision-making processes.

### III. IMPLEMENTATION ARRANGEMENTS

#### A. Institutional and Implementation Arrangements

48. **Implementation of the project activities will be led by the DFFE as the project Executing Agency** for the GoSA. DFFE is mandated to provide leadership in environmental management, conservation, and protection. The project will be managed through a Project Management Unit (PMU) housed in DFFE. Implementation of the activities in the three biodiversity economy nodes will be through three Sub-Executing Agencies – South African National Parks (SANParks), South African National Biodiversity Institute (SANBI) and iSimangaliso Wetland Park Authority. All three are responsible for delivering on the desired intermediate results.

49. **A project steering committee (PSC) will be chaired by and under the directorship of DFFE** and will include representation from other government departments and key stakeholders, including co-financing agencies, and representatives of the private sector and civil society. The PSC will provide high-level guidance to the project and maintain political responsibility for its progress, impact and alignment with South African Government policy and legislation. The PSC will meet at least twice a year.

50. **The project institutional arrangement aims to (a) streamline the decision-making process, while also ensuring strong coordination at the national level, and (b) engender a sense of ownership of and commitment to the objectives in the target node areas.** DFFE will play a coordination role between the three sub-executing agencies. DFFE has prepared a project implementation manual (PIM) with details of the implementation arrangements at both national and sub-national levels, addressing issues related to procurement, FM, M&E. For further detail see *Annex 1: Implementation Arrangements and Support Plan*.

#### B. Results Monitoring and Evaluation Arrangements

51. The Results Framework will guide day-to-day M&E and also evaluation analysis and reporting of the core GEF indicators at midterm and completion. DFFE, through the PMU, has the overall responsibility for coordinating M&E and ensuring that data and information are produced on time and to the necessary quality. This includes timely liaison and follow up with the three Sub-Executing Agencies who will need to submit information and data to the PMU every six months. This submission process will be facilitated by the three Project Node Coordinators, whose terms of reference will include producing regular landscape-level activity reports that will inform project-level M&E, in conjunction with their hosting agencies (SANParks and iSimangaliso). Project performance and results will be reported on a semi-annual basis to the World Bank consistent with the Financing Agreement, and on an annual basis to the GEF. The results of an independent Mid-Term Evaluation and Terminal Evaluation, facilitated by the World Bank, will also be made available to the GEF. The Monitoring & Evaluation Plan (Section VII) defines each results indicator (both PDO-level indicators and intermediate indicators). It also outlines the data source for measuring each indicator, the frequency with which data should be collected, the method for collection and the responsible party. In general, indicator data will be collected annually and collated twice during the project's life – once during a mid-term evaluation and at the conclusion of the project.

#### C. Sustainability

52. Sustainability of project impacts beyond the lifetime of the project will be ensured through three approaches, relating to the private sector, public sector and civil society, respectively. In relation to the private sector, the project's emphasis is on partnerships that enable businesses at various scales to become self-sustaining. In relation to the public

sector, the project has public co-financing to ensure that project impacts are sustained and extended, particularly through the Environmental Protection and Infrastructure Program (EPIP), which makes grants to communities for infrastructure needed for wildlife and bioprospecting-related business ventures. In relation to civil society, the project emphasizes capacity development to grow leadership that is technically skilled and able to negotiate equitable agreements and deals, including a focus on growing women's leadership capacity and roles in the community.

#### IV. PROJECT APPRAISAL SUMMARY

##### A. Technical, Economic and Financial Analysis

53. **It is expected that without the project the benefits would be considerably less than the potential benefits derived from improved wildlife management and enhanced supply chain linkages delivered through the project.** The current situation of wildlife management in South Africa is at a critical stage and the cost of inaction can be large in the medium and long term. Costs and losses would be incurred due to increased pressure on already overexploited wildlife habitats, ecosystem services and biodiversity. Project activities will lead to measurable socio-economic benefits that will accrue to communities and businesses in target areas through improved market access, skills transfer, and investment attraction. GEF funding will leverage public and private financial resources to enhance South Africa's capacity to implement the Biodiversity Economy and increase the benefits local communities derive from selected PA landscapes through improved supply chain linkages. The Project will help create jobs in the wildlife economy and ecotourism sectors and increase the benefits local communities derive from PAs. Component 1 investments, which will be made following the execution of biodiversity stewardship agreements, will directly support expansion of conservation areas and indirectly alleviate pressure on protected areas. A total of 20,000 hectares of land will be brought under biodiversity stewardship in protected area buffer landscapes. This will be done either through formal declaration as PAs or through 'softer' agreements to form Conservation Areas and will expand wildlife habitats. Project investments will also support new business agreements and operators. Component 2 will enhance knowledge on biodiversity economy and exchange of lessons learned and good practices, including with other countries through the Global Wildlife Program. Component 3 relates to project management and monitoring, which is intended to facilitate completion of activities under Components 1 and 2. The project will contribute to a change in perceptions of conservation benefits by strengthening management of PAs and promoting opportunities for PA expansion accompanied by new livelihood opportunities. Both efforts will help unlock turnkey investments on community land in the tourism and game sectors and small business development. The project will help conserve natural habitats and wildlife of global value, allowing these natural assets to realize their economic potential for social development.

54. **The project will increase capacity and mobilize investments in the biodiversity economy nodes, which in turn should support community stewardship and livelihoods.** Overall, enhanced conservation management, expansion of wildlife habitats through community stewardship, SMME capitalization, and supply chain connectivity delivered through the project are expected to deliver net positive benefits. **The CFCBEPA is a profitable project, generating a Net Present Value (NPV) of US\$2.83 million (at 6 percent discount rate) and an Internal Rate of Return (IRR) of 24 percent and the Benefit/Cost (B/C) ratio is 1.6 (on a total budget of US\$8.99 million in GEF funds).** These calculations exclude the more qualitative environmental benefits that were not priced for the analysis. A sensitivity analysis shows that the project's results remain robust under various scenarios. The economic analysis considers a time horizon of ten years, to account for the long-term benefits of the project. The analysis assumes project costs are invested over the course of the first six

years of the project. Further, it uses a baseline discount rate of 6 percent, as suggested by the World Bank<sup>55</sup>, and assumes annual maintenance cost of 1 percent (approximately US\$89,900) of the investments.

**55. Project investments will play a catalytic role in stimulating greater linkages for local small and micro-businesses that can lead to multiplier effects for communities to share local and regional economic benefits.** Increased flow of knowledge, data, and investment information will provide further benefits that are equally difficult to quantify. The project will also produce non-quantifiable local and national benefits from increased biodiversity stewardship in protected area buffer landscapes and strengthened capacity to foster biodiversity economy nodes. As the project aims to bring in private sector participants, it is expected to generate positive rates of return. The justification for GEF funding is clear as wildlife is a global common good. The use of public resources is therefore justified to reduce over-exploitation, strengthen monitoring and control, and ensure enforcement and compliance with regulations. Additional details on the economic and financial analysis are included in Annex 3.

## **B. Fiduciary**

### **(i) Financial Management**

56. The financial management assessment was carried out in accordance with the World Bank's Operational Policy and Directive for Investment Project Financing and the Financial Management Manual issued by the Financial Management Board. The objective of the assessment was to determine whether DFFE has acceptable financial management arrangements, which will ensure: (1) that the project funds are used only for the intended purposes in an efficient and economical way, (2) the preparation of accurate, reliable and timely periodic financial reports, and (3) the safeguarding of assets.

57. The financial management assessment determined that the project's financial management has an overall risk-rating of "Low" and the financial management arrangements satisfy the World Bank's minimum requirements under the World Bank's policy and procedures on financial management. The project will use the existing financial management arrangements for DFFE to record and report on the use of funds. The Chief Financial Officer (CFO) will have the ultimate responsibility for the FM function and the existing computerized Business Accounting Software (BAS) system will be used.

58. The project will produce standalone annual financial statements and will be audited by either the Office of Auditor General or the acceptable private audit firm as deemed fit by the CFO. The audited AFS will be submitted to the World Bank six months after the end of the fiscal period, namely, 30 September each year.

59. The project will use the advance disbursement method to request funds from the World Bank. The first advance will be based on the forecast for six months, and subsequent disbursements will be based on submitted interim financial reports and further projections for six months. The project will report on the use of funds with IFRs. Funds will flow into an RDP account (dedicated account to receive all the donor funds) at National Treasury (NT). The funds will be ringfenced for the project. Upon request of funds by DFFE, the funds will be transferred. DFFE will further disburse the funds to all other participating entities based on approved workplans. DFFE will be responsible for consolidation and reporting on the use of funds.

---

<sup>55</sup> World Bank, "*Technical Note on Discounting Costs and Benefits in Economic Analysis of World.*" *Bank Projects*".

60. **Budgeting.** The budget preparation for the project will be done by the project manager with the support of the allocated accountant. Once the budget is approved, it will be uploaded in BAS and any proposed changes will be approved through the requisite governance structures.

61. **Accounting.** The project will be implemented through BAS. The system is reliable to produce necessary reports required to manage and monitor the financial operations. The system is also flexible to create specific project accounts for recording and reporting on project expenditures.

62. **Staffing, Internal Control and Internal Audit.** The overall responsibility for financial management matters for the project rests with the CFO. The project will use DFFE's internal control framework to ensure that funds of the project will be utilized for purposes intended. A review of this framework indicated that it is adequate to manage the project. It is not envisaged that the project will use the entity's internal audit resources due to the size of the operations.

63. **Financial Reporting.** The project will produce the required reports to manage and to monitor the project on regular basis. IFRs will be produced on a quarterly basis. The contents of these reports should consist of financial reports, including statements of: (i) sources and uses of funds, (ii) uses of funds by project components and activities, (iii) Designated accounts Activity Statements, and (iv) statements of contracts subject to/ and not subject to the World Bank's prior review.

64. Due to the size of grant, no other disbursement method will be available for the Grant.

65. The other participating entities, namely, iSimangaliso, SANBI, SANPARKS will receive and report on use of funds to DFFE, who will consolidate reporting to the Bank.

66. **Auditing.** The entity's financial statements will be audited annually in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants (IFAC). The audit report for the project specific activities will be submitted to the Bank within six months after the financial year-end. It will disclose the information on activities financed by the grant. The audit report will be accompanied by the management letter.

**Table 4: Audit requirement**

<b>Audit Report</b>	<b>Due Date</b>
Entity's Financial Statements	Within six months after the end of each fiscal year (30 September each year)

67. **Supervision Plan.** Financial management supervision will be carried out by the Financial Management Specialist (FMS) once a year in line with the Low rating.

68. **Procurement.** Procurement under the project will be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers for Goods, Works, Non-Consulting and Consulting Services, dated November 2020. The Project will be subject to the World Bank's Anticorruption Guidelines, dated October 15, 2006, revised in January 2011, and July 1, 2016. The Project will use the Systematic Tracking of Exchanges in Procurement (STEP) system to plan, record and track procurement transactions.

- (i) The project will be implemented by DFFE, SANBI, SANParks, and IWPA. All four entities, being a national government department and state-owned entities, follow the applicable national procurement policies that meet the World Bank Group core procurement policy objectives of value for money, economy, efficiency, effectiveness, integrity, transparency and fairness and accountability.
- (ii) DFFE as lead Ministry will request a waiver from the Office of the Chief Procurement Officer at NT to enable the project to adhere to the World Bank Procurement Regulations as stipulated in the Financing Agreement.

69. The four entities have been assessed using the World Banks Procurement Risk Assessment Management System (PRAMS) to determine the project risks; risk mitigation measures, responsibilities, timing and monitoring process and; procurement performance monitoring during implementation. The four elements assessed, and the results are as follows:

- (iii) *Procurement Regulatory Framework and Management Capability*- all four entities have well documented policies and procedures that are publicly available. All entities produce procurement plans at time of preparing the budget and submit these to NT. All entities have Supply Chain Management (SCM) Departments staffed to meet their current workloads. In order to coordinate the procurement activities taking place under the various entities, a procurement specialist, financial management specialist and project manager will be hired to support the PMU at DFFE. At nodal level, coordinators and project administrators will also be hired to support the project.
- (iv) *Integrity and Oversight*- All four entities have internal auditors and are also subjected to an annual external audit conducted by the Auditor General of South Africa (AGSA). A review of select management letters indicates some adverse findings related to SCM with commitment of management to resolve these. Procurement complaints are dealt with by escalation with redress to various external independent agencies and the courts as well.
- (v) *Procurement Process and Market Readiness*- Well established and acceptable documentation is in place to guide the procurement process at all entities. Procurement opportunities, evaluation outcomes and award of contracts are published in local print media, entity websites, including the Government gazette, and e-tenders portal. Procurement falling under the threshold will be done using National Procurement Procedures subject to the provisions of Section V para 5.3 of the Procurement Regulations. All procurements following NPP will, in addition, require compliance to the WBG Anti-Corruption Guidelines. Market assessment shows an abundance of vendors in the consultant market and the market for low value goods and minor civil works.
- (vi) *Procurement Complexity* - Procurements will comprise selection of consultant firms and individuals as well as procurement of low value goods. A review of procurement plans and documentation from the entities shows past capability to manage such procurements and acceptable documentation in place.

70. A Project Procurement Strategy for Development (PPSD) has been developed. It confirms sufficient procurement capability at all 4 entities. All four entities have executed procurements of sufficient volume with annual procurements of ZAR1.2b (US\$80 million) for Sanparks (2020/21) ; ZAR800 million (US\$57 million) for DFFE (2019/2020); ZAR200 million (US\$14 million) for SANBI (2019/2020) ; ZAR100 million (US\$7 million) for IWPA

(2018/2019). For the type and value of goods, non-consulting services and consulting services to be procured a thriving domestic market exists of some 800,000 plus firms who are registered on the Central Supplier Database. Goods, non-consulting services and consulting services to be procured are non-complex and within the capacity of the entities. The key procurement risks and mitigation actions are highlighted in the Table 5 below. As all the procurement packages are for less than US\$5 million for goods and less than US\$20 million for works, approaching the national market would be the best fit for purpose approach using Open National when using Request for Bids selection method and Open Limited when using Request for Quotation selection method. For consulting assignments of less than US\$300,00 the shortlist will be drawn from capable national firms.

**71. The Project Procurement Risk Rating at Appraisal is Moderate.**

**Table 5: Procurement Risks and Mitigations**

Item	Risk	Mitigation	By whom	Date
1	Procurements agreed to follow NPP do not contain WBG AC GLs	Include all planned NPP procurements in procurement plan and require that Internal Audit and various internal oversight authorities ensure relevant procurement documentation contains WBG Anti-Corruption GLs	DFFE/SANPARKS/SANBI/IWPA	At project implementation
2	Grant activities generate additional work load that SCM Departments are unable to cope	The Procurement Specialist to be hired and housed in DFFE will undertake the procurement processes for the project. The Node Coordinators, with support from the project Administrators, will undertake the procurement processes within the respective sub-executing entities at the node level.	DFFE/SANPARKS/SANBI/IWPA	At project implementation

	<b>Triggered?</b>
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

### C. Environmental and Social

72. **The proposed project is expected to generate significant environmental and social benefits** resulting from its major focus on restoration and conservation of terrestrial and aquatic ecological process and management of both the Greater St Lucia Wetlands Park and the Kruger National Park as well as support for a number of local development initiatives, including employment and livelihood generating activities. It is expected to have a positive socio-economic impact because it seeks to improve the skills of the local communities and increase the number of conservation-compatible businesses and associated income and jobs to local communities. Due to its participatory approach, the project is not expected to bring any adverse effects for beneficiary communities. Instead, it will support only activities that will contribute to improving the livelihoods of local communities, increase their social resilience, adaptive and mitigating capacity to deal with the social and environmental pressures that they face as well as strengthen the capacity of their representative institutions to plan and to promote the effective, efficient and sustainable management of their lands and natural resources. There are however, risks that: (i) the expected impacts of the project -- such as support for selected SMMEs, expanding job opportunities, restoration and/or maintenance of the veld for grazing productivity and ecosystem functioning and grant funding for equipment and small infrastructure – could lead to conflict among stakeholders. However, mitigation measures through robust citizen engagement and enhanced participatory planning activities should reduce the likelihood of such conflicts among stakeholders and strengthen cohesion among the communities as well. These activities are reflected in the Stakeholder Engagement Plan (SEP)<sup>56</sup> and Grievance Redress mechanism for the project. Moreover, the activities are expected to be small-scale with reversible and site-specific impacts, which can be managed with appropriate mitigation measures such as materials supply chain, resource utilization and pollution and waste management. The consultative and participatory nature of the project is expected to generate substantial environmental and social benefits with a focus on community biodiversity stewardship, support through business incubation and capacity building on business development, project management, leadership and social, economic and environmental sustainability. In addition, the number and complexity of the institutions involved in the implementation of this project as well as their capacity to implement the environmental and social framework (ESF) requirements alongside the national procedures may pose challenges and will require strong and effective coordination.

73. **Since the exact investment locations and activities are yet to be determined, an Environmental and Social Management Framework (ESMF)<sup>57</sup> has been developed to guide screening and assessment of potential risks and impacts and appropriate mitigation measures**, reflecting good practice standards in accordance with the World Bank's ESF. Other environmental and social issues could be related to occupational health and safety of workers and safety of community around construction sites and in activities for managing potential human-wildlife interaction. The ESMF also includes Labor Management Procedures and Chance Finds procedures and a negative list, which defines projects which could have significant or irreversible risks and impacts, and thereby are not eligible for financing under the project.

<sup>56</sup> The SEP was disclosed by GoSA on May 13, 2020 and published in local newspapers *The Star* and *The Pretoria News* on June 3, 2020.

<sup>57</sup> The ESMF was disclosed by GoSA on May 13, 2020 and published in local through local newspapers *The Star* and *The Pretoria News* on June 3, 2020

Environmental and Social Management Plans will be developed during project implementation and prior to constructions and civil works to address site-specific mitigation, as necessary.

**74. The other social impacts and risks in this project arise from the potential adverse impacts on local communities.**

These will be limited, site-specific and can be managed with the application of appropriate mitigation measures. Key social concerns are related to (1) labor and working conditions of those engaged in the sub-project, minor construction works and those directly engaged by the project to provide technical services; (2) community health and safety related to the minor construction works and minor risks of gender based violence (GBV)/sexual exploitation and abuse (SEA); and (3) potential land access restrictions through expanded conservation stewardship agreements; and (4) the need to consider the potential escalation of conflicts among stakeholders due to the participatory planning activities. The GBV/SEA risk has been classified as low risk.

**75. The environmental and social risks and impacts are substantial** due to the concerns associated with the implementation of the biodiversity stewardship program for communities living along the PAs and their potential exclusion from the project's economic benefits. However, the scale of the other activities being financed, such as equipment and small-scale infrastructure for new business ventures (based on detailed feasibility studies) is small. The main beneficiaries of this project are expected to be individual entrepreneurs, SMMEs, CBOs, CPAs community trusts representing landowners and the community members.

**76. Stakeholder Engagement Procedures (SEP) have been developed in accordance with the World Bank's Stakeholder Engagement and Information Disclosure (ESS10).** The SEP builds on the existing procedures under the People and Parks program and specific stakeholder and/or communication plans for consultation and citizens engagement will be developed during implementation. To ensure that the stakeholder engagement plan is effective, the DFFE will maintain a PMU with qualified personnel who will be responsible for the day-to-day implementation of the Project activities, including M&E, project reporting, and project activities reflected in this SEP. They will liaise closely with node coordinators, who will be based in the project landscapes.

**77.** In addition to the grievance redress mechanism that is described in the SEP, the Project will also include the design and implementation of a communication strategy that will be continuous throughout the duration of the project. The communication strategy is to inform the stakeholders about the existence of the GRM, instructions of operations and share knowledge about the project benefits, opportunities and continuously report on project results and upcoming developments. Its communication plan will include aspects of stakeholder-targeted communication channels, facilitators, multipliers and timelines as well as its continuous evaluation.

**78. Informed participation and feedback:** information will be provided to and widely distributed among all stakeholders in an appropriate format; opportunities are provided for communicating stakeholders' feedback, for analyzing and addressing comments and concerns. This will also be influenced by the communication and risk management strategy and the studies undertaken to understand community attitudes and modes of communication that will inform this process.

**79. Inclusiveness and sensitivity:** stakeholders' identification will be undertaken to support better communications and build effective relationships. The participation process for the project is inclusive. All stakeholders are encouraged

to be involved in the consultation process, to the extent the current circumstances permit. Equal access to information is provided to all stakeholders. Sensitivity to stakeholders' needs is the key principle underlying the selection of engagement methods at all levels. Special attention should be given to vulnerable groups, in particular the disabled, women, youth, elderly, albinos, mobile populations like migrant laborers, and the cultural needs of diverse ethnic groups should be prioritized.

**80. The Project takes strong consideration of the ongoing affirmative action programs and land restitution efforts in South Africa.** A Process Framework (PF) has been developed in accordance with ESS5 to guide community entrance into biodiversity stewardships. The PF builds substantively on the existing participatory framework for community biodiversity stewardship developed by SANBI. As part of the integrated project effort, community-level governance structures will benefit through strengthening of capacity for negotiation of land tenure security and co-management of natural resources to ensure equitable benefit sharing. Where the project supports community biodiversity stewardship, a Plan of Action will be developed in accordance with the PF.

**81. DFFE and the sub-executing agencies have existing capacity to implement South Africa environmental and social requirements.** However, where stewardship agreements are supported, implementing agencies will need to hire environmental and social specialists to implement the ESF instruments and undertake consultations in accordance with the SEP. As part of the PMU, DFFE will engage a dedicated environmental and social specialist to oversee the due diligence of implementation of the ESMF, PF and SEP and coordinate the reporting requirements. An Environmental and Social Commitment Plan (ESCP) (disclosed May 13, 2020) has also been developed, which lays out the actions and obligations associated with Environmental and social due diligence requirements.

**82. Gender:** during project preparation, an analysis of the gender gap and issues in the project areas found that the three project provinces, Limpopo, Eastern Cape and KwaZulu Natal, have the lowest sex ratios in the country – 88, 89 and 91 respectively<sup>58</sup>, indicating a predominance of females over males (approximately nine males for every ten females). This results in a population split of 46.8 percent male, 53.2 percent female in Limpopo; 47 percent male, 53 percent female in Eastern Cape and 47.6 percent male, 52.4 percent female in KwaZulu Natal. However, there is a higher outmigration by men than women seeking work in provinces with greater economic opportunities, such as the cities of Gauteng and the Western Cape, and the mines of North West province. This project is deliberately positioned in rural areas in these provinces with a high level of poverty and unemployment, and a need for stimulation of rural economic development through promoting the biodiversity economy. Women are less likely than men to participate in the labour force and, when they do, they tend to earn lower wages. A range of constraints explain this situation, including women's concentration in lower-paid jobs and sectors. In order to address this, the project informed by the World Bank Gender Strategy<sup>59</sup> emphasizes closing the gender gap through the creation of economic opportunities, namely more and better jobs and ownership and control of productive assets.<sup>60</sup>

**83. Actions in the project design related to addressing constraints faced by women to full and equal participation in employment, decision-making and ownership of productive resources will be confirmed during project implementation.** Relevant targets and indicators are included in the Project Results Framework. These actions will: (a) promote and increase women's participation and consultation, (b) contribute to increasing women's income, (c) improve

---

<sup>58</sup> Statistics South Africa (2011). South Africa Census 2011 – page 14.

<sup>59</sup> World Bank Group Gender Strategy (FY16-23): Gender Equality, Poverty Reduction and Inclusive Growth

<sup>60</sup> Second pillar identified in the World Bank Group Gender Strategy (FY16-23).

sharing of benefits, (d) promote empowerment of women, and (e) improve creation of small businesses development opportunities. Despite the broad concerns, actual actions to be undertaken are limited to selected project subcomponents, with indicators aligned with project RF for effective project tracking.

84. **Citizen Engagement (CE):** The project meets the two design stage requirements for the CE corporate indicator, going beyond having a GRM to a robust sustainable CE approach with a corresponding beneficiary feedback indicator. Component 1 sets out activities focused on strengthening governance at the community level to enable communities to fully participate in decision making, secure land tenure, and co-manage natural resources. Biodiversity governance is a key barrier to effective wildlife management outside the PAs and weak community leadership and governance has been identified as a gap that have impacts on the benefits and rights communities are able negotiate for themselves. This bottom up CE approach that seeks to strengthen the leadership and coordination capacity of communities intends to take steps towards a more sustainable solution, extending beyond the life of the project, towards enhancing the capacity of the communities themselves to make their voices heard and strategically and systematically engage in discussions around natural resource conservation on their lands. The corresponding indicators measure the number of community governance structure members reached with leadership and governance training, including (i) the number of participants in basic leadership and governance course, (ii) the number of participants in extended capacity development program for target community leadership structures, and (iii) the number of participants in women's biodiversity economy access program in target communities.

85. Further, CE for this project builds upon the extensive, long-standing stakeholder consultation processes that is in place as part of the stewardship program for PAs. It also builds upon consultations that took place during project preparation, including face-to-face meetings, focus group discussion, dialogue platforms and workshops (at the local, district and national levels).

86. **The project seeks to grow BE and also support sustainable management of PAs at the community level.** Achieving this objective require proactive and continuous CE to secure buy-in for anchor investments that will be implemented by beneficiaries. It will also strengthen the inclusion and ownership of the process leading to the desired transformation, i.e., outcomes of the stewardship program. The project will support the engagement of people living in and around project intervention areas including around PAs. Using this method, the citizen engagement effort under the project will improve project quality through the integration of various community interests, while also incorporating local knowledge in the decision-making for project activities. This approach will help promote transparency, enhance citizens' voice, and participation.

87. **The project explicitly seeks to support engagement of people living in and deriving their livelihood from PAs** that are targeted for project support, i.e., project beneficiaries. Engagement of target beneficiaries aligns to and supports the project's approach to demand-side social accountability through consultative processes and consultations based on community monitoring systems. Feedback mechanisms will be developed and integrated into the GRM system to capture citizen voice, ensure transparency, accountability, learning, as well as leverage regular discussion with target beneficiaries and other relevant stakeholders. Particular attention will be given during implementation to improve the capacity of the local and national structures to close the feedback loop and report on action taken to address concerns and issues. The specific elements of the framework for citizen engagement include: (a) support to engagement of local communities in and around the PAs; (b) support to community engagement in determining anchor investment priorities; (c) support to

a feedback mechanism/feedback loop from beneficiaries; and (d) support to build the capacity at local and state structures in engagement with beneficiaries to address any concerns and issues raised.

#### A. GRIEVANCE REDRESS SERVICES

88. **The project will integrate its implementation with the existing GRM system in place at the national (DFFE) and nodal level (Greater iSimangaliso Wetland Park Node, Greater Addo to Amathole Node and Greater Kruger-Limpopo Node).** The GRM will support the project implementation unit to have better and improved project outcomes by resolving related disputes effectively and promptly. It will serve as a project early warning system and capture grievances that expand into more complex conflicts, thereby attracting more parties and dealing with a higher number of issues or expanding of conflict to a larger area.

89. **The GRM mechanism provides an opportunity to submit complaints.** More importantly, communities will have an institutionalized channel to engage in dialogue with the implementation unit, government, CSOs. The GRM will be implemented on two levels:

- **National project implementation level:** At the PMU through the current system that is being used as part of the implementation of the EIA Regulations, which provides for any member of the public to raise concerns directly to DFFE; and
- **Landscape level through the following:**
  - **Greater iSimangaliso Node** – anchored under the Node Coordinator through the systems and processes provided for by the iSimangaliso Wetland Park Overarching Environmental Management Programme (EMPr) and People and Parks Programme structures;
  - **Greater Addo to Amathole Node:**
    - **Addo Elephant National Park** – anchored under the Node Coordinator through the existing Park Forum established to oversee the implementation of the Park Management Plan, People and Parks Programme structures or Mayibuye Ndlovu Development Trust;
    - **Greater Fish Nature Reserve** – anchored under the Node Coordinator through the existing Double Drift Co-management Committee established to oversee the implementation of the Double Drift Co-Management Agreement and People and Parks Programme structures;
  - **Greater Kruger-Limpopo Node** – anchored under the Node Coordinator through the existing Community Park Forums, Greater Kruger Co-operative Agreement, Greater Kruger Strategic Development Plan, and People and Parks Programme structures;

90. **At the beginning of the project implementation, the grievance redress committees will be established at national and nodal levels** building on the systems set out above, to ensure that a system is in place to help resolve any grievances or complaints that may occur during and after project intervention. This will be reflected in an updated stakeholder engagement plan. The grievance mechanism will be applied to persons or groups that are directly or indirectly affected by a project, as well as those that may have interests in a project and/or have the ability to influence its outcome either positively or negatively. The project will provide training and support to strengthen these existing structures for effectively and collectively dealing with possible grievances that may be raised by PAPs.

91. **Using the structures described above, grievances can be submitted by email, written letter, toll-free line, SMS and a suggestion/complaint box placed at the project activities sites and implementation unit branches, as**

**appropriate.** Details that will be reflected in the updated Stakeholder Engagement Plan include: (i) How the GRMs at each of the project sites will be made accessible to all population groups, (ii) The Process of acknowledging, resolving and reporting on grievances; including how grievances that may arise relating to sexual exploitation and abuse will be handled. The National level GRM set up in the PMU will set up processes to ensure it is monitoring and reporting on grievances that relate to the process that are being received at the landscape level GRMs. An appeals process will also be set out establishing how disputes that are not resolved at the landscape level will be handled.

92. **The GRM would become the first line of response of the project for PAPs. For example, they can acquire information about the project through the GRM while also putting forward a grievance on having limited information about the project.** In that way, communities will have a channel of communication to the project. This is important as it ensures dissemination of information to the local levels and feedback from local levels to inform project activities and decision making. In addition to the grievance mechanism itself, the project will develop a communication plan as part of the CE to inform the stakeholders about the existence of the GRM and instructions of operation. The communication plan would include aspects of stakeholder-targeted communication channels, facilitators, multipliers and timelines. These will be set out in detail in the updated Stakeholder Engagement Plan.

93. **Communities and individuals who believe that they are adversely affected by a World Bank-supported project may submit complaints to existing project-level grievance redress mechanisms or the World Bank's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the RS, visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## B. KEY RISKS

94. **Overall risk of this project is moderate.**

95. **Macroeconomic risk is considered substantial and is exacerbated by the national response to COVID-19.<sup>61</sup>** South Africa's macroeconomic health was weak prior to the onset of the pandemic and the country's sovereign risk rating was downgraded to junk status at the end of March 2020. The economic downturn that has followed a nation-wide lockdown as part of the country's response to the virus puts the country's macroeconomic health in greater jeopardy. While it is still uncertain how these economic repercussions will impact the national budget for protected areas, biodiversity, and conservation, it is expected that there will be reduced fiscal space for expenditure in these areas. Likewise, South Africa's lockdown and closure of national and provincial borders has had a devastating impact on nature-based tourism, revenues from which form a significant part of the budgets of national park agencies. Therefore, while funds from this project certainly will not make up for these expected shortfalls, they do come at a critical time for the country when biodiversity-driven businesses face difficult decisions about remaining in business.

<sup>61</sup> As of June 8, 2021, South Africa had reported 1.7 million cases of COVID-19 and 57,183 deaths.

**96. While the three project sites are at risk of experiencing climatic weather events (especially drought, flooding and irregular rainfall) project funds and activities will enhance South Africa's resilience to climate change.** Natural disasters in South Africa have led to significant social and economic losses. During the period of 1900-2017, about 100 disaster events were reported, resulting in 2,200 death, 21 million affected, and totaling roughly US\$4.5 billion in monetary losses. Fortunately, South Africa is estimated to have among the highest resilience to climate change in Africa due to its relative wealth and high adaptive capacity. In addition, the country's ecological makeup already is one of its best defenses against climatic shocks; steps taken to safeguard the country's biodiversity shore up this natural defense. Indeed, a core objective of the country's Nationally Determined Contribution (NDC) and National Climate Change Adaptation Strategy (NCCAS) is to build climate resilience and adaptive capacity to respond to climate change risk and vulnerability. By investing in economic activity that depends on healthy, in-tact biodiverse landscapes, and by supporting communities to have greater engagement in the management of that biodiversity, this project will be strengthening the adaptive capacity and resilience of communities living around selected PAs and conserving the natural capacity and resilience of the landscape. Expanding the footprint of protected areas through the stewardship program is also part of this strengthening.

**97. Overall Environment and Social (E&S) Risk is rated high because of potential issues around land-use and land ownership.** In addition, the project focuses on conservation of lands of high biodiversity, including that of species targeted for poaching. While the likelihood of injury due to poaching as a direct result of this project are small, there is always the potential for human-wildlife conflict due to the nature of the work program. To help mitigate any such conflict, SANParks existing human-wildlife conflict mitigation program will also apply to this project.

**C. RESULTS FRAMEWORK AND MONITORING****Results Framework****COUNTRY:** South Africa

Catalyzing Financing and Capacity for the Biodiversity Economy around Protected Areas Project

**Project Development Objectives(s)**

To increase investment in three target protected area (PA) landscapes to grow the biodiversity economy and benefits to local communities.

**Project Development Objective Indicators**

<b>Indicator Name</b>	<b>PBC</b>	<b>Baseline</b>	<b>Intermediate Targets</b>	<b>End Target</b>
			<b>1</b>	
<b>To leverage financial resources and improve capacity to implement the Biodiversity Economy</b>				
Area of landscapes under improved practices (hectares) (Hectare(Ha))		0.00	10,000.00	26,600.00
Greater Addo-Amathole Node (Hectare(Ha))		0.00	2,500.00	5,000.00
Greater Kruger-Limpopo Node (Hectare(Ha))		0.00	4,000.00	8,000.00
Greater iSimangaliso Node (Hectare(Ha))		0.00	6,500.00	13,600.00
Volume of public and private sector resources leveraged for wildlife sector (USD) (Amount(USD))		0.00	1,875,000.00	3,750,000.00
Greater Addo-Amathole Node (Amount(USD))		0.00	625,000.00	1,250,000.00
Greater Kruger-Limpopo Node (Amount(USD))		0.00	750,000.00	1,500,000.00
Greater iSimangaliso Node (Amount(USD))		0.00	500,000.00	1,000,000.00
Micro and small businesses in biodiversity economy nodes successfully supported to start or		0.00	45.00	90.00



Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
expand operations (Number)				
Greater Addo-Amathole Node (Number)	0.00		10.00	20.00
Greater Kruger-Limpopo Node (Number)	0.00		15.00	30.00
Greater iSimangaliso Node (Number)	0.00		20.00	40.00
Beneficiaries disaggregated by gender (Number)	0.00		130,000.00	260,000.00
Share of female beneficiaries (Percentage)	0.00		30.00	60.00
Share of male beneficiaries (Percentage)	0.00		20.00	40.00

#### Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets	End Target
			1	
<b>Component 1. Building biodiversity economy nodes for community stewardship and livelihoods</b>				
Hectares (in nodes) assessed and reviewed for biodiversity value (Number)	0.00		20,000.00	40,000.00
Micro-business operators reached with targeted business training to develop or expand on supply chain linkages in the Biodiversity Economy (Number)	0.00		225.00	450.00
Female micro-business operators reached with targeted business training to develop or expand on supply chain linkages in the Biodiversity Economy (Percentage)	0.00		40.00	60.00
Small business operators reached with targeted business training to develop or expand on supply	0.00		40.00	80.00



Indicator Name	PBC	Baseline	Intermediate Targets		End Target
			1		
chain linkages in the Biodiversity Economy (Number)					
Female small or very small business operators reached with targeted business training to develop or expand on supply chain linkages in the Biodiversity Economy (Percentage)		0.00	40.00	60.00	
Community governance structure members reached with leadership and governance training (Number)		0.00	500.00	995.00	
People who participate in consultations on Biodiversity Stewardship in targeted communities. (Number)		0.00	380.00	760.00	
Project grievances that are addressed within four weeks of receipt (Percentage)		0.00	60.00	80.00	
Share of targeted community members with rating 'Satisfied' or above on project interventions (Percentage)		0.00	40.00	70.00	
Share of female targeted community members with rating 'Satisfied' or above on project interventions (Percentage)		0.00	50.00	50.00	

#### Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Area of landscapes under improved practices (hectares)	This indicator measures the area of community land in	Data for this indicator will	Annual reports by	Tracking of progress and request to sub-	SANBI, SANParks, ECPTA, iSimangaliso



	<p>each of the three project nodes over which stewardship agreements have successfully been concluded. These may include two types of biodiversity stewardship areas:</p> <ol style="list-style-type: none"><li>1. Protected Areas: geographic areas that are formally protected by the National Environmental Management: Protected Areas Act (NEMPA) (57 of 2003). They are managed mainly for biodiversity conservation, and contribute to the protected area estate, for example, a Protected Environment under NEMPA, or a 5-30 year Biodiversity Agreement in terms of the National Environmental Management: Biodiversity Act (10 of 2004).</li><li>2. Conservation Areas: areas that are not formally protected by the NEMPA Act, but are nevertheless managed at least partly for biodiversity conservation.</li></ol>	<p>be collected annually and collated twice during project lifetime: at mid term review and at end of project.</p>	<p>SANBI, SANParks, and iSimangaliso WPA. In case of PAs, declaration in Provincial or National Government Gazette.</p>	<p>executing agencies for reports</p>	<p>WPA</p>
--	---	--	---	---------------------------------------	------------



	<p>They contribute to the broader conservation estate, for example, a Community Conservation Area through a Conservation Agreement.</p> <p>Community land may include (i) communal land, held in trust by the Traditional Authority on behalf of clearly defined community/ies, in terms of the Traditional Leadership and Governance Framework Act (41 of 2003), or (ii) land owned by land reform beneficiaries with settled land claims in terms of the Restitution of Land Rights Amendment Act (48 of 2003), and governed by a Communal Property Association or Development Trust, or (iii) critical ecological landscapes supporting sustainability of the node.</p>				
Greater Addo-Amathole Node				SANParks and ECPTA	



Greater Kruger-Limpopo Node					SANParks
Greater iSimangaliso Node					iSimangaliso WPA
Volume of public and private sector resources leveraged for wildlife sector (USD)	<p>Resources leveraged will include public and private sector investment leveraged during project implementation to be tracked and reported on during project implementation.</p> <ul style="list-style-type: none"><li>- Public sector investment, includes funding allocated by government, for example, the Environmental Protection and Infrastructure Programme (EPIP) funding for fencing of community land and other infrastructure to enable game breeding and safari hunting operations.</li><li>- Private sector investment can include any form of private finance, including financing through capital markets or retail banking equity.</li></ul>	<p>Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of project</p>	<p>Annual written report by three project node coordinators</p>	<p>Tracking of progress and request to agencies for reports by DEFF-hosted PMU</p>	DEFF, SANParks, iSimangaliso WPA



Greater Addo-Amathole Node					SANParks, SANBI
Greater Kruger-Limpopo Node					SANParks
Greater iSimangaliso Node					iSimangaliso WPA
Micro and small businesses in biodiversity economy nodes successfully supported to start or expand operations	Micro businesses: In terms of the National Small Enterprises Act (29 of 2004), "micro-businesses" have five or fewer employees and a turnover of up to ZAR 100,000.  Small businesses: These include both small and very small businesses "Very small businesses" employ between 6 and 20 employees, while "small businesses" employ between 21 and 50 employees. The upper limit for turnover in a small business varies from ZAR 1,000,000 in the agricultural sector to ZAR 13,000,000 in the catering, accommodations and other sector.	Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of project	Annual written report by three project node coordinators, in collaboration with service providers	Tracking of progress and request to agencies for reports – by DEFF-hosted PMU	DEFF, SANParks, ECPTA, iSimangaliso WPA
Greater Addo-Amathole Node					SANParks, SANBI



Greater Kruger-Limpopo Node					SANParks
Greater iSimangaliso Node					iSimangaliso WPA
Beneficiaries disaggregated by gender	<p>At the nodal level, communities who live adjacent to PAs, especially within the three targeted nodes, are the targeted beneficiaries. At the national level, the direct beneficiaries are DEFF, SANParks, SANBI and iSimangaliso Wetland Park Authority, while indirect beneficiaries include civil society organizations and other government departments and agencies at the national, provincial, district, and local government levels involved in providing the enabling environment for making the project implementation successful. These institutions will benefit from a variety of capacity-strengthening activities. Private sector businesses that enter into partnerships with landholding</p>	<p>Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of project.</p>	<p>Annual written report by three project node coordinators.</p>	<p>The DEFF-hosted PMU will be responsible for creating a template that each node coordinator will use to monitor beneficiaries in the respective project nodes. The PMU will collate data on beneficiaries.</p>	<p>DEFF, SANParks, ECPTA, iSimangaliso WPA, SANBI</p>



	communities to develop enterprises in nature-based tourism and the wildlife sector will benefit from new investment opportunities. Private sector businesses such as existing lodges and private reserves surrounding the national parks who conclude supply agreements with entrepreneurs in local communities supported through the project will benefit from increased sustainability in their supply chains. New small and micro businesses supported through the project will also benefit.				
Share of female beneficiaries	Number of women or girls who benefit from the project.	Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of project.	Annual written report by three project node coordinators.	The DEFF-hosted PMU will be responsible for creating a template that each node coordinator will use to monitor beneficiaries in the respective project nodes. The PMU will collate data on beneficiaries.	DEFF, SANParks, ECPTA, iSimangaliso WPA.



Share of male beneficiaries	The number of men or boys who benefit from the project.	Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of project.	Annual written report by three project node coordinators.	The DEFF-hosted PMU will be responsible for creating a template that each node coordinator will use to monitor beneficiaries in the respective project nodes. The PMU will collate data on beneficiaries.	DEFF, SANParks, ECPTA, iSimangaliso WPA.
-----------------------------	---	--	---	---	--

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Hectares (in nodes) assessed and reviewed for biodiversity value	This indicator measures the area of community land in each of the three project nodes where assessment and review processes informing which biodiversity stewardship agreements have been undertaken and the results communicated with the relevant stakeholders. These	Data for this indicator will be collected quarterly and collated twice during project	Quarterly reports by SANParks, SANBI and iSimangaliso WPA. In case of PAs, declaration in Provincial or National Government	Tracking of progress and request to sub-executing agencies for reports.	SANBI, SANParks, ECPTA, iSimangaliso WPA



	<p>processes would support may include two types of biodiversity stewardship areas</p> <p>1. Protected Areas: geographic areas that are formally protected by the National Environmental Management: Protected Areas Act (NEMPA) (57 of 2003). They are managed mainly for biodiversity conservation, and contribute to the protected area estate, for example, a Protected Environment under NEMPA, or a 5-30 year Biodiversity Agreement in terms of the National Environmental Management: Biodiversity Act (10 of 2004).</p> <p>2. Conservation Areas: areas that are not formally protected by the NEMPA Act, but are nevertheless managed at least partly for biodiversity conservation. They contribute to the broader conservation estate, for example, a Community Conservation</p>	<p>lifetime: at mid term review and at end of project.</p>	Gazette.		
--	--	--	----------	--	--



	<p>Area through a Conservation Agreement.</p> <p>Community land may include (i) communal land, held in trust by the Traditional Authority on behalf of clearly defined community/ies, in terms of the Traditional Leadership and Governance Framework Act (41 of 2003), or (ii) land owned by land reform beneficiaries with settled land claims in terms of the Restitution of Land Rights Amendment Act (48 of 2003), and governed by a Communal Property Association or Development Trust, or (iii) critical ecological landscapes supporting sustainability of the node.</p>				
Micro-business operators reached with targeted business training to develop or expand on supply chain linkages in the Biodiversity Economy	Micro business operators are those owning new or existing businesses including both small and very small businesses. “Very small businesses” employ between 6 and 20 employees, while “small	Data for this indicator will be collected annually and collated	Annual written reports by three project node coordinators	Tracking of progress and request to agencies for reports by DFFE-hosted PMU	DFFE, SAN Parks, ECPTA, iSimangaliso WPA



	<p>businesses" employ between 21 and 50 employees. The upper limit for turnover in a small business varies from ZAR 1,000,000 in the agricultural sector to ZAR 13,000,000 in the catering, accommodations and other sector - in terms of the National Small Enterprises Act (29 of 2004). At least 58% of these beneficiaries will be women, and 70% will be youth.</p> <p>Basic training on business planning / expansion: A training course will be delivered to existing and would-be entrepreneurs / representatives of cooperatives in each project node, with emphasis on practical skills such as market research, business planning, marketing and advertising, cash flow management, stock control and security, supply chain agreements, access to finance, and employee</p>	<p>twice during project lifetime: at mid term review and at end of project</p>			
--	---	--	--	--	--



	management, and also providing hands-on support to develop a business development or improvement plan.				
Female micro-business operators reached with targeted business training to develop or expand on supply chain linkages in the Biodiversity Economy	<p>Micro business operators are those owning new or existing businesses including both small and very small businesses. “Very small businesses” employ between 6 and 20 employees, while “small businesses” employ between 21 and 50 employees. The upper limit for turnover in a small business varies from ZAR 1,000,000 in the agricultural sector to ZAR 13,000,000 in the catering, accommodations, and other sector - in terms of the National Small Enterprises Act (29 of 2004). At least 60% of these beneficiaries will be women, and 70% will be youth.</p> <p>Basic training on business planning / expansion: A training course will be</p>	Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of project	Annual written report by three project node coordinators	Tracking of progress and request to agencies for reports by DFFE-hosted PMU	Tracking of progress and request to agencies for reports by DFFE-hosted PMU



	delivered to existing and would-be entrepreneurs / representatives of cooperatives in each project node, with emphasis on practical skills such as market research, business planning, marketing and advertising, cash flow management, stock control and security, supply chain agreements, access to finance, and employee management, and also providing hands-on support to develop a business development or improvement plan.				
Small business operators reached with targeted business training to develop or expand on supply chain linkages in the Biodiversity Economy	Micro business operators are those owning small and very small businesses. “Very small businesses” employ between 6 and 20 employees, while “small businesses” employ between 21 and 50 employees. The upper limit for turnover in a small business varies from ZAR 1,000,000 in the agricultural sector to ZAR 13,000,000 in	Data for this indicator will be collected annually and collated twice during project lifetime: at mid term	Annual written report by three project node coordinators	Tracking of progress and request to agencies for reports by DFFE-hosted PMU	DFFE, SANParks, ECPTA, iSimangaliso WPA



	<p>the catering, accommodations and other sector – in terms of the National Small Enterprises Act (29 of 2004). At least 60% of these beneficiaries will be women, and 70% will be youth.</p> <p>Targeted capacity development over an extended period will be provided to 25-30 selected viable business concepts in each project node that fit directly into growing biodiversity economy value chains and promise multiplier effects in the local economy. This includes both mentorship and specialized technical advice (transaction, investment, legal) for a 24-month period, and grant funding for working capital and required equipment and small-scale infrastructure.</p>	review and at end of project			
Female small or very small business operators reached with targeted business training to develop or expand on supply chain linkages in	Micro business operators are those owning new or existing businesses including both small and very small	Data for this indicator will be	Annual written report by three project	Tracking of progress and request to agencies for reports by DFFE-hosted PMU	DFFE, SANParks, ECPTA, iSimangaliso WPA



the Biodiversity Economy	<p>businesses. “Very small businesses” employ between 6 and 20 employees, while “small businesses” employ between 21 and 50 employees. The upper limit for turnover in a small business varies from ZAR 1,000,000 in the agricultural sector to ZAR 13,000,000 in the catering, accommodations and other sector - in terms of the National Small Enterprises Act (29 of 2004). At least 60% of these beneficiaries will be women, and 70% will be youth.</p> <p>Basic training on business planning / expansion: A training course will be delivered to existing and would-be entrepreneurs / representatives of cooperatives in each project node, with emphasis on practical skills such as market research, business planning, marketing and advertising, cash flow</p>	<p>collected annually and collated twice during project lifetime: at mid term review and at end of project</p>	<p>node coordinators</p>		
--------------------------	--	--	--------------------------	--	--



	management, stock control and security, supply chain agreements, access to finance, and employee management, and also providing hands-on support to develop a business development or improvement plan.				
Community governance structure members reached with leadership and governance training	Community governance structures in each node will be surveyed by the project node coordinator in the first year of implementation and will include youth, women's and business groupings, as well as structures for governance of communally-held land – including the nodes' Communal Property Associations and Development Trusts, as well as any Special Purpose Vehicles to be established during project implementation under the above structures to ringfence income and expenditure in running specific commercial ventures.	Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of project	Annual written report by three project node coordinators	Tracking of progress and request to agencies for reports by DFFE-hosted PMU	DFFE, SANParks, ECPTA, iSimangaliso WPA



People who participate in consultations on Biodiversity Stewardship in targeted communities.	<p>Biodiversity Stewardship is an approach to enter into agreements with private and communal landowners to protect and manage land in biodiversity priority areas. Biodiversity Stewardship Programmes are implemented by provincial and national conservation agencies. The South African Biodiversity Institute (SANBI) convenes the community of practice and supports policy, implementation, and capacity building activities. Biodiversity Stewardship Programme consultations include dialogues between SANParks, ECPTA, and iSimangaliso WPA and community landowners with a goal to educate about the Programme and to secure stewardship agreements.</p>	Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of project.	Annual written report by three project node coordinators.	SANParks, ECPTA, and iSimangaliso WPA will be responsible for tracking participation in consultations hosted with communities from their respective protected areas towards securing stewardship agreements and will be responsible for disaggregating participation data by gender. SANBI will be primarily responsible for tracking participation at learning exchanges and capacity development opportunities and will dis-aggregate participation data by gender. SANBI will furthermore collate data from ECPTA, SANParks and iSimangaliso WPA and provide to the PMU.	SANBI, SANParks, ECPTA, iSimangaliso WPA
--	---	--	---	---	--



Project grievances that are addressed within four weeks of receipt		Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of project	Annual written report by three project node coordinators	Tracking of progress and request to agencies for reports by DFFE-hosted PMU	DFFE, SANParks, ECPTA, iSimangaliso WPA
Share of targeted community members with rating 'Satisfied' or above on project interventions	Corporate required indicator for citizen engagement and gender. It reflects demand-side social accountability using a feedback loop to collect perceptions on interventions related to SMME development	Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of	Reporting from beneficiaries participating in SMME interventions provided through the project	Percentage survey	SANBI, SANParks, ECPTA, iSimangaliso WPA



		project			
Share of female targeted community members with rating 'Satisfied' or above on project interventions	Corporate required indicator for citizen engagement and gender. It reflects demand-side social accountability using a feedback loop and disaggregation by sex to collect perceptions on interventions related to SMME development	Data for this indicator will be collected annually and collated twice during project lifetime: at mid term review and at end of project	Beneficiaries participating in SMME interventions provided through the project	Perception survey	SANBI, SANParks, ECPTA, iSimangaliso WPA

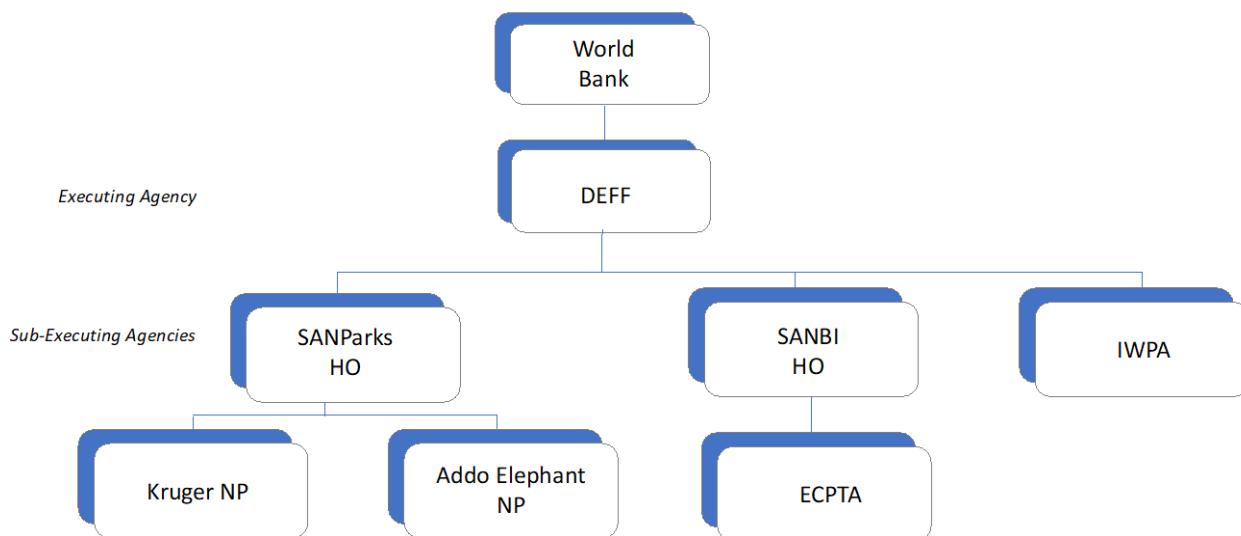
**ANNEX 1: Implementation Arrangements and Support Plan**

1. The project (P170213 “Catalyzing Financing and Capacity for the Biodiversity Economy around Protected Areas Project”) will be implemented by the DFFE as “Pillar 2” of the approved GEF-7 Global Wildlife Program Country Project: “South Africa Biodiversity Economy and Illegal Wildlife Trade.” A complementary project, directly addressing illegal wildlife trafficking, and referred to in the approved Concept Note for the Country Project as “Pillar 1”, will also be executed by DFFE and will be supported by UNEP. The two projects (Pillar 1 project supported by UNEP, and Pillar 2 project supported by World Bank) will be guided by a joint PSC. The two projects will have separate Project Management Units in DFFE, responsible for project coordination, monitoring and reporting to the GEF and their respective GEF implementing agencies – UNEP for the Pillar 1 project and World Bank for the Pillar 2 project.
2. The overall Executing Agency covered by this Project Appraisal Document, (P170213 “Catalyzing Financing and Capacity for the Biodiversity Economy around Protected Areas”) is the DFFE (formerly the Department of Environmental Affairs, DEA). DFFE will host the PMU and be responsible for Component 3: Project Management and Monitoring.
3. Component 1 of the project is implemented at landscape level in the three biodiversity economy nodes, by three Sub-Executing Agencies – South African National Parks (SANParks), South African National Biodiversity Institute (SANBI) and iSimangaliso Wetland Park Authority, responsible for delivering on the desired intermediate results for Component 1, (*Section VII. Results Framework*) and the outputs designed to achieve these in the three project nodes: the Greater Addo-Amathole Node in the Eastern Cape Province, the Greater Kruger-Limpopo Node in Limpopo Province, and the Greater iSimangaliso Node in KwaZulu-Natal Province. Component 2 of the project will be implemented by SANBI.
4. As one of the sub-executing agencies, SANBI will also oversee work in the Eastern Cape project node on community stewardship and livelihoods, to be undertaken by the provincial conservation authority, Eastern Cape Parks and Tourism Agency (ECPTA). In the Greater Addo-Amathole Node in the Eastern Cape Province, project activities will thus be carried out both by SANParks Head Office and by ECPTA (through SANBI), with the work connected through landscape level coordination and investment planning across the entire node. The Project Node Coordinator will be contracted by SANParks and will be based at the Port Elizabeth office of SANParks, but will service the entire node, including areas where ECPTA is working with local communities around the Great Fish River Nature Reserve, and conducting stewardship outreach in the surrounding landscape.
5. In the Greater Kruger-Limpopo Node, activities will be carried out by SANParks in the project node, guided by the wider Greater Kruger Strategic Development Programme (GKSDP), and in partnership with a wide range of government agencies, civil society and private sector partners, including traditional authorities and the Limpopo Economic Development, Environment and Tourism (LEDET) department of provincial government. The Project Node Coordinator will be contracted by SANParks and based at the Phalaborwa office of SANParks. In the Greater iSimangaliso Node, activities will be carried out by the iSimangaliso Wetland Park Authority in the buffer of the park and the node area in the northern half of the Park, in partnership with a wide range of stakeholders, including traditional authorities, local government, private tourism operators and the provincial conservation authority, EKZNW.



6. Funds flow for the project is indicated in the diagram below. Funds will flow from the World Bank to the Reconstruction and Development Programme (RDP) account in the NT of South Africa, and from there to a dedicated project bank account operated by DFFE. DFFE will in turn channel funds to the three Sub-Executing Agencies –SANParks, SANBI, and iSimangaliso Wetland Park Authority, whose capacity to manage this funding has been confirmed through an assessment by the World Bank of their financial and procurement capacity. Funds will further flow from SANBI to ECPTA, whose capacity has been similarly assessed and confirmed.

**Figure 1.1: Fund Flow for the project**



7. Implementation of the GEF-7 Global Wildlife Program Country Project: “South Africa Biodiversity Economy and Illegal Wildlife Trade,” will be overseen by a joint PSC. The PSC will be chaired by DFFE, and will include representation from relevant government agencies and civil society organizations involved in implementing and/or co-financing the project.
8. The PIM under preparation sets out financial and administrative policies and procedures for managers, staff, and consultants responsible for project implementation. The PIM includes project management, institutional responsibilities, fiduciary procedures, and responsibilities, M&E, environmental and social safeguards, and other specific reporting requirements.
9. The PMU will be hosted by the Chief Directorate: Biodiversity Economy and Sustainable Use (BESU) of DFFE in Pretoria, and will have responsibility for Component 3, Project management and monitoring. A Safeguards Officer will support the Project Node Coordinators to implement the project safeguards and minimize risks. The following contract posts will be in the PMU:
  - Project Manager
  - Financial Management Specialist
  - Procurement Specialist
  - Environmental and Social Safeguards Specialist



10. The PSC will be chaired by and under the directorship of DFFE and will include representation from other government departments and key stakeholders, including co-financing agencies, and representatives of the private sector and civil society. The PSC will provide high-level guidance to the project and maintain political responsibility for its progress, impact and alignment with South African Government policy and legislation. The PSC will meet at least twice a year.

**Table 1.1: Procurement Plan Thresholds for Prior Review, Procurement Approaches and Methods**

A. Goods, Works and Non-Consulting Services: Moderate Risk Project				
Category	Prior Review (US\$ millions)	Procurement Approaches and Methods (US\$ millions)		
		Open International	Open National	Request for Quotation (RFQ)
Works	≥ 15	≥ 20.0	< 20	≤ 0.2
Goods, IT, and non-consulting services	≥ 4	≥ 5	< 5	≤ 0.1

B. Consulting Services				
Category	Prior Review (US\$ millions)	Short List of National Consultants (US\$ million)		
		Consulting Services	Engineering and Construction Supervision	
Consultants (Firms)	≥ 2	≤ 0.3		≤ 0.3
Individual Consultants	≥ 0.4	NA.		NA.

#### **Goods, Works, and Non-Consulting Services**

35. Presented here is a list of goods to be procured throughout the lifespan of the project implementation:

**Table 1.2: Goods, Works and Non-Consulting Services**

Sr./ No	Contract Description	Estimated Cost (US\$) (based on ZAR15:US\$1)	Review by Bank (Prior/ Post)	Market Approach	Selection Method	Expected date of bid/ proposal opening (To be confirmed by the PSC)	Expected date of Contract Signature (To be confirmed by the PSC)
<b>GOODS</b>							
<b>SANPARKS</b>							
1.	Assorted Office equipment	19,000	Post	Open Limited	RFQ	July 2021	September 2021
2.	Assorted Operational equipment	34,000	Post	Open Limited	RFQ	July 2021	September 2021
3.	1xProject vehicle	27,000	Post	Open Limited	RFQ	July 2021	September 2021



<b>SANBI</b>							
1.	Assorted Office equipment	69,000	Post	Open Limited	RFQ	July 2021	September 2021
2.	Assorted Operational equipment	12,000	Post	Open Limited	RFQ	July 2021	September 2021
3.	2xProject vehicles	80,000	Post	Open Limited	RFQ	July 2021	September 2021
4.	Specialized game-viewing vehicles	50,000	Post	Open Limited	RFQ	July 2021	September 2021
5.	Staff uniforms for Brakfontein Community Nature Reserve	3,167	Post	Open Limited	RFQ	July 2021	September 2021

### **Isimangaliso**

1.	Assorted Office equipment	12,000	Post	Open Limited	RFQ	July 2021	September 2021
2.	Assorted Operational equipment	27,000	Post	Open Limited	RFQ	July 2021	September 2021
3.	2xProject vehicle	54,000	Post	Open Limited	RFQ	July 2021	September 2021

### **DFFE**

1.	Assorted Office equipment	2,000	Post	Open Limited	RFQ	July 2021	September 2021
----	---------------------------	-------	------	--------------	-----	-----------	----------------

### **Consulting Services**

36. Presented below is a list of consulting services to be procured throughout the lifespan of the project implementation:

**Table 1.3: Consulting Services**

Consulting Services								
Sr. No	Contract Description	Estimated Cost (US\$)	Review by Bank (Prior/Post)	Market Approach	Selection Method	Shortlisting (Yes/ No)	Expected date of bid/ proposal opening	Expected date of Contract Signature
<b>SANPARKS</b>								
1.	2XProject node coordination and integrated land use management consultants (individual)	507,000	Prior	Open Limited	IC	Y	July 2021	September 2021
2.	2XResource economist (individual)	188,000	Post	Open Limited	IC	Y	July 2021	September 2021



3.	2X Project administrative services to node (individual)	224,000	Post	Open Limited	IC	Y	July 2021	September 2021
4.	2 Communications and knowledge management consultant (individual)	106,000	Post	Open Limited	IC	Y	July 2021	September 2021
5.	Consultancy to conduct technical plan drawings (Gidjana Behvula) (firm)	14,000	Post	Open National	LCSM	Y	October 2021	January 2022
6.	Micro planning socio-economic feasibility studies for SMME opportunities (firm)	34,000	Post	Open National	LCSM	Y	October 2021	January 2022
7.	Feasibility studies (meat processing facility and SMME development) (firm)	12,000	Post	Open National	LCSM	Y	October 2021	January 2022
8.	GIS technical support for spatial assessment (firm)	60,000	Post	Open National	LCSM	Y	October 2021	January 2022
9.	Prepare Biodiversity Economy Node Master Plan (firm)	80,000	Post	Open National	LCSM	Y	February 2022	April 2022
10.	Leadership training & governance capacity development (firm)	170,000	Post	Open National	LCSM	Y	February 2022	April 2022
11.	Project strategic integration with SANParks socio-economic transformation (25%) (individual)	224,000	Post	Open Limited	IC	Y	February 2022	April 2022
12.	2XCommunity stewardship management services (individual)	332,000	Post	Open Limited	IC	Y	October 2021	January 2022
13.	SMME capacity development (firm)	205,000	Post	Open National	LCSM		October 2021	January 2022
<b>SANBI</b>								
1.	Community reserve	56,371	Post	Open	IC	Y	July 2021	September



	management (individual)			Limited				2021
2.	Ranger services (individual)	63,135	Post	Open Limited	IC	Y	July 2021	September 2021
3.	Gate guard services (individual)	54,116	Post	Open Limited	IC	Y	July 2021	September 2021
4.	Biodiversity Stewardship facilitator services - Greater Fish / Amathole at large (individual)	178,132	Post	Open Limited	IC	Y	July 2021	September 2021
1.	Biodiversity Stewardship livelihoods manager services - Brakfontein and surrounds (individual)	195,170	Post	Open Limited	IC	Y	July 2021	September 2021
2.	Consulting fees Conveyances / Legal Services (firm)	9,333	Post	Open National	LCSM	Y	October 2021	January 2022
3.	Training & development (Seminars, conventions & workshops) (firm)	6,000	Post	Open National	LCSM	Y	February 2022	April 2022
4.	Deeds search subscription & transactions (firm)	7,333	Post	Open National	LCSM	Y	February 2022	April 2022
5.	Audit fee (firm)	25,000	Post	Open National	LCSM	Y	February 2022	April 2022
6.	Project Biodiversity stewardship advisor services (individual)	274,629	Post	Open Limited	IC	Y	October 2021	January 2022
7.	Project knowledge and learning officer services (individual)	164,514	Post	Open Limited	IC	Y	October 2021	January 2022
8.	Project administrative services to node (individual)	51,053	Post	Open Limited	IC	Y	July 2021	September 2021
9.	Specialist transaction advice linking biodiversity stewardship to wildlife economy (firm)	66,667	Post	Open National	LCSM	Y	July 2021	September 2021
10.	Biodiversity	66,667	Post	Open	LCSM	Y	July 2021	September



	Stewardship sustainable financing models (firm)			Limited				2021
11.	Specialist legal support to community stewardship agreements (firm)	55,833	Post	Open National	LCSM	Y	October 2021	January 2022
12.	Consultancy to provide SANBI project support services (project management finance) (individual)	68,498	Post	Open Limited	IC	Y	October 2021	January 2022
13.	Environment and social safeguard support (individual)	33,635	Post	Open Limited	IC	Y	July 2021	September 2021
<b>iSimangaliso</b>								
1.	Project node coordination and integrated land use management (individual)	263,066	Post	Open Limited	IC	Y	July 2021	September 2021
2.	Project administrative services to node (individual)	112,742	Post	Open Limited	IC	Y	July 2021	September 2021
3.	Feasibility studies (firm)	33,334	Post	Open National	LCSM	Y	February 2022	April 2022
4.	Prepare Biodiversity Economy Node Master Plan (firm)	100,000	Post	Open National	LCSM	Y	February 2022	April 2022
5.	Communications and knowledge management (individual)	53,333	Post	Open Limited	IC	Y	February 2022	April 2022
6.	Community engagements and consultation (individual)	201,000	Post	Open National	LCSM	Y	July 2021	September 2021
7.	Leadership training & governance capacity development (firm)	102,074	Post	Open National	LCSM	Y	February 2022	April 2022
8.	Community equity share and transaction advice	1,000,000	Prior	Open International	QCBS	Y	October 2021	January 2022



	(firm)							
9.	Coordination and studies of co-management agreement implementation (firm)	200,015	Post	Open National	LCSM	Y	October 2021	January 2022
10.	Biodiversity Stewardship and livelihoods facilitation (individual)	534,396	Prior	Open Limited	IC	Y	October 2021	January 2022
11.	Consulting fees - Conveyancing / Legal Services (firm)	9,333	Post	Open National	LCSM	Y	February 2022	April 2022

**DFFE**

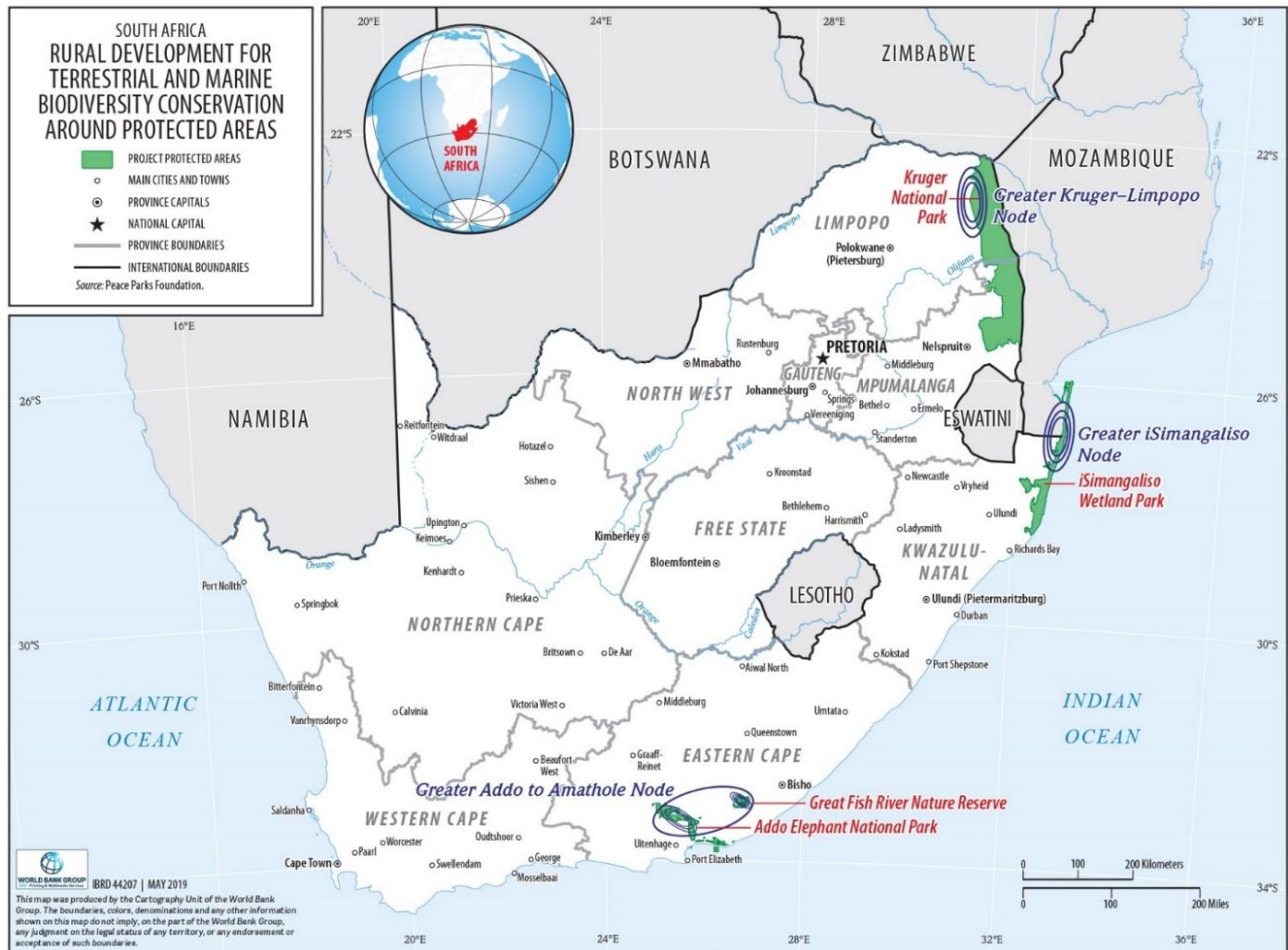
1.	Project Manager (individual)	267,260	Post	Open Limited	IC	Y	July 2021	September 2021
2.	Financial Management Specialist (individual)	19,354	Post	Open Limited	IC	Y	July 2021	September 2021
3.	Procurement Specialist (individual)	19,354	Post	Open Limited	IC	Y	July 2021	September 2021
4.	Consultancies for mid-term review and end of project evaluation (individual)	95,200	Post	Open Limited	IC	Y	July 2022	September 2022
5.	Internal annual audit (firm)	25,000	Post	Open National	LCSM	Y	October 2021	January 2022



## ANNEX 2: Project Map<sup>62</sup>

### COUNTRY: South Africa

#### Catalyzing Financing and Capacity for the Biodiversity Economy around Protected Areas Project



<sup>62</sup> This map was cleared on May 27, 2021.



## ANNEX 3: Economic and Financial Analysis

### COUNTRY: South Africa

#### Catalyzing Financing and Capacity for the Biodiversity Economy around Protected Areas Project

##### 1. Introduction

1. Humans have wiped out 60 percent of animal populations since 1970 (*Living Planet Report 2018*) and specifically, mammal species collectively lost over 50 percent of their continental populations (*Ceballos et al, 2018*). This loss of wildlife threatens valuable ecosystem services and human well-being. The top three threats to wildlife are: habitat change (loss, degradation, and fragmentation), illegal wildlife trade (IWT) and climate change (*The GEF7 Biodiversity Strategy*). Criminal activities that affect the environment and natural resources contribute to the loss of biodiversity and pose a serious threat to sustainable and inclusive development. A recent World Bank report estimated annual costs of illegal logging, fishing and wildlife trade are a staggering US\$1 to US\$2 trillion<sup>63</sup>. The value of illegal wildlife trade (IWT) alone is estimated at US\$7-23 billion per year (*UNEP-INTERPOL Rapid Response Assessment, 2016*).
2. The success of conservation efforts depends upon the recognition that poverty can be a significant constraint on conservation, and at the same time conservation is an important component to the alleviation of long-term poverty. PAs are the cornerstone of biodiversity conservation; they maintain key habitats, provide refugia, allow for species migration and movement, and ensure the maintenance of natural processes across the landscape (CBD). PAs can create economic benefits as tourist destinations and serve as an anchor for ‘biodiversity economy nodes’<sup>64</sup>. Benefits generated by PAs can include park entry fees, tourists spending in lodges and tourism related businesses, and other commercial, recreational, ecosystem services related benefits. In addition, there are indirect effects of visitor spending for businesses and households around PAs in nearby towns. For example, a January 2020 World Bank study (partly supported by the GEF-funded Global Wildlife Program) estimated total economic returns of 7 to 27 kwachas on the gross domestic product (GDP) per kwacha of government spending on Zambia’s Lower Zambezi and South Luangwa National Parks. Despite the global environmental benefits delivered by PAs and increased income around some parks, poverty around many protected areas remain extremely high.
3. Wildlife-based tourism contributed US\$120.1 billion to global GDP in 2018, directly providing 9.1 million jobs worldwide (WTTC 2019). Researchers have found that elephant conservation in savannah protected areas has net positive economic returns comparable to investments in sectors such as education and infrastructure and increased elephant conservation is a wise investment by governments in these regions (*Naidoo 2016*). In Namibia, economic value of large wildlife on communal lands was high ranging from US\$111,000 for a black rhino, US\$22,000 for a “Big 5” species, and US\$2,100 for other wildlife species (*Naidoo 2011*). A case study of 365 tourism staff in six southern African countries found these staff inject a total of US\$212,144 monthly into local economies where they live across (*Snyman 2017*)<sup>65</sup>. Wildlife tourism can provide communities living around protected areas with an incentive to

<sup>63</sup> World Bank Report: Illegal Logging, Fishing, and Wildlife Trade: The Costs and How to Combat It, October 2019.

<sup>64</sup> A node can be described as a geospatial platform that provide networks to enable market access, skills transfer, investment attraction and supply chain linkages through incorporating underdeveloped but biodiversity-rich communal lands, private lands and unproductive game farms/reserve, or well established Protected Areas that are not optimally utilized.

<sup>65</sup> Case study of 385 tourism staff in six southern African countries found that on average each staff member had 7 dependents. The 16 ecotourism lodges assessed impacted 5,000 lives (equivalent to 14 people per tourism bed, at 100 percent occupancy). Tourism staff



conserve wildlife. Despite the benefits of tourism to protected areas, it is important to note the current impacts of COVID-19 to tourism globally which have been significant.<sup>66</sup> Governments, communities, and the private sector globally are currently taking emergency response and recovery measures to overcome liquidity and solvency challenges caused by the current health and economic crisis. The global economic shock that the COVID-19 pandemic has delivered and steep recessions many countries are experiencing will leave lasting scars for many countries. As previously referenced, South Africa's tourism sector and communities that rely on tourism for their livelihoods were impacted by lockdown measures and halt in tourism activities. A critical consideration for countries as economies reopen in a phased approach will be how to diversify income streams to ensure natural assets are conserved to not only support recovery efforts but also provide the foundation for its sustainable development.

4. There is also increasing recognition among practitioners and policy makers of the need to engage rural communities that live with wildlife as key partners in tackling IWT and alleviating pressure on PAs (IUCN 2016). Experiences in Kenya, including within the Northern Rangelands Trust (*NRT*) Conservancies saw a reduction in illegal killing of elephants from 113 elephants poached in 2012 to only 3 in 2019 (*NRT 2019*). Support from USAID, The Nature Conservancy, DANIDA, the EU, and many others have contributed to enhancing governance of community conservancies, strengthening security, peace, and livelihoods. For more countries and communities to unlock their wildlife economy, it is essential to address inadequate policies and concession laws, limited financial capital for tourism infrastructure, unplanned development, poor governance and limited opportunities for scaling up community-run enterprise have resulted in weak wildlife economy development to date. Namibia, Kenya, and several other countries in Africa and beyond have shown that investments in and around protected areas can have important conservation and economic impacts.

## **2. Baseline scenario**

5. The baseline scenario for this project would deliver some short-term benefits, but considerably less than the potential benefits derived from improved wildlife management and supply chains delivered through the project. Net benefits would likely gradually erode as the current situation of wildlife management in South Africa is at a critical stage and the cost of inaction can be large in the medium and long term. Across South Africa, there were 1,028 rhinos poached in 2017 and 769 in 2018. Kruger National Park is the epicenter of the poaching crisis in Africa. Although South Africa has experienced significant gains in its fight to save wildlife, it still had over 365 rhinos poached in 2019 (down from 827 rhinos poached in 2014). Similarly, 71 elephants were poached in 2018 and pressure on these globally significant natural resources remain high. Thus, the baseline scenario would incur costs and losses due to increased pressure on already overexploited wildlife habitats, ecosystem services and biodiversity. A key threat to the integrity of PAs is poverty, leading to overexploitation of natural resources, including wildlife crime through poaching and overfishing. The three provinces in which project target landscapes fall experienced the highest headcount of adult poverty – Limpopo (67.5 percent), Eastern Cape (67.3 percent) and KwaZulu-Natal (60.7 percent). The severity of poverty measures was larger for female-headed households compared to households headed by males. Women are also disadvantaged in relation to land ownership; between 2005 and 2010, only 36 percent of the beneficiaries of the land redistribution and tenure program were women. With weak access to credit, markets, training, and few formal employment opportunities would likely lead some to resort to poaching for household consumption, as well as encroachment on PAs for harvesting fuelwood or cultivating crops. In other cases, community members could be

---

inject a total of US\$212,144 monthly into local economies where they live across the six countries (approximately US\$13,259 per month per tourism camp or US\$603 per tourism bed per month).

<sup>66</sup> The *UNWTO* estimates the loss of up to US\$1.2 trillion in export revenues from tourism, with 120 million jobs at risk.



employed by illegal wildlife trafficking syndicates. The baseline scenario would therefore incur costs and losses due to the continued trend of overexploitation of wildlife and natural resources.

### **3. GEF alternative**

6. The project builds on completed and ongoing protected area management initiatives in South Africa and biodiversity economy investments. It enables synergies with the private sector, ongoing activities by DFFE, and financing from the Department for Small Business Development. An important value added of the project is its support to multi-stakeholder coordination platforms, governance training, and biodiversity economy investment platform to unlock investment across South Africa. It is expected that the implementation of interventions proposed under the GEF-7 South Africa project would lead to global biodiversity conservation benefits by supporting key ecological rehabilitation and socioeconomic activities in three target biodiversity economy nodes. With these activities, GEF funding would lead to global biodiversity conservation benefits by substantially reducing key threats to the biodiversity of global importance of the target landscapes. The project contributes to GEF biodiversity programming directions: (i) preventing the extinction of known threatened species (BD1.2a); and (ii) to mainstream biodiversity across sectors as well as landscapes and seascapes through Global Wildlife Program for sustainable development (BD1.2b). In the absence of GEF support these activities would not be undertaken.

7. This project addresses key barriers to unlock the full potential of the South African wildlife economy: (i) inadequate governance at the local level to enable communities to fully participate in decision making, secure land tenure, and co-manage natural resources; (ii) weak institutional capacity and limited investment mechanisms to support public-private-community partnerships to increase benefits local communities derive from biodiversity conservation; and (iii) lack of systematic financial and technical support. The project benefits are aligned with priority measures South Africa's National Biodiversity Economy Strategy<sup>67</sup>. The project consists of three components closely interrelated: building biodiversity economy nodes for community stewardship and livelihoods (Component 1); Knowledge exchange across nodes and capturing learning on community stewardship and biodiversity economy (Component 2); and project management and monitoring (Component 3).

8. Investments to be made under Component 1 through execution of biodiversity stewardship agreements will directly support expansion of conservation areas and indirectly alleviate pressure on protected areas. A total of 20,000 hectares of land will be brought under biodiversity stewardship in protected area buffer landscapes. This will be done either through formal declaration as Protected Areas or agreements to form Conservation Areas and will expand wildlife habitats. The project will also support new business agreements and micro-business operators, some of which are already operating, and others will be newly created during the project. For Component 2, the project will strengthen knowledge management and exchange of lessons learned across biodiversity nodes and internationally through the Global Wildlife Program. Component 3 relates to project management and monitoring which is intended to facilitate completion of activities under Components 1 and 2. The project will increase capacity and increase investments in the biodiversity economy nodes which in turn should support community stewardship and livelihoods. Project investments will play a catalytic role in stimulating greater linkages for local small and micro-businesses that

<sup>67</sup> South Africa's National Biodiversity Economy Strategy was set in 2018 and labeled 'Operation Phakisa: Biodiversity Economy'. It seeks to balance biodiversity and natural resources protection with sustainable use for economic development and equitable distribution of benefits. The National Biodiversity Economy Strategy sets out measures to develop the wildlife, biotrade and ecotourism sectors, aiming to create 162,000 jobs and generate US\$3.19 billion (Using exchange rate of ZAR14.75 = US\$1) in revenue by 2030. The wildlife sector, already employing around 100,000 people across the value chain, is seen as key to this – increasing business and land ownership by previously disadvantaged individuals and boosting participation by communities.



can lead to greater multiplier effects community share of local and regional economy. Increased flow of knowledge, data, and investment information will provide further benefits. As the project is expected to bring in private sector participants, it is expected to generate additional returns to the GEF investments.

#### **4. Analytical approach used to measure project benefits**

9. **Methodology and assumptions:** The methodology used is a cost-benefit analysis (CBA)<sup>68</sup>. The following steps were used for the financial analysis: (i) identification of benefits and costs generated/ incurred by the project; (ii) comparison of "With Project (WP)" and "Without Project (WOP)" scenarios in order to assess the net incremental benefits; and (iii) calculation of the financial and economic profitability indicators (such as the NPV and the IRR).

10. The project will produce local and national benefits from increased biodiversity stewardship in protected area buffer landscapes and strengthened capacity to foster biodiversity economy nodes. The project investments will strengthen stakeholder coordination, promote small business enterprises and incubation, and training/capacity development. Project activities will lead to measurable socio-economic benefits that will accrue to communities and businesses in target areas through improved market access, skills transfer, crowding in of investments, and supply chain linkages. An economic and financial analysis built on the CBA can be applied to the projected benefit stream that measure added value of employment from SMME investments and multi-stakeholder coordination and governance investments.

11. **Identification of benefits:** The Project activities are expected to generate several benefit streams. Based on the data available and projects interventions, this EFA is built on the following main benefits streams: (i) revenue for SMMEs (value added due to operating results); and (ii) earnings for employees (value added due to jobs creation/salary increases). Other project benefits, including from increased coordination and Improved sustainability of biodiversity management and governance to enlarge wildlife habitats and enhanced wildlife and ecosystem services that deliver more intangible environmental and social benefits were not assessed as part of this analysis.

12. Increased management effectiveness of underdeveloped but biodiversity-rich communal lands, private lands and unproductive game farms/reserve, or well-established Protected Areas that are not optimally utilized is expected to be an important benefit although it was not included in the analysis. The benefit stream related to generation of higher incomes for the SMMEs and local communities that form new businesses, jobs created/retained, and multiplier effects across the biodiversity economy nodes was the primary source of benefit calculations. The benefit stream to support ecosystem services that are part of the wildlife economy activities was also not included in the analysis. These additional environmental and social benefits were excluded from the benefit calculations as they are generally 'non-market' benefits and more difficult to value without targeted surveys and additional data collection and consensus.

#### **5. Results**

13. Overall, enhanced conservation management, expansion of wildlife habitats through community stewardship, SMME capitalization, and supply chain connectivity delivered through the project are expected to deliver net positive benefits. **The CFCBEPA is a profitable project, generating an NPV of US\$ 2.83 million (at 6 percent discount rate) and an IRR of 24 percent and the Benefit/Cost (B/C) ratio is 1.6** (on a total budget of US\$ 8.99 million in GEF funds). These

<sup>68</sup> This analysis follows the standard methodology recommended by the World Bank, as described in Gittinger (1982) and Belli et al. (2001), and is aligned to with the Cost benefit analysis for World Bank Projects guidelines ((IEG, 2010)



calculations exclude the more qualitative environmental benefits that were not priced for the analysis. A sensitivity analysis shows that the project's results remain robust under various scenarios.

14. The economic analysis considers a time horizon of 10 years, to account for the long-term benefits of the project. The analysis assumes project costs are invested over the course of the first six years of the project. Further, it uses a baseline discount rate of 6 percent, as suggested by the World Bank<sup>69</sup>, and assumes annual maintenance cost of 1 percent (approximately US\$89,900) of the investments. The project will support 150 SMME entities, 105 of which is assumed to be from the existing set plus 45 newly created as incremental. The quantifiable project benefits are broken up across categories of SMMEs as described in the key assumptions listed in Table 9.

**Table 3.1: Data inputs for the economic analysis**

Activities	Current/without project scenario	With project scenario
1. Number of SMMEs	215	<ul style="list-style-type: none"> <li>○ 110 (existing SMMEs not directly participating in project activities)</li> <li>○ 105 (existing SMMEs participating in project activities)</li> <li>○ 45 (new start-ups) – 20 are assumed to come online by the end of year 2 and an additional 25 in year 3</li> </ul>
2. Average annual revenue per entity	US\$10,000 (growing at 5% a year as a proxy for inflation)	<ul style="list-style-type: none"> <li>○ Existing entities that do not participate start with an annual revenue of US\$10,000 and will continue to grow at 5% CAGR over the 10-year timeframe</li> <li>○ Existing entities that participate start with an annual revenue of US\$10,000 and will grow at 9% CAGR over the 10-year timeframe</li> <li>○ Incremental SMME entities that are newly created are assumed to generate \$8,050 per year (starting in year 2). The overall CAGR for SMME revenue per entity is 16% CAGR over the 10-year timeframe such that by the 10-year mark it is in line with revenues at year 10 of the existing entities that participate in the project activities</li> </ul>
3. Earning per SMME employee	Each entity employs 3 people, with an average annual salary of \$1,800, growing at 5% annually (proxy for inflation)	<ul style="list-style-type: none"> <li>○ Existing entities that do not participate - Each entity employs 3 people, with an average annual salary of \$1,800, growing at 5% annually (proxy for inflation)</li> <li>○ Existing entities that participate - Each entity employs 3 people, with an average annual salary of \$1,800, growing at 9% CAGR over the 10-year timeframe</li> <li>○ Newly created SMME entities start with 1 employee by the end of year 2, and gradually increase employees to 3 per entity by the end of year 4. The overall CAGR for employee earnings per entity is 16% CAGR over the 10-year timeframe</li> </ul>

15. The ex-ante economic analysis suggests that project-supported investments will generate substantial benefits for direct beneficiaries in areas served by the project, as well as substantial benefits for South Africa. The economic analysis thus shows that if project implementation is effective and efficient, project-supported investments will bring substantial economic benefits to the beneficiaries.

16. Results are robust to adverse changes in the key parameters (see Table 10). Increasing project costs by 10

<sup>69</sup> World Bank, "Technical Note on Discounting Costs and Benefits in Economic Analysis of World Bank Projects".



percent, reducing project benefits by 10 percent, and varying the default discount factor by 2 percentage points (i.e., 4 percent and 8 percent respectively) do not change the conclusions. Increasing project costs by 10 percent reduces IRR to 18 percent and decreasing project benefits by 10 percent reduces the IRR to 17 percent. These two scenarios are the most conservative compared to the scenario of increase in discount rate to 8 percent.

**Table 3.2: Sensitivity Analysis: changes in key parameters**

Sensitivity Analysis	NPV (million US\$)	IRR	B/C Ratio
Baseline (with a 6% discount rate)	2.8	24%	1.6
Scenario 1: Discount rate at 4%	3.6	24%	1.6
Scenario 2: Discount rate at 8%	2.2	24%	1.6
Scenario 3: Project costs increased by 10%	2.1	18%	1.5
Scenario 4: Project benefits decreased by 10%	1.8	17%	1.5
Scenario 5: Project benefits increased by 10%	3.8	31%	1.8

## 6. GEF-7 Biodiversity priorities and justification for public funding

17. The Project will contribute to the GEF Seventh Replenishment cycle. Specifically, it will support: (i) BD-1-2a Global Wildlife Program—Preventing the Extinction of Known Threatened Species; BD-1-2b Mainstream biodiversity across sectors as well as landscapes and seascapes through Global wildlife program for sustainable development; and BD-2-7 Improving Financial Sustainability, Effective Management, and Ecosystem Coverage of the Global Protected Area Estate. Biodiversity governance is a key barrier to effective wildlife management outside the PAs. Strengthening the capacity of the communities, municipalities, and various institutions responsible for the governance of the biodiversity sector is clearly a public function. Enhanced governance offers significant potential payoffs as it can reduce illegal wildlife trade and effectively establish and enforce conservation strategies. The project will help increase societal value given to wildlife resources and sustainable use of biodiversity as a means for landowners to achieve compensation for the maintenance of large tracts of natural habitat from which societal and global benefits are derived.

18. GEF funding will leverage financial resources to enhance South Africa's capacity to implement the Biodiversity Economy and increase benefits local communities gain from selected PA landscapes by improved supply chain linkages. The Project will help create jobs in the wildlife economy and ecotourism sectors and increase benefits local communities derive from PAs. The multi-stakeholder coordination platforms the project will create will help three target local communities around globally significant PAs to: (i) develop a shared vision of the biodiversity economy for the node, (ii) undertake integrated land use planning for the node, (iii) facilitate and align public sector investments linked to biodiversity economy activities, and (iv) unlock further private sector investment. In addition, it will strengthen governance and ownership for equitable benefit sharing. The project will also deliver global benefits as it will help conserve seriously threatened natural habitats and wildlife and provide alternative livelihoods to counter the ongoing poaching and illegal wildlife trafficking. This situation is mainly due to unsustainable and illegal practices – all of which are largely driven by widespread rural poverty, lack of alternatives, and negative perceptions about PAs by local stakeholders. By strengthening management of PAs and promoting opportunities for PA expansion accompanied by new livelihood opportunities – both through unlocking turnkey investments on community land in the tourism and game sectors, and through small business development, the project will contribute to a change in perceptions on the benefits of conservation. The project will help conserve natural habitats and wildlife of global value, while allowing at



the same time these natural assets to realize their economic potential for social development.

19. Local communities suffer from a series of market failures stemming from lack of coordination among productive agents, information asymmetry, non-availability of working capital and high cost of credit, and limited infrastructure. Because individual community members and small businesses have few incentives to invest in activities from which they themselves derive minimal benefit, use of GEF resources enable access to financial resources to improve strategic business processes and communications infrastructure to increase value of wildlife economy node supply chains. The justification for GEF funding is clear as wildlife is a common good and individual wildlife economy value chain participants have few incentives to safeguard it. The use of public resources is therefore justified to reduce over-exploitation, strengthen monitoring and control, and ensure enforcement and compliance with regulations. Therefore, use of public funding to address these market failures is justified from an efficiency standpoint, as long as the activities to be supported are well designed and are cost-effective.

20. The incremental GEF funding will add value to national resources by helping to consolidate the conditions required for sustainable long-term biodiversity conservation and socio-economic delivery in the three biodiversity nodes and across South Africa. In relation to the activities that will be carried out by the SA agencies in the business as usual scenario, the incremental value of the GEF project is summarized in the table below. The difference between the cost of the baseline scenario (US\$ 2.4 million) and the cost of the alternative scenario (US\$11.4 million) is estimated to be US\$ 9 million which represents the incremental cost for achieving the global environment objectives (Table 11).

**Table 3.3: Incremental Cost Matrix for GEF funding**

Project Components	Baseline	GEF Alternative	Incremental GEF (Alternative – Baseline)
1. Build biodiversity economy nodes for community stewardship and livelihoods	○ Conservation management  US\$2.4 million	○ Conservation management ○ Stakeholders better coordinated ○ Strengthened governance ○ Shared vision for biodiversity and economy nodes ○ SMMEs capitalized ○ Expanded wildlife habitat (community stewardship)  US\$9.4 million	○ Stakeholder coordination ○ Strengthened governance ○ Shared vision ○ SMMEs capitalized ○ Expanded wildlife habitat  US\$7.0 million
2. Knowledge exchange across nodes and capturing learning on community stewardship and biodiversity economy	○ Biodiversity node knowledge exchanges  <US\$0.1 million	○ Biodiversity node knowledge events ○ Knowledge resources collected, curated, and disseminated ○ New biodiversity economy knowledge products created ○ National Land Reform and Stewardship Learning events ○ International knowledge exchanges through Global Wildlife Program (GWP)  US\$1.4 million	○ Knowledge resources collected, curated, and disseminated ○ New knowledge products created ○ National Land Reform and Stewardship Learning events ○ International GWP knowledge exchanges  ~US\$1.4 million
3. Project management	○ Support for SANParks	○ Support for SANParks and iSimangaliso Authority ○ Support for DFFE	○ Support to DFFE ○ Agency capacity



Project Components	Baseline	GEF Alternative	Incremental GEF (Alternative – Baseline)
and monitoring	and iSimangaliso Authority	<ul style="list-style-type: none"><li>○ Agency capacity strengthened for procurement, financial management, and environmental and social safeguards</li></ul>	strengthened
	US\$0.2 million	US\$0.6 million	US\$0.4 million
Total	US\$2.4 million	US\$11.4 million	US\$9.0 million

21. The GEF project will allow consolidation of the gains achieved to date by the SanParks, iSimangaliso Authority, and SANBI and will provide a solid foundation for the long-term conservation of protected areas and community lands by i) expanding their footprint; ii) building economic activity that is sustainable and engages and benefits local communities; and iii) providing an example to be replicated at other Biodiversity Economy nodes. These activities will be monitored and overseen at the national level by the DFFE, which will support the achievement of two things: 1) long-term sustainability of the gains achieved and 2) a mechanism to share lessons and best practices learned from each project node across South Africa to other nodes and, in fact, globally. Overall, the GEF project will improve the level of protection afforded to the globally important biodiversity present within the project target areas while complementing the actions of the South African authorities to move towards sustainable development and poverty alleviation for vulnerable households living with degraded natural resources.

**ANNEX 4: Feasibility Studies for Potential Anchor Investments****COUNTRY: South Africa**

Catalyzing Financing and Capacity for the Biodiversity Economy around Protected Areas Project

Item	Landscape / Node	Scope of Work	Key Activities	Estimated Budget
<b>Greater Addo-Amathole Node</b>				
1.	<b>Addo Elephant National Park</b>	<i>Feasibility study – wildlife products processing facility</i>	<ul style="list-style-type: none"><li>• Conduct a site assessment to identify key features and land use options</li><li>• Undertake a technical assessment to identify key opportunities, challenges and risks</li><li>• Assess retail supply, value chain / value add opportunities and market access for game products</li><li>• Undertake a legal review to determine regulatory and permitting requirements</li><li>• Develop a business plan to determine capital infrastructure requirements, equipment and personnel, income and expenditure, institutional / ownership model</li><li>• Develop a branding and marketing plan to access game product markets</li></ul>	R200,000
2.	<b>Greater Fish Nature Reserve Brakfontein / Doubledrift Likhaya Lethu Communal Property Association</b>	<i>Feasibility study – wildlife products processing facility</i>	<ul style="list-style-type: none"><li>• Conduct a site assessment to identify key features and land use options</li><li>• Undertake a technical assessment to identify key opportunities, challenges and risks</li><li>• Assess retail supply, value chain / value add opportunities and market access for game products</li><li>• Undertake a legal review to determine regulatory and permitting requirements</li></ul>	R200,000



Item	Landscape / Node	Scope of Work	Key Activities	Estimated Budget
			<ul style="list-style-type: none"><li>• Develop a business plan to determine capital infrastructure requirements, equipment and personnel, income and expenditure, institutional / ownership model</li><li>• Develop a branding and marketing plan to access game product markets</li></ul>	
3.	<b>Greater Fish Nature Reserve Brakfontein / Doubledrift Likhaya Lethu Communal Property Association</b>	<i>Master Plan – Community Conservation Area</i>	<ul style="list-style-type: none"><li>• Undertake a site assessment to determine existing state of the Brakfontein / Double Drift community owned land</li><li>• Identify key opportunities and challenges (including mitigation required) associated with the Brakfontein / Double Drift community owned land</li><li>• Produce a Development Plan for the Brakfontein / Double Drift area which would allow for a cohesive and beneficial relationship between all key stakeholders involved in the management and developmental imperatives of the area</li><li>• Develop a business plan (including detailed projected expenditure and income) and implementation plan for the opportunities identified at Brakfontein / Double Drift.</li><li>• Identify and evaluate different relevant institutional and business management models for the future governance and financing of the Brakfontein / Double Drift community owned land.</li></ul>	R300,000
<b>Greater iSimangaliso Wetland Park Node</b>				
4.	<b>Mabasa Community Conservation Area (CCA)</b>	<i>Community Participation Process &amp; development of Master Plan for Mabasa Community Conservation Area</i>	<ul style="list-style-type: none"><li>• Undertake a community engagement and consultation process to mobilize Mabasa community and discuss and agree on scope of Mabasa CCA project</li><li>• Undertake a site assessment to determine existing state of the proposed CCA</li><li>• Survey and highlight key issues, opportunities and challenges associated to the development of the CCA</li></ul>	R490,000



Item	Landscape / Node	Scope of Work	Key Activities	Estimated Budget
			<ul style="list-style-type: none"><li>• Identify, discuss and assess option / models for land expansion through Stewardship in communal land, Biodiversity Economy initiatives on land with less regulatory preclusions and community participation in conservation</li><li>• Develop a Concept Master / Development Plan for the proposed CCA which would allow for a cohesive and beneficial relationship between all key stakeholders involved in the management and development of the area</li><li>• Develop a Conservation and Development Framework for the CCA, including a business plan which will detail key funding priorities and the resource needs associated with these</li><li>• As part of the Conservation and Development Framework, also identify and evaluate different relevant institutional models for the future governance and financing of the CCA</li><li>• Develop a business and implementation plan for the management and development of the CCA</li></ul>	
<b>Greater Kruger-Limpopo Node</b>				
5.	Gidjana / Bevhula	Feasibility study – wildlife products processing facility	<ul style="list-style-type: none"><li>• Conduct a site assessment to identify key features and land use options</li><li>• Undertake a technical assessment to identify key opportunities, challenges and risks</li><li>• Assess retail supply, value chain / value add opportunities and market access for game products</li><li>• Undertake a legal review to determine regulatory and permitting requirements</li><li>• Develop a business plan to determine capital infrastructure requirements, equipment and personnel, income and expenditure, institutional / ownership model</li></ul>	R200,000



Item	Landscape / Node	Scope of Work	Key Activities	Estimated Budget
			<ul style="list-style-type: none"><li>• Develop a branding and marketing plan to access game product markets</li></ul>	
6.	<b>Greater Letaba Area: Hlomela, Mahlati, Ndindani, Mahumani, Shivihi areas</b>	<i>Master Plan – Community Conservation Area / Wildlife Economy Master Plan</i>	<ul style="list-style-type: none"><li>• Undertake a site assessment to determine existing state of the proposed Reserve</li><li>• Survey and highlight key issues, opportunities and challenges associated to the development of the Reserve</li><li>• Develop a Concept Master / Development Plan for the proposed Reserve which would allow for a cohesive and beneficial relationship between all key stakeholders involved in the management and development of the area</li><li>• Develop a Conservation and Development Framework for the Reserve, including a business plan which will detail key funding priorities and the resource needs associated with these</li><li>• As part of the Conservation and Development Framework, also identify and evaluate different relevant institutional models for the future governance and financing of the Reserve</li><li>• Develop a business and implementation plan for the management and development of the Reserve</li></ul>	R300 000
7.	<b>Ba-Phalaborwa complex</b>	<i>Master Plan – Community Conservation Area / Wildlife Economy Master Plan</i>	<ul style="list-style-type: none"><li>• Undertake a site assessment to identify key features and land use options</li><li>• Develop a project concept and master plan for the wildlife sector options north and south of the Ba-Phalaborwa complex, related to the Reserves, Phalaborwa Hub development, Mining CSI matters</li><li>• Develop and implement stakeholder engagement strategy</li><li>• Undertake a technical assessment to identify key opportunities, challenges and risks</li><li>• Undertake a legal review and institutional assessment</li></ul>	R300 000



Item	Landscape / Node	Scope of Work	Key Activities	Estimated Budget
			<ul style="list-style-type: none"><li>• Undertake a market assessment and develop a business plan and proposed implementation model</li><li>• Develop a financial model, including capital investment needed and income and expenditure model</li><li>• Assess environmental authorisation / permitting requirements</li></ul>	



## ANNEX 5: Adjustments to the South Africa Country Program in Response to COVID-19

This note summarizes how the evolving WBG country program aims to respond to the Republic of South Africa's immediate economic, social and financing needs in line with the broader WBG COVID-19 crisis response.

### ***Impact of the COVID-19 pandemic on the country and government response***

1. **Health impact.** South Africa is at the epicenter of the COVID-19 pandemic in Sub-Saharan Africa. Following the first confirmed case of COVID-19 on March 5, 2020, South Africa took early steps to contain further spread of the disease by declaring a national state of disaster on March 15, 2020, followed by a full national lockdown (stay home) on March 27, 2020 that lasted five weeks. The lockdown measures have been substantially relaxed since the beginning of June 2020, leading to a spike in the number of confirmed positive cases and the number of deaths. In December, South Africa's President Cyril Ramaphosa announced new localized restrictions to stem a resurgence of Covid-19 in parts of the country, amid growing fears of a second wave perpetuated by a new and highly infectious COVID-19 variant. These restrictions were relaxed early February 2021 as daily infections have been decreasing sharply. As of June 8, 2021, South Africa has 1.7 million total cases of COVID-19 cases and 57,183 deaths.
2. **Growth impact.** The global COVID-19 pandemic exacerbated South Africa's existing economic woes. Due to the COVID-19 pandemic, the economy is projected to have contracted by 7.8 percent in 2020, after five consecutive years of negative per capita growth. The combined demand and supply shocks from the COVID-19 pandemic have severely hit economic growth. The contraction in global demand started to affect South Africa's economic activity during Q1. Combined with domestic binding constraints (including recurrent load-shedding from Eskom), this led GDP to shrink by 0.4 percent quarter-on-quarter (q-o-q) during Q1. In addition, the strict domestic lockdown imposed at the end of March brought domestic production to a standstill. In this context, GDP growth contracted by 16.6 percent q-o-q. The gradual easing of restrictions since May supported a recovery in activity and GDP growth rebounded to 13.5 percent q-o-q. Overall, GDP contracted by 7.9 percent over the first 9 months of 2020. However, several activities remained significantly disrupted into Q4 2020 (e.g., hospitality, alcoholic beverages industry, etc.), especially as rising COVID-19 infections have prompted the tightening of restrictions since December. Household consumption, which had been a driver of growth in recent years, has been severely hit, contracting by 7.0 percent y-o-y over January-September. Investment contracted by more than 30 percent y-o-y during the same period.
3. **Fiscal impact.** The COVID-19 crisis is further weakening South Africa's fiscal position and puts debt sustainability at risk. The government launched a package of R500 billion (about 10 percent of GDP) to fight the COVID-19 health crisis and support businesses and households during the downturn. At the same time, the economic collapse created a revenue gap. As a result, the fiscal deficit is expected to double in 2020/21 and to reach about 16 percent of GDP. Debt-to-GDP is expected to reach a record high level in 2020/21 at close to 82 percent. The rapidly growing interest bill, high public sector wage bill and large transfers to SOEs are threatening to crowd out much needed social and capital spending. Debt service is projected to reach 4.9 percent of GDP in 2020/21. The Medium-Term Budget Policy Statement projects debt to stabilize from 2025/26, peaking at 95.3% of GDP. The government is committed to restoring fiscal sustainability. The 2021/22 Budget Review will be critical for the credibility and sustainability of the fiscal consolidation plan going forward.



4. **External sector.** South Africa was hard hit by loss of market confidence at the beginning of 2020. The combination of the deteriorating global outlook, the rating downgrade in March 2020, and the further deterioration in the fiscal and debt positions and growth outlook for South Africa led to significant outflows during Q1 2020, a widening of government bond spreads and a depreciation of the Rand to a record low in April 2020 to R19/US\$. Cumulative net portfolio in 2020 have reached US\$ 9.5 billion. The generic 10-year bond yields, which were below 9 percent in February 2020, surged to record high of 13.2 percent end-March. The Johannesburg Stock Exchange (JSE) All Share index lost more than 20 percent of its value between January and March. Nonetheless, as equity and bond markets are mostly rand-denominated, the losses from the depreciating exchange rate were taken largely by foreign investors withdrawing funds. Financial flows remain volatile. Global markets have shown volatility around positive news associated with vaccine progress and negative news of second waves of infections in many countries. However, high global liquidity has been mostly favorable for emerging markets including South Africa. The Rand appreciated markedly towards the end of 2020 and is now close to its pre-COVID shock level as well as the government 10-year yields. The JSE ALSI is now above its level a year ago. Nonetheless, in a climate of highly uncertain outlook, South Africa continues to register net capital portfolio outflows. In contrast, South Africa has benefited from favorable terms of trade and import compression and recorded a current account surplus in 2020, the first since 2002. Favorable commodity prices accompanied by weak demand are likely to continue to support the current account balance in 2021. Variations in the current account balance tend to be driven by variations in the trade balance as the primary and secondary income balances are persistently negative and large.
5. **Distributional impact.** The COVID-19 shock is greatly impacting the poor and vulnerable. The unemployment rate reached 31 percent as of Q3 2020. It stood at 61 percent for young people aged 15-24 years old. Up to 25 percent of those in households have been affected by job losses due to the pandemic. The National Income Dynamics Study-Coronavirus Rapid Mobile Survey Wave 1 results show that employment is likely to have contracted by 18 percent between February and April 2020. It also suggests that up to a third of income earners may have lost their income source between February and April, with a disproportionate impact on the most disadvantaged, translating into heightened vulnerabilities, notably to hunger. As a result, up to 3 million South African risk falling into poverty. Overall, the prospects for eliminating poverty by 2030 (the Government's policy goal) depend on inclusive recovery from the pandemic.
6. **Government response.** The Government of South Africa (GoSA) declared a national state of disaster under Section 27(1) and Section 27(2) of the Disaster Management Act on March 15, 2020 in response to the coronavirus pandemic. Government subsequently announced a nationwide lock down from March 26 – April 16, 2020, closing all shops and businesses, except for pharmacies, laboratories, banks, essential financial and payment services, including the JSE, provision of power, water and telecommunications services, supermarkets, petrol stations and health care providers. Since April 2020, a tiered system of lockdown measures has been in effect accompanied by several restrictions, including the cancellation of events, school closures, banning social gatherings, and restrictions on travel. The Government has also responded to the crisis through **fiscal measures** with a package of R500 billion including: the establishment of (i) a temporary employee relief scheme which enables companies to pay employees directly and avoid retrenchment and employees who fall ill through exposure at their workplace to be paid through the Compensation Fund; (ii) a solidarity fund to cushion the most vulnerable from the impact of the outbreak to which private sector can pledge contributions; (iii) a SARS reimbursement payment acceleration scheme; and (iv) a package of R3 billion for industrial funding and R500 million to assist small and medium enterprises in distress. The central bank also announced various **monetary**



**measures**, such as cutting the discount rate by a cumulative 275 basis points to 3.5 percent since January 2020. In addition to easing the monetary policy stance, the central bank has taken measures to ensure adequate liquidity into the domestic financial system. It has announced a purchase of government bonds on the secondary market and the SARB has effectively purchased R32.6 billion in government securities between March and December, increasing its holdings to R41.8 billion at end-December 2020. Some prudential financial system regulations have also been eased in response to the COVID-19 pandemic. On October 15, 2020, the Government presented an Economic Reconstruction and Recovery Plan (ERRP) that hinges on a major infrastructure programme and large-scale employment stimulus, coupled with an intensive localization drive and industrial expansion. The Government's EERP is aimed at addressing longstanding constraints to inclusive growth, to be implemented over the next years, while also pursuing fiscal consolidation.

7. **Financing needs.** The gross borrowing requirements have increased from 8.1 percent in 2019/20 to 15.9% in 2020/21. Despite the projected consolidation efforts, they are projected to remain high over the medium term, averaging 10.8% of GDP over 2021/22-2023/24. In 2020/21, the fiscal deficit is expected to be financed primarily in the domestic capital market, with the bulk financed through long term issuances (60% of borrowing requirements), an increase in short term loans (18% of borrowing requirements) and some multilateral financing (16% of borrowing requirements).

***WBG support for responding to the crisis***

8. **WBG Response.** The South Africa country program is preparing its response to the unfolding COVID-19 pandemic.
9. **The focus areas of the current South Africa country portfolio and draft Country Partnership Framework (FY2021-2025) fall squarely within the priorities of the Government of South Africa.** The Systematic Country Diagnostic and Country Private Sector Diagnostic findings are well-aligned with the GoSA's own diagnostics, strategy and priorities as represented by its various plans since 1996, the National Development Plan, the Medium-Term Strategic Framework (2019-2024), and the Economic Reconstruction and Recovery Plan announced on October 15, 2020.
10. **The CPF's three strategic focus areas cover the thematic pillars of the COVID-19 Crisis Response Approach paper where the WBG has comparative advantages in South Africa.** This includes the economic response for saving livelihoods, preserving jobs, and ensuring more sustainable business growth and job creation by helping firms and financial institutions survive the initial crisis shock, restructure and recapitalize to build resilience in recovery (Focus Areas 1 and 2) and focused WBG support for strengthening policies, institutions and investments for resilient, inclusive and sustainable recovery (Focus Areas 1 and 3). Only the first two years of the program have been firmly defined, jointly with government, as flexibility is required mainly as South Africa faces an uncertain social and economic period as it navigates the COVID-19 pandemic. Therefore, the CPF will be a living business strategy that continually adapts to country circumstances and unforeseen or changing priorities (Table 5.1)

**Table 5.1: SCD Binding Constraints: Root Causes and Manifestations and Links to the CPF**

Binding Constraint	Root Causes and Manifestations	CPF Focus Areas and Objectives
Insufficient skills	Intergenerational and spatial legacy of Apartheid educational system; limited teacher accountability; increased	<b>Focus Area 2, Objective 2.3:</b> Strengthened employment and skills development services



	access not translating into strong learning outcomes due to quality issues.	
<b>Skewed distribution of land and productive assets; weak property rights</b>	Slow implementation of reforms to address apartheid land policies, historical exclusion from the accumulation of other productive assets, resulting in fewer opportunities to build intergenerational wealth	<b>Focus Area 2, Objective 2.1:</b> More job-creating, selected value chains
<b>Low competition and limited integration into global and regional value chains</b>	<ul style="list-style-type: none"> <li>• Overhang of import-substitution model; legacy structural and behavioral competition issues and unfair playing field for new firms and MSMEs.</li> <li>• High public ownership of vertically integrated, inefficient SOEs and government underinvestment raise barriers to private investment; poor governance affects the quality and cost of services.</li> <li>• Deteriorating business environment and competitiveness undermined by dearth of appropriate skills, high unit labor costs, and low technological innovation and absorption</li> </ul>	<b>Focus Area 1, Objective 1.1:</b> Improve the competition framework, contestability of selected markets the business environment <b>Focus Area 2, Objective 2.1:</b> More job-creating, selected value chains <b>Focus Area 2, Objective 2.2:</b> Strengthened ecosystem for MSME creation and growth <b>Focus Area 3, Objective 3.1:</b> Improved infrastructure investment framework <b>Focus Area 3, Objective 3.2:</b> Improved infrastructure services by selected SOEs
<b>Expensive connectivity and underserved disadvantaged settlements</b>	Apartheid spatial and public services legacy; spatial policies post-1994 inadvertently entrenched apartheid patterns	<b>Focus Area 3, Objective 3.3:</b> Improved planning and delivery of infrastructure service systems in targeted cities
<b>Climate shocks: transition to low-carbon economy and increasing water insecurity</b>	Climate change, resource endowment and demand (coal, minerals and water), and industrial policy supporting energy-intensive production and carbon-intensive power system	<b>Focus Area 1, Objective 1.2:</b> Promote climate change resilience and environmentally sustainable investments in selected sectors.

11. **The South Africa portfolio's programming will focus primarily on areas and sectors where existing knowledge, advisory programs and country dialogue provide a strong basis for future financing and investment, and include: (a) new investment financing projects; (b) the first ever programmatic Development Policy Financing operation which mitigates the economic impact of COVID-19, and (c) ASA's that contribute to evidence-based policy-formulation and operational design, including adjustments to delivering health and education services and providing social protection during the COVID-19 era. See an overview of the portfolio in the Table 5.2 below:**

**Table 5.2: South Africa Proposed Financing Program****Financing Program:**



## Development Policy Financing

- ***South Africa COVID-19 Response Development Policy Operation*** (DPO, P174246, PE) US\$750 million
  - o Effective: March 9, 2021
  - o PDO: i) to protect jobs, businesses, and vulnerable households from the adverse economic impacts of the COVID-19 pandemic, and (ii) to open the economy to competition. Consequently, the DPO supports three of the four elements of the government's program. The elements of government's program it supports are: (a) protecting the poor and vulnerable; (b) protecting jobs and businesses; and (c) restructuring the economy.

## Development Policy Financing

- ***South Africa Inclusion and Competitiveness Development Policy Operation*** (P174953, PE) US\$750 million
  - o Effective: March 11, 2021
  - o PDO: Creating an inclusive and competitive South African economy.

## Advisory Services and Analytics:

- Jobs and Economic Transformation in Southern Africa (P171855)
- The Future of Medical Work in Southern Africa (P171798)
- Review of Social Protection Systems in Southern Africa (P172175)
- Investing in Human Capital in Southern Africa (P175444)
- Review of Social Protection Systems in South Africa
- Southern Africa Governance and Political Economy Facility (P174157)
- Supporting Innovations for youth employment (P168508)
- South Africa RAS for Infrastructure Investment and Integrated Urban Development (P163422)
- Leveraging Trade for South Africa's Recovery and for Inclusive Long-Term Growth (P175679)

## Selectivity, Complementarity, Partnerships

12. **In addition to the prospective World Bank financing, South Africa has received support or pledges of support targeted at the COVID 19 response from other development partners:** The Executive Board of the International Monetary Fund (IMF) approved a US\$4.3 billion loan under its Rapid Financing Instrument (RFI) on July 27, 2020. The Executive Board of the African Development Bank (AfDB) approved a US\$300 million loan on July 22, 2020. The New Development Bank (NDB) disbursed US\$1 billion in support of government's healthcare program on July 20, 2020 and is preparing a second loan for US\$1 billion on the economic recovery. While National Treasury has not engaged European partners yet, these have proposed €750 million in loans – €300 million from France, €300 million from Germany, €150 million from Italy – plus €50 million in grants from the European Commission.