

EVIDENCE-BASED POLICY AND DECISION MAKING FOR CONSERVATION AGREEMENT PROJECTS AS AN ECOSYSTEM - BASED ADAPTATION (EBA)

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INNOVATIVE FINANCING FOR IMPLEMENTING CONSERVATION
AGREEMENTS IN NAMAQUALAND, NORTHERN CAPE, SOUTH AFRICA
WITHIN COMMUNAL LANDS: A CASE STUDY



1. INTRODUCTION

Using nature to help people adapt to climate change is called Ecosystem-based Adaptation (EbA). But, nature often falls victim to inappropriate management practices such as overgrazing, as well as the impacts of a changing climate - one with warmer temperatures, unpredictable rainfall and more frequent and intense storms. Most people are aware of changes in their environment, but some need support to understand how their actions affect the natural resources that they rely on, and what they can do to help nature help them adapt.

Who pays for the conservation of natural resources that communal farmers rely on? Donors, investors, financial institutions, and the government? Yes, but think out of the box. Adaptation costs are rising, and provincial and local-level finances are not geared towards EbA. Financing for EbA needs to be innovative and explore financial mechanisms that bring the worlds of finance and conservation together. What better way to do this than by capacitating farmers to sustain conservation actions themselves?

In Namaqualand, Northern Cape Province, South Africa, Conservation South Africa (CSA), with the support from funding from the Global Environment Facility (GEF) Earth Fund, a partnership between Conservation International and UNEP, and the SWITCH Africa Green Grant, capacitated communal farmers to implement conservation actions in return for incentives. Conservation actions were based on what farmers could do to improve their farming, and incentives were designed to support them. Participating farmers (called stewards) agreed to implement planned grazing, on their rangelands. CSA agreed to provide livestock medicines for vaccination and dosing against parasites, introduce more climate resilient livestock breeds, improve market access to sell livestock at better prices, and empower stewards through training. The agreement was captured

in contracts called Conservation Agreements (CAs), and voluntarily signed by stewards, and CSA.

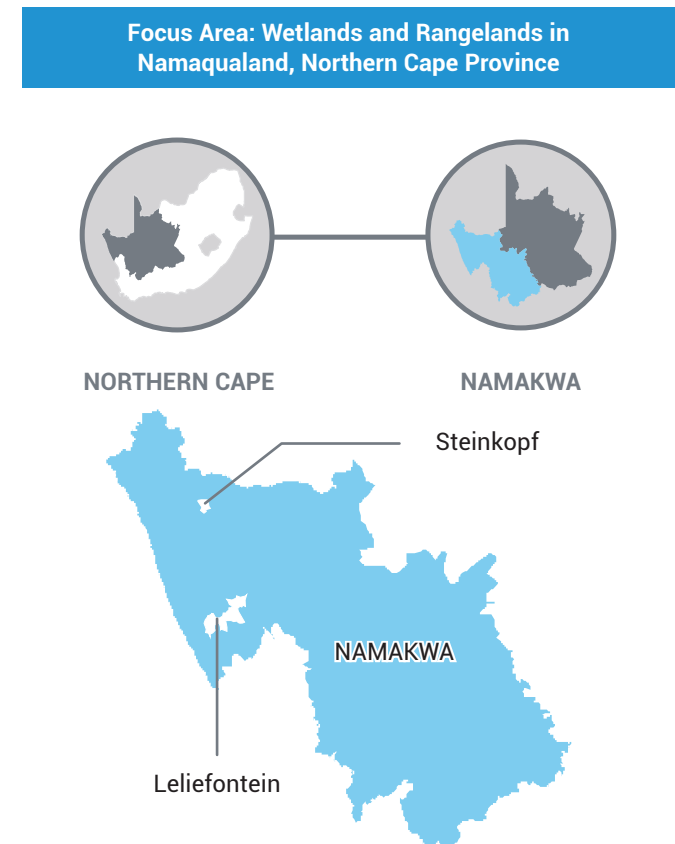
After implementing the conservation actions, most stewards¹ noticed that their rangelands became greener and more abundant, and were better able to provide fodder for livestock during droughts, and that their livestock became healthier. During the CAs, CSA unlocked opportunities for innovative financing (Box 1) to support the sustainability of stewardship, and ensure that it was impactful and long lasting. Even two years after the CAs had ended, many stewards understood the benefits of continuing with the conservation actions, and were able to do so through the financing mechanisms that were put in place during the CAs. However, to successfully use the financing mechanisms, stewards needed to know how to hold effective meetings, keep records, and have knowledge on accounting and financial management. So, CSA provided them with the appropriate tools and knowledge to manage projects as well as apply for funding, to promote the sustainability of the stewardship programme.

Innovative financing is when funding comes from novel sources or if funding from traditional sources, like government budgets, or donors, is used in a creative, and unconventional way. Sources of funding for implementing Conservation Agreements include International Climate Finance, National or Regional Development Banks, National, Provincial or District Government Budgets, Traditional Banks, philanthropic donors and investors, impact investors, as well as Corporate Social Responsibility investors.

Box 1: What is innovative financing for Conservation Agreements?

This case study focuses on the innovative financing mechanisms that have been tested to support conservation actions and benefit nature and stewards in Namaqualand.

These range on the investment spectrum, from philanthropic grants to impact loans, and cover multiple touch points on the economic value chain, from mentoring enterprises directly, to Co-operative action that is self-sustaining. In other words, funding can either be directly provided to stewards, or through NGOs such as CSA. If an appropriate enabling environment is created, these innovative financing mechanisms can create opportunities for the economy of a region to grow hand in hand with conservation. See Box 2 for explanations of these innovative financing mechanisms.



1. To assess the impact of the stewardship programme, socio-economic surveys were conducted in 2017, 2018 (after two years of implementing the CAs), and 2020 (two years after the CAs ended), and successes and challenges were documented during workshops. In 2017, feedback was received from 59% of the stewards. Of the stewards who engaged in CAs by the end of 2018, 52% provided feedback in 2018, and 44% in 2020.

2. FINANCING MECHANISMS FOR INNOVATIVE FINANCING IN NAMAQUALAND



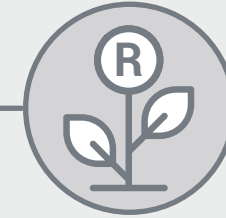
CO-OPERATIVE DEVELOPMENT

1. **Co-operative Development** organises members into a formal group to allow for collective decision-making and investment that supports the farming community as a whole.



ENTERPRISE DEVELOPMENT

2. **Enterprise Development** and Granting
- Government Grants may be provided to co-operatives to support conservation actions.
 - Small Grants allow co-operatives to invest in equipment or services to improve livelihoods and sustainable practices.
 - Market access for sale of livestock as an incentive is an important aspect of CAs to support conservation actions.
 - Loans provide co-operatives or enterprises with finances to enable them to grow their businesses while also delivering conservation actions through their business.



ENTERPRISE INVESTMENT

3. **Enterprise Investment** has direct benefits to capacitate livelihoods and environmental restoration, so that people do not only rely on farming for income in times of need, ultimately increasing communal resilience to climate change.

Box 2: Explanation of innovative financing mechanisms that have been tested to support conservation actions, and their benefits to stewards in Namaqualand.





Photo By Corle Jansen

2.1 Co-operative development

In 2018, CSA facilitated the registration of the Steinkopf-Bulletrap Co-operative (SBC) as a formal organisation. The SBC assists communal farmers (including those that are not participants of the stewardship programme) to keep their livestock healthy through vaccinations and provide better access to medicine. This has given them the opportunity to sell their livestock to formal markets at better prices. It also brought farmers together to learn from each other, and learn

through training, to become more aware of what they can do to adapt to climate shocks such as droughts.

CSA hosted a proposal writing workshop to upskill the SBC committee managing members on applying for funding for future projects. In 2018, they were able to successfully apply for a grant of R25 000 from CSA, to ensure that members were trained, and able to run the Co-operative themselves. Some members were mentored in financial literacy, administration, and project management. SBC committee managing members underwent governance development training, to learn about their responsibilities and duties in governing the co-operative, and how to communicate effectively.

2.2 Enterprise development and Granting

2.2.1 Government grants

There are various avenues in which governmental funding can support the implementation of stewardship, and can originate internationally (for example, from the International Climate Initiative (IKI) explained in Box 3), or nationally, and be accessed through Co-operatives, or NGOs such as CSA. In South Africa, DEFF's Expanded Public Work Programme (EPWP) Natural Resource Management (NRM), focusses on restoration activities, like erosion management, and alien invasive clearing, while creating jobs in rural areas. Previously, CSA had accessed funding to successfully implement NRM in Namaqualand, focussing on restoration activities, and incentives for stewards that complimented the stewardship programme.

For Co-operatives to be able to apply, be successful and implement government grants themselves, they require good organisational governance, and should already have applied for smaller grants, which indicate their capacity, and ability to sustain themselves. The Co-operative Incentive Scheme (CIS) is an example of a grant that Co-operatives can apply for to assist them in starting up by lowering their initial costs of doing business. However, they need to match 10% of the

total funding provided, and are required to be registered, fully compliant and submit a business plan. Co-operatives can also apply to the Comprehensive Agricultural Support Programme (CASP), which supports land and agrarian reform projects through the provision of production inputs, equipment, training, and employment opportunities.

Globally, the International Climate Initiative (IKI), one of the most important instruments of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), funds activities that support its mandate to mitigate climate change, and conserve biodiversity. The IKI provided a grant to the Department of Environment, Forestry, and Fisheries (DEFF) to implement the National Climate Change Response Policy under the Climate Protection Programme from July 2013 to March 2017. Since February 2017, its implementation is being funded under the Climate Support Programme, due to end in December 2021.

The National Climate Change Response Policy recognises the potential of Ecosystem-based Adaptation (EbA) to help communities adapt to climate change, and envisions the use of EbA to transition to an economy that is able to withstand climate shocks, and secure the livelihoods of vulnerable people. Conservation South Africa helps to realise this vision by creating an enabling environment through the design and implementation of actions that help nature and people.

Box 3: Governmental funding from the International Climate Initiative (IKI) for the implementation of South Africa's Climate Change Response Policy

2.2.2 Small Grants

CSA's SKEPPIES Fund was started in 2006 to provide small scale funding for businesses that value conservation. It has shown that local economic development and conservation can be brought together, by supporting businesses, teaching people to value nature, and creating employment opportunities. Linking farming to business captures people's interest. Robert Richards' handmade Kraalbos soap, that can now be found in hotels, and guest houses, began after the SKEPPIES fund helped him to buy machinery. Kraalbos is the first of all shrubs to grow on bare land that has been left exposed by overgrazing. It helps nature come to life again, but is poisonous to livestock so farmers used to remove the whole shrub. Robert's successful soap enterprise has shown farmers the economic value of Kraalbos, if they only harvest the tips of the shoots to sell to Robert as one of the main ingredients for his soap.

In 2016, the Biodiversity and Red Meat Co-operative (BRC) successfully applied for a R1 000 000 grant from the Small Grants Facility (SGF), funded by the Adaptation Fund, in collaboration with Gondwana Alive (GA). One of the things that the grant was used for in the Kamiesberg was to make mobile kraals, that were moved weekly, to manage grazing, give plants time to regrow, break up compacted soil, and improve the land's ability to hold as much rain as possible.

2.2.3 Market access

CSA implemented Meat Naturally PTY (MNP) as a social enterprise to train and encourage stewards to engage in sustainable red meat farming practices with the incentive of improved market access. In November 2017, MNP trialled the option of market access through an auction in Steinkopf. Stewards were prepared for the auction through an information session and site visits to help farmers choose suitable livestock to sell. The total value of livestock sold was R191 922, which was slightly less than expected. Feedback from the participating stewards suggested that this was not the preferred method for livestock sales at the time. However, now that stewards had a better understanding of how auctions work and what is required of them, they want to attend another auction.

The year before, in the Kamiesberg, CSA facilitated an arrangement between livestock farmers and Nammeat, a private sector abattoir. As part of the stewardship programme, stewards were asked to make some animals available to sell to Nammeat who bring trucks to the community and provide free meat grading to ensure market readiness. During an arranged sale in December 2016, 18 Kamiesberg farmers sold a combined total of 70 animals to Nammeat which made a total profit of R115 925.

Mobile auctions whereby the markets were taken to communities were arranged in two of CSA's other Demonstration Sites namely, uMzimvubu in the Eastern Cape, and Kruger to Canyons in Mpumalanga, and Limpopo. A total of 633 stewards participated by selling their cattle (whereas stewards in Namaqualand sold small livestock), and earned R10 824 052 in total.

The examples above show that creating market access for farmers of different livestock in different locations can be successful. However, an alternative option, and the preferred way to sell livestock in Namaqualand, is the speculator model. Farmers sell their animals directly to buyers which provides them with quick cash in times of need. This can be a feasible method if farmers have a good enough understanding of how to value their livestock. CSA's work taught farmers about livestock condition, average price per kilogram and quality of meat to ensure that buyers do not take advantage and farmers get the prices they deserve.



2.2.4 Loans

Loans provide finances which can enable businesses to grow if used appropriately. As part of the grant received by the BRC from the SGF, livestock breeds that are less costly to maintain, and better able to withstand climate shocks, such as Meatmaster sheep and Speckled goats, were introduced. They reached market ready weights earlier than the other breeds, despite the drought, so could be sold at a younger age, decreasing grazing pressure. Farmers that wanted to participate signed Ram Agreements with the BRC. Under these arrangements, in return for rams, farmers agreed to practice conservation actions as well as sufficient dosing/inoculating and monitoring of their received livestock. Farmers then had a maximum of 4 years to pay back the BRC, either in cash or lambs. By December 2018, R6 600 in cash and 21 lambs, at R1 500 each (which came to a total of R38 100) was paid, but only by 53% of farmers. Farmers who experienced poor lambing seasons made arrangements with the BRC to delay their loan payments. The BRC used the payments to further support other farmers to convert to more resilient herds.

It is evident that there is a significant need for more loan facilities to assist farmers at the local scale. From the example above, loans are shown to be a successful mechanism that enable businesses to expand, while also supporting conservation actions and becoming more resilient to the impacts of climate change.

2.3 Enterprise Investment

Enterprise investment is the next stage of the continuum where enterprises are ready for commercial investment and full return on investment is expected. Conservation International (CI) is active in Enterprise Investment through Conservation International Ventures (CIV), an investment fund that provides loans to small- and medium-sized enterprises that operate in the forests, oceans and rangelands where CI works. Whether in sustainable agriculture or forestry, ecotourism or wild fisheries, these businesses share one thing in common – a commitment to practices that benefit ecosystems and human well-being at the same time.

A typical example of a CIV investment is Thrive Compost based in Hogsback in the Amathole District, Eastern Cape Province, who received R2 000 000 patient capital from CIV over a 60 month period. Thrive Compost clears alien vegetation and combines it with manure and other inputs sourced from local farms and businesses. The mixture then forms organic compost and biochar, which can be used as a soil amendment for both carbon sequestration and soil health benefits. It is sold to surrounding farms, including

nearby citrus growers, to create carbon sinks and water retention traps. The investment in Thrive Compost will enable the company to restore over 220 hectares of vital water catchment areas to full run-off capacity by clearing alien vegetation.

Another example of a CIV investment is a loan that was recently provided to MNP to fund restoration. CIV provided R2 000 000 to MNP at approximately 5% interest rate to

be repaid over 2 years. MNP will use the funding to grow its business and deliver its restoration impact by providing market access to farmers in exchange for sustainable farming practices as described above. This will enable MNP to double their operating income from R400 000 per year to R800 000 per year within the next two years. The restoration incentive is thus being provided by a profit making entity which can repay loan capital and scale up the impact.

3. CALL TO ACTION

Actions for policy makers, and practitioners to ensure that the appropriate financial management structures and capacities are in place include the following:

Co-operatives

Support for co-operatives: Continued support for co-operatives to ensure that members are upskilled on proper governance, and are able to develop and implement business plans to access finance to continue conservation actions.

Enterprise Development

Support for enterprise development: Set up facilities that provide continued enterprise development support through mentorship, training, grants and loans to get enterprises ready for commercial investment.

Communication

Communication: Use co-operatives as mechanisms for better communication and decision-making between its members, community structures, officials at the Local and District-levels, relevant government departments such as the Department of Agriculture Land Reform and Rural Development and non-governmental organisations.

Capacitate

Capacitate: Overcome barriers that prevent farmers from accessing innovative finance for conservation, by providing further training on funding applications, mentorship for proposal writing, and managing grants/funding.

Incentive

Incentive: Provide access to markets as an incentive mechanism to support enterprises.

Inclusion

Inclusion: Create opportunities for work, experience, and skills transfer in all aspects of the farming supply chain to support women, youth, and vulnerable groups in realising their personal development plans.

Alignment

Alignment: Breakdown silos, and align plans to coordinate resources across all spheres of government to unlock funds for conservation from different service delivery budgets.

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Acronyms

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| BMU | German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety | EbA | Ecosystem-based Adaptation |
| BRC | Biodiversity and Red Meat Co-operative | DEFF | Department of Environment, Forestry, and Fisheries |
| CAs | Conservation Agreements | EPWP | Expanded Public Work Programme |
| CASP | Comprehensive Agricultural Support Programme | GA | Gondwana Alive |
| CI | Conservation International | IKI | International Climate Initiative |
| CIS | Co-operative Incentive Scheme | MNP | Meat Naturally PTY |
| CIV | Conservation International Ventures | NRM | Natural Resource Management |
| CSA | Conservation South Africa | SBC | Steinkopf- Bulletrap Co-operative |
| | | SGF | Small Grants Facility |