Sustainable Finance Coalition

Finance solutions for enduring naturescapes

INCUBATOR VIABILITY REPORT

BIODIVERSITY CREDITS

APRIL 2024

Document Details

About the Sustainable Finance Coalition

The Sustainable Finance Coalition (the Coalition) finds, designs and mobilises tailormade finance solutions for nature. We are a driving force for the incubation and implementation of finance solutions at their point of impact ensuring effective and enduring naturescapes across Africa.

The Coalition is supported in its efforts by a voluntary advisory Council of thought leaders from 18 sectors. Our interventions are supported by our Core Partners, Collaborators, Communities and Specialist and Associate Contributors from across Africa offering a multi-disciplinary team of expertise and experience. The Coalition is chaired by Candice Stevens and supported by a Coalition Team from the Coalition's founding organisations, Wilderness Foundation Africa and WWF-SA.

About the Sustainable Finance Coalition

The purpose of the Viability Report is to share the findings from the Biodiversity Credits Incubator, outlining the key building blocks for viability and providing recommendations for an Implementation Pathway.[1] The Viability Report establishes what is required for a finance solution such as Biodiversity Credits to reach implementation and be scaled responsibly.

Authorship and Citation

The Coalition extends its appreciation to the members of the Biodiversity Credits Incubator for their time and expert contribution to the incubation process, Viability Report and Implementation Pathway. Incubator membership is by invite and based on member's willingness and availability. Each member of an incubator represents a focal area and/or core skill set. The lead author of the report is Ellané van Wyk, with co-authors Kerry Maree and Rowan le Roux, and with support and review from Candice Stevens and Kyra Lunderstedt. (See Annexure A for further details).

Suggested citation:

Sustainable Finance Coalition. (2024). *Incubator Viability Report: Biodiversity Credits*. Unpublished internal report.

1 Implementation Pathway represents the strategic steps that are required to ensure the effective implementation of a finance solution in Stage 2 of the Finance Solution Approach©.

DOCUMENT DETAILS

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This report was drafted while conducting the Biodiversity Credits Incubator, which concluded in December 2023, with the report finalised in April 2024. Due to the fast-paced nature of biodiversity credits some information may be outdated.

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Glossary of Terms, Abbreviations and Acronyms

Term	Definition*	Source(s)
Action Table	Document provided to incubator members to assign Framing Questions to be investigated, and for feedback to be added.	Source(s)
Biodiversity Finance*	Finance with a positive impact on biodiversity. Biodiversity finance is finance that contributes-or intends to contribute to, activities that conserve, restore, or avoid a negative footprint on biodiversity and ecosystem services.	*UN (see UNEPFI and UNDP BIOFIN) World Bank and adapted from OECD*
Building Blocks	The crucial elements of a finance solution that need to be in place for a finance solution to be viable and implementable.	
Climate Finance	Climate finance refers to local, national or transnational financing - drawn from public, private and alternative sources of financing -that seeks to support mitigation and adaptation actions that will address climate change.	*UNFCCC*
Conservation Finance*	Finance with positive outcomes for nature: mechanisms and strategies that generate, manage, and deploy financial resources and align incentives to achieve nature conservation outcomes.	*Conservation Finance Alliance*
Finance for Nature Ecosystem	The Sustainable Finance Coalition's network of specialists and experts, including its Council, Specialist and Associate Contributors, Collaborators and Core Partners. It is a dynamic and complex community of knowledge holders and practitioners that work together and interact as a functional unit, achieving an intersection between finance and conservation.	*Own definition*
Finance Solution	Finance solutions provide strategies and means to effectively unlock and direct multiple sources of finance toward national and local conservation-based finance plans and projects. Finance solutions can be used alone or in combination to structure new products that can increase the impact of interventions through integrated approaches.	*Own definition*
Findings Document	A document derived from the Actions Table to which member findings are added. This is a living document and is constantly iterated throughout the period of the incubator.	
Framing Questions	The key questions that need to be investigated to confirm if a finance solution's Building Blocks are in place or can be put in place with minimal delay.	
Implementation Pathway	The strategic steps that are required to ensure the effective implementation of a finance solution.	
Innovative Finance	Innovative financing is an approach to funding enterprises and interventions that optimizes positive social, environmental and financial impact. It uses all available financial and philanthropic tools to support the growth of these enterprises, interventions and entrepreneurs and, when the existing tools don't work, it creates new ones.	*UCT*
Innovative Finance for Conservation (term can be applied to biodiversity)	Conservation finance that goes beyond the traditional government or donor-funding by introducing innovative finance mechanisms and market-based approaches to increase available funds for conservation. Innovative financing for nature refers to initiatives that aim to raise new funds to support and conserve nature or optimise the use of traditional funding sources.	*WWF, and adopted by the Sustainable Finance Coalition* *Adapted from the OECD*

* The Coalition derives its learnings from its leading work across Africa, its leadership who are at the forefront of finance for nature development and innovation and from an array of global best practice and thought knowledge, including BIOFIN, the Conservation Finance Alliance and UNEP FI, Global Landscapes Forum and others

	They aim to narrow the gap between the resources needed to achieve Environmental Goals, and the resources available.	
Innovative Finance for Development	Innovative financing for development refers to initiatives that aim to raise new funds for development or optimise the use of traditional funding sources. They aim to narrow the gap between the resources needed to achieve Development Goals, and the resources available.	*OECD*
Landscape Finance	Landscape finance is an umbrella term that describes an emerging approach to financing sustainable landscapes. Landscape finance seeks to generate a range of financial products and services that deliver both investable returns and environmentally and socially positive outcomes (NB:The terms below can all be attributed to the landscape finance approach.) Landscape Finance refers to investing in innovation for sustainable landscapes in order to bridge the gap between finance and landscapes, including financial flows, mechanisms and requirements toward developing cutting-edge business cases and models for sustainable development in landscapes.	*Sustainable Finance Coalition, also supported by the Landscape Finance Lab, WWF, Global Landscapes Forum, UN see Finance Strategies for Integrated Landscape Investments*
Methodology	A protocol that gives a metric meaning. It has a formal replicable set of instructions to interpret outcomes and say what area has been conserved from analyzing that metric.	
Metric	A core measurement. Raw data such as static camera footage may be translated into a metric like species observation.	
Origins Document	The framing document of an incubator, detailing the Aim, Objectives, Membership, Framing Questions, and Building Blocks of the finance solution being incubated.	
Secondary Market	A secondary market is where financial instruments can be traded (versus a primary market where financial instruments are created).	
Sustainable Finance	Sustainable finance is the set of financial regulations, standards, norms and products that pursue an environmental objective. Sustainable Finance refers to making investment decisions that consider not only financial returns but also environmental, social and governance factors.	
Unit	A unit is how biodiversity projects compare what was done with the work of other projects. It's a standard set of expressions. For example, "hectares" is sometimes used instead of "acres". Unit is thus how you express your final result so it can be used by electronic systems.	
Viability Report	Establishes what is required for a finance solution such as Biodiversity Credits to reach implementation and be scaled responsibly. The Viability Report represents the final product of a finance solution incubation process (stage 1) and contains an Implementation Pathway for piloting a finance solution (stage 2), before it can be scaled through amplification in the final stage (stage 3).	

Abbreviation or Acronym	Definition
BCA	Biodiversity Credit Alliance
BCI	Biodiversity Credits Incubator
CBD	Convention on Biological Diversity
CSR	Corporate Social Responsibility
CTF	Conservation Trust Fund
ESG	Environmental, Social and Governance (sustainability)
GBF	Global Biodiversity Framework (Kunming-Montreal GBF)
IPCL's	Indigenous People and Local Communities
MRV	Measuring, Reporting and Verification
UNDP	United Nations Development Programme

Executive Summary

Introduction

Healthy and intact biodiversity is essential for fundamental processes on earth, including the provision of food, medicine, energy, clean air and water and the preservation of countless, irreplaceable species. Target 19 of the Global Biodiversity Framework (GBF) advocates for closing the biodiversity-finance gap (currently estimated at around USD 700 billion annually) through substantially and progressively increasing the level of financial resources from all sources, in an effective, timely and easily accessible manner[2] and in so doing contribute to the protection, sustainable use and restoration of biodiversity through rights-based approaches.

Ensuring the effective and strategic development of finance solutions that directly support these biodiversity goals is key to achieving a sustainable future. The Coalition firmly believes in a diversity of financial tools for a diverse natural and social world. Stimulating innovative finance solutions such as biodiversity credits with adequate and robust environmental and social safeguards is one such solution. Biodiversity credits represent measurable positive outcomes for biodiversity and are poised to create additional financial flows for the conservation and restoration of biodiversity through the creation, registration, and sale of these credits.

The Biodiversity Credits Incubator and Findings

To this end, the Coalition facilitated a Biodiversity Credits Incubator (BCI) during 2023 to investigate the viability of biodiversity credits as a finance solution to create additional flows of finance from private investment in Africa. The BCI hosted thought-leaders from a range of sectors, offering diverse experience and expertise as well as practical knowledge from projects across Africa.

The BCI found that biodiversity credits are a viable and implementable finance solution within the African context, with all the required building blocks in place, albeit that the Market Demand building block is relatively untested and developing. Building blocks are the critical success factors of the finance solution under incubation. The building blocks identified for biodiversity credits as a viable finance solution are market demand, robust frameworks, robust social and biodiversity outcomes, project design and development, integrity and governance, social safeguards, equitable revenue-sharing, and replicability. Each of the eight building blocks are unpacked in detail in this report. Key findings within these building blocks are noted hereunder.

Market Demand and Buyers

Buyer motives are the primary source of demand for biodiversity credits. Nevertheless, the World Economic Forum (2023) indicates from interviews with potential buyers that the early stage of market development, the risks and complexity associated with implementation, and differing views on relevant attributes of biodiversity credits and their legitimate use complicate buyer decisions to invest. Although a primary market exists, with a number of biodiversity credit purchases having been made, the evolution of a secondary market will need to be monitored in future.

2 Guidance notes for GBF Target 19: https://www.cbd.int/gbf/targets/19/

3 https://www3.weforum.org/docs/WEF_2023_Biodiversity_Credits_Demand_Analysis_and_Market_Outlook.pdf

Replicability of frameworks and methodologies

There are several biodiversity credit projects with comprehensive frameworks and methodologies available. Although methodologies may differ considerably based on purpose (i.e. conservation or restoration, or the like) and or ecoregions, ecosystems or biomes, methodologies are likely to be replicable where appropriate.

Voluntary biodiversity credits can help the private and public sectors achieve a nature-positive economic system, but only if there is transparent governance and beneficiation. For example, the Indigenous People and Local Communities (IPLCs) who safeguard and steward natural ecosystems must be included in respectful and active engagement and decision making. Clarity of robust Measuring, Reporting and Verification (MRV) and solutions to address double counting, permanence and unintended outcomes leaked to nearby geographies must all be considered to ensure success.

IPLCs, benefits and safeguards

It is emphasised that biodiversity credit projects should recognise conservation champions as the primary recipients of the benefits that may accrue from the sale of biodiversity credits. Conservation champions come in many forms and the critical role of IPLCs as the custodians of biodiversity, is strongly advocated for as the primary beneficiaries of finance from the sale of biodiversity credits. Adopting a rights-based approach in a landscape is essential and key under the guidance of implementing the GBF. Additionally, biodiversity credit mechanisms need to have sound social and environmental safeguards and standards in place to mitigate risks and promote best practices in co-developing and deploying biodiversity credit projects with equitable revenue sharing arrangements.

Challenges and Concerns

Although all the building blocks for biodiversity credits are in place, some challenges and concerns are raised. Being a nascent finance solution, and with only a few purchases of biodiversity credits having taken place, the following is still uncertain and needs to be monitored as the market matures:

1. The existence and viability of a secondary market for biodiversity credits.
2. If a secondary market exists, how will biodiversity credits be valued in such a market.
3. Biodiversity is by its very nature very diverse. This may cause complex and differing methodologies, that may complicate replication. But the fact that it may be complex and complicated, does not exclude or eliminate replicability.

Moreover, Campaign for Nature (CfN) have voiced their own concerns regarding biodiversity credits. Substantive concerns include how to create a Biodiversity Credits market with integrity, while the belief is there that a biodiversity credit market will scale to significant levels, especially if it remains voluntary. A significant concern, however, is the risk that the increased attention on Biodiversity Credits will distract governments from their urgent finance responsibilities agreed to in the GBF.

Dramatically increasing private finance towards biodiversity conservation is essential, but it is believed that this funding will need to be driven by changes in government policies, not voluntary measures on the part of corporations and investors.

Conclusion

Whether or not biodiversity credits will be impactful for biodiversity conservation will depend on whether they add value above what conservation currently has at its disposal. If biodiversity credits can unleash private investment into biodiversity and conservation data, they have an opportunity to fundamentally change the conservation landscape for the better. By packaging it into units that can be transparently monitored over time, conservation may have a new outlet and market for its services and end its dependencies on government grants and philanthropic funding.

Ultimately, biodiversity credits will have impact if companies see them as revenue and operational enhancing mechanisms and they do not crowd out existing ESG or CSR budgets. Thus, biodiversity credits augment philanthropic investments offering companies the added opportunity to be involved in biodiversity with an investment mindset through the purchase of biodiversity credits. Creating the necessary conditions and implementing biodiversity credits could make investments in biodiversity profitable, thereby generating genuine interest from the private sector primarily as well as other sectors.

Part 1: Introduction

Biodiversity and Financing

Healthy and intact biodiversity is essential for fundamental processes on earth, including the provision of food, medicine, energy, and clean air and water. We also depend on it for security from natural disasters through intact environmental infrastructure and climate stability. The Global Biodiversity Framework (GBF) advocates that biodiversity should be maintained through substantially and progressively increasing the level of financial resources from all sources, in an effective, timely and easily accessible manner. This includes sources such as domestic, international, public, and private resources,[4] to implement national biodiversity strategies and action plans, mobilising at least $200 billion per year by 2030. Ensuring the effective and strategic development of finance solutions that directly support these biodiversity goals is key to achieving a sustainable future.

One recommendation to achieve the above is through stimulating innovative finance schemes such as biodiversity credits, and benefit-sharing mechanisms, with adequate and robust environmental and social safeguards.[5]

Biodiversity Credits

Biodiversity credits represent measurable positive outcomes for biodiversity and are poised to create additional finance flows for the conservation and restoration of biodiversity through the creation, registration, and sale of verified biodiversity units (referred to as biodiversity credits in this document). The World Economic Forum (2023) highlights the distinctive features of biodiversity credits provided in Box 2 below).

Box 1: The BCI Definition of Biodiversity Credits

A biodiversity credit is:

- a quantifiable unit,
- determined by biodiversity improvement, protection, or restoration,
- over the long term,
- measured under a certified methodology,
- which enables sustainable flows of finance through the retirement or trading of the credit (unit),
- with equitable sharing of proceeds with custodians of the biodiversity improved, protected, or restored,
- and excludes biodiversity offsetting.

The above definition was agreed on in the incubator investigations and addresses the building blocks of the finance solution.

4 Article 20 of the Convention on Biological Diversity (CBD).
5 Convention on Biological Diversity (CBD). (2022).Introductory sections of the GBF. Available online: https://www.cbd.int/gbf/introduction/

Box 2: Distintive Features of Biodiversity Credits *(WEF, 2023a)*

Distinctive features of biodiversity credits:

Biodiversity credits may offer key features, which when combined distinguish them from other financing mechanisms for biodiversity and nature. These distinctive features include:

1. **Benefits to biodiversity:** Credits represent real, lasting and additional improvements, avoided loss or management success related to biodiversity, as outlined by emerging standards. Measured relative to a pre-defined baseline and maintained or improved for a fixed period, usually 20-30 years.

2. **Verifiable:** Benefits to biodiversity are measured openly and transparently, in a manner that can be checked and validated by a third party. This allows independent verification of biodiversity credits by a wide array of mechanisms for quality assurance, including formal accreditation, risk ratings and investigative research.

3. **Quantifiable:** Credits represent well-defined units of value that enable accounting, comparability and tradability. Well-defined units also enable cost-sharing for landscape-scale interventions, by allowing buyers to purchase a "share" of nature recovery. Due to highly local values associated with nature, there are likely to be several units in use, although consensus may evolve over time towards a single unit of measure or benchmark. Pilots and emerging standards are testing models for what these units could look like.

4. **Tradeable:** Credits expand the opportunities for mediation between nature's stewards and those who seek to reward those stewards and potentially gain credit for positive outcomes. This does not mean credits would necessarily be traded in a secondary market– the greater breadth and depth of primary transactions itself should increase efficiency and scale. As the market matures, secondary and derivative market developments could bring further benefits of greater liquidity, price efficiency and risk reduction.

Biodiversity credits are thus intended to represent a positive investment in biodiversity and not biodiversity offsetting.[6] Biodiversity credits have also been defined by key role players through global investigations.[7]

Africa is home to a wealth of natural treasures and can be described as one of the world's wildlife epicentres. There is also a substantial need in Africa for conservation finance and innovative finance solutions that are sustainable over the long term. Importantly, finance needs to reach the most urgent conservation actions in the places and with the people who need it most, i.e. at point of impact. Biodiversity credits offer opportunities for greater private sector investment and flows of finance from a new economic instrument. Large risks exist which must be carefully navigated and critically dealt with. Mistakes made in the carbon finance market offer examples of pitfalls to avoid.

With this in mind, the Coalition therefore hosted a Biodiversity Credits Incubator (BCI) during 2023 to investigate the viability of biodiversity credits as a finance solution to create additional flows of finance from private investment in Africa.

6 World Economic Forum (WEF). (2022) Biodiversity Credits: Unlocking Financial Markets for Nature-Positive Outcomes.

7 https://www.biodiversitycreditalliance.org/, https://www.rebalance.earth/, https://www.opwall.com/the-wallacea-trust/, https://en.terrasos.co/, https://www.planvivo.org/news/plan-vivo-foundation-statement-on-biodiversity

Part 2: About the Finance Solution Incubators

Background

Finance solution Incubators represent Stage 1 of the Coalition's Finance Solution Approach©. Incubation allows for the viability of a specific finance solution idea or concept to be determined over an approximate 6-month time frame through purposeful incubation. This viability determination is undertaken through a facilitated incubator process that allows for niche expert input in the investigation of Incubator Framing Questions (key questions). In answering these Framing Questions, the Building Blocks, or critical success factors, of the finance solution under incubation, are determined. These Building Blocks are essential for establishing a new finance solution.

Successful incubation is proven to speed up the delivery of a new finance solution and enhance the probability of successful implementation. Incubation is not a guarantee that a finance solution will amplify finance flows to scale, but it allows for the most efficient and effective development of the finance solution with the greatest chance of success.[8]

Incubators aim to remain relatively small and niche to allow for fast and flexible innovation. They aim to build on existing partnerships and expertise and are convened and facilitated by the Coalition.

Incubator Aim

The purpose of incubators is to provide a coordinated and focused approach to specific finance solution investigations to ensure strategic implementation and to unlock new finance solutions.

Incubator Objective

Incubators develop the finance solution concept they are created for, following the Coalition's Finance Solution Approach, to unlock new and sustainable financial mechanisms for the conservation of land and seascapes. This is done by investigating and confirming the Building Blocks of a particular finance solution. These are the crucial elements that need to be in place for a finance solution to be viable and implementable. An Implementation Pathway then provides a road map to unpack the most effective mechanisms for implementation. This road map is published in a Viability Report upon conclusion of the incubator.

8 For evidence of successful incubation, please referto: https://www.researchgate.net/publication/356988283_THE_SUSTAINABLE_LANDSCAPE_FINANCE_COALITION_DRIVING_FINANCING_FOR_CONSERVATION_IN_SOUTH_AFRICA'S_CRITICAL_LANDSCAPES,https://sustainablefinancecoalition.org/coalition-media-statement/ and https://www.researchgate.net/publication/354447425_Sustainable_Landscape_Finance_Coalition_Incubators

Box 3: Incubator Tools

Incubator Tools:

- Origins Document outlining the following for the incubator:
  - Aim and Objectives
  - Process and Logistics
  - Membership
  - Members, expertise, and affiliation
  - Framing Questions
  - Building Blocks
  - Incubator Outputs (listed below)
- Member Agreements
- Findings Document (living document throughout the incubator process)
- Actions Table recording the member findings
- Viability Report
- Implementation Pathway

Structure and Process

Incubators operate through the hosting of recurring meetings, one every three weeks, for a period of approximately six months. These meetings serve to address the following:

- **Incubator launch:** Introduction of the process and members.
- **Confirmation of Origins Document:** This document serves to provide a framework for the incubator, its aim, objectives, and the Framing Questions and finance solution Building Blocks to be investigated by the incubator.
- **Tasks assigned:** Once the Origins Document has been finalised through member input, questions are assigned to members, and feedback obtained and discussed during following meetings.
- **Working groups established:** In most incubators, Working Groups are established to investigate related aspects with incubator members assigned to these Working Groups based on their expertise. One-on-one or Working Group meetings are held in-between recurring incubator meetings to ensure effective engagement and feedback into the incubator process.
- **Member feedback:** Member feedback on questions investigated is provided in written format prior to or during the incubator meeting designated for the discussion of the question(s).
- **Meeting etiquette maintained:** All meetings are recorded, minuted and actions/next steps shared with members.
- **Outcome achieved:** The ultimate outcome of the incubator would be to confirm the Building Blocks required for the finance solution to be replicated and scaled for impact.

Incubator Member Selection

Incubator membership is by invite and based on member's willingness and availability. Selection criteria to identify appropriate incubator members are applied to ensure:

- The number of members is dependent on the incubator requirements, member numbers, however, are always kept to a minimum with a soft limit of a maximum of 10 members. Limiting the number of incubator members allows for nimble and flexible investigations and meeting discussions.
- Each member of an incubator is required to represent a focal area and/or core skill set, such as legal, finance, investment, conservation or the like. This ensures that the Framing Questions are investigated by the said experts, enabling the confirmation of the finance solution Building Blocks.
- In the case of multiple members from the same organisation, the said organisation must appoint one member to represent it and feedback the incubator findings and discussions to the organisation. This limitation avoids duplication and unnecessary investment of time by the same organisation.
- For all people and organisations, including incubators members, the Coalition undergoes a 'FIND' process, to find the right people with whom we can effectively work with. The criteria established in our 'FIND' assessment include professional criteria, as well as criteria related to values alignment. These criteria and the process undertaken assist us in ensuring that we work with the right people to drive sustainable finance for conservation and mitigate against any risks that would prevent us from achieving our goals.

Incubator Facilitation

The Coalition facilitates the 1-hour incubator meetings every three weeks to discuss the Building Blocks of a finance solution and define clear actions to be taken forward by members and/or working groups. Working groups are intended to investigate related questions and issues such as finance, metrics, social aspects, and the like. These Working Groups meet on their own accord and provide feedback to the main incubator meetings complemented by concrete, researched, and documented information. Framing Questions are assigned to members in an Actions Table after each recurring meeting, with members' findings added to a Findings Document (a living document throughout the period of the incubator). The Findings Document is then translated into the Viability Report and Implementation Pathway upon the conclusion of the incubator.

The Implementation Pathway is assisted by the 'MOBILISE'[9] component of our finance model which draws from our expansive Finance for Nature Ecosystem to replicate and transfer finance solutions through collective action.

9 The Coalition's Model of FIND, DESIGN, MOBILISE is unpacked in more detail in section 5 of this report.

Part 3: Undertaking the Finance Solution Approach for Biodiversity Credits

Stage 1: Biodiversity Credits Incubator

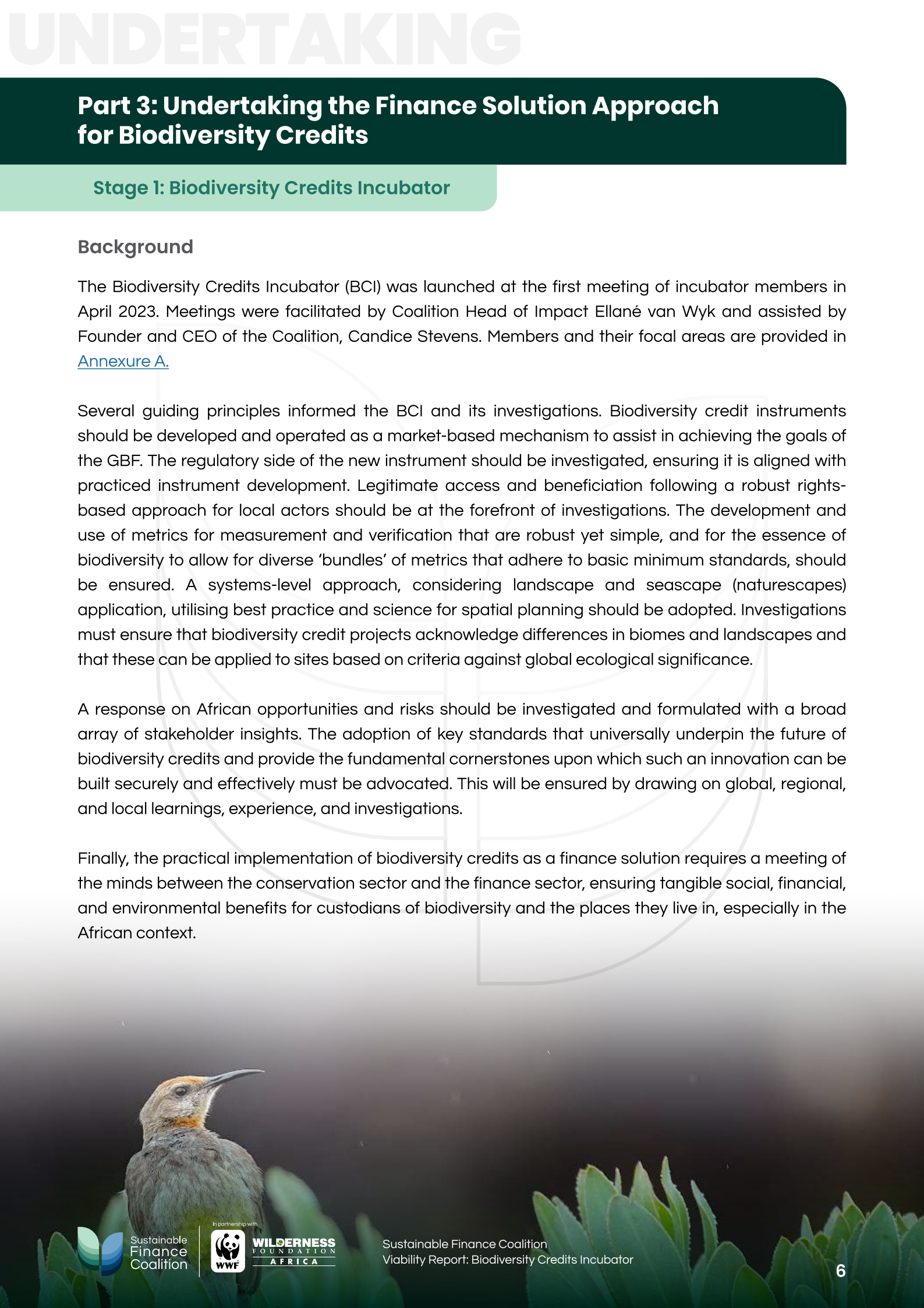
Background

The Biodiversity Credits Incubator (BCI) was launched at the first meeting of incubator members in April 2023. Meetings were facilitated by Coalition Head of Impact Ellané van Wyk and assisted by Founder and CEO of the Coalition, Candice Stevens. Members and their focal areas are provided in Annexure A.

Several guiding principles informed the BCI and its investigations. Biodiversity credit instruments should be developed and operated as a market-based mechanism to assist in achieving the goals of the GBF. The regulatory side of the new instrument should be investigated, ensuring it is aligned with practiced instrument development. Legitimate access and beneficiation following a robust rights-based approach for local actors should be at the forefront of investigations. The development and use of metrics for measurement and verification that are robust yet simple, and for the essence of biodiversity to allow for diverse 'bundles' of metrics that adhere to basic minimum standards, should be ensured. A systems-level approach, considering landscape and seascape (naturescapes) application, utilising best practice and science for spatial planning should be adopted. Investigations must ensure that biodiversity credit projects acknowledge differences in biomes and landscapes and that these can be applied to sites based on criteria against global ecological significance.

A response on African opportunities and risks should be investigated and formulated with a broad array of stakeholder insights. The adoption of key standards that universally underpin the future of biodiversity credits and provide the fundamental cornerstones upon which such an innovation can be built securely and effectively must be advocated. This will be ensured by drawing on global, regional, and local learnings, experience, and investigations.

Finally, the practical implementation of biodiversity credits as a finance solution requires a meeting of the minds between the conservation sector and the finance sector, ensuring tangible social, financial, and environmental benefits for custodians of biodiversity and the places they live in, especially in the African context.



BCI Members

The BCI was fortunate to have Dr. Simon Morgan (Value Nature), a prominent role player of the Biodiversity Credit Alliance (BCA) and therefore fundamental at ensuring cross-learning, as an active and fully engaged member. The BCI also had support and expert dedication from several experts, including international, corporate and NGO actors. Members were selected to ensure their expertise will be adequate to cover investigation into the Building Blocks (Figure 1) of the finance solution and ensure multidisciplinary engagements. The Coalition gratefully acknowledges incubator members for their contributions towards the success of the incubation stage of the BCI (member organisations, for which logos are available, are listed in alphabetical order).

BCI Aim

Creating opportunity for greater private sector investment and flows of finance from a new economic instrument, providing finance for the most urgent conservation actions in the places and with the people who need it the most.

BCI Objective

Define the Building Blocks required for Biodiversity Credits Project(s) to go to scale and be replicable across multiple naturescapes. To achieve this objective, it was important to build on key findings, lessons learned and best practice approaches from key documents, global investigations, and current projects.

Process and Building Blocks

An Origins Document captures the process of the incubator, lists the members, and the Building Blocks (Figure 1) which cover several Framing Questions to determine the viability of the finance solution. Thereafter, the incubator and its members undergo a process of about six months to unpack the Framing Questions against the Building Blocks and respond to the lessons and findings. The information gathered over that time and the viability findings are compiled into this Viability Report.

The Building Blocks (Figure 1) are defined to ensure that the incubator discussions cover key foundational aspects that will practically ensure the long-term viability of the finance solution. The Framing Questions linked to the Building Blocks can be read in Annexure B.

Building Blocks: The crucial elements of a finance solution that need to be in place for a finance solution to be viable and implementable.

Figure 1: Building Blocks of Biodiversity Credits. (Own image)

Framing Questions

The Framing Questions, provided in Annexure B determined the Building Blocks that are required to practically implement this finance solution with the best chance of effectiveness and success. Framing Questions assist in the investigation of the crucial aspects of a finance solution. These Framing Questions were assigned to relevant incubator members based on their expertise and voluntary acceptance of tasks. Findings from investigation of the Framing Questions were provided as feedback during recurring incubator meetings.

Working Groups

Three working groups were formed to investigate related key questions, noting that technology is crosscutting across all working groups:

1. Working Group on Markets (Demand and Supply)
2. Working Group on Integrity and Governance
3. Working Group on Naturescape Opportunities

BCI Stakeholder Group

Due to the significant interest in the work of the BCI, a stakeholder group was formed. This group consisted of up to 45 interested parties from several sectors including legal, government, provincial, conservation, banking, investment, and other sectors, who attended three webinars hosted by the BCI. These webinars were hosted every six weeks during the period of the incubator with updated findings and feedback from the BCI shared at a high level. Valuable input was also received from the stakeholder group that was fed back into the BCI.

Biodiversity Credits break-away group: Sustainable Blue Finance Bootcamp

In September 2023, the Coalition hosted a Sustainable Blue Finance Bootcamp in Cape Town, South Africa that analysed and discussed four finance solutions in break-away groups, one of which was dedicated to biodiversity credits. Some interesting discussion followed, and the break-away group had the following high-level findings in respect of biodiversity credits, which confirmed key viability findings from the incubator process:

1. Biodiversity credits is a complex issue, with a multitude of frameworks and methodologies depending on the biome or ecoregion where projects are conducted. This is due to the diverse nature of the issue at hand.
2. Allowing offsetting in biodiversity credit projects means an acceptable level of damage to biodiversity is allowed. Offsetting is therefore not preferred.
3. Biodiversity credits as a finance solution has the potential to bring in finance from further afield (additional investors) compared to just relying on philanthropy and donor funding emanating from existing relationships. This is due to the various reasons for potential investment in biodiversity credits, outside of philanthropic, and CSR reasons, and may include ESG risk mitigation, TNFD reporting, net positive goals and aspirations as well as other compliance or marketing reasons.
4. Stacked credits may be a viable option: carbon, biodiversity, or other aspects, meaning that such stacked credits may be created, verified and sold as a unit.
5. Investment in biodiversity credits should be seen as an investment in biodiversity loss prevention and not in compensation for biodiversity loss.

Biodiversity Credits Buyers Roundtable

The Coalition hosted a Biodiversity Credits Roundtable on 6 November 2023, and was made possible by RMB through the provision of facilities and catering. The specific aim of the Roundtable was to determine the market appetite for investment in Biodiversity Credits as a nature positive financial instrument.

Participants in the Roundtable were requested to indicate their organisation's specific interest in Biodiversity Credits, the potential for investment in this financial instrument, and what such investment could potentially look like, in line with TNFD, ESG or other regulations, or as a direct investment in biodiversity. Investment in biodiversity credits presents an opportunity for companies and financial institutions to integrate nature into investment and decision making and to directly finance nature.

The Roundtable was attended by BCI members and representatives from banking, investment, and conservation sectors. The Roundtable agenda and a list of Roundtable attendees are provided in Annexure C. Outcomes of the Roundtable included:

- Awareness about biodiversity credits.
- Insights into demand for biodiversity credits.
- An understanding of what is required from the finance sector to purchase biodiversity credits.
- Creation of a 'meet and match' opportunity between buyers of biodiversity credits and project implementers.

Part 4: Viability Findings

Viability Findings

Viability Findings

From the inception of the BCI, it was noted that it would not be a straightforward finance solution to interrogate due to the nascent nature of the finance solution, the diverse nature of biodiversity, and complexity of the topic at hand. Key viability findings and reflections against the Building Blocks are presented in Table 2 below. Detailed findings are provided in Annexure D that were covered by various members of the incubator.

Biodiversity credit project developers can apply the findings and building blocks to ensure uptake by buyers as follows:

1. Market Demand: identify potential buyers and their reason(s) for investment in biodiversity credits.
2. Robust Frameworks and Methodologies: identify the most appropriate framework and methodologies within the relevant ecoregion, biome or ecosystem.
3. Robust Biodiversity and Social Outcomes: identify the most appropriate metrics and measurements and resulting beneficiation from the creation of biodiversity credits.
4. Project Development and Design: ensure that projects are developed and designed with the biodiversity conservation actions and actors in mind.
5. Integrity and Governance: ensure that competent validation and verification agents and methods are applied and that the systems for registration, sale and trading of biodiversity credits are secure and tested.
6. Social Safeguards: ensure that the custodians of biodiversity (such as IPLCs) are adequately protected and beneficiated.
7. Equitable Revenue Sharing: ensure that implementers and the custodians of biodiversity are adequately compensated.
8. Replicability: ensure that projects are adequately simple, taking the context of the project and relevant biodiversity into account.

Table 2: Summary of the Viability Findings from the Framing Questions of the BCI.

Framing Question	Findings
Question 1: How is a biodiversity credit defined on an international, regional, or national level?	**BCI Definition** A biodiversity credit is: › a quantifiable unit › determined by biodiversity improvement, protection or restoration › over the long term › measured under a certified methodology › which enables sustainable flows of finance through the retirement or trading of the credit (unit) › with equitable sharing of proceeds with custodians of the biodiversity improved, protected, or restored, › and excludes biodiversity offsetting.
Question 2: What is the main driver of demand for biodiversity credits?	This question was answered in response to the reasons for investment in biodiversity credits, depicted in Figure 2 below.

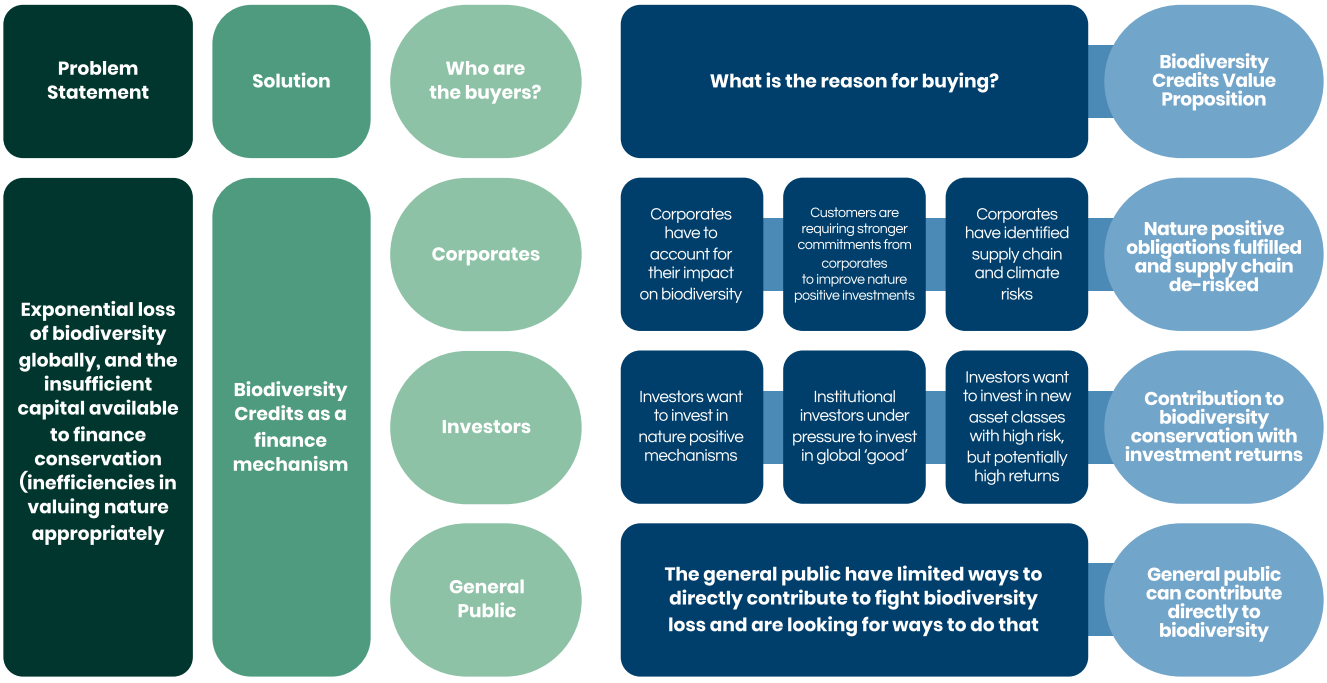


Figure 2: Matrix of possible Biodiversity Credit buyers.

Question 3: Are there robust frameworks (and methodologies) available?	Yes, there are several frameworks developed with their respective methodologies developed for these frameworks. Biodiversity measurement depends on geography, vegetation, species variety and other local factors. Developing a universal metric to measure biodiversity has been a challenge. The Species Threat Abatement and Recovery (STAR) metric developed by the International Union for Conservation of Nature (IUCN) identifies specific actions to improve the overall state of biodiversity and ways to measure the extinction risk of threatened species. This metric can also help quantify the impact of biodiversity finance.
Question 4: What does the biodiversity credit development involve: biodiversity protection OR biodiversity restoration OR both?	Most biodiversity projects measure biodiversity conservation, restoration, preservation, avoided loss, or a combination of these. Some projects focus on rewilding, sustainable use of biodiversity or other metrics.
Question 5: How will costs of a project be covered?	a. Stages 1 and 2: Scoping and Development Costs of the initial stages are generally covered by grants, government allocations, philanthropic funding, investors, or forward buyers. Investors and corporates can provide upfront finance to proponents of biodiversity projects (including indigenous peoples and local communities, or IPLCs) in exchange for equity of long-term offtake of biodiversity credits. b. Stage 3: Maintenance: Does income from credits cover monitoring and evaluation costs? Monitoring and evaluation costs are included in the cost of development of a biodiversity credit, as a biodiversity credit needs to be created and measured to be realised.
Question 6: How can the integrity and governance of a biodiversity credit system be ensured?	Aspects such as regulation, the role of government, verification, validation, issuance of credits through a registry, the use of Distributed Ledger Technology (DLT) and more were investigated. Investing in voluntary biodiversity credits could be one way for companies to improve the reputation of their brands and products as well as attract talent, retain customers, and reduce the risk of regulatory exposure.

	Several countries, including Australia, the UK, and Gabon, are already embracing credits and moving to legislate. The UK and France are leading a global roadmap to deliver an international biodiversity credit market agreed at the New Global Financing Pact held in Paris in June 2023. However, these projects either involve offsets or carbon or both, which indicates compensation for biodiversity loss or carbon emissions, and not positive biodiversity outcomes per se. Ultimately, finding the right balance between regulation and flexibility is crucial. Regulatory oversight should aim to protect investors, ensure market integrity, and support biodiversity conservation goals, while allowing for innovation and diversity within the market. Striking this balance requires careful consideration, stakeholder engagement, and an understanding of the unique characteristics of biodiversity credit projects. The use of DLT, What3Words, and other technologies are becoming more and more important in ensuring the integrity of biodiversity projects. The use of technology such as remote sensing, artificial intelligence, acoustics, environment DNA, camera traps, and blockchain should further create transparency and, importantly, avoid replicating carbon's "phantom credits".
Question 7: Are the environmental and social safeguards for biodiversity credits and the processes well defined?	Some of the immediate risks are that there will be large-scale purchasing of land for the purposes of biodiversity credits that may continue to create divides across intersections of the society and remove peoples' access to and ability to own land for other services. There is an urgent need to ensure that IPLC's are participants in projects, not only beneficiaries. Several risks and opportunities have been identified and need to be considered early on in biodiversity credit projects. Detailed and high level concepts, approaches and methodologies are provided in Annexure E for consideration.
Question 8: Who are the recipients of finance from biodiversity credits?	Ideally, revenue-sharing should be determined by the 'owners of the project' (i.e. those with the recognised rights). This can only be done if there is transparency along the trade chain. This is currently not the general practice in the carbon markets, and or in fact many markets that source products from developing regions, and this has to change. Essentially those selling the product (owners of the project) should get the bulk of the revenue.

Question 9: Who are the recipients of finance from biodiversity credits?	Although Nature Finance argue that there may be a need to establish a minimum price for biodiversity credits,[10] however, the costs and returns associated with environmental outcomes will vary greatly according to geography and project specifics, and a minimum price may inadvertently prejudice some projects that can be developed at lower costs than a proposed global minimum price.
Question 10: Can project and market design be replicated and implemented at scale?	Biodiversity credits projects across the world appear to be very different from one another. This is due to the diverse nature of ecoregions, ecosystems and biomes containing biodiversity. The implementation of projects and market design need to take this into account in order to replicate biodiversity credits at scale.

10 https://www.naturefinance.net/wp-content/uploads/2023/02/TheFutureOfBiodiversityCreditMarkets.pdf

Challenges and Concerns

Although all the building blocks for biodiversity credits are in place, some challenges and concerns are raised. Being a nascent finance solution, and with only a few purchases of biodiversity credits having taken place, the following is still uncertain and needs to be monitored as the market matures:

1. The existence and viability of a secondary market for biodiversity credits.
2. If a secondary market exists, how will biodiversity credits be valued in such a market.
3. Biodiversity is by its very nature very diverse. This may cause complex and differing methodologies, that may complicate replication. But the fact that it may be complex and complicated, does not exclude or eliminate replicability. [11]

Moreover, Campaign for Nature (CfN) have voiced their own concerns regarding biodiversity credits. Substantive concerns include how to create a Biodiversity Credits market with integrity, while the belief is there that a biodiversity credit market will scale to significant levels, especially if it remains voluntary. A significant concern, however, is the risk that the increased attention on Biodiversity Creditss will distract governments from their urgent finance responsibilities agreed to in the GBF.

Stage 2: Implementation Pathway

Introduction

The Coalition follows a model to find, design and mobilise sustainable finance in the right places, with the right people, to achieve scalable impact. During the Stage 1 incubation, several Building Blocks of biodiversity credits were established, which inform some of the various steps that need to be taken as aligned to the finance model. Figure 3 provides an overview of these steps.

11 https://www.campaignfornature.org/funding-nature-essential-public-finance

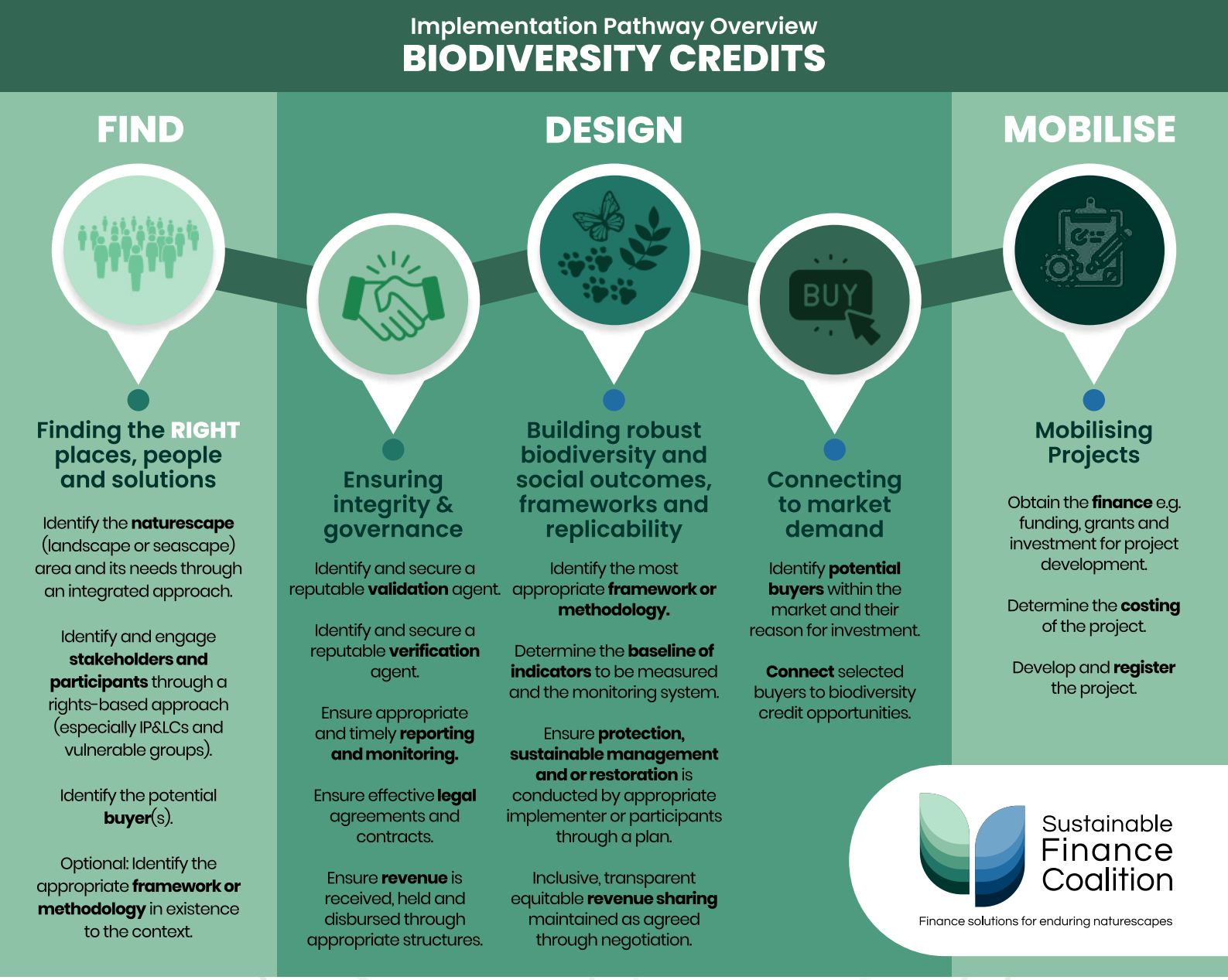


Figure 3: Overview of the Implementation Pathway for Biodiversity Credits.

Stage 3: Amplification of Biodiversity Credits for Impact

Overview of Potential Impact

Voluntary biodiversity credits can help the private and public sectors achieve a nature-positive economic system, but only if there is transparent governance and beneficiation. For example, the IPLC's who safeguard natural ecosystems must be included in respectful and active engagement and decision making. Clarity of robust measuring, reporting and verification (MRV) and solutions to address double counting, permanence and unintended outcomes leaked to nearby geographies must all be considered to ensure success.[12]

12 https://www.weforum.org/agenda/2022/12/biodiversity-credits-nature-cop15/

Stage 3: Amplification of Biodiversity Credits for Impact

Overview of Potential Impact

Whether or not biodiversity credits will be impactful for biodiversity conservation will depend on whether they add value above what conservation currently has at its disposal. If biodiversity credits can unlock private investment into biodiversity and conservation, they have an opportunity to fundamentally change the conservation landscape for the better. By packaging it into units that can be transparently monitored over time, conservation may have a new outlet and market for its services and end its dependencies on government grants and philanthropic funding.

Although there are unavoidable costs associated with introducing biodiversity credits, there are also significant potential benefits for governments and society. Creating the necessary conditions and implementing biodiversity credits could make investments in biodiversity profitable, thereby generating genuine interest from the private sector.[13] Ultimately, biodiversity credits will have impact if companies use their marketing and general operations budgets to purchase these credits, and not their ESG or CSR budgets.

"Thus, Biodiversity Credits augment, philanthropic investments offering companies the added opportunity to be involved in biodiversity with an investment mindset through the purchase of biodiversity credits.[14] Projections of the future contribution of biodiversity credits to conservation finance indicate that the voluntary market for biodiversity credits could be worth $69 billion by 2050, bringing large-scale positive impacts to nature, communities and companies.[15] The WEF (2023b) also links the demand drivers for biodiversity credits to potential use cases, as depicted in Figure 4 below.

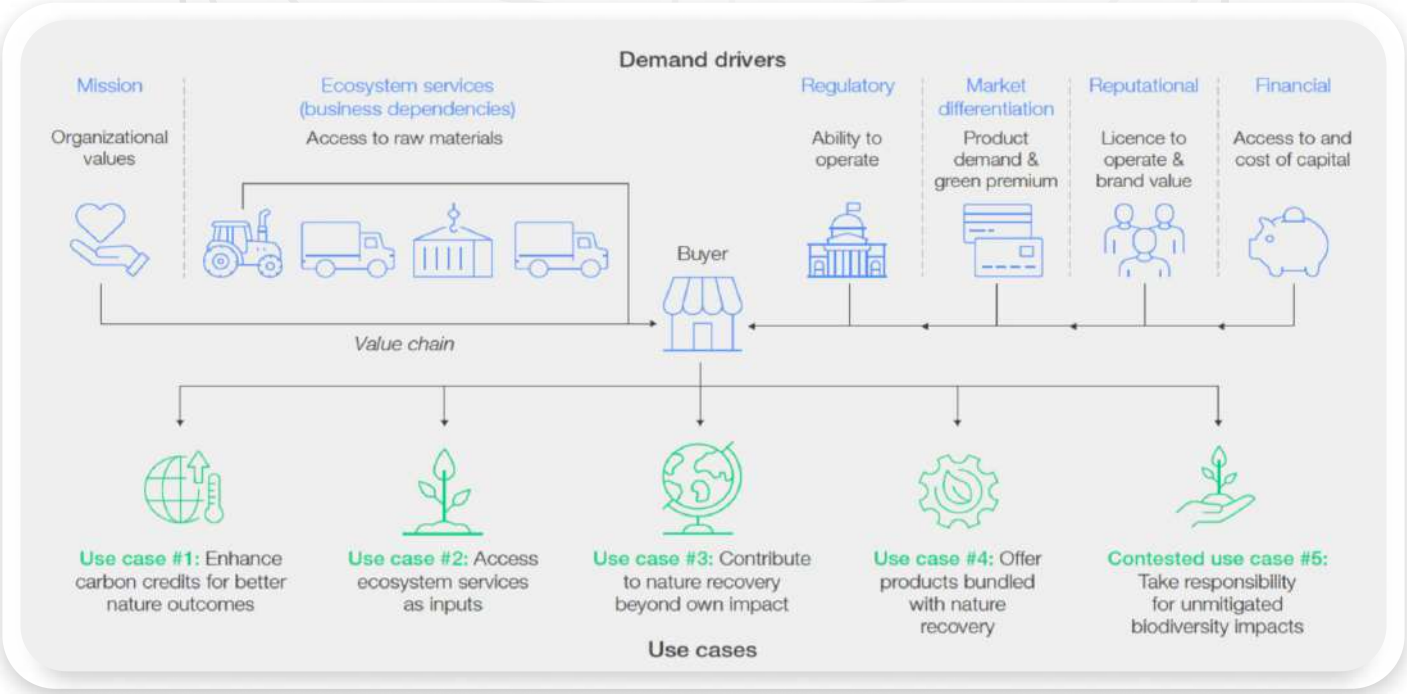


Figure 4: Demand Drivers and Use Cases for Biodiversity Credits (WEF, 2023b).

13 https://www.undp.org/uzbekistan/blog/biodiversity-credit-effective-trade-mechanism

14 https://www.imd.org/ibyimd/sustainability/a-revolution-in-conservation-how-biodiversity-credits-can-help-fund-a-nature-positive-way-of-doing-business/

15 WEF. (2023). Biodiversity Credits: A Guide to Support Early Use with High Integrity

Part 5: The Sustainable Finance Coalition

Overview

The Sustainable Finance Coalition (the Coalition) finds, designs and mobilises tailormade finance solutions for nature. We are a driving force for the incubation and implementation of finance solutions at their point of impact ensuring effective and enduring naturescapes across Africa.

Who We Are

Founded in 2019 by co-founding organisations Wilderness Foundation Africa and WWF-South Africa, the Coalition transitioned from this partnership to its own legal entity in the first quarter of 2024. The Coalition's model focuses on unique and innovative finance solutions that are targeted at the point of conservation and social impact to allow for new flows of finance to reach the right people, in the right places to drive lasting change.

What We Do

Very simply, the Coalition's Finance Model has three parts: FIND the right finance solution, DESIGN it through a strategic three stage process, and MOBILISE a finance for nature ecosystem to take solutions to scale.

Figure 5: The Sustainable Finance Coalition's Model.

The Coalition's model entails tailor-making the right finance solution for the right place with the right people (FIND), then, designing viable finance solutions for nature by incubating, implementing and amplifying those solutions (DESIGN). This is done through the Finance Solution Approach©, allowing for the development of new finance solutions in a strategic and dynamic manner, whilst fostering innovation through incubation. Finally, the Coalition focuses on building a Finance for Nature Ecosystem that replicates and transfers finance solutions through collective action (MOBILISE).

Our Finance Solution Approach [16]

The Coalition's 3-Stage Finance Solution Approach© allows for the development of new finance solutions in a strategic and dynamic manner to incubate, implement and amplify tailor-made finance solutions for nature. The approach is applicable to any individual finance mechanism and can be embedded into a diversity of projects and entities at local, national or transboundary levels across naturescapes.

The Coalition's Finance Solution Approach has been tried and tested in over 12 countries in Africa, mobilising sustainable finance at the point of conservation and social impact.

Finance Solution Approach©

Incubate, Implement and Amplify

Our Impact

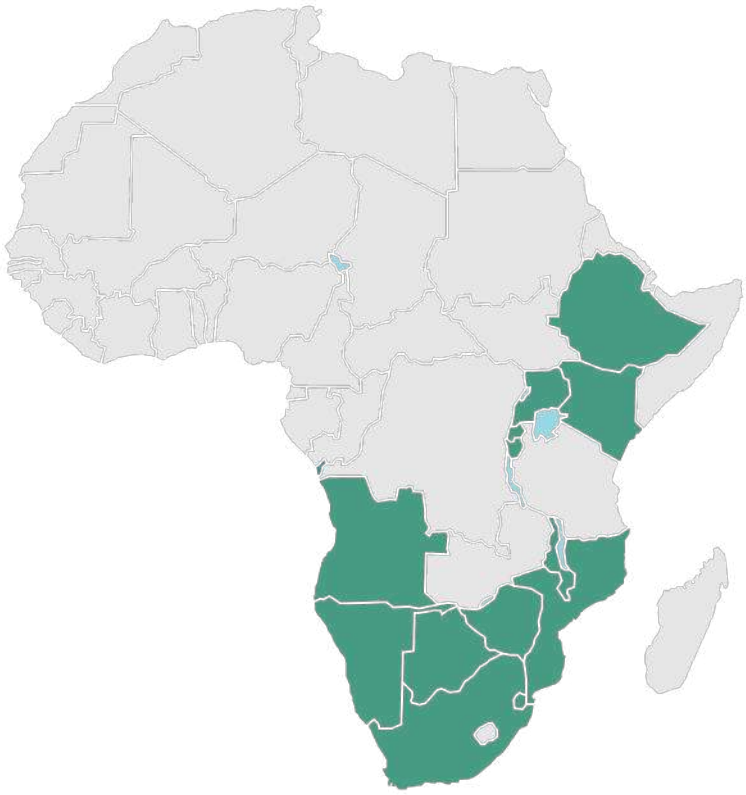


Figure 6: Coalition Impact 2019 - 2023.

The Coalition currently has a footprint in 12 countries across the continent. With the support of our Finance for Nature Ecosystem, the Coalition has introduced an estimated **USD 18-26 million of new finance to piloting and USD 121 million to scaling finance solutions** in conservation landscapes and towards green outcomes and improved livelihoods, since 2019.

Across these 12 countries, the Coalition has incubated **eight new finance solutions** up until 2022, with an additional seven planned for 2023-2025. Following the Finance Solution Approach©, the Coalition has translated five finance solution pilots into implementation, with a further two solutions reaching the final stage, amplifying sustainable finance in naturescapes at the point of impact.

16 http://www.sustainablefinancecoalition.org/

Our Values and Commitments

The Coalition endeavours to work with individuals and organisations who align with our five core values and principles and to develop finance solutions for nature that embody these commitments.

Grounded in Nature	Impact that is full of real and tangible biodiversity and social outcomes. ***A collective connection, passion and love for nature, ensuring the impact we have is more than just sustainable but positive.***
Based in Diversity, Incusivity and Empathy	Equal value to conservation and finance voices. ***An all-hands-on-deck approach, ensuring all voices are in the room with a genuinely collaborative approach for collective action.***
Established in Rights-based, Equitable and Self-Determined Approaches	Equal and equitable access to finance and to nature. ***A rights-based approach to conservation and to finance, ensuring that local decision makers, actors and rights holders have the right to make their own decisions regarding their sustainable use of resources.***
Founded in Innovative, Solution-Oriented and Forerunner Thinking	A 'can do' attitude, that is solution orientated. ***Developing solutions in a respectful, optimistic, problem-solving approach, ensuring passion for innovation that pushes the boundaries for finance and nature.***
Affirmed in Honesty, Integrity and Respect	Acknowledging values across who we are and what we do. ***For our employees, our partners and in our solutions, we aim to ensure real human connection, a work life balance, and generation of viable and practical finance solutions.***

16 http://www.sustainablefinancecoalition.org/

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Annexure A: Incubator Members

Name	Organization	Sector	Role/Focal Area
Candice Stevens	Sustainable Finance Coalition	Sustainable Finance	Finance solution development specialist
Craig Beech	Independent (CBIO)	Conservation	Biodiversity value methodology
Dalit Anstey	Webber Wentzel	Legal	Legal and compliance perspectives for all users of biodiversity credits
Dave Balfour	Independent	Conservation	Species and technical and biodiversity credit risks and opportunities
Ellané van Wyk	Sustainable Finance Coalition	Sustainable Finance	Incubator convenor
Garyn Rapson	Webber Wentzel	Legal	Legal and compliance perspectives for all users of biodiversity credits
Kerry Maree	Table Mountain Fund	Conservation Trust Funds (CTF)	Biodiversity value system pilot: Fynbos The role of CTFs in supporting biodiversity credits for local actors
Kyra Lunderstedt	Sustainable Finance Coalition	Sustainable Finance	Systems thinking and landscape ecology, bringing and Integrated approach to conservation finance to ensure viability focus remains for people and the environment.
Marios Michaelides	AMES Foundation Habitat Fund	Funding	Biodiversity credit pilot process Funding
Martin Potgieter	RMB	Sustainable Finance and Investment	View of banking and private sector on how to make biodiversity credit purchases attach to long term finance
Paula-Ann Novotny	Webber Wentzel	Legal	Legal and compliance perspectives for all users of biodiversity credits
Rowan Le Roux	Delphos International	Capital Raising ESG & Impact Advisor (Finance)	Financial flows required for successful Carbon Credit Market / Ecosystem Service Valuation
Simon Morgan	ValueNature	Biodiversity Specialist	Methodologies Africa pilot learnings
Thabang Selota	WWF-SA	Sustainable Finance	Finance and species nexus

Annexure B: Incubator Framing Questions [17]

(Proposed questions can be answered using existing resources originating from investigations referencing these resources).

The questions pertaining to this incubator will determine the Building Blocks needed to get this finance solution implementable.

Three working groups may be proposed to investigate key questions:

- Working Group on Markets (Demand and Supply)
- Working Group on Integrity and Governance
- Working Group on Naturescape Opportunities
- (Noting that technology is cross-cutting across all working groups)

Question 1:

How is a biodiversity credit defined on an international, regional or national level?

a. The African/regional context should be considered.
b. What is the legal nature of a biodiversity credit? This will determine how it is regulated.
c. What is the purpose of biodiversity credits?
d. How does this differ (if any) from a carbon credit? How can an integrated approach be achieved?
e. How can double accounting be avoided when considering carbon credits and biodiversity credits?
f. What are the tax implications?
g. Is a biodiversity credit an offset mechanism? And how to avoid this pitfall?
h. How to finance nature for natures' sake through biodiversity credits?
i. How to settle on a definition?

Question 2:

What is the main driver of demand for biodiversity credits?

a. Is there certainty around investment in biodiversity credits?
b. Will businesses voluntarily invest in Biodiversity credits, and why?
c. How do we ensure the creation of an economic instrument as opposed to a charity tag?
d. Who are the first movers in this space?
e. Are the buyers mainly from the global north or are there buyers from global south?
f. What would the market in Africa look like specifically?
g. What are the main drivers for cash flow in this market?

17 Detailed viability findings, based on incubator member investigations, provide answers to the incubator framingquestions, and are provided in Annexure D.

Question 3:

Are there robust frameworks available?

a. If implemented, where and at what level/indicators of success?
b. Types of land/ecosystems/ecoregions to which methodologies can be applied.
c. Activities required to improve biodiversity outcomes.
d. What are the minimum metrices used to measure progress and develop credits?
e. Will there be a separate independent entity to verify these measurements?
f. What are the acceptable time frames for measurement and verification of metrices?
g. Can existing methodologies be applied to all landscapes/biomes?
h. What are the general guiding principles for methodologies to be selected by actors?
i. Are these methodologies simple and adequate?
j. Can carbon and biodiversity outcomes achieved by the same NbS project can be unitised and sold separately with corresponding claims?

Question 4:

What does the biodiversity credit development involve: biodiversity protection OR biodiversity restoration OR both?

- What systems need to be in place to ensure that biodiversity outcomes are secured and valid?
- Is the biodiversity credit mechanism underpinned by biodiversity conservation principles, and do they support one or more of the following:
  - Avoided loss of biodiversity from transformation and unsustainable practices.
  - Reduced rate of loss and decline of biodiversity condition.
  - Restoration, rehabilitation, and rewilding to reverse the loss of biodiversity.

Question 5:

How will the costs of a project be covered?

- Stage 1 and 2: Scoping and Development
  - Investors and corporates can provide upfront finance to proponents of biodiversity projects (including indigenous peoples and local communities, or IPLCs) in exchange for equity of long-term offtake of biodiversity credits.
- Stage 3: Maintenance
  - Does income from credits cover monitoring and evaluation costs?
- Should a profit motive be included in the costing/valuation/pricing of a biodiversity credit? I.e. should this be an investable and tradable financial instrument?

Question 6:

How can the integrity and governance of a biodiversity credit system be ensured?

a. How should the biodiversity credit system be regulated? On an international, regional or national level?
b. What is the role of government in this?
c. Do we need government regulation in order to drive the demand. If this is so how is this not interpreted as an offset?
d. How are projects approved and registered?
e. Independent auditing and verification of reported outcomes.
f. Issuance of biodiversity credits via a registry.
g. Who holds the legal rights to biodiversity and naturescapes that underpin a biodiversity credit project? What learnings can be drawn from carbon credits, if any?
h. Are credible claims supported?
i. Should biodiversity credits be regulated as financial products? If so, by whom?
j. Will the transactions of biodiversity credits be governed by the FSCA?
k. Can biodiversity outcomes represented by biodiversity credits can be transferred internationally?
l. Are there any risks or unintended consequences to be aware of in credit design and market architecture? I.e. double claiming by the relevant country contributing to the GBF and a corporate buyer of biodiversity credits. Clarity must be provided on who has a contractual right to claim responsibility for the conservation outcomes.
m. Can disbursement of funds to local beneficiaries be made more transparent through the use of technology such as blockchain?
n. What are the legal repercussions that a buyer has if a seller does not perform on their conservation obligations. Who will enforce this? Particularly in the event of where an investor is in Europe and a project is based in rural Africa.

Question 7:

Are the environmental and social safeguards for biodiversity credits and the process well defined?

a. What are some of the immediate social and environmental risks to be aware of?
b. Is benefit-sharing ensured with IPLCs/custodians of biodiversity? How can rights-based approaches be mainstreamed and inclusive of IPLCs?
c. Are aspects including free, prior, and informed consent (FPIC), benefit-sharing, equitable participation, power sharing, security of rights, clarity of responsibilities confirmed?

Question 8:

Who are the recipients of finance from biodiversity credits?

a. What estimated % of finance from biodiversity credits will be paid to the custodians of biodiversity/communities?
b. What estimated % will go to project developers?

Question 9:

Can project and market design be replicated and implemented at scale?

a. What is the landscape/biome targeted for implementation? There may be more than one and applied at different scales.
b. Are the key Building Blocks in place?

Additional Steps

a. Can a list of potential buyers of biodiversity credits be collated, considering different naturescapes, pilot opportunities and contexts?
b. Map buyers with "why" they would buy – what is their motivation, this might enable identifying key characteristics of biodiversity credits?

Annexure C: Biodiversity Credits Roundtable

The Biodiversity Credits Incubator hosted a Biodiversity Credits Round Table to determine market appetite for investment in Biodiversity Credits as a nature positive financial instrument.

Date and Time: Monday 6 November 2023 | 8:30 – 12:30

Venue: Spekboom meeting room
3 Merchant place
RMB campus
Corner Fredman and Rivonia drives

Contact Details: Ellané van Wyk
Finance Solution Incubation and Implementation Lead
ellane@wfa.africa

https://www.linkedin.com/posts/the-sustainable-finance-coalition_the-sustainable-finance-coalitions-biodiversity-activity-7127223797006413824-Rvv0?utm_source=share&utm_medium=member_desktop

The Sustainable Finance Coalition expresses their gratitude to Rand Merchant Bank (RMB) for sponsorship of the event.

Agenda

Time	Item	Speaker / Facilitator
08:30	Arrival / Coffee and refreshments	
09:00	Welcome	Candice Stevens, Founder: Sustainable Finance Coalition
09:05	Setting the Scene: Highlighting the importance of the Biodiversity Credits Round Table and its potential for impact	Martin Potgieter, Director: RMB (10mins)
09:15	Sustainable Finance for Nature: Find, Design and Mobilise	Candice Stevens (10 mins)
09:25	What you need to know about Biodiversity Credits: - Introduction to the Biodiversity Credits Incubator (BCI) and its members - Biodiversity Credits 101 - Viability Findings from BCI - Q&A	 Ellané van Wyk, Lead: Incubation and Implementation, Sustainable Finance Coalition (5 mins) Simon Morgan: Value Nature (10 mins) Ellané van Wyk (5 mins) Simon, facilitated by Ellané (10mins)
10:00	Aim of the Biodiversity Credits Round Table Q&A	Candice Stevens

ANNEXURE C

Time	Item	Speaker / Facilitator
10:10	Tea break	
10:25	Reconvene	Candice Stevens
10:30	Biodiversity Credits: Snapshot of opportunity from around the world	Justin Smith, Head of Business Development, WWF-SA and Strategic Advisor and Funding Lead, Sustainable Finance Coalition
10:35	Deep Dive: BCI members showcase existing and potential Biodiversity Credit projects, and Q&A	Table Mountain Fund AMES Foundation Value Nature Webber Wentzel (5 min presentations) Q&A facilitated by Candice Stevens(10mins)
11:05	Buying Biodiversity Credits: What will it take to move in the market? The Big 4: – Why would we buy Biodiversity Credits? – Why would we trade Biodiversity Credits? – What do we need in place to enable trading of Biodiversity Credits? – How might we trade Biodiversity Credits?	Facilitated Discussion Rowan le Roux, Advisor: Sustainability and Impact, Delphos and Specialist Contributor to the Coalition, and Candice Stevens
12:15	Next Steps	Kyra Lunderstedt, Strategy and Integration Lead, Sustainable Finance Coalition
12:20	Closing	Martin Potgieter
12:30	Lunch	

Biodiversity Credits Roundtable Attendees

Incubator and Coalition		
Nr.	**Full Names**	**Organisation**
1	Candice Stevens	Coalition
2	Ellané van Wyk	Coalition
3	Kyra Lunderstedt	Coalition
4	Justin Smith	WWF / Coalition
5	Thabang Selota	WWF / Coalition
6	Martin Potgieter	RMB
7	Simon Morgan	Value Nature
8	Kerry Maree	TMF
9	Marios Michaelides	AMES
10	Rowan Le Roux	Delphos

Other Organisations		
Nr.	**Full Names**	**Organisation**
1	Robin Bolton	Nedbank
2	Justine Bolton	Firstrand
3	Julie Clark	DBSA
4	Candice Eb	SANParks
5	Laura Wilson	Investec
6	Wendy Mlotswa	Ninety-One
7	Garyn Rapson	Webber-Wentzel
8	Paula-Ann Novotny	Webber-Wentzel
9	Vicky Beukes	Nedbank
10	Steve Carver	UCanGrowEarth

Annexure D: Detailed Viability Findings

Question 1: How is a biodiversity credit defined on an international, regional, or national level?

The BCI developed its own definition and proposes the following:

A biodiversity credit is:

- a quantifiable unit
- determined by biodiversity improvement, protection or restoration
- over the long term
- measured under a certified methodology
- which enables sustainable flows of finance through the retirement or trading of the credit (unit)
- with equitable sharing of proceeds with custodians of the biodiversity improved, protected, or restored,
- and excludes biodiversity offsetting.

Other global definitions drawn from the BCA and other biodiversity credit platforms are presented below:

Biodiversity Credit Alliance (BCA):	A biodiversity credit can be broadly defined as a quantifiable unit representing a biodiversity conservation and/or enhancement claim using a scientific methodology.
RePlanet/Wallacea:	A unit of biodiversity could then be defined as a 1% change in the median value of the basket of metrics per hectare. This would then enable corporates already investing in nature uplift projects to quantify the biodiversity uplift or avoided loss their spend was achieving and report these improvements in their ESG reports in the same way as they quantify their climate impacts through carbon credits. [basket of metrics that reflect the conservation objectives of what you are trying to achieve in the submitted habitat and ecoregion]
Terrasos:	A biodiversity credit is a transactional unit that represents approximately 10m² of a preserved and/or restored ecosystem that is technically, financially, and legally managed by the project developer to achieve quantifiable results in terms of biodiversity for at least 20 years.
Plan Vivo:	A biodiversity credit is intended to create tradable biodiversity units (based on measurable impact) that can be transacted on a global market and, through such transactions, can channel finance into the net-positive, results-based biodiversity conservation activities upon which the credits are predicated.

A comprehensive list of biodiversity credits projects and their definitions are available here. [18]

A. Biodiversity Credits in the African context

Currently, the only Africa-specific scheme is ReBalance, although there are a quite a few projects that operate globally, which likely include Africa in their geographical focus. For details on the ReBalance scheme: https://www.rebalance.earth/.

B. What is the legal nature of a biodiversity credit? This will determine how it is regulated. If this is not determinable yet, how do the findings on the legal nature/status of carbon credits affect the potential legal nature of biodiversity credits?

There is currently uncertainty regarding the legal nature of voluntary carbon credits (VCCs). Internationally, there is a debate whether VCCs constitute intangible property or a bundle of legal rights. Although the question is unsettled, it appears that there is a leaning in favour of the intangible property conceptualisation of VCCs. Determining the legal nature of VCCs has important consequences for ownership, transfer, licensing, taxes, accounting, use as collateral, and fiscal treatment in situations of insolvency.

From a South African property law perspective, VCCs are likely to be viewed as (i) intangible; (ii) incorporeal; (iii) a "thing" capable of being the object of a right; (iv) a real right, as opposed to a personal right; (v) movable; and (vi) fungible in certain circumstances.

The question of legal nature should not, however, be conflated with the question of how VCCs should be regulated. There are a number of options to regulate VCCs in terms of financial sector regulations, including treating VCCs as:

- Commodities
- Financial instruments
- Financial products
- Securities
- Derivatives

C. What is the purpose of biodiversity credits?

The purpose of biodiversity credits is to create opportunity for greater private sector investment and flows of finance from a new economic instrument.

18 Thanks to Simas Gradeckas who created and maintains this list of biodiversity credit projects: https://sgradeckas.substack.com/p/deep-dive-biodiversity-credit-schemes?sd=pf

D. How does a biodiversity credit differ (if any) from a carbon credit? How can an integrated approach be achieved?

A carbon credit is intended to reverse/compensate for carbon emissions (footprint) that a company/ entity may have. A biodiversity credit is not intended to provide for offsetting (compensation) of biodiversity impacts.

E. How can double accounting be avoided when considering carbon credits and biodiversity credits?

One needs to determine if the same project executant is earning carbon credits and biodiversity credits, and if carbon sequestration is included in the metrics of the biodiversity credits. This will need to be done on a case-by-case basis.

F. What are the potential tax implications of income from the sale of biodiversity credits?

According to the normal tax rules, income from the sale of biodiversity credits will likely be subject to normal tax in South Africa. The deduction of expenditure actually incurred in the creation and issuance of biodiversity credits should be considered. [19]

G. Is a biodiversity credit an offset mechanism?

No, it should allow for positive investment in biodiversity and not for offsetting negative impacts on biodiversity. However, of the 30 biodiversity credit projects listed here, five projects are indicated to allow for offsetting.

H. How to settle on a definition

A biodiversity credit definition should address the following aspects:

- Measurable unit
- Robust biodiversity outcomes
- Over the long term
- Certified methodology
- Sustainable finance flows
- With equitable sharing with IPLCs (custodians of biodiversity)

19 Income Tax Act No.58 of 1962

Question 2: What is the main driver of demand for biodiversity credits?

The incubator concluded that the primary driver for demand would be the reason for investment in biodiversity credits. Thus, the incubator investigated the main reasons for investment in biodiversity credits, which are discussed below.

A. Is there certainty around investment in biodiversity credits?

Notwithstanding the below reasons for investment or drivers for demand and the fact that biodiversity credits have been sold under a few projects, there is currently uncertainty around a secondar market for biodiversity credits.

B. Will businesses voluntarily invest in Biodiversity credits, and why? How do we crowd in traditional investors and corporates?

The main driver of demand for biodiversity credits is typically regulatory requirements. In many jurisdictions, companies or organisations that impact biodiversity is required by law to mitigate their impact through the conservation or restoration of biodiversity in other areas. Biodiversity credits provide a way for these companies or organizations to meet these regulatory requirements by purchasing credits that represent a specific amount of biodiversity conservation or restoration.

In addition to regulatory requirements, there is also increasing demand for biodiversity credits from companies that are voluntarily seeking to offset their environmental impact as part of their corporate social responsibility (CSR) initiatives. These companies may use biodiversity credits to demonstrate their commitment to sustainability and environmental stewardship, or to enhance their reputation with stakeholders and customers.

Furthermore, some investors are also showing interest in biodiversity credits as a way to support environmentally responsible investments and as part of their portfolio diversification strategy. As a result, the market for biodiversity credits is expected to grow as more companies and investors seek to offset their impact on the environment and support conservation efforts.

Investing in biodiversity credits can have several benefits and is becoming increasingly important due to the global recognition of the need for biodiversity conservation. Here are some reasons why investing in biodiversity credits can be advantageous:

- **Biodiversity conservation:**

  Biodiversity credits are a mechanism to promote the protection and restoration of ecosystems and species. By investing in biodiversity credits, you contribute to the preservation of natural habitats, endangered species, and ecological processes. This investment helps combat biodiversity loss, which is crucial for maintaining a healthy and resilient environment.

Regulatory compliance:

Many countries and regions have implemented environmental regulations that require companies to offset their ecological impacts or mitigate biodiversity loss. Investing in biodiversity credits allows businesses to meet these regulatory obligations effectively. By doing so, companies can avoid penalties, legal issues, and reputational damage associated with non-compliance.

Ecosystem services:

Biodiversity plays a critical role in providing ecosystem services such as clean air and water, soil fertility, pollination, and climate regulation. By supporting biodiversity conservation through investing in biodiversity credits, you contribute to the preservation of these ecosystem services. This, in turn, can have positive impacts on human well-being, sustainable development, and economic activities.

Carbon offsetting:

Biodiversity credits often have a carbon offset component. Trees and forests act as carbon sinks, absorbing and storing carbon dioxide from the atmosphere. Investing in projects that protect or restore forests can generate biodiversity credits with carbon offsets, helping to mitigate climate change. This can be an attractive aspect for investors seeking to reduce their carbon footprint and meet climate-related goals.

Social responsibility and reputation:

Investing in biodiversity credits demonstrates a commitment to environmental sustainability and responsible business practices. It can enhance a company's reputation, brand value, and stakeholder relationships. Consumers, investors, and employees increasingly value businesses that prioritize environmental conservation, which can lead to long-term benefits and competitive advantages.

Market potential:

The market for biodiversity credits is growing as more companies and governments recognize the importance of preserving natural capital. Investing early in this emerging market can offer financial opportunities and potential returns on investment. As the demand for biodiversity credits increases, their value may rise, providing investors with potential financial gains.

Notwithstanding the reason(s) for potentially investing in biodiversity credits, the World Economic Forum (2023b) indicate that interviews with potential buyers conducted underscore the early stage of market development, the risks and complexity associated with implementation, and differing views on relevant attributes of biodiversity credits and their legitimate use. The evolution of the secondary market for biodiversity credits will need to be monitored in future.

C. How do we ensure the creation of an economic instrument as opposed to a charity tag?

To ensure the creation of an economic instrument rather than a charity tag when investing in biodiversity credits, consider the following:

Clear objectives and metrics:

Look for biodiversity credit programs or initiatives that have well-defined objectives and measurable metrics. A robust economic instrument should have clear targets for biodiversity conservation, ecological outcomes, and social benefits. The program should provide transparent reporting on the progress made toward these goals.

Market-based approach:

Seek out biodiversity credit projects that adopt a market-based approach, where the value of the credits is determined by supply and demand dynamics. This approach ensures that biodiversity credits have a tangible economic value and can be traded in a marketplace. Market-based mechanisms help establish a sustainable and scalable framework for biodiversity conservation, attracting investments from multiple stakeholders.

Regulatory support:

Look for biodiversity credit programs that have regulatory backing or support. When a government or regulatory body endorses and recognizes biodiversity credits as a legitimate instrument for compliance or offsetting requirements, it adds credibility and ensures that the credits have economic value beyond just voluntary contributions.

Third-party verification and certification:

Verify that the biodiversity credit program follows rigorous standards and undergoes independent third-party verification. Certification by reputable organizations or certification bodies can enhance the credibility and marketability of the credits. Look for programs that adhere to recognized standards such as the Verified Carbon Standard (VCS), the Climate, Community & Biodiversity Standards (CCB), or other relevant certification schemes.

Long-term viability:

Assess the long-term viability and sustainability of the biodiversity credit program. Consider factors such as the stability of the funding mechanism, the longevity of the conservation projects or initiatives, and the likelihood of continued demand for biodiversity credits. A sustainable economic instrument should have a clear path for ongoing funding and market demand.

Expert advice and due diligence:

Seek guidance from experts or consult professionals with experience in biodiversity conservation and sustainable finance. They can help evaluate the credibility and economic viability of biodiversity credit programs, conduct due diligence on the projects or initiatives, and assess the potential risks and returns associated with the investment.

By considering these factors, you can increase the likelihood of investing in a biodiversity credit program that functions as a robust economic instrument, ensuring that your investment contributes to biodiversity conservation while also offering tangible economic benefits.

D. Who are the first movers in this space?

The first mover in the space was from the voluntary market in Sweden with the Swedbank purchase of biodiversity credits. The focus has been on developing a method for calculating biodiversity credits to preserve and promote biological diversity in Swedish forestry. The purchase was done under a pilot project that involves the acquisition of biodiversity credits from Orsa Besparingsskog, with the goal of understanding whether these instruments can constitute a viable financial solution for incentivising the protection of biodiversity.

The voluntary market for biodiversity credits is still developing, and various organisations and initiatives have emerged as pioneers in this space. While it's important to note that the landscape is continually evolving, there are a few examples of other early movers and organisations involved in voluntary biodiversity credit markets:

Forest Trends

Forest Trends is a non-profit organization that has been at the forefront of developing and promoting voluntary markets for ecosystem services, including biodiversity credits. Their initiatives, such as the Ecosystem Marketplace, provide information, analysis, and platforms for transactions in voluntary markets.

Business for Nature

Business for Nature is a global coalition of companies and organizations advocating for action on biodiversity. They have been instrumental in raising awareness about the importance of biodiversity and have supported the development of biodiversity credit programs that align with corporate sustainability goals.

Conservation International

Conservation International is a global organization focused on biodiversity conservation. They have developed various initiatives and partnerships to promote market-based approaches to conservation, including biodiversity credit programs. One notable initiative is the Conservation Stewards Program, which offers biodiversity credits for sustainable land management practices.

The Biodiversity and Ecosystem Services (BES) Facility

The BES Facility is an initiative supported by the German government and the KfW Development Bank. It aims to develop and pilot market-based instruments for biodiversity and ecosystem services conservation. The facility supports projects that generate biodiversity credits, such as the Conservation and Sustainable Use of Biodiversity (COMBO) project.

These are just a few examples of organisations and initiatives that have been actively engaged in the voluntary market for biodiversity credits. As the field continues to evolve, new players and projects are likely to emerge. It's essential to stay updated on the latest developments and seek information from reputable sources when exploring investment opportunities in this space.

E. Are the buyers mainly from the global north or are there buyers from global south?

While the voluntary market for biodiversity credits is still evolving, the buyer landscape has shown participation from both the Global North[20] and the Global South.[21] Initially, the majority of buyers were primarily from the Global North, including companies, organisations, and individuals from developed countries that were seeking to offset their ecological impacts or demonstrate sustainability commitments.

20 Generally, definitions of the Global North are not exclusively a geographical term, and it broadly comprisesNorthern America and Europe, Israel, Japan and South Korea, as well as Australia and New Zealand, according tothe United Nations Conference on Trade and Development (UNCTAD)

21 Broadly comprises countries in the regions of Africa, Latin America and the Caribbean, Asia (without Israel,Japan, and South Korea), and Oceania (without Australia and New Zealand), according to theUNCTAD

However, there has been a growing interest and involvement from buyers in the Global South. This is driven by various factors, including the recognition of the value of their own natural capital, the potential economic benefits of participating in voluntary markets, and the desire to support local conservation efforts.

Buyers from the Global South may include corporations, governments, foundations, and other entities that recognize the importance of biodiversity conservation and are willing to invest in projects that generate biodiversity credits. These buyers may be motivated by a combination of environmental stewardship, corporate social responsibility, and potential economic returns.

Additionally, regional or local buyers within the Global South, such as businesses operating in specific areas, indigenous communities, or government entities, may also be engaged in purchasing biodiversity credits. They may see the value in supporting local conservation initiatives and leveraging the economic opportunities associated with biodiversity credit projects.

It is important to note that the level of participation and the geographic distribution of buyers in the voluntary market for biodiversity credits can vary depending on factors such as:

- regional regulation
- market maturity
- awareness
- the availability of biodiversity credit projects

As the market continues to develop and awareness increases, it is expected that the buyer base from both the Global North and the Global South will continue to diversify.

F. What would the market in Africa look like specifically?

The market for biodiversity credits in Africa has the potential to play a significant role in biodiversity conservation efforts on the continent. Here are some key aspects that could shape the market in Africa:

Biodiversity richness:

Africa is renowned for its exceptional biodiversity, including iconic wildlife, diverse ecosystems, and unique plant species. The market in Africa would likely focus on preserving and restoring these valuable natural assets. Biodiversity credits could be generated through initiatives such as habitat protection, species conservation, sustainable land management, and reforestation projects.

Local community engagement:

In many parts of Africa, local communities have strong connections to their natural surroundings and play a crucial role in biodiversity conservation. The market for biodiversity credits in Africa would likely emphasize community engagement, recognizing the rights and knowledge of indigenous peoples and local communities. Projects that involve community participation and provide socio-economic benefits should be sought after by buyers.

Ecotourism and conservation partnerships:

Africa's rich biodiversity attracts millions of tourists each year. The market for biodiversity credits could intersect with the ecotourism industry, with credits generated through sustainable tourism practices, community-based tourism initiatives, or the protection of key tourist destinations. Partnerships between conservation organizations, local communities, and tourism operators could drive the development of biodiversity credit projects.

Regional and international collaborations:

Africa encompasses diverse countries and regions, each with its unique biodiversity priorities and challenges. The market for biodiversity credits in Africa would likely involve regional collaborations to address transboundary conservation issues and harmonize standards and methodologies. Collaboration with international partners, including investors, conservation organizations, and certification bodies, could facilitate market growth and access to global buyers.

Policy and regulatory frameworks:

The establishment of policy and regulatory frameworks can play a vital role in shaping the market for biodiversity credits in Africa. Governments can develop supportive policies that incentivize biodiversity conservation, provide clarity on land rights and resource management, and establish mechanisms for the creation and trading of credits. Regulatory frameworks can help ensure the credibility and transparency of the market while safeguarding environmental and social integrity.

Funding and financial mechanisms:

Adequate funding mechanisms and financial incentives are crucial for the success of the biodiversity credit market in Africa. This could involve a combination of public and private financing, impact investment, philanthropic contributions, and innovative financial instruments. Efforts to attract sustainable finance and build partnerships with investors interested in biodiversity conservation could be key drivers in Africa's market development.

It is important to note that the specific characteristics and dynamics of the market for biodiversity credits in Africa can vary across countries and regions. Factors such as political stability, institutional capacity, infrastructure, and market maturity will influence the opportunities and challenges faced in different African contexts.

F. What are the drivers of cash flow for this market?

In summary, the drivers of cash flows will depend on the reason for investment in biodiversity credits:

- **Corporates:** TNFD,[22] Offsets, Compliance, Supply chain risk management
- **Investors:** Return on Investment (ROI), Compliance, Reputation, Passion for Nature
- **Public:** Passion for Nature, Part of Solution (to preserve nature), Perception of Offsets

Question 3: Are there robust frameworks (with their respective methodologies available)?

Yes, there are several frameworks developed with their respective methodologies developed for these frameworks available (by the date of finalising this report).

However, biodiversity measurement depends on geography, vegetation, species variety and other local factors. Developing a universal metric to measure biodiversity has been a challenge. The Species Threat Abatement and Recovery (STAR) metric developed by the International Union for Conservation of Nature (IUCN) identifies specific actions to improve the overall state of biodiversity and ways to measure the extinction risk of threatened species. This metric can also help quantify the impact of biodiversity finance.[23]

A. If implemented, where and at what level/indicators of success?

According to the latest summary (by the date of finalising this report) and list of biodiversity credit projects, 15 of the total of 30 have been launched, although biodiversity credits have not been sold/ traded under the majority of these projects.

B. Types of land/ecosystems/ecoregions to which methodologies can be applied.

Methodologies will depend on the biome, needs (restoration, avoided loss, protection), and types of fauna and flora.

C. Activities required to improve biodiversity outcomes.

Activities required will be determined by the biome, metrics used and needs of the ecosystem.

22 Task Force on Nature-related Financial Disclosures: https://tnfd.global/
23 https://impact.economist.com/sustainability/ecosystems-resources/creating-a-market-for-biodiversity

D. What are the minimum metrices used to measure progress and develop credits?

This will depend on the methodology, biomes, ecoregions or ecosystems, as well as the biodiversity needs (restoration, etc.).

E. Will there be a separate independent entity to verify these measurements?

Yes. Independent verification of measurements is done by Verra, Plan Vivo, Gold Standard, and others. Verra's new biodiversity credits methodology, the Sustainable Development Impact Standard (SD VISta) will enable the independent assessment and verification of the real-world biodiversity benefits and certification of nature-positive investments. The development of this methodology will be supported by the SD VISta Nature Framework Advisory Group, which includes leading conservation non-government organisations (NGOs) and biodiversity experts motivated to close the biodiversity finance gap. More information on SD VISta is available here.

F. What are the acceptable time frames for measurement and verification of metrices?

Acceptable time frames vary according to the different methodologies and frameworks, biodiversity needs, biomes and metrics used. Although permanence is preferred, the following time frames are used for different projects:

Time Frame	Link to Projects
1 - 2 Years	• https://www.carbonz.io/about-7
10 Years	• https://biocarbonregistry.com/methodologies/BCR-Methodological-document-NBG.pdf • https://www.savimbo.com/ • https://valuenature.earth/

20 - 50 Years (to permanent)	• https://investconservation.com/
	• https://niueoceanwide.com/
	• https://www.planvivo.org/pv-nature (10-50 years)
	• https://www.southpole.com/sustainability-solutions/ecoaustralia (permanent, linked to carbon credits, EcoAustralia)
	• https://www.biodiversitycredits.se/
	• https://terrain.org.au/what-we-do/biodiversity/cassowary-credit-scheme/
	  • https://en.terrasos.co/
	  • https://wallaceatrust.org/
	  • https://wilderlands.earth/ (permanent)

G. Can existing methodologies be applied to all landscapes/biomes?

Different methodologies need to be investigated in detail. According to the summary of biodiversity credit projects, the following are listed with 'simplicity' as strength (assuming that simplicity would create replicability):

- https://en.terrasos.co/_files/ugd/cfa1dc_815f6a56e3024acb9039179a6fc369ee.pdf
- https://www.carbonz.io/about-7 (the carbon offset element needs to be investigated)

H. What are the general guiding principles for methodologies to be selected by actors?

Robustness, simplicity, replicability and cost effectiveness are regarded as important guiding principles.

I. Are these methodologies simple and adequate?

Not all are simple. Adequacy needs to be investigated in more detail and monitored over time.

J. Can carbon and biodiversity outcomes achieved by the same NbS[24] project be unitised and sold separately with corresponding claims?

Some projects certify and sell both carbon and biodiversity credits stacked together (such as EcoAustralia).

24 Nature-based Solution

Question 4: What does the biodiversity credit development involve: biodiversity protection OR biodiversity restoration OR both?

Most biodiversity projects measure biodiversity conservation, restoration, preservation, avoided loss, or a combination of these. Some projects focus on rewilding, sustainable use of biodiversity or other metrics.

A. What systems need to be in place to ensure that biodiversity outcomes are secured and valid?

A credit should encapsulate the biodiversity outcomes, Firstly, how it is calculated needs to be robust and valid. This would be driven by the methodology to ensure that there is some validation of the methodology against the project.

The BCA is working on a Review Panel which could play a validation role as a first step. Following this, the verification of the calculated outcomes would be the next system that has to be developed. This will be the interesting space, where opportunities exist to go beyond the conventional carbon market approach, for example using a Policy Engine in the web3 space. Some of this might be broached by the feedback in the blockchain category, but essentially the Guardian Network by Hedera Hashgraph is an example of such a tool, built for this purpose.

B. Is the biodiversity credit mechanism underpinned by biodiversity conservation principles, and do they support one or more of the following:

- **Avoided loss from transformation and unsustainable practices.**
- **Reduced rate of loss and decline in biodiversity.**
- **Restoration, rehabilitation, and rewilding to reverse loss of biodiversity.**

Most projects indicate that their methodologies are underpinned by the principles guiding robust biodiversity outcomes. Some methodologies focus specifically on keystone species coupled with environmental stewardship indicators, such as ERA Brazil.

Question 5: How will costs of a project be covered?

A. Stages 1 and 2: Scoping and Development

Costs of the initial stages are generally covered by grants, government allocations, philanthropic funding, investors or forward buyers. Investors and corporates can provide upfront finance to proponents of biodiversity projects (including indigenous peoples and local communities, or IPLCs) in exchange for equity of long-term offtake of biodiversity credits.

B. Stage 3: Maintenance: Does income from credits cover monitoring and evaluation costs?

Monitoring and evaluation costs are included in the cost of production of a biodiversity credit, as a biodiversity credit needs to be created and measured to be realised.

C. Should a profit motive be included in the costing/valuation/pricing of a biodiversity credit? I.e. should this be an investable and tradable financial instrument?

It is still uncertain what a trade in biodiversity credits would look like and what a change in value would represent.

Question 6: How can the integrity and governance of a biodiversity credit system be ensured?

A. How should the biodiversity credit system be regulated? On an international, regional or national level?

Regulation of biodiversity credits in South Africa and other African countries is not yet in existence and, thus, uncertain.

B. What is the role of government in this?

There is currently no government regulation in South Africa or other African countries. The Biodiversity Net Gain principles in Great Britain is an approach to development that leaves biodiversity in a better state than before. Where a development has an impact on biodiversity it encourages developers to provide an increase in appropriate natural habitat and ecological features over and above that being affected in such a way it is hoped that the current loss of biodiversity through development will be halted and ecological networks can be restored. Defra has recently consulted on making biodiversity net gain a mandatory element of the English planning system however many developers are already designing net gain into their development projects and national planning policy frameworks already encourage the net gain approach. Biodiversity net gain still relies on the application of the mitigation hierarchy to avoid, mitigate or compensate for biodiversity losses. It is additional to these approaches, not instead of them. Put simply, it involves the use of a metric as a proxy for recognising the negative impacts on habitats arising from a development and calculating how much new or restored habitat, and of what types is required to deliver sufficient net gain.

C. Do we need government regulation in order to drive the demand. If this is so how is this not interpreted as an offset?

The BNG principle in Great Britain still relies on the application of the mitigation hierarchy to avoid, mitigate or compensate for biodiversity losses. It is additional to these approaches, not instead of them. Put simply, it involves the use of a metric as a proxy for recognising the negative impacts on habitats arising from a development and calculating how much new or restored habitat, and of what types is required to deliver sufficient net gain. It thus seems that additionality needs to be created instead of just offsetting.

D. How are projects approved and registered?

There are currently a number of frameworks where projects can be registered. These include Verra, Plan Vivo, and others listed here.

E. Independent auditing and verification of reported outcomes

Of the 30 biodiversity projects listed, 11 indicate that 3rd party auditing is conducted. 14 projects indicate that 3rd party auditing is not applicable, for several reasons. Five indicate that 3rd party auditing is not done.

F. Issuance of biodiversity credits via a registry.

Taking learnings from previous nature markets, BCA aims to design and implement digital architecture based on Distributed Ledger Technology (DLT) to underpin the biodiversity credits market. While other markets grapple with digital transformation, there is an opportunity to build the biodiversity credits market using Web 3.0 as the foundation for integration, efficiency and scale.

The purpose and value of DLT, (or known as Blockchain), comes with the immense promise for revolutionising the management of biodiversity and carbon credits and how they are audited. While often associated with cryptocurrencies, its purpose and intent extend far beyond this. In the context of conservation, DLT serves as an invaluable tool for precisely measuring, monitoring and assessing the value of specific land parcels, whether physical or virtual, meticulously defined through geospatial technologies (GIS, Remote Sensing and IoT). It is proposed that What3Words is used as a virtual base. However, the work done here, with what3words as an overlay: https://bii4africa.org/ should also be considered. The use of technology such as remote sensing, artificial intelligence, acoustics, environment DNA, camera traps, and blockchain should further create transparency and, importantly, avoid replicating carbon's "phantom credits".

G. Who holds the legal rights to biodiversity and naturescapes that underpin a biodiversity credit project? What learnings can be drawn from carbon credits, if any?

The legal rights to biodiversity credits are still unclear. The BCI investigated this aspect with reference to VCCs to seek some preliminary guidance. The allocation of legal title follows from the legal nature of VCCs. In particular, the question of VCCs is considered intangible property or a bundle of contractual rights.

In terms of traditional South African property law, to qualify as a "thing" capable of ownership, which is essential to determining whether the law of property applies (as opposed to the law of obligations). Applying the principles of property law, arguably, a VCC is capable of qualifying as a "thing" which is capable of ownership.

VCCs are likely to be viewed as:

- intangible
- incorporeal
- a "thing" capable of being the object of a right
- a real right
- movable
- fungible in certain circumstances

A VCC could be construed to be one of the entitlements, amongst others, inherent in the project owner of the VCC's entitlements, i.e., the right to claim that 1t/CO2e of a greenhouse gas (GHG) has been removed, sequestrated, mitigated or reduced from the atmosphere. It could also be argued that where a VCC is transferred to another party, the project owner is prevented from exercising their right to claim that 1t/CO2e of a GHG that has been removed, sequestrated, mitigated or reduced from the atmosphere in respect of that credit. There is a finite number of VCCs that can be generated from a particular project and once these have been created and transferred, the project owner is prevented from creating and transferring more. Furthermore, it could be argued that for the duration of a VCC, the intention is to bind successors in title, i.e., if the project owner changes hands, the VCC remains.

Therefore, the VCC is arguably a real right (or a limited real right) capable of ownership and transfer to a third party (part of the project owners' rights associated with ownership of the project). Upon transfer the third party could be said to have a limited real right.

Notwithstanding the above regarding VCCs, the legal rights to biodiversity credits in a biodiversity project will depend on governance, policy, tenure and other factors.

H. Are credible claims supported?

Credible claims are supported (in theory).

I. Should biodiversity credits be regulated as financial products? If so, by whom?

The question of whether biodiversity credits should be regulated as financial products is a matter of debate and depends on various factors. Here are some considerations on both sides of the argument:

Arguments for regulating biodiversity credits as financial products:

The Coalition follows a model to Find, Design and Mobilise sustainable finance in the right places, with the right people, to achieve scalable impact. During the Stage 1 incubation, several Building Blocks of biodiversity credits were established, which inform some of the various steps that need to be taken as aligned to the finance model. Figure 3 provides an overview of these steps.

Investor protection:

Regulating biodiversity credits as financial products could provide a regulatory framework that ensures investor protection. It can establish standards for transparency, disclosure, and accountability, reducing the potential for fraud, misrepresentation, or unethical practices.

Market integrity:

Regulation can promote market integrity by establishing rules and standards for the creation, trading, and reporting of biodiversity credits. This can help prevent market manipulation, ensure fair pricing, and maintain the credibility and trustworthiness of the market.

- **Standardization and harmonization:**

  Regulatory oversight can facilitate standardization and harmonization of biodiversity credit projects. It can establish common methodologies, verification protocols, and reporting requirements, making it easier for investors to compare and assess the quality and credibility of different credits.

- **Access to capital:**

  Regulatory recognition of biodiversity credits as financial products can attract more institutional investors and capital into the market. Clear regulations can provide certainty and confidence to investors, potentially increasing liquidity and investment opportunities in biodiversity conservation.

Arguments against regulating biodiversity credits as financial products:

- **Administrative burden:**

  Imposing financial regulations on biodiversity credits may increase administrative burdens and compliance costs for market participants. Small-scale projects or local initiatives, which play an important role in biodiversity conservation, may find it challenging to meet complex regulatory requirements.

- **Flexibility and innovation:**

  Overly strict regulations could hinder the flexibility and innovation necessary for the development of biodiversity credit projects. Excessive regulatory requirements may limit the ability to tailor credits to specific contexts, adapt to local conditions, or experiment with new approaches.

- **Diverse objectives:**

  Biodiversity conservation involves a wide range of ecological, social, and cultural objectives. Regulating biodiversity credits as financial products may prioritize financial metrics over broader conservation goals, potentially diluting the focus on ecological integrity and community engagement.

- **Voluntary nature:**

  Biodiversity credits often operate within voluntary markets, where participants engage willingly to support conservation efforts. Imposing financial regulations may conflict with the voluntary nature of these markets and impede their development.

Ultimately, finding the right balance between regulation and flexibility is crucial. Regulatory oversight should aim to protect investors, ensure market integrity, and support biodiversity conservation goals, while allowing for innovation and diversity within the market. Striking this balance requires careful consideration, stakeholder engagement, and an understanding of the unique characteristics of biodiversity credit projects.

J. Will the transactions of biodiversity credits be governed by the FSCA?

There is no regulation yet, and it is uncertain if future regulation will be instituted.

K. Can biodiversity outcomes represented by biodiversity credits can be transferred internationally?

This is uncertain, as there have not been any such disposals of biodiversity credits yet.

L. Are there any risks or unintended consequences to be aware of in credit design and market architecture? I.e. double claiming by the relevant country contributing to the GBF and a corporate buyer of biodiversity credits. Clarity must be provided on who has a contractual right to claim responsibility for the conservation outcomes.

This needs to be monitored in future.

M. Can disbursement of funds to local beneficiaries be made more transparent through the use of technology such as blockchain?

DLT (blockchain) ensures a transparent and tamper-proof tracking of temporal change, establishing indisputable and consensus-based accountability. For conservationists, DLT can secure an immutable ledger that captures every critical detail related to biodiversity and carbon credit transactions, including the biodiversity index and other indices for record keeping. By doing this it can leverage trust and facilitate more efficient and equitable conservation efforts on a global scale.

With the above in mind, it is believed that the standards and methodological audits, relating to carbon credits and those to come for biodiversity credits, should be done on the technologies. What does this mean? Less frequent very costly field-based auditing is done by consultants (who account for so much spillage of much-needed finances) which could ultimately be made available directly to the biodiversity and local communities and beneficiaries, who are the true custodians of these natural assets.

What are the legal repercussions that a buyer has if a seller does not perform on their conservation obligations. Who will enforce this? Particularly in the event of where an investor is in Europe and a project is based in rural Africa.

This needs to be monitored in future.

Question 7: Are the environmental and social safeguards for biodiversity credits and the process well defined?

For this question an additional document (provided in Annexure E) on rights and rights-based approaches was developed, which provides a high-level overview of rights-based approaches and guidance on including IPLCs and vulnerable groups in conservation and development.

A. What are some of the immediate social and environmental risks to be aware of?

Some of the immediate risks are that there will be large-scale purchasing of land for the purposes of biodiversity credits that may continue to create divides across intersections of the society and remove peoples' access to and ability to own land for other services. There is an urgent need to ensure that IPLC's are participants in projects, not only beneficiaries.

The BCA identifies risks such as:[25]

Environmental risks:

- Measurement Risks
- Impact risks
- Climate risks
- Biodiversity and ecosystem services risks
- Pollution risk
- "Trojan horse risk"

Social risks:

- Measurement risk
- Impact risk (governance)
- loss of social license
- equity, equality and power
- human-rights
- gender
- land acquisition and resettlement
- lack of FPIC
- cultural heritage
- community health and safety
- Impact risk (labour and working conditions)

B. Is benefit-sharing ensured with IPLCs/custodians of biodiversity? How can rights-based approaches be mainstreamed and inclusive of IPLCs?

Rights-based approaches can be ensured if there is free prior and informed consent (FIPC) from IPLCs. Rights-based approaches within a landscape should be undertaken by biodiversity credit projects and developers as duty bearers and accountability holders to ensure that all rights holders, rights are not impacted on through biodiversity credit projects. " It is essential that RBAs that are inclusive of IPLCs are applied to ensure governance, integrity and fair and appropriate beneficiation of the biodiversity credit project.

25 https://www.biodiversitycreditalliance.org/

Are aspects including free, prior, and informed consent (FPIC), benefit-sharing, equitable participation, power sharing, security of rights, clarity of responsibilities confirmed?

Guidelines for incorporating FPIC in conservation, and as such, in biodiversity credit projects, can be sought from Conservation International.

Gathering Information:

- Local context
- Legal and customary rights
- Identify and respect traditional governance

Collaborate on design and implementation:

- Culturally sensitive approach
- Full end effective participation
- Information exchange
- Consent on course of action

Ensure accountability:

- Incorporate FPIC into grievance mechanisms
- Monitor and adapt commitments

Question 8: Who are the recipients of finance from biodiversity credits?

Finance from biodiversity credits should mainly flow to custodians of biodiversity responsible for protection, avoided loss, restoration.

A. What estimated percentage of finance from biodiversity credits will be paid to the custodians of biodiversity/communities?

Ideally, revenue-sharing should be determined by the 'owners of the project' (i.e. those with the recognised rights). This can only be done if there is transparency along the trade chain. This is currently not the general practice in the carbon markets, and or in fact many markets that source products from developing regions, and this has to change. Essentially those selling the product (owners of the project) should get the bulk of the revenue. Unfortunately, we know that this is not true in many markets where often the intermediary controls market access and by doing so is able to command the lion share of any upsides to be made. We have seen some shifts in this through processes like Fair Trade, and we need to bring those learnings into this market, to avoid going down the exploitative route.

One way to help this along is to bring the seller and buyers closer together but creating marketplaces which allow them to find each other, and another is to build royalties into the credits such that any upside trading along the trade chain can be realised back to the biodiversity custodians. But doing this we also increase the incentives for continued conservation of the project area, securing the outcomes further which will further increase the value of the credits in the market.

B. What estimated percentage will go to the project developers?

This will depend on each project.

Question 9: Can project and market design be replicated and implemented at scale?

This is currently uncertain and needs to be monitored.

Additional Steps

This is currently uncertain and needs to be monitored.

A. Can a list of potential buyers of biodiversity credits be collated, considering different naturescapes, pilot opportunities and contexts?

- The BCI hosted a 1st Roundtable aimed at potential buyers and/or investors in Sandton, Johannesburg on Monday 6 November 2023. This is discussed in more detail in Part 3 and Annexure C.

B. Map buyers with "why" they would buy – what is their motivation, this might enable identifying key characteristics of biodiversity credits

- Mapping document created: https://docs.google.com/document/d/1cAczfH9XVKE0qiPW7OMH13LHpzJ9oDJTyHqGGjRkCLY/edit?usp=drivesdk.

Annexure E: Social Aspects and Rights-Based Approaches

UNDERSTANDING RIGHTS AND RIGHTS-BASED APPROACHES IN CONSERVATION AND GUIDANCE ON HOW TO APPLY THEM

The following high-level document covers concepts of human and environmental rights, rights-based approaches and how this applies in landscapes and towards conservation. It covers the rights of IPLCs, benefit-sharing, Free, Prior and Informed Consent (FPIC) and Environmental and Social Safeguards.

Please note that this is not an exhaustive list of information and we are iterating on the information and implementation through the design phase of the project. People are welcome to provide us further resources and guidance via info@sustainablefinancecoalition.org.

Descriptions and definitions	How it can be applied and embedded
Rights and rights-based approaches for people and the environment	
From: Common understanding of RBAs (UN, 2003) and Securing Rights in Landscapes (Oosten & Merten, 2021).	From the IUCN Policy on Conservation with Justice (Greiber et al, 2009)
Human rights- including rights pertaining to gender, youth and indigenous groups Rights holder is an individual who can make claims for their human rights (entitlements) Duty bearers are responsible for upholding respect for human rights and defending those who are vulnerable (obligations) • The relationship between rights-holders and duty-bearers is important for stakeholder relations, where rights holders are also duty bearers. Accountability holders are the NGOs, rights advocates etc. who have neutrality and are supposed to hold duty bearers accountable and strengthen and empower rights holders. Human rights-based approach (RBA) works towards strengthening the capacities of rights-holders to make their claims, and of duty-bearers to meet their obligations.	1. "The implementation of rights and obligations, and thus the application of an RBA to conservation, will only be effective if good governance is ensured and the different actors are held accountable" 2. "..identify and commit to integrating human rights considerations in the design, prior approval, and implementation of all projects, programmes, and activities, whether undertaken by State agents or non-State actors" 3. "Private actors can develop a code of conduct or policy commitment to conservation with justice"- page 24 includes suggested commitments, summarized as: • All steps taken to minimize environmental harm and respect of human rights • Recognise that all stakeholders have a role and influence to support conservation and human rights.

Descriptions and definitions	How it can be applied and embedded
Refer to (UN, 2003) document for the six key principles and good programming elements. **Environmental/ nature rights** Where nature e.g a river is seen as a rights holder, has the standing to bring a suit on its own behalf, or otherwise be represented by a rights activist who is able to be legally heard. Therefore duty bearers also have responsibility/obligations to environmental rights and there needs to be ecological accountability. The Rights of Nature (RoN) encompasses a range of legal mechanisms giving nature a right to have its interests be argued before the law and found in favour of by courts, as though it were a human litigant. These RoN include: • The Right to Exist • The Right to Continue Existing • The Right to be Restored (Nature Finance, 2022) **Intersection of human and nature rights** is seen especially with indigenous and local communities where the cultural relationship with nature is intrinsically linked and reflect world views and knowledge systems of indigenous peoples. More eco-centric world views. For info on Indigenous Peoples see Amnesty International IPLCS: "The term "Indigenous Peoples and local communities" and its acronym "IPLC" are widely used by international organizations and conventions to refer to individuals and groups who self-identify as indigenous or as members of distinct local communities. We adopt this terminology in this assessment, with particular emphasis on those who "maintain an inter-generational historical connection to place and nature through livelihoods, cultural identity, languages, worldviews, institutions, and ecological knowledge". (IPBES, 2020) First Nations people are synonymous with Indigenous People and are referred to in certain geographies such as Canada and Australia.	• Efforts to reach out and involve to vulnerable groups often most impacted harmfully by projects • Synergies between human rights and conservation, must bring together local communities and individuals to share knowledge and experience • Context and legacy matters in shaping design of activities. 4. The document provides a step-wise approach to implementing a RBA, detailed on page 25, which should be considered: 1. Situational analysis 2. Provide information 3. Ensure participation 4. Take reasoned decisions 5. Monitor & Evaluate Application of the RBA 6. Enforce rights (where applicable). 5. See also IUCN policy document on RBA in Conservation to the CBD. **Five steps for operationalising RBLA in practice (Oosten & Merten, 2021).** Integrated approach required and contextualization. Step 1. Assess the socio-spatial characteristics of a particular landscape. Step 2. Identify the rights and duties which are at stake. Step 3. Assess the rights-and-duties relations between these stakeholders. Step 4. Assess and close the capacity gaps. Step 5. Choosing the right entry point for institutional change. On step 5- four entry methods are noted, of which a Programmatic approach may be better aligned to the Coalition and a Compliance approach better aligned to the incubator output. See from page 22. The Land Rights Standard: Principles for best practice for recognizing and respecting Indigenous Peoples', local communities' and Afro-Descendant Peoples' land and resource rights in landscape restoration, management, conservation, climate action, and development projects and programs.

Descriptions and definitions	How it can be applied and embedded
Rights-based approach in conservation: "An approach to conservation that promotes and integrates human rights into conservation policy and practice by emphasizing the positive connections between conservation and the rights of people to secure their livelihoods, enjoy healthy and productive environments, and live with dignity" (CI, 2013). **Rights-based landscape approaches (RBLA)** (Oosten & Merten, 2021) Landscape - The European Landscape Convention definition: 'a landscape is a key element of individual and social well-being, its protection, conservation, management and planning entrails rights and responsibilities of everyone involved' Rights challenges in landscapes "Rights issues in landscapes arise whenever there is unclarity, inequality or ambiguity on the distribution of rights to access, use and control resources" RBLA "The challenge of achieving rights-based landscape governance is placing rights and duties into a broader perspective of socially just and ecologically sustainable institutional change. **It entails (re)establishing negotiated rules for the allocation of rights over resource access and use, strengthening access to justice, access to legal knowledge, platforms for multi-stakeholder dialogues and accountability systems prior to any policy initiative"**	• The 10 principles form a strong foundation for ensuring the recognition and respect of human rights of IPLCs • The Standard is endorsed by over 75 representatitve groups **The Rights of Nature and implications for nature markets and governance (Nature Finance, 2022)**
Benefit-sharing	
From: Benefit sharing: an exploration on the contextual discourse of a changing concept (Dauda and Dierickx, 2013) 1. Benefit sharing as Common Heritage of Humankind refers to the equitable sharing of resources and equal distribution of resources that encourages global policies that foster a homogeneous state of affairs among all states with respect to common heritage resources, this differs from the below.	Equitable sharing of resources, including water, land, biodiversity. The equitable sharing of benefits and inclusive involvement should be part of the design of projects and activities from the start.

Descriptions and definitions	How it can be applied and embedded
2. Benefit sharing in terms of Nagoya Protocol and the Convention on Biological Diversity refers to the access and use of human and non-human genetic resources. "Benefit sharing denotes an exchange between those who grant access to genetic resources and those who provide benefits, rewards or compensations resulting from the use of the genetic resources. Unlike the common heritage of humankind concept, in the context of genetic resources, states hold a sovereign right over their natural resources and can grant access to those that require to utilize such resources under a condition of Prior Informed Consent (PIC) and Mutually Agreed Terms (MAT) of appropriate benefit sharing."	
Free, Prior and Informed Consent (FPIC) with IPLCs	
Free, Prior and Informed Consent: A framework for ensuring that the rights of indigenous peoples are guaranteed in any decision that may affect their lands, territories or livelihoods. Composed of four separate components: • Free - without coercion, intimidation, manipulation, threat or bribery. • Prior - indicates that consent has been sought sufficiently in advance, before any project activities have been authorized or commenced, and that the time requirements of the indigenous community's consultation/consensus processes have been respected. • Informed - Information is provided in a language and form that are easily understood by the community, covering the nature, scope, purpose, duration and locality of the project or activity as well as information about areas that will be affected; economic, social, cultural and environmental impacts, all involved actors, and the procedures that the project or activity may entail. • Consent - The right of the indigenous peoples to give or withhold their consent to any decision that will impact their lands, territories, resources and livelihoods.* **Guidelines for applying FPIC (Conservation International, 2013)**	See the FPIC Flow Chart in the Guidelines on page 27. There are three key steps to achieving this. 1. Gathering Information • Local context • Legal and customary rights • Identify and respect traditional governance 2. Collaborate on design and implementation • Culturally sensitive approach • Full end effective participation • Information exchange • Consent on course of action 3. Ensure accountability • Incorporate FPIC into grievance mechanisms • Monitor and adapt commitments

Descriptions and definitions	How it can be applied and embedded
Self determination	
This is one of the basic rights upon which FPIC above is founded. It is the right of indigenous peoples to determine their own development path (CI, 2013)	
Environmental and Social Safeguards	
Examples The World Bank Group Social and Environmental Framework (Link) - Distinguishes between: 1. Banks Policy on investment and financing projects and 2. Standards for borrowers and projects as mandatory requirements **UNDP Social and Environmental Standards: (Link)** **From the FAO Investment Learning Platform (Link)** Social and environmental safeguard policies are essential tools to prevent and mitigate undue harm to people during the development process. When identifying and designing a project, safeguards should help assess the potential social risks and impacts (positive or negative) associated with a development intervention. Safeguards should help define measures and processes to effectively manage risks and enhance positive impacts. **Global Climate Fund Environmental and Social Policy** outlines a number of guiding principles that articulates how GCF integrates environmental and social considerations into its decision making and operations to effectively manage environmental and social risks and impacts and improve outcomes. **DBSA Social and Environmental Standards (Link)**	Apply and implement the Social and Environmental Standards with accountability and good governance to ensure that the rights of people and the environment are respected and secured.

ANNEXURE E

The following resources have been consulted regarding social and environmental safeguards.

Are the environmental and social safeuards for biodiversity credits and the process well defined?

Framing resources

https://www.naturefinance.net/wp-content/uploads/2023/06/HarnessingBiodiversityCreditsForPeopleAndPlanet.pdf

Rights-based approaches: https://www.globallandscapesforum.org/wp-content/uploads/2021/07/Securing-rights-in-landscapes.pdf

Applying a human rights-based approach the GBF: https://swed.bio/wp-content/uploads/2021/08/humanrights_biodiv-AUG.pdf

Understanding benefit-sharing: https://bmcmedethics.biomedcentral.com/articles/10.1186/1472-6939-14-36

IUCN- Conservation with Justice: https://portals.iucn.org/library/sites/library/files/documents/EPLP-071.pdf

IUCN- Indigenous People Self Determined Strategy: https://www.iucn.org/resources/other-brief/iucn-indigenous-peoples-self-determined-strategy-supporting-effective

IUCN- Guidance for using the IUCN Global Standard for NbS- https://portals.iucn.org/library/sites/library/files/documents/2020-021-En.pdf

What are some of the immediate social and environmental risks to be aware of?

Framing resources

BCA Building just partnerships in biodiv credits- https://www.biodiversitycreditalliance.org/
GBF Implementation and justice:

https://twn.my/title2/briefing_papers/twn/KMGBF%20TWNBP%20Aug%202023%20Lim.pdf

- https://news.mongabay.com/2023/02/biodiversity-credits-an-opportunity-to-create-a-new-crediting-framework-commentary/
- https://www.thebiodiversityconsultancy.com/knowledge-and-resources/biodiversity-credits-risks-and-opportunities-143/

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The Coalition is supported in its efforts by a voluntary advisory Council of thought leaders from 18 sectors. Our interventions are supported by our Core Partners, Collaborators and Specialist and Associate Contributors from across Africa offering a multi-disciplinary team of expertise and experience. The Coalition is chaired by Candice Stevens and supported a Coalition Team from the Coalition's founding organisations, Wilderness Foundation Africa and WWF-SA.

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