

SOUTH AFRICA
C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

GEF Project Document

Africa Regional Office
AFTS1

<p>Date: April 15, 2004 Sector Manager/Director: Richard G. Scobey Country Manager/Director: Fayez S. Omar Project ID: P075997 Focal Area: B - Biodiversity</p>	<p>Team Leader: Christopher James Warner Sector(s): General agriculture, fishing and forestry sector (100%) Theme(s): Environmental policies and institutions (P), Biodiversity (P), Other environment and natural resources management (S)</p>
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Project Financing Data

Loan Credit Grant Guarantee Other:

For Loans/Credits/Others:

Amount (US\$m): 9.00

Financing Plan (US\$m):	Source	Local	Foreign	Total
BORROWER/RECIPIENT		39.73	4.40	44.13
GLOBAL ENVIRONMENT FACILITY		8.10	0.90	9.00
UN DEVELOPMENT PROGRAM - GEF		1.80	0.20	2.00
Total:		49.63	5.50	55.13

Borrower/Recipient: REPUBLIC OF SOUTH AFRICA

Responsible agency:

National Botanical Institute

Address: Kirstenbosch, Private Bag X7, Claremont, 7735, South Africa

Contact Person: Professor Brian Huntley

Tel: +27 21 79 98800

Fax: +27 21 761 4687

Email: huntley@nbict.ac.za

Estimated Disbursements (Bank FY/US\$m):

FY	2004	2005	2006	2007	2008	2009			
Annual	0.10	1.50	2.00	2.00	2.00	1.40			
Cumulative	0.10	1.60	3.60	5.60	7.60	9.00			

Project implementation period: 5,5 years

Expected effectiveness date: 05/30/2004 **Expected closing date:** 11/30/2009

A. Project Development Objective

1. Project development objective: (see Annex 1)

The **Project Development Objective** is to support the conservation of the Cape Floristic Region (CFR) and adjacent marine environment by laying a sound foundation for scaling up and replicating successful Project outcomes.

The Project will achieve this through two sub-project objectives (i) laying the foundations for mainstreaming biodiversity into the economy; and (ii) by undertaking carefully targeted conservation demonstrations in selected biophysical, socio-economic and institutional contexts with a view to scaling these up.

The **Global Objective** is to ensure that the conservation of Cape Floristic Region and adjacent marine environment is secured by 2024.

This goal is derived from the Overall C.A.P.E. Program Goal which is stated as: "by the year 2024 the natural environment and biodiversity of the Cape Floristic Region and adjacent marine environment will be effectively conserved, restored wherever appropriate, and will deliver significant benefits to the people in a way that is embraced by local communities, endorsed by government, and recognized internationally".

The Project is supported by the World Bank and the UNDP as described in section C4 of this Project document.

Background to the Project

The C.A.P.E. Biodiversity Conservation and Sustainable Development Project (henceforth referred to as "the Project") is derived from a program of the Government of South Africa (GoSA). The GoSA has developed the C.A.P.E. Program to protect the rich biological heritage of the CFR (See Map 1), and to ensure that biodiversity conservation is mainstreamed into economic development and poverty alleviation strategies. The basis for the C.A.P.E. Program was laid by GEF support in September 2000. In this period, the Cape Action Plan for the Environment, referred to as the CAPE 2000 Strategy, was developed. It identified the key ecological patterns and processes which need to be conserved in the CFR and the key threats and root causes of biodiversity losses. This resulted in a spatial plan identifying the priority areas for conservation intervention and a series of systemic program activities to be undertaken in three phases, over a 20 year period, to conserve the CFR. A second, Phase 2 application, will be made to the GEF at the end of this Project, seeking lower levels of GEF, Bank and UNDP support. Phase 3 will be funded from domestic resources. Each phase of the C.A.P.E. Program is designed as a relatively discrete element to generate defined global environmental benefits, as GEF support, whilst key, cannot be guaranteed for Phase 2. GEF/Bank and UNDP support to the first five years of the C.A.P.E. Program (Phase 1) includes a Critical Ecosystem Partnership Fund allocation for civil society involvement, complemented by the C.A.P.E. Agulhas Biodiversity Initiative and the subject of this application.

The implementation responsibility for the C.A.P.E. Program, and the Project, falls under the Cape Coordination Unit (CCU) of the National Botanical Institute (NBI) which is the recipient of the Grant. It will be supported by three Sub-Executing Agencies including the South African National Parks (SANParks), the Western Cape Nature Conservation Board (WCNCB) and the Wilderness Foundation (WF).

Annex 11 provides a background to the project area including a description of the area's biodiversity and socio-economic context. Annex 14 provides a description of the overall C.A.P.E. Program.

2. Key performance indicators: (see Annex 1)

Outcome/Impact indicators¹. (¹ All of these indicators assume a measured 2003 baseline and a five and a half year timeframe)

These outcomes/triggers will be used to measure overall Project performance, and to measure readiness for the design of a second project to further achieve the objectives of the C.A.P.E. Program at the end of year five and half.

1. All C.A.P.E. signatory institutions directly support implementation of the Project.
2. The number of registered civil society stakeholders participating in the Project increases by 30%.
3. A CFR-wide conservation education strategy is successfully designed and implemented across the Project area.
4. The Baviaanskloof, Cederberg and Garden Route protected areas have been consolidated.
5. The number of jobs directly associated with conservation and nature-based tourism in Project intervention sites increases by 20%.
6. Spatial development frameworks in six representative lowland sites incorporate conservation priorities.
7. Five-year targets for protected area status for irreplaceable Broad Habitat Units in Lowland areas and watersheds are met as defined by the C.A.P.E. 2000 Strategy.

See Map 1: Extent of the Cape Floristic Region

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1)
Document number: 18995 **Date of latest CAS discussion:** 03/23/99

The current CAS has three main development objectives: (i) *Promoting higher growth and employment* while maintaining macro-economic stability in order to generate sustained improvements in living standards; (ii) *Fostering social and environmental sustainability* by reducing poverty and inequality through investment in human and natural capital, accelerating and improving the delivery of assets and services to the disadvantaged segments of society, and enhancing environmental management; and (iii) *Strengthening South Africa's constructive role in regional development* through investment projects, improved policy integration, and coordinated regional relations.

The main support to CAS objectives will be through objective 2, by supporting the conservation of the CFR, a global biodiversity hotspot and conservation priority of the GoSA. It will achieve this by focussing on addressing the threats and root causes of biodiversity losses through two subsidiary-project objectives: (i) supporting capable institutions to develop the foundation to mainstream biodiversity objectives into economic activities. Mainstreaming in this context, concerns the integration of biodiversity concerns into relevant sectoral or cross-sectoral plans, programs and policies, resulting in situations where there is a simultaneous achievement of gains in biodiversity and gains in an economic sector; the “win-win” scenario (Pierce, *et al.*, 2002). The Project will support this by: strengthening institutions to conserve biodiversity, through creating a more aware public in order to reduce their impact on the CFR, by supporting improved land use and watershed management to include biodiversity concerns including through the use of environmental resource economic instruments; and (ii) through piloting and demonstrating site based

models for sustainable effective biodiversity management. The Project will involve private landowners and communities in conservation activities in order to expand the protected area of the CFR to include threatened and a representative sample of habitat. These demonstrations will take place in no fewer than ten Project intervention sites and include support to the establishment of three proposed mega-reserves. A key Project aim is to ensure that successful interventions are scaled up and replicated in subsequent phases of the C.A.P.E. Program.

The Project is aligned to supporting the CAS objective 2, rather than seeking primary impact on generating growth, employment and poverty alleviation at scale. A modest target of 20% increase in jobs is being set, from a low base, in Project intervention areas as indication of the intent to preserve and grow jobs in these sites. At mid-term this target will be reviewed with a view to better defining the anticipated job impact of the Project.

The Project is fully consistent with the United Nations Development Program (UNDP) Country Cooperation Framework (Area 4) objectives. This makes provision for protecting the global environment through conservation and protection of local and regional environments of global significance in partnership with the GEF. Community-based resource management initiatives will be supported and national capacity will be strengthened for collaborative management of natural resources including in the CFR.

1a. Global Operational strategy/Program objective addressed by the project:

The Project is consistent with five GEF Operational Strategies. These are: Arid and Semi-Arid Ecosystems (OP 1), Coastal and Marine Freshwater Systems (OP 2), Forest Ecosystems (OP 3), Mountain Ecosystems (OP 4) and Integrated Ecosystem Management (OP4.12).

The Project is consistent with these Operational Programs because: (i) the CFR is noted as one of 25 global biodiversity hotspots, is the only floristic region to be found within one country, contains high biodiversity and faces a high level of threat in the terrestrial (lowland and montane environments), marine and freshwater environment; (ii) the CFR is located primarily in a semi-arid environment, receiving approximately 750 mm of rain per annum; and (iii) the Project will support conservation of globally threatened biodiversity in watersheds, the terrestrial, marine and aquatic components of the largely semi-arid and montane CFR.

The Project supports at least three other relevant and important international initiatives in South Africa. These are: (i) implementation of commitments to the Convention on Biodiversity, signed by South Africa on November 2, 1995. South Africa completed a preliminary First African National Report to the Fourth Conference of the Parties in January 1998 and is now producing a National Biodiversity Strategy and Action Plan; (ii) supporting South Africa to achieve outcomes of the Johannesburg Summit, by providing Project resources to marine protected areas and supporting “restoring fish stocks by 2015, adopting ecosystem-wide planning in the marine environment and arresting biodiversity losses by 2010”; and (iii) the Millennium Development Goal of “Ensuring environmental sustainability” by enhancing the extent of protected area to maintain biodiversity.

2. Main sector issues and Government strategy:

Conservation of the CFR

South Africa, like many developing countries, is experiencing significant losses to its natural resources, including biodiversity, especially in the CFR. The impact of these losses includes: (i) reduced diversity and ecosystem functioning; (ii) lower availability of natural resources needed for socio-economic development

(as in the fishing and the eco-tourism industries); (iii) reduced recreational and social value of the natural environment; and (iv) degradation or loss of ecosystem services such as for the provision of water.

The key threats to biodiversity and to natural resources in the CFR include: (i) habitat loss and fragmentation, primarily through urban expansion and agricultural development; (ii) invasion by alien plant and animal species; (iii) fire, including inappropriate fire management; (iv) over-abstraction of surface and underground water; and (v) over-exploitation and harvesting of marine resources and certain plant and flower species.

The root causes of the biodiversity losses include the following: (i) whilst the CFR is characterized by relatively well developed conservation institutions, further capacity is required to implement a long term conservation agenda to conserve the CFR; (ii) historically, there has been a lack of coordination between conservation agencies which has diluted the ability to implement a long term program to conserve it; (iii) a coherent education agenda, aimed at encouraging inhabitants and business to conserve the CFR, has been lacking; (iv) historically, there has been too little emphasis placed on developing new models to increase the area of the CFR under conservation management, especially involving private land and the conservation of marine resources. This has resulted in an ineffective system of conservation areas to conserve a representative sample of the CFR including the regions 1,200 threatened plant species and marine resources; (v) historically, there has been too little emphasis on incorporating biodiversity considerations into land use planning in order to prevent habitat loss. Further, in threatened areas, fiscal and other instruments required to encourage landowners to not develop in priority conservation areas have been lacking; and (vi) policy and legal frameworks for addressing biodiversity threats in watersheds have been lacking.

Government strategy: GoSA has undertaken a number of strategic interventions to address the above issues. At a national level, GoSA has: (i) signed and ratified all key international conventions pertaining to biodiversity conservation including: the Convention on Biodiversity (CBD), Ramsar, CITES and World Heritage Convention; (ii) has enacted a Constitution which supports a person's right to sustainable development. In addition it has introduced the umbrella National Environmental Management Act (1998) and the Living Marine Resources Act. The new National Biodiversity Act and the Protected Areas Act were promulgated in February 2004. Importantly, the Biodiversity Act makes provision for the Grant recipient agency, the NBI, to have wider responsibilities, in order to support the implementation of programs such as the C.A.P.E. program. Land use planning legislation has also been introduced at both a National and Provincial level which requires local authorities to integrate natural resource considerations into the annual municipal planning cycle. Policy and legislation to support watershed management is also being implemented; (iii) adopted a bioregional approach to the conservation of biomes, based on the C.A.P.E. strategy; (iv) adopted a new school curriculum which includes conservation education; (v) agreed to expand the area of South Africa under protected area management from 4.5% - 7.5%; (vi) provided additional financial resources to the capital costs of expanding the protected area network; (vii) in 2001, GoSA approved a Medium-term GEF Project Priority Framework which identified the CFR as a top priority for GEF support; and (viii) developed the Working for Water and Poverty Relief programs which employ members of the local community to eradicate key threats to watersheds and biodiversity through removing invasive alien plants.

In order to implement the C.A.P.E. Program, the GoSA, the NBI, the three Project Sub-Executing Agencies, other stakeholders and the private sector, have undertaken a considerable number of actions. These include: (i) creating institutional arrangements to support the coordination and implementation of the C.A.P.E. Program and the Project. The Cape Coordination Committee (CCC) and Cape Implementation Committee (CIC) have been established to provide high level political and technical support. The Cape

Coordination Unit (CCU) has been established and staffed to support Project preparation as well as Project coordination and implementation on day to day basis. Further, all 23 signatories to the C.A.P.E. Program have endorsed it and have substantially aligned their work programs and activities to it; (ii) in terms of financing, a CEPF Grant of US\$6 million has been leveraged of which half the funds have been committed to supporting an array of complementary civil society initiatives in the C.A.P.E. Program. This includes support to the establishment of two project coordination units for two of the proposed mega-reserves, with planning now at more advanced stage. In addition the GEF has allocated US\$3 million to the execution of the C.A.P.E. Agulhas Plain Initiative (a conservation area in the CFR) with strong support from SANParks. In order to increase self generated income for conservation agencies, private sector concessions are being developed; (iii) lessons learnt from the GEF support to the Cape Peninsula National Park are being rolled out to other conservation areas in the CFR; (iv) through initial sub-executing agency support, the area of private land under conservation management has been increased with 148 private nature reserves, 43 conservancies, 36 natural heritage sites and two biosphere reserves found in the CFR; (v) in terms of new fiscal instruments to increase the area under conservation, GoSA has agreed to provide rates rebates (local tax relief) to private land owners contracting land into protected areas. In addition GoSA has undertaken to examine proposals made to the Draft Tax Bill to provide similar relief; and (vi) Working for Water and Poverty Relief projects are being successfully implemented in order to remove alien vegetation from watersheds.

3. Sector issues to be addressed by the project and strategic choices:

The Project design has considered how best to support the C.A.P.E. Program and the conservation of the CFR, based on the considerable implementation progress made to date as well as the Government environment sector reforms referred to above. Given the long term programmatic nature of the required intervention, two key choices have been selected: (i) to lay a foundation to mainstream biodiversity in the CFR into economic activities, especially productive landscapes. Without this approach, the root causes of biodiversity losses confronting the CFR simply can not be addressed as biodiversity considerations will remain peripheral to economic development; and (ii) to pilot and adopt new models for site based biodiversity management. The rationale behind this choice is that in order to bring a representative sample of the CFR under protected area management by 2024, considerably more piloting, adaptation and evaluation of conservation choices and models is required, before they can be considered to be the right choices for scaling up and replication across the CFR.

Laying a foundation to mainstream biodiversity in the CFR into economic activities

In order to address this issue, the Project will support three key activities (i) given the overall soundness of the various conservation agencies in the CFR, they will be strengthened to support mainstreaming activities. Strengthening will focus on issues supporting inter-agency cooperation, strategic planning, developing sustainable financial management strategies, sharing information and knowledge on best practice in conservation management and building key competencies; (ii) civil society and other sectors impacting negatively on biodiversity need to understand the impact of their activities on the CFR and the alternative options which exist for reducing their impact. Therefore, an environmental education and awareness strategy will be supported; and (iii) the Project will strengthen the CCU to undertake day to day coordination of the Project communication as well as providing strategic direction, monitoring and evaluation of Project activities.

During Project design, the issue of the job creation impact of the Project was considered, but it was not possible to determine with any level of accuracy the net gain which the Project will create or the significance of these numbers. Therefore, it was agreed that the Project should as minimum preserve jobs

and be implemented to result in a net job gain of no less than 20% in defined intervention areas. This seems feasible based on local and international precedent. The Project mid term review will be used to assess and develop quantitative targets for job creation. This aspect will be carefully monitored as it is critical for the scaling up and replication of conservation models which need to be consistent with Government policy to support job creation and eradicate poverty.

Piloting and adopting new models for biodiversity management

New models and mechanisms need to be found for conserving biodiversity in priority sites in the CFR, including in the terrestrial and marine environment. The Project will support this at the larger and smaller scale, where fragments of key landscapes need to be conserved. The three proposed large protected areas will be expanded through public-private partnerships where private land-owners contract land into protected areas. There are already conservancy models which can be used and expanded in different contexts whilst further development of new models is also required. The Project will similarly support the protection of two marine areas, two estuarine and two freshwater systems.

The Project will also support the development of new models for conserving fragmented biodiversity in the Lowland areas of the CFR by undertaking fine scale mapping of areas to be conserved and will develop new financial instruments for conservation. These will include payment for ecological services and investigation and support to the implementation of tax breaks to landowners conserving biodiversity in key sites. This activity, together with a number of other Project activities, create economic (employment and business) opportunities which collectively support the development of the "biodiversity economy". The concept of the biodiversity economy is that local economic development should be supported in a manner which does not harm biodiversity and in which the management of biodiversity resources are developed into economic opportunities.

In watersheds, the Project will support the new catchment management agencies to eradicate key threats to biodiversity by undertaking targeted activities to reduce over-abstraction of water from rivers and through including biodiversity considerations into fire management. It will also design a strategy to manage alien invasive species in the CFR which are regarded as a key threat to biodiversity.

Both during and after Project closure, lessons learnt from the various models will be evaluated with a view to scaling up and replication across the CFR.

C. Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The aim of the Project is to catalyze and drive the implementation of the C.A.P.E. Program in Phase 1 through: (i) laying the foundations for mainstreaming biodiversity into the economy; and (ii) by undertaking carefully targeted conservation demonstrations in selected biophysical, socio-economic and institutional contexts with a view to scaling these up. The Project has been designed to address systemic issues including threats and root causes of biodiversity losses. The design has been tested with all key partners and found to be feasible.

Laying a foundation for mainstreaming biodiversity in the CFR into economic activities will entail: (i) institutional strengthening; (ii) supporting conservation education; and (iii) implementing a program coordination, management and monitoring framework.

Supporting the conservation of the CFR by piloting and adapting models for sustainable, effective management will include support to (iv) protected area management; (v) establishing the foundations of the biodiversity economy; and (vi) integrating biodiversity concerns into watershed management.

Component 1: Institutional strengthening. GEF: US\$1.4m. Executed by NBI (US\$0.97m) for priority institutions including the WCNCB (US\$0.43m) for five new Catchment Management Agencies.

This component will align and strengthen institutions to conserve the CFR. It will:

- (i) enhance interagency cooperation and strategic planning for conservation management in the CFR, including five catchment management agencies which are about to be established;
- (ii) build capacity for effective conservation management, including enhanced capacity to involve people actively;
- (iii) develop and appraise strategies for financial sustainability across the suite of Project Executing Agencies; and
- (iv) establish a shared and comprehensive information management system to share the most important knowledge requirements.

Component 2: Conservation education. GEF: US\$0.6m. Executed by NBI in partnership with key education institutions (Rhodes University) for key Project partners.

This component will support the development of a conservation education and awareness program to conserve the CFR. It will:

- (i) facilitate coordinated environmental education about the CFR by establishing a focal point and mechanism for coordination and technical support to site-specific interventions at the level of each sub-component and activity across the Project; and
- (ii) develop and disseminate materials focused on CFR biodiversity, supportive of informal and formal education curricula, including training of educators to capitalize on the favorable education policy environment.

Component 3: Program and Project coordination, management and monitoring. GEF: US\$1.1m. Executed by NBI (US\$1.1m) for all beneficiary institutions to the Project.

This component will strengthen the C.A.P.E. Coordination Unit at the NBI to undertake:

- (i) program coordination and management;
- (ii) financial management of the overall Project;
- (iii) program portfolio management and coordinated monitoring and evaluation to assess lessons learned and support and develop a replication plan, based on cost benefit analysis; and
- (iv) a communication program.

Component 4: Protected areas. GEF: US\$4.12m. Executed by SANParks (US\$1.33m) for Garden Route and MCM (Marine Protected Areas); WCNCB (US\$1.69m) for protected areas in the Western Cape, including Cederberg and MCM (Kogelberg Marine Reserve); and Wilderness Foundation (US\$1.10m) for the Baviaanskloof for the Department of Economic Affairs, Environment and Tourism (DEAET in Eastern Cape).

This component will expand the protected areas of the CFR. (Refer to Map 2). It will:

- (i) plan and consolidate three large protected area complexes involving private landowners and inhabitants as beneficiaries (Cederberg, Baviaanskloof and the Garden Route), including highly threatened lowland habitat. Different models for public-private sector management will be applied in

- these areas which represent characteristic institutional and socio-economic settings across the CFR;
- (ii) establish two freshwater, two estuarine and two clusters of marine protected areas;
 - (iii) develop sustainable management effectiveness of protected areas through implementation of a Strategic Performance Management System, based on the models developed in the Cape Peninsula National Park and emergent rapid assessment techniques for management effectiveness being developed by World Bank/WWF/IUCN; and
 - (iv) develop a harmonized protected area information management systems, plan for responsible tourism investment and visitor impact mitigation in four protected areas as well as protected area business plans and mechanisms for financial sustainability in four protected areas.

Component 5: Biodiversity economy and conservation stewardship. GEF: US\$2.45m. Executed by NBI (US\$1.13m) and by WCNCB (US\$1.32m) for DEA&DP, DoA and key municipalities.

This component will mainstream biodiversity considerations into economic growth and development, including some demonstrations in key interventions areas (Refer to Map 3). It will:

- (i) integrate fine-scale conservation plans in five priority target areas into government spatial planning and regulations at municipal level;
- (ii) increase landowner commitment to conservation through coordinated extension services and cooperative management schemes in priority target areas; and
- (iii) develop and pilot financial incentives to conserve biodiversity in threatened lowland habitats. This will include tax incentives and payment for ecological services.

Component 6: Watershed management. GEF: US\$1.32m. Executed by NBI (US\$0.91m) for estuarine and freshwater protected areas; and by WCNCB (US\$0.41m) for DWAF (watersheds).

This component will address watershed management and freshwater and estuarine protected areas in key intervention sites (Refer to Map 4):

- (i) increase the effectiveness of the “Ecological Reserve” measure in water resource management in three watersheds, and incorporate biodiversity concerns into the new fire management systems being implemented;
- (ii) create an alien invasive species management strategy and business plan for the entire CFR and pilot the control of invasive aliens in certain priority ecosystems; and
- (iii) design and test a CFR estuarine management program, based on relevant case studies.

Note: Rounding off changes figures slightly

Component	Indicative Costs (US\$M)	% of Total	Bank financing (US\$M)	% of Bank financing	GEF financing (US\$M)	% of GEF financing
1. Institutional strengthening (UNDP)	5.80	10.5	0.00	0.0	1.40	12.7
2. Conservation education (UNDP)	1.11	2.0	0.00	0.0	0.60	5.5
3. Program management and coordination (Bank)	1.79	3.2	0.00	0.0	1.11	10.1
4. Protected area management (Bank)	27.72	50.3	0.00	0.0	4.12	37.5
5. Establishing the foundations of the biodiversity economy (Bank)	11.67	21.2	0.00	0.0	2.45	22.3
6. Watershed management (Bank)	7.04	12.8	0.00	0.0	1.32	12.0
Total Project Costs	55.13	100.0	0.00	0.0	11.00	100.0
Interest during construction	0.00	0.0	0.00	0.0	0.00	0.0
Total Financing Required	55.13	100.0	0.00	0.0	11.00	100.0

2. Key policy and institutional reforms supported by the project:

Because of South Africa's impressive record regarding reform in the environment sector, the Project will support the design of one reform. This will be the development of new financial instruments to conserve the threatened lowland areas of the CFR. Tax incentives and payment for ecological services models will be investigated, based on cost benefit analysis to encourage land-owners to conserve threatened lowland habitats. This activity will involve the cooperation and support of local government as well as Ministry of Finance. The South African Government has already agreed that private land contracted into approved protected areas will benefit from rates rebates (local tax rebates). In terms of the draft Tax Bill, representations made to similarly provide tax relief, are being considered. Further, the Ministry of Finance is currently engaged in the working group to the National Biodiversity Strategy and Action Plan which is inter-alia examining the use of fiscal instruments to support conservation of biodiversity. Water laws provide for Catchment Management Agencies to levy water consumers in order to conserve watersheds. Given this scenario, it has been agreed to investigate and support the piloting of this reform.

3. Benefits and target population:

Environmental benefits

The overriding benefit of the Project is that the foundation will be laid to conserve a representative sample of the globally significant CFR and adjacent marine environment. The interventions will address the systemic threats and root causes of biodiversity losses referred to in Annex 12, Threats Analysis, whilst piloting site based conservation initiatives. Environmental benefits will include: (i) an expanded and consolidated sample of the CFR is conserved (terrestrial and marine); target expansion of 4,000 km², including the establishment of three mega-reserves (Baviaanskloof, Cederberg and Garden Route) and enhanced management effectiveness across the CFR; (ii) the conservation of biodiversity through improved land-use decision-making; (iii) the conservation of biodiversity through enhanced watershed management including an alien invasive species and fire management program; (iv) riverine biodiversity will benefit from better definition of the ecological reserve required for rivers; (v) reduction in over-harvesting of marine resources in key areas; and (vi) enhanced management of two estuaries.

Socio-economic benefits

Private sector and landowners/farmers

The Project is expected to create a number of socio-economic opportunities for communities and businesses located in and adjacent to the proposed protected areas. The Project is also expected to lay the initial foundation for the establishment of the biodiversity economy. The main benefits which are expected to accrue include: (i) in the three proposed mega-reserves, concessioning opportunities will be created for the private sector to support tourism related services and accommodation. As in the case of other conservation areas, private sector eco-tourism investment opportunities can also be expected to materialize outside of these areas; (ii) benefits are expected to accrue to a limited number of landowners and farmers located in sensitive Lowland areas where incentive models and payment for ecological services will be designed and piloted. Extension services will also be provided to improve environmental management to land-owners in identified areas; and (iii) land values are expected to increase on private land in protected areas as investment to conservation land-uses switches from less profitable land-uses.

NGOs, civil society and disadvantaged groups

The Project has set a target to expand the number of jobs in intervention areas by 20%, as a commitment to ensuring that there is a net gain in jobs in these areas. The following specific benefits are expected: (i) where land-owners contract land into protected areas, employment levels and wages are expected to increase with more stable working conditions as found in a number of current conservation models in South

Africa; (ii) communities will benefit from expanded Working for Water and Poverty Relief Programs. Within protected areas and watersheds, environmental rehabilitation will create much-needed employment and micro-enterprise development opportunities; (iii) conservation education, training and capacity-building opportunities will accrue to targeted communities, schools and NGOs, enabling them to participate effectively in the Project; (iv) in the marine environment, at least two poor communities will benefit from co-management models for marine resource management whilst others will benefit from improved anti-poaching and management of marine resources; and (v) relevant NGOs, such as the Wilderness Foundation, will be offered partnership opportunities in Project implementation.

4. Institutional and implementation arrangements:

During Project preparation, iterative assessments and consultations were undertaken to identify the most suitable agencies and organizations to execute and support the Project. Criteria included assessing the legal mandates of agencies, anticipated new legislation, experience in project implementation, the availability of technical and financial resources, fiduciary systems and the desire/commitment to execute activities. Based on this assessment, the following arrangements were determined.

The recipient of the Grant will be the National Botanical Institute (NBI), supported by a special unit within the organization, the Cape Coordination Unit (CCU). The CCU will perform the responsibilities assigned to the NBI in the Grant Agreement on a day-to-day basis. There will be three Sub-Executing Agencies to the Grant Agreement, namely the Western Cape Nature Conservation Board, South African National Parks and an NGO, the Wilderness Foundation. The Sub-Executing Agencies will be delegated responsibility for the performance of certain key activities by the NBI. The reasons for this design and the responsibilities for implementation of the Project are provided below:

- (i) **National Botanical Institute (NBI).** After extensive negotiations between all role players, the NBI was identified as the lead executing agent for the Project. It is already executing three GEF projects and its new legal mandate, in terms of the Biodiversity Act, will include support to implementing bioregional programs such as the C.A.P.E. Program. The NBI is a statutory body of National Government. It will take overall responsibility for the Project, supported by the CCU. The CCU consists of a Coordinator, Administrative Assistant, Finance/Business Manager, Finance/Procurement Specialist, Communications Manager and Program Developer, with all other supervisory, administrative, financial and human resource management services supplied by the NBI. The operation of the CCU will be partially financed through the Grant and the WCNCB. The CCU will implement cross-cutting activities related to Institutional Strengthening and Program Coordination, Management and Monitoring. It will also execute some of the Conservation Education, Biodiversity Economy and Watershed Management activities. GEF financing: US\$4.71m.
- (ii) **Western Cape Nature Conservation Board (WCNCB).** The WCNCB is a statutory conservation body of the Western Cape Government. It has considerable implementation capacity in conservation management at the Provincial level. It will take responsibility for executing the Cederberg mega-reserve area as it already manages a large protected area in the Cederberg. It will also assume responsibility for supporting Conservation Stewardship and Watershed Management (in partnership with the Department of Water Affairs and Forestry (DWAFF) because it is active in the area and has the capacity. GEF financing: US\$3.86m.
- (iii) **South African National Parks (SANParks).** SANParks will take responsibility for executing the Garden Route Initiative because it already manages three smaller protected areas in the Garden Route and has the management capacity to expand these. It will also support the development of the associated Marine Protected Areas as it has a long standing history in managing marine resources in

the area. It will perform these activities in partnership with DEAT, DWAF, WCNCB and NGOs. GEF financing: US\$1.33m.

- (iv) **Wilderness Foundation (WF)**. The Eastern Cape Province has recognized its weakness in planning and implementing new conservation areas. It has therefore contracted the WF, a professional and capable conservation NGO, to act on its behalf. The WF will take responsibility for executing all activities relating to the Baviaanskloof initiative under Component 4 (Protected Areas). GEF financing: US\$1.10m.

The legal arrangements for Project execution are as follows: The NBI will be the Grant recipient. Separate Project Agreements will be signed between the Bank and the three Sub-Executing Agents. The NBI will in turn sign separate Subsidiary Agreements with each of the Sub-Executing Agencies spelling out the activities to be performed, financial management, procurement, reporting, monitoring and safeguard requirements. Regarding the implementation arrangements for complying with safeguard policies, the following will apply:

- The NBI will assume overall responsibility for ensuring compliance to Bank safeguards; but
- It will delegate the planning and execution of this responsibility to the three Sub-Executing Agencies through Subsidiary Agreements. The NBI will however be responsible for seeking Bank endorsement of compliance to safeguards and will therefore monitor performance in this regard.

Financial Management

Project Financial Management will be overseen by the existing NBI Finance Department. The CCU will manage the overall coordination of the Project between the NBI and the three Sub-Executing Agencies.

The CCU's Project Coordinator will be assisted by technical specialists, as well as a Financial/Procurement Specialist. The Specialist will be responsible for keeping copies of all accounting records (originals files with the payment documentation kept at the NBI Finance Department), justification of claims from the Sub-Executing Agencies, disbursements and replenishment of the Special Account, financial reporting on CCU activities as well as consolidating the activities of the Sub-Executing Agencies into CCU reports, and general administration of the unit. The Specialist will report to both the CCU's Project Coordinator and the NBI's Director of Finance who will remain the "Accounting Officer" for the Project. This is an existing and fully staffed department comprising a qualified Chartered Accountant as head, assisted by other professionally qualified accountants in the department. The CCU will however be responsible for producing a comprehensive project performance report incorporating the activities of the Sub-Executing Agencies. The NBI already has a comprehensive Accounting and Administrative Manual. This will however be "customized" to incorporate the new CCU and the relationship with the Sub-Executing Agencies.

The NBI chart of accounts and NBI systems will be used for overall project accounting and reporting. The Financial Monitoring Reports (FMRs) for the Project have been designed and both the Sub-Executing Agencies and NBI's systems will support the preparation of FMRs. Internal auditors currently exist in the SANParks and are about to be introduced into the WCNCB. The Wilderness Foundation does not have internal auditors. Due to its size this is not foreseen as a constraint on the Project due to the size of the funds which they will manage.

External audit arrangements are provided through the Auditor General of South Africa which has statutory responsibility for the audit of the NBI, SANParks, and WCNCB. The Wilderness Foundation is audited by Ernst and Young. Whilst the Bank is satisfied with the Auditor General Standards, the agreed audit terms of reference will need to be reviewed for compliance with the requirements of the Bank.

Governance structures

As the Project is supported by a range of other key partners, including central, provincial, local government and NGOs, the governance relationship is established as follows: (i) the key high level partners to the C.A.P.E. Program are bound by a Memorandum of Understanding (MoU). The parties to the agreement include the National Ministries of Environmental Affairs and Tourism and Water Affairs and Forestry, and the Members of the Executive Councils of the Western Cape and Eastern Cape, responsible for Environment Affairs; (ii) The MoU creates two key structures: the C.A.P.E. Coordinating Committee (CCC), with the overall function to coordinate the long-term implementation of the C.A.P.E. Program. This is a structure which operates at a political level between National and Provincial Government. The second structure, the C.A.P.E. Implementation Committee (CIC), represents government departments, municipalities, statutory bodies and accredited non-governmental organizations. It is responsible for executing the C.A.P.E. Program according to the recommendations of the CCC. It therefore operates at a technical level; and (iii) the MoU designates the NBI as the program management agency to execute C.A.P.E. and therefore the recipient of the GEF grant. The NBI has established an Executive Committee (EXCO) to include key staff of the NBI and representatives of the CIC's Executive Committee to clear monthly work program issues.

World Bank and UNDP support

The arrangements between the World Bank and the UNDP for supporting the Project are as follows:

- the GEF Council has endorsed the UNDP as implementing agent for components 1 and 2. It has endorsed the World Bank as implementing agent for components 3-6;
- each agency will, as per separate Grant Agreement, assume responsibility for all aspects of the implementation of the components listed in each Grant Agreement. This includes Project supervision and monitoring, all fiduciary issues and responding to the clients needs for technical assistance. Each agency will be responsible for covering its own costs in this regard;
- all technical project documents will be shared between the two agencies;
- the two agencies will as far as possible plan and conduct joint supervision missions, mid term reviews, reporting to the GEF and implementation closure processes; and
- all Project reporting has as far as possible been standardized between the two agencies.

Planning cycle and funder roundtables

Once a year, a funder roundtable will be convened by the NBI with the Sub-Executing Agencies, key stakeholders and funders and donors. The aim of the roundtable will be to report back on Project implementation progress, the annual work plan and the annual budget. All key stakeholders to the Project will be invited to the roundtable including Government, NGOs and bilateral donors. The private sector is unlikely to participate in these meetings as, by its nature, it will look to specific investment opportunities in the Project area which are best addressed through for example concessioning processes. It should be noted that donor coordination meetings, held during Project preparation, indicated a preference of bilateral funders to fund activities outside of the Western Cape which is perceived to be a relatively wealthier area.

Financial management and procurement

The NBI will be responsible for undertaking the fiduciary responsibilities set out in the two Grant Agreements between the NBI, the World Bank and UNDP respectively. It will open Special Accounts for each of the Bank and UNDP Grant Agreements at a commercial bank. The NBI will ensure that procurement is undertaken in accordance with the applicable Grant Agreement procurement procedures for all activities. The NBI, in terms of the Subsidiary Agreements with Sub-Executing Agencies, will ensure that these agencies adhere to the applicable procurement rules and it will validate claims for reimbursement of costs incurred by these agencies. Grant disbursement from the Bank to the NBI will primarily operate on the basis of submissions of FMRs.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

Series of projects versus programmatic approach: A Programmatic approach has been selected for the implementation of the Project. During project preparation, two options were examined to achieve the Project Development Objective and to implement the 37 projects identified in the C.A.P.E. Program. The choice was to either implement all or a selection of the 37 projects as reasonably discrete activities or in a programmatic way. The choice of discrete project implementation may offer the benefit of more rapid project implementation provided that resources can be mobilized, and it may entail lower inter-agency coordination. The advantages of the programmatic approach are that it offers the opportunity to address issues at systemic and mainstreaming level, to enhance knowledge sharing, to share resources, to win overall project support at a strategic level and to develop a phased Program. This is consistent with the bioregional programmatic approach to biodiversity conservation adopted by South Africa in 2002 (*A Bioregional Approach to South Africa's Protected Areas 2001-2002*). The programmatic design also recognizes that coordination of the otherwise fragmented institutions involved in conservation, including cross-sectoral coordination is fundamental to success. Further, the transaction costs of preparing and managing a series of independent projects are considerably higher than for preparing and managing a suite of activities which effectively constitute a program. Therefore, early in the project cycle, all stakeholders, together with the GEFSEC, unanimously agreed to adopt a programmatic approach towards implementing the Project.

New models for expanding protected areas: Due to the need to considerably expand a representative sample of the CFR under conservation management, a decision needed to be taken whether to use existing conventional protected area models to expand the protected area or to pilot new models based on public - private sector initiatives already evident in the area and elsewhere in the world. Due to the costs associated with implementing traditional protected area models and their inappropriateness for conserving the array of priority habitats areas under various land ownership and biodiversity contexts, it was decided to adopt a piloting and adaptive approach.

Project fund management: As there are relatively few Project financing streams requiring coordination by the NBI, for the implementation of the Project, it was agreed that each funding stream will be managed separately. Initially it was thought that in order to reduce the transaction costs of fund management for the recipient, the option of a sector-wide basket funding approach might be preferable. This was discussed with other donor agencies, but was rejected. Firstly, the quantum of funding does not warrant this approach and secondly, there was little support for the approach from other funders and donors.

2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
Bank-financed Industry	Industrial Competitiveness	S	S
Municipal	Municipal Financial Management Support	S	S

WB-GEF	CAPE Peninsula Biodiversity Conservation Project	S	S
WB-GEF	Maloti-Drakensberg Transfrontier Conservation and Development Project	S	S
WB-GEF	Subtropical Thicket Ecosystem Planning (STEP) MSP	S	S
WB-GEF	Conservation Farming, MSP	S	S
WB-GEF	Sustainable Protected Area Development in Namaqualand. MSP	S	S
WB-GEF	Global Development Renewable Energy (preparation)		
Other development agencies			
UNDP-GEF	Agulhas Plain		
UNDP-GEF	BCLME		
UNDP-GEF	SABONET		
UNDP	Tourism Master Strategy		
UNDP-GEF	Wild Coast (preparation)		
CEPF	Succulent Karoo Ecosystem Profile		
CEPF	CFR Ecosystem Profile		
DANCED	Capacity Building in SANParks. Socio-economic overview of disadvantaged community neighboring AENP		
Industrial Development Corporation (IDC)	Tourism Product Development		
IFC	Tourism Product Development		
SA Government	Poverty Relief Program (WfW)		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

Lessons learnt reflect experiences, including international best practice, from programs and projects under preparation or supervision inside and outside of South Africa, the findings of implementation completion reports and agency reviews. Five key lessons are reflected in the Project design.

3.1 Programmatic approach

In order to implement a large number of conservation interventions within a biome over a long period of time, it is essential to select a Program approach. A discrete project by project approach can not address the threats and root causes of biodiversity losses as it can not easily support mainstreaming activities. It is also important to pilot and develop new models for conservation management according to different settings and which can be scaled up and replicated in similar contexts. This requires the implementation of a sound monitoring and evaluation system to assess the cost effectiveness of the various models. Program designs should build on the outcomes and lessons derived from pre-feasibility investments and lessons learnt from existing successful outcomes in the area. Further, bioregional conservation programs should be driven by the borrower and have strong domestic political support. The Project has followed this model, having been developed from a bioregional planning framework and a clear pre-feasibility action plan.

3.2 Participatory approach

Involving all relevant stakeholders in Projects at the right level, is key to success. Therefore, there should be coherence and consistency in the approach to stakeholder participation in Projects. In addition, successful stakeholder participation is dependent on a commitment to participatory approaches by executing bodies. There should be sensitivity to local variations of culture, history, language and traditions. Groups marginalized for reasons of poverty, gender, culture and language require specific attention and support in the design and implementation of detailed participation activities. This is important in order to assess whether the envisaged Project benefits, to these groups, in fact materialize and the adjustments which need to be made in this regard. Significant local stakeholder support and commitment is best leveraged through decentralized approaches. Lastly, the early involvement of stakeholders in Project and or activity planning is essential in order to ensure ownership and successful project implementation. The Project has developed a clear monitoring and evaluation system, public participation policy and communication strategy, taking into account the above.

3.3 Institutional capacity for project execution

Wherever practicable, implementation responsibilities should be vested in existing institutions rather than creating new ones. The selection of institutions for implementation should be informed by an analysis of institutional capacities, a strategic review of mission and policy objectives, goals, operational performance and budgets. The Project has, based on an assessment of institutional capacities, identified the key agencies to execute the Project.

3.4 Over-harvesting of marine resources

Traditional fishery management measures (e.g. size limits, bag limits, closed seasons) that are not used in conjunction with Marine Protected Areas (MPAs) have failed to limit exploitation. Therefore, both the use of traditional management models together with the development of MPAs is required. Further, the successful implementation of these measures requires monitoring, surveillance and control at all levels. The Project therefore intends to pilot the design and implementation of these measures.

3.5 New market-based mechanisms

Payment for ecological services has been found to be a viable mechanism to conserve natural resources. The lessons learnt from the implementation of the payment for ecological services program in Costa Rica

and the design work in Madagascar will be applied to conserve the Lowland areas in the Project. This will include the identification and mapping of areas to be conserved and the development of alternative payment models to conserve them. It is however important that such funding mechanisms are placed on a sustainable financial footing.

4. Indications of borrower and recipient commitment and ownership:

The GoSA has endorsed the C.A.P.E. Program and the Project as a priority of National Government as well as a priority for GEF funding support. The NBI has agreed to take on the responsibility of lead executing agency for the Project with support from the three Sub-Executing Agencies: South African National Parks, the Western Cape Nature Conservation Board and the Wilderness Foundation. Project execution will be further supported by the members of the C.A.P.E. Implementation Committee and the C.A.P.E. Coordination Committee (Refer to Section C4 above). Of note, the Project is supported by a very substantial baseline of approximately US\$200 million. Over US\$44 million has been pledged to the Project including from the National Botanical Institute, South African National Parks, Western Cape Nature Conservation Board, Department of Environmental Affairs and Tourism, Fynbos Forum, Department of Water Affairs and Forestry, Local Government and THETA. The private sector is predicted to invest substantially in protected areas as it has in other parts of South Africa. Further, private land-owners have shown increasing commitment to expanding the area of the CFR under protected area management.

The C.A.P.E. Program is internationally recognized as an innovative program which has the support of all main stakeholders with a number of key activities already under implementation as discussed in section A2 of this Project document. It was effectively endorsed by all stakeholders in September 2000, and the main executing agencies immediately began implementation of the most important components, while continuing to seek domestic and further donor support. Initially, the Program operated without significant donor support until a CEPF grant of US\$6 million was made in December 2001. During this period, agreement was reached between national and provincial executive levels of government to continue the development and implementation of the Program, with a Memorandum of Understanding signed between national and provincial ministers. The MoU at that time had 16 signatory agencies (now increased to 23), representing the GoSA, NGOs and conservation agencies. These agencies have continued to support the C.A.P.E. Program and the design of the Project with quarterly meetings and intensive input to Project design.

5. Value added of Bank and Global support in this project:

The CFR has been identified as a global biodiversity hotspot under threat and worthy of international conservation action. The role of the GEF, the World Bank and of UNDP is to provide technical and financial support, to augment current baseline capacities, based on agreed pre-feasibility studies. Both organizations are well positioned to support the Project due to their extensive experience in supporting large conservation programs in middle income and developing countries. Support from the World Bank and UNDP is based on comparative advantage.

The World Bank's strengths lie in supporting large programs which leverage significant investment including public and private sector, which provide opportunities for mainstreaming into productive sectors of the economy and which identify how best to enhance economic linkages. The World Bank is currently supporting a number of biodiversity and land degradation projects that promote integrated ecosystem management, identifying threats and root causes of biodiversity loss. The World Bank has good knowledge of South Africa and of the CFR through its current support to the Cape Peninsula Biodiversity Conservation Project (including the C.A.P.E. Program), support to three MSPs, including one through the National Botanical Institute, and the preparation of the Addo Project. Extensive support has been provided

in the planning, management systems, capacity-building, tourism assessment, conservation education, knowledge management and alien species control activities. Further, the Bank is able to provide support on the cost effectiveness analysis of pilot activities with respect to scaling up opportunities.

The UNDP has similarly provided support and is currently preparing a number of programs in the region which focus on integrated ecosystem management. Programs under implementation include the regional SABONET Program, Benguela Current Large Marine Ecosystem Program, with others under preparation including the Agulhas Biodiversity Initiative as well as MSPs. Based on experience inside and outside of South Africa, the UNDP is positioned to lead on the capacity building and conservation education components of the Project.

Annual funder round tables will be hosted by the South African Government and supported by the Bank and the UNDP. The aims of the funder roundtables will be: (i) for the recipient to annually report to funders, donors and other domestic agencies on Project progress and to agree on the Project deliverables and use of financial resources for the next year; (ii) finalize the support of additional funders and donors to the Project. The target is to increase financial support by an additional 15% in this regard; and (iii) seek additional specialist technical support from funders to the Project. The funder roundtables will therefore constitute the culmination of various earlier bilateral discussions involving Government, the Bank and UNDP with existing funders and donors, rather than the initiation thereof. This support will take place whilst recognizing the preferred South African Government position to use Government funds within the CFR and to direct donor funds to the poorer Provinces, such as the Eastern Cape.

E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (see Annex 4):

- Cost benefit NPV=US\$ million; ERR = % (see Annex 4)
- Cost effectiveness
- Incremental Cost
- Other (specify)

The baseline costs are an estimated US\$213 million and the GEF alternative is US\$268.28 million with a total project cost of US\$55.13 million, co-financing of US\$44.13 million and incremental cost of US\$11.32 million. It should be noted that the fluctuating exchange rate as well as the inputs anticipated from private sector concessions bring variability to these figures. SANParks, nationally, has a highly successfully concessioning program which indicates strong market interest in investment in protected areas where as other agencies are piloting this approach. Hence the anticipated, private sector investment of US\$16 million out of US\$44.13 must at this stage be regarded as variable.

The GEF Alternative includes regular government of South Africa expenditures on implementing and defining legal and institutional arrangements for protected area management, managing biodiversity at the bioregional scale, conservation and agricultural extension at the landscape level, revising integrated development plans at the local government level, watershed management, conservation education, community development and regional development. Incremental costs are estimated to cover project expenditures on components that have global benefits and are eligible for GEF financing. The incremental costs will help achieve global benefits by addressing some of the key threats and root causes of biodiversity losses including habitat loss, alien invasive species management and over-exploitation of resources. It will do this by supporting each Project component including improving institutional capacity for long-term sustainability of conservation interventions at the systemic level; enhancing awareness of conservation values among decision-makers and civil society; monitoring of the pressure, state and response of global conservation investments, expanding and managing protected areas more effectively to conserve globally

significant biodiversity; supporting the CCU, integrating spatial plans as a framework for mainstreaming biodiversity objectives into economic activities and applying new conservation incentives to mitigate threats; and expanding invasive alien species management to address threats to native biota. Partners to the Project have committed to financing of US\$44.45 million for the GEF alternative and further resources are expected to be leveraged from the private sector in the establishment of new protected areas and investment in tourism. The Project design aligns the budgets of key governmental and non-governmental organizations to the C.A.P.E. strategy.

Regarding biodiversity-economic linkages, the Project is designed to mainstream biodiversity into the productive sectors of the economy, especially agriculture. Although Component 5 is specifically labeled as Mainstreaming Biodiversity, this component will also develop a much greater understanding of how biodiversity can support economic development in the CFR through analysis of pilot activities. The activities under Component 5 are aimed at promoting land-use practices which conserve the highly fragmented remnants of biodiversity, particularly in lowland landscapes. Agricultural productivity and viability is in decline in much of the wheatland areas of the Lowlands, and farmers are under pressure to diversify and change land-use practices, all with a potential risk to remnant biodiversity. In this component, the lessons already learned from private land-owner income generating conservation activities will be replicated on priority lowland sites. Other components of the Project are also designed to increase the opportunity and impact of biodiversity in the economy, e.g. the accelerated investment in the protected areas, where these assets provide opportunities for diverse job creation and new investment. Component 6 is also concerned with mainstreaming, as improved watershed and fire management are all factors which influence the viability and economic return of rural land-use.

Drawing on other Project preparation work in South Africa, including the Addo and Maloti Drakensberg Projects, a target for a net gain in jobs of 20% has been set (from low base) through land incorporated into protected areas. Given the very wide variety of conditions found across the CFR, Project preparation has not been able to model the anticipated job creation impacts of the Project. Therefore, during implementation of the conservation and protected area models, baseline data will be gathered in different settings to monitor impacts and at mid term review, quantitative targets will be defined. These will then be assessed at Project closure, to assess the net job impact of scaling up the C.A.P.E. Program, in Phase 2.

2. Financial (see Annex 4 and Annex 5):

NPV=US\$ million; FRR = % (see Annex 4)

The investment program in the CFR has been found to be cost-effective. It has been designed in order to both eliminate the root causes to the loss of biodiversity whilst enhancing the protected area network under different public-private sector models. Out of the US\$11 million Project investment, approximately US\$6.57 million will be invested in supporting the expansion of protected areas and approximately US\$4.43 in supporting activities aimed at addressing the threats and root causes of biodiversity losses in the CFR. The GEF investment in supporting the development of new protected areas is approximately US\$1,400 per km², assuming that 4,000 km² is added to the protected area estate.

The overall Project cost will be approximately US\$55.13 million, including US\$17 million for goods and works, US\$17 million for operating costs, US\$21 for consultants and staff appointments. The Bank/GEF will finance S\$5.98 million worth of consultant expenditures.

Fiscal Impact:

The direct Project impact of GEF expenditures on the operating costs of the agencies concerned, is minimal. This is partly because the models being selected for expanding the protected areas are based

primarily on bringing private sector land into conservation rather than the state purchase of land. The main project investments, which would normally require long-term maintenance include goods and works. The total project cost for goods and works will be US\$16.8 million with GEF contribution of just US\$1.20 million. Much of the capital cost of protected area expansion on state land is expected to be made by sunk capital contributions from Government and conservation agencies and the private sector.

3. Technical:

The Project design is within the technical capability of the executing and Sub-Executing Agencies. Project preparation was used to confirm the key threats to the CFR as informant to Project design. Based on the threat analysis, the key Project interventions were identified. The linkage between threats to the CFR and project design is contained in Annex 12.

The feasibility of the Project design was then tested against the availability of resources, the capacity of agencies to implement the activities as well as the level of risk and sustainability. The final Project design was tested with various stakeholders involved in execution and has strong support. Lastly, it was retested for fit with the C.A.P.E. Program.

Below is a summary of the technical issues considered in the design of each of the Project components:

(i) **Institutional strengthening.** The project preparation process exhaustively examined the legal and institutional mandates of agencies concerned and concluded that specific strengthening activities are required. GoSA has already embarked on several significant legal and institutional reforms that will support this process, including the Biodiversity Act, Protected Areas Act and amendments to the National Environmental Management Act. All of these measures are due for promulgation in late 2003/2004. One of the most significant institutional changes is the expansion of the mandate of the National Botanical Institute with a responsibility for bioregional planning programs. The NBI has already embarked on an institutional management assessment and change process to give effect to this. The Project will strengthen this new role. The capacity-building and information management components support the emergent centralized and standardized approach that has been initiated under the C.A.P.E. Program and which is already proving its effectiveness.

(ii) **Conservation Education.** South Africa has recently given effect to a new conservation education policy which requires conservation education to be included into school curricula. Agencies and NGOs have lobbied for this change and are poised to support it. The Project addresses the need for a coordinated environmental education approach tied to measurable educational outcomes.

(iii) **Program coordination, management and monitoring.** The C.A.P.E. Program is a world leader in bioregional mainstreaming supported by all key governmental and non-governmental agencies. The experience of the past two years is that core support is required to facilitate and broker the necessary relationships, assist partners develop projects and activities and ensure that opportunities for alignment are explored. This activity consists of a rapidly expanding set of sub-projects using a range of institutional and funding mechanisms. The C.A.P.E. Program provides a one-stop resource to identify and track the progress of these activities in order to assess lessons learnt and to support a replication strategy for Phase 2 of the Program. Finally, the activity has been designed to report to government and civil society regarding progress towards C.A.P.E. Program goals. The experience of managing the current suite of activities has guided the design of the M&E system.

(iv) **Protected areas.** The Table Mountain National Park provides a model for consolidating and expanding protected areas. This model is already being rolled out in several other key intervention sites, and although requiring customized approaches in the different institutional and socio-economic settings, has already proved to be effective. The Project design makes provision to support models such as this in other proposed protected areas.

(v) **Biodiversity economy and conservation stewardship.** During Project preparation, and over the past

two years, a number of pilots have been developed for the development of incentives to facilitate conservation stewardship by landowners. Key lessons have been drawn from both South African and Australian examples and have been tested in situ in the CFR. This has proven to be one of the best means of mainstreaming biodiversity in development. The CFR examples are already being used internationally as best practice case studies.

(vi) **Watershed management.** The Project is able to build strongly on the favorable policy environment in South Africa such as the Working for Water program, alien invasive control methods and the advanced roll-out of catchment management agencies. The project design ensures that incremental funding will support and build on these initiatives.

4. Institutional:

The NBI, through the CCU, and the three Sub-Executing Agencies demonstrate a professional and a high standard baseline capacity to execute the Project.

4.1 Executing agencies:

The NBI will be the grant recipient and the WCNCB, SANParks and the Wilderness Foundation will act as Sub-Executing Agencies, based on their comparative advantages. The implementing arrangements for each Project activity are contained in the Project Implementation Plan for Year 1.

An institutional assessment was undertaken of the executing agencies in order to assess their strengths and weaknesses and the type of support required to implement the Project: (i) the NBI was selected as lead executing agency because it has a proven track record in Project management, is about to become the new National Biodiversity Institute, has sound procurement and financial management capacity in the form of the CCU and NBI management systems and is supported by all stakeholders to the Project to perform this role. It has demonstrated ability to manage the Project preparation phase including large partnerships; (ii) the Garden Route Initiative includes the Wilderness Lakes National Park which falls under the SANParks mandate. SANParks has demonstrated ability to execute large and complex protected area projects and will therefore manage this activity as a Sub-Executing Agency; (iii) the Western Cape Nature Conservation Board also has well-established capability in the Western Cape, including the Cederberg, and is tasked with planning and managing Provincial protected areas. Like SANParks, it has demonstrated capability to manage large conservation projects. It will therefore manage the development of the Cederberg mega-reserve. It has also agreed to take on responsibilities for executing Project activities where other agencies lack the project management capabilities and is has strong inter-agency linkages to them. This includes aspects of components 5 and 6 (Biodiversity Economy and Watershed Management). It has recently been substantially strengthened with a number of key contract appointments to Project implementation. These include positions to manage the Cederberg planning process, to develop new models for supporting public-private conservation partnerships, and supporting the development of businesses based on biodiversity conservation. The WCNCB also has a capable information management unit, currently supporting the whole C.A.P.E. Program; and (iv) the Wilderness Foundation has been contracted by the Eastern Cape Government to support execution of the Eastern Cape Baviaanskloof mega-reserve. It is already successfully managing a grant to achieve a portion of this objective. Project preparation has indicated that once provided with additional resources, it will be able to fully and successfully implement the Baviaanskloof mega-reserve activity. Annex 15 lists the components to be supported by each agency.

4.2 Project management:

The arrangements for project management have been clearly defined between the executing and three Sub-Executing Agencies. The NBI will assume overall project management responsibility through the CCU. The implementation of certain key activities will be delegated, as described above, to Sub-Executing Agencies. The Sub-Executing Agencies will be responsible for project management at the activity level.

Each has been assessed and broadly found to have sufficient project management capacity. The PIP and proposed Subsidiary Agreements will further describe the arrangements between the NBI and each Sub-Executing Agency. A detailed monitoring and evaluation plan has also been produced to monitor project implementation and performance. The CCU will act as the focal point for the management of the Project. It will provide strategic direction and monitor the execution of Project activities both for the Grant and within the framework provided by the C.A.P.E. Implementation Committee (CIC) and C.A.P.E. Coordination Committee (CCC). All cross-cutting Project activities, requiring joint commitment, will be governed by collaborative working groups under the overall guidance of the CCU and the CIC. The CIC will therefore provide the governance framework within which the Project is steered at high level between the parties.

In terms of the Implementing Agency-NBI relationship, the NBI will assume responsibility for implementing all aspects of the grant agreements with the Bank and UNDP. However, Project agreements will exist between the Bank and each Sub-Executing Agency in order to allow for Bank supervision of Bank supported activities.

4.3 Procurement issues:

There are no major procurement issues under this Project. The majority of procurements which are to be implemented by NBI and the three Sub-Executing Agencies relate to selection of individual consultants. All the agencies have existing procedures for the selection of individual staff/consultants, which are in line with Section V of the Bank Guidelines on the selection of consultants. The other types of procurement relate to procurement of minor works (contracts under \$50,000 equivalent) and goods such as office equipment, computers etc, all of which fall under the 'Shopping' procedures.

The NBI has appointed a highly skilled Financial/Procurement Specialist to support both procurement and financial management activities. The support will include monitoring and coordination of procurement activities that are undertaken by the Sub-Executing Agencies on behalf of the NBI.

Given the less complex nature of procurements under this Project, overall coordination by NBI and the acceptable procurement capabilities of the three Sub-Executing Agencies, the Sub-Executing Agencies will be able to undertake procurement for the activities delegated to them. It is however envisaged that a procurement workshop, for a maximum of two days, will take place during the first three months of Project implementation.

4.4 Financial management issues:

The National Botanical Institute (NBI) will be the recipient and executing agency for the Grant. The NBI will however delegate certain activities to the three Sub-Executing Agencies.

Within the NBI, the CCU is the focal point for the Project. The CCU will be responsible for carrying out some direct activities, as well as coordinating the work of the three Sub-Executing Agencies.

The overall conclusions of the current financial management assessment are that the proposed financial management arrangements satisfy the Bank's minimum requirements for financial management. Secondly, the overall project financial management risk is assessed as low.

A detailed Financial Management Action Plan summarizing key actions is contained in Annex 6 (B) to this Project document.

5. Environmental:

Environmental Category: B (Partial Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

The Project is predicted to have a positive environmental benefit. The Bank has approved the Environmental and Social Management Framework for the Project (ESMF). It addresses Bank Policies for Environmental Assessment (EA) OP4.01 and BP4.01 and South African Environmental Impact Assessment (EIA) legislative requirements including the similarities between the two; (ii) the potential of Project activities to trigger South African EIA and Bank EA and other safeguard requirements; (iii) capacity building needs of agencies required to implement the ESMF; (iv) EMP requirements; and (v) the implementation arrangements for managing the EA process and other safeguards (other than resettlement which is addressed separately).

A high compatibility was found to exist between Bank EA and South African EIA requirements. The main difference is that the Bank requirements for environmental management plans (EMPs) are marginally stricter than in South African legislation. However, in practice EMPs are always required in South Africa in order to mitigate potential project impacts.

Regarding the implementation of Bank safeguards, the few activities that may trigger formal EA processes are likely to emanate from Component 4 of the Project. This component involves the consolidation and expansion of a number of protected areas. This includes the provision of sensitive, small-scale tourism infrastructure, development of small and medium size enterprises, as well as provision of communication services and infrastructure upgrading. Activities listed in terms of the South African EIA Regulations, such as provision of roads, and changes of land use will result in the SA EIA process being triggered. Should these activities be anticipated to result in significant negative environmental or social consequences, or occur in a sensitive environment, relevant World Bank safeguard policies will also be implemented.

Regarding implementation of the ESMF, it provides for:

- Determining which Bank Safeguards are triggered and the process for seeking compliance to Bank and SA requirements. Agencies will use the screening table, included in the ESMF, to assist them in this process; and
- Proceeding with the expanded EA process. This may involve undertaking both the South African Scoping and EIA processes or simply undertaking a Scoping process and preparing an EMP.

Whilst the NBI will be responsible for ensuring compliance with Bank EA requirements, this responsibility will effectively be managed by the three Sub-Executing Agencies responsible for implementing the three mega-reserve proposals. The World Bank will be required to provide the relevant approvals for activities triggered by the ESMF/Bank safeguards.

Regarding training, as the EIA processes being followed are already being extensively applied in South Africa, little training for Bank EA is envisaged. However, minor provision will be provided in capacity building and institutional strengthening components of the Project.

EAs, required in terms of the Project, will be disclosed to all relevant stakeholders as is currently practiced and required by South African law.

5.2 What are the main features of the EMP and are they adequate?

No EMP is at this stage required as no EAs are currently triggered. Instead, the ESMF details the likely requirements for EMPs, when required.

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: December 5, 2003

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

It should be noted that the Project area covers over 90,000 km² and the Project is programmatic in nature with specific protected area boundaries not yet decided. Therefore, the design of the ESMF took place through consultation and workshopping with the key executing agents, in October 2003. The EA and RPF have subsequently been disclosed in the Infoshop, Bank library, to over 1,400 stakeholders registered on the Project data base and provided in key public libraries and offices of conservation agencies. Stakeholders include government, civil society, NGOs, business and labor organizations.

The consultation and public disclosure process for future EAs, if triggered, will be guided by the Project's Participatory Framework (See Annex 13) which identifies the following activities in this regard:

- Identification of key stakeholder groups, including existing C.A.P.E. forums;
- Stakeholders notified of proposed activity through media and networking;
- Stakeholders provided with opportunities to raise issues, concerns and suggestions regarding alternatives to the proposed activity. This could include written comment, meetings and workshops, as required;
- Records of comments prepared and circulated;
- Feedback provided regarding the integration of comments into the design or implementation of proposed activities; and
- Disclosure of the final decision.

Where appropriate and/or required by law, independent consultants will be appointed to undertake the above.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

A M&E system has been designed for the overall Project. At the specific site based intervention level, specific indicators will be developed for each activity as it enters the detailed design and implementation phase. These will include all biophysical and socio-economic indicators identified during EA and EMP preparation. (As indicated previously, the monitoring of impacts will be a key component of all project EMPs).

Indicators identified during EA and EMP processes, will be incorporated into the overall Project monitoring and evaluation system, which will be managed through the CCU.

6. Social:

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

The Project is designed to have a positive social benefit on inhabitants of the CFR. The Project's primary social development outcomes will remain confined to those communities living in close proximity to proposed protected areas who will benefit from employment opportunities, tourism opportunities and access to marine resources. Economic benefits are intended to accrue to land-owners in the later part of the Project from the implementation of market-based mechanisms and incentive activities to support conservation of biodiversity. The Project sets a target to increase net employment by 20% in key Project areas. The detailed business planning for achieving this target will be designed during implementation.

Certain Project activities, such as the expansion of protected areas, automatically trigger the Bank's safeguard policy, OP4.12 concerning Involuntary Resettlement. Accordingly, a Resettlement Policy Framework (RPF), including a Process Framework (PF), for the marine environment, have been developed for the Project. This framework supplements the requirements of South African legislation to ensure that an appropriate approach is followed by all executing agencies.

The RPF was developed in consultation with key Executing Agencies. It provides:

- An explanation of the World Bank Involuntary Resettlement Policy OP4.12 as it relates to the Project;
- An account of the Project activities that could result in OP4.12 being triggered;
- A description of the RPF and PF processes for the Project, including how RAP's and Plans of Action (POAs) should be designed; and
- A description of the implementation and institutional arrangements that will apply to the RPF and PF.

6.2 Participatory Approach: How are key stakeholders participating in the project?

Stakeholders will participate at a number of different levels. Key stakeholders will continue to participate through the CCC and the CIC as well as through site-based Project steering committees with local stakeholders. During Project preparation, policy and guidelines for participation were produced to guide implementation activities. For each activity, and where appropriate, a stakeholder analysis will be undertaken and relevant participation mechanisms identified and implemented. Project-based environmental education, training and capacity building opportunities will be made available to individuals and communities to enable them to participate effectively in Project activities.

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

Extensive collaboration took place with civil society and international and local NGOs during the original preparation of the CAPE 2000 Strategy and directly with key stakeholders in the Project. Relevant NGOs will be offered opportunities to play pivotal roles in Project implementation, in partnership with government agencies, as has already occurred in relation to the Baviaanskloof (Wilderness Foundation), and fine-scale conservation planning (The Botanical Society of South Africa). Stakeholder participation will be encouraged and supported in all aspects of the Project to ensure effective involvement and commitment.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

Key interest groups, communities and local stakeholders will be represented on all relevant Project committees. Monitoring of impacts will also take place with corrective actions undertaken where required. World Bank supervision missions will also monitor social components of the Project.

6.5 How will the project monitor performance in terms of social development outcomes?

During Project implementation, the social and economic impacts of the Project, including net job gains, will be monitored as apart of the M&E system.

7. Safeguard Policies:

7.1 Are any of the following safeguard policies triggered by the project?

Policy	Triggered
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Indigenous Peoples (OD 4.20)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

World Bank safeguard Environmental Assessment (OP 4.01) is triggered by virtue of the fact that the Project covers a very large area, in a sensitive global biodiversity hotspot and includes a multiplicity of interventions. As a result, the Project has developed an ESMF that all Executing Agencies will implement. In addition the ESMF will ensure compliance with OP4.04 (Natural Habitats), OP4.36 (Forests), OPN11.03 (Cultural Property) and OP4.12 (Involuntary resettlement).

The ESMF will assist Executing Agencies to screen all projects that could have detrimental environmental impacts, and to follow a process for mitigation and monitoring that meets the requirements of both the World Bank and the GoSA. In addition, the principles and policies of the CAPE Participatory Framework will be upheld.

Natural habitats (OP4.04), is triggered by virtue of the fact that the Project is located in a biodiversity hotspot, though the overall Project is designed to secure this key global asset for future generations. Forestry (OP4.36), is triggered as one of the proposed protected areas to be supported is located on the Garden Route and includes portions of pristine indigenous forest. Cultural Property (OPN 11.03) is triggered by virtue of the fact that some of the proposed protected areas contain rock art and perhaps other cultural property. Conservation use will clearly help to protect these assets.

Involuntary resettlement (OP4.12) could be triggered under the support to the proposed expansion of the protected areas in the CFR (Component 4). Therefore, an involuntary resettlement policy and process framework have been developed. No resettlement action plans (RAPs) or plans of actions (POAs) have been developed because the direct zone of impact has yet to be determined. The Sub-Executing Agencies will be bound by the RPF through Subsidiary Agreements with the NBI to execute RAPs and POAs as may be required.

During Project implementation, the CCU will assist Executing Agencies to screen the social impacts associated with their activities. Where appropriate, the CCU will seek World Bank assistance in this regard. This will include preliminary social assessments during Project inception, particularly for some of

the activities associated with Component 4.

F. Sustainability and Risks

1. Sustainability:

The Project is considered to have high opportunity for being sustainable and a low to medium risk rating. It is characterized by low levels of GEF investment to baseline and co-financing, relatively robust institutions to execute the Project as well as growing private and public investment in the sector. The Project is designed to ensure that it can be concluded without further GEF investment to continue to support the operating costs of Project activities after Project closure. Four key factors have been taken into account to ensure sustainability: (i) the baseline financial and technical capabilities of Executing Agencies will be developed to meet the new requirements described in the Project; (ii) Project Execution will primarily take place at the Executing Agency level where responsibility, capacity and know-how resides; (iii) the Project will engage with resource users responsible for biodiversity losses such as in the marine environment in order to ensure acceptability and support for new models; and (iv) markets for the provision of ecological services will be operationalized and ecological provisions will be mainstreamed into the productive sectors of the economy in order to develop a new layer of resource managers.

1a. Replicability:

The whole Project has been designed with a view to scaling up and replicating successful outcomes across the CFR during and after the Project is completed. Bearing in mind the programmatic nature of the Project, the replication strategy has been designed as a cross cutting issue rather than as a discrete stand alone activity. The two sub-project development objectives support the replication strategy, ie a focus on mainstreaming biodiversity conservation into the productive/economic sectors so that replication and scaling up activities are catalyzed with relatively little additional continuous support required and secondly, support to the piloting of new models for site based conservation management. The Project activities associated with mainstreaming include strengthening the institutions tasked with conservation management, supporting far greater inter-agency collaboration as well as the disseminating of information on successful conservation models. The intention of the awareness raising component of the Project is to support the public and business to make informed choices about how to limit their impact on the CFR thereby creating a long term conservation consciousness in the CFR. The CCU will perform a crucial inter-agency coordination role as well as through the proposed M&E system, in gathering and analyzing information on the success of different interventions and providing this information to key stakeholders.

The second sub-objective, supporting and piloting and adoption new models for conservation management is also aimed at supporting scaling up and replication. Firstly, new models will be piloted and tested for expanding the protected area network, drawing on lessons learnt in the CFR, South Africa and the region. Private land-owners will be targeted through these models, building on the large number of successful private conservation initiatives in the CFR. Secondly, extension support will be provided to land-owners and farmers to incorporate conservation actions on their land. This support is, based on current experience, predicted to have a knock on effect on surrounding land-owners. Support to the municipalities to incorporate biodiversity considerations into their planning, coupled to the development of financial incentive models, will be designed with replicability in mind. The intention will be to pilot this initiative with a view to scaling it up once policy agreement is reached on its roll-out.

The project monitoring and evaluation system is key to supporting replication and scaling up. Data from the M&E system will be used to make a cost assessment analysis of the various interventions proposed in the six components. The monitoring and evaluation and cost assessment analysis will be conducted at two

levels: (i) at the level of Project performance, the CCU will undertake this against the overall indicators in the logical framework for the Project (Annex 1). A six-monthly progress report will be presented to the World Bank, UNDP, the CCC and CIC. This will support adaptive learning and improvement of the interventions; (ii) at the level of the Project's impact, a comprehensive monitoring and evaluation framework has been developed to determine progress towards the goals and targets of the Project and attainment of the goals of the C.A.P.E. Program. Independent reviews of Project progress will be undertaken, at mid-term (late 2006) and at the end of Phase 1 (late 2008) to guide the adaptive development of the Project and preparation and replication for a Phase 2 project. The key performance indicators identified in Section A2 will act as the triggers to identify the readiness of the Project to apply to the GEF for a second tranche of funding and to move to the next phase of the Program.

The cost effectiveness criteria to be used to assess Project activity impact and scaling up opportunities of interventions include: (i) the success of the intervention in addressing the threats and root causes of biodiversity losses; (ii) the scaling up requirements of the intervention including, policy change, financing, human resource and management requirements; (iii) the distributional impacts, in particular at the micro level on employment and consumers; and (iv) public support for the intervention. Interventions which positively meet these criterion will be considered for active support to scaling up and replication.

In terms of replication outside of the Project area: (i) the overall bioregional design of the C.A.P.E Program provides a model which is already being used in South Africa in three other projects (Succulent Karoo, Addo and the Sub-tropical Thicket Biome with others in the pipeline; (ii) the institutional arrangements for implementing the Project provide a model partnership for cooperative governance in the environment sector for other regions; (iii) the conservation education component will provide a cooperative model for implementation elsewhere; (iv) the integration of biodiversity into municipal planning and creating market-based mechanisms for financing payment for ecological services is intended to be designed, piloted and scaled up in subsequent phases of the C.A.P.E. Program. It will have national and possibly international application; and (v) the mechanisms and models to be developed to conserve fragmented landscapes and new protected areas are designed to have wider application in the CFR, both during and after Project closure.

For more detailed information, see Annex 15.

2. Critical Risks (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

The Project is characterized by low to medium risk. Financial management risk is rated as low and procurement risk as average. Whilst the Project design has assumed a slightly stronger local currency/US\$ exchange rate than at present, it is considered realistic, as markets forecast a weaker local currency over the duration of the Project.

Risk	Risk Rating	Risk Mitigation Measure
<p>From Outputs to Objective</p> <p>Output 1: Inadequate alignment of strategies of key conservation agencies</p> <p>Output 2: Stakeholders are not committed to support the conservation education components of the project</p> <p>Output 3: Stakeholders perceive the Project to be a low priority and therefore do not partake in management strengthening</p> <p>Output 4: Implementing agencies are not adequately resourced to maintain protected areas or the concessioning programs do not illicit anticipated returns</p> <p>Output 5: Development planning resources can not support conservation in fragmented landscapes or GoSA does not support the roll-out of extended economic incentives to conserve threatened lowland areas</p> <p>Output 6: Fire Protection Associations are under-funded to perform mandates</p>	<p>N</p> <p>N</p> <p>N</p> <p>M</p> <p>M</p> <p>M</p>	<p>Alignment to the Project will be an annual requirement for executing agencies to access GEF resources</p> <p>Upfront consultations with stakeholders will mitigate risks</p> <p>Base strengthening needs, on capacity audits</p> <p>The Project will support agencies to develop various income earning opportunities and agencies themselves will ensure that they do not over-extend their operations</p> <p>Develop cost-effective, easy to use, planning systems and ensure that key government agencies are part of design working groups for development of new financial instruments</p> <p>The Project is supporting the development of an overall plan to eradicate alien invasive species from the CFR which is expected to support agencies to access government funding for their removal. This should assist to meet a substantial financial portion of their mandate</p>
<p>From Components to Outputs</p> <p>Component 1: Lack of commitment by key agencies to the Project</p> <p>Component 2: Consensus is not reached on an education strategy</p> <p>Component 3: Agencies fail to support the Project</p> <p>Component 4: Resettlement issues retard establishment of protected areas</p>	<p>N</p> <p>N</p> <p>N</p> <p>M</p>	<p>Provided that the CCC and the CIC remain in place and the Project continues to respond to the needs of Executing Agencies, this risk will be mitigated</p> <p>Bring all key players into the process of designing the strategy upfront</p> <p>As in component 1 above</p> <p>The RPF has been well designed and the types of models proposed for expanding protected areas are based on a rights based approach ie</p>

Component 5: Communities unwilling to support conservation in fragmented landscapes	N	using the rights of inhabitants to leverage further opportunities Ensure proper consultation with affected parties, provide knowledge support and ensure that proposals are advantageous to communities
Component 6: New CMAs are not resourced to perform mandates	M	This is expected to be a low risk as the CMAs do have a capacity to levy water users to pay for their operations though these still need to be decided
Overall Risk Rating	N	N

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N(Negligible or Low Risk)

3. Possible Controversial Aspects:

Due to the highly beneficial impact of the Project, it is unlikely to generate significant controversy. However, at the local level, issues of public interest can be expected to arise. These might include: (i) the contestation of limitations on harvesting of certain marine organisms (whether legal or illegal) to ensure that their relentless depletion is abated. Any other issues falling within the ambit of protected area expansion or resettlement could trigger controversy; (ii) the continued outsourcing of protected area facilities in which conservation agencies have no comparative advantage is contested by some as part of a general anti-privatization issue; (iii) the development of markets for payment for ecological services is contested in some circles for various reasons; and (iv) changes in land-use from agricultural use to conservation land-use is sometimes regarded as a retrogressive step for agricultural development.

G. Main Conditions

1. Effectiveness Condition

Below is a list of conditions which the NBI and Sub-Executing Agencies must meet by completing the necessary actions and receiving Bank approval. These actions need to be completed by less than 90 days after the grant agreement is signed so that funds can be released for the Project. The NBI and Sub-Executing Agencies should preferably seek to meet these conditions as soon as possible though at own risk.

- Subsidiary Agreements must be signed between the NBI and three Sub-Executing Agencies
- Financial management report format approved to the satisfaction of the Bank

2. Other [classify according to covenant types used in the Legal Agreements.]

Dated covenants

- Within 30 working days of Effectiveness, an NBI computerized accounting system will be installed at the CCU office for use by the Project's Financial/Procurement Specialist.
- By approximately, June 1 and December 1 of each year, a project progress report will be produced which reports on project outputs and procurement, financial management, status of safeguards and Project institutional arrangements. The report will also contain an update of the Project Implementation Plan (PIP), including a procurement plan for the next six months.

H. Readiness for Implementation

- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- 1. b) Not applicable.
- 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):

The Project Management Unit (C.A.P.E. Coordination Unit) has been established, staffed, and has been operational for two years. There is a Program Coordinator, Program Developer and M&E expert, Finance/Procurement Specialist, Communications and Community Manager and administrative assistant in place. Financial management is supported by the NBI and through the services of a part-time financial manager. Staff are appointed on contract to the NBI, with Performance Contracts in place.

The M&E system is in an advanced state of development. In some cases, further work is required to establish baseline information, but all data sources are available. The Conservation Planning Unit of the WCNCB has been established on site at the NBI to provide IT services for managing the M&E system.

Procurement and Financial Management arrangements have been agreed to and are in place:

- A Procedures Manual is being developed for procurement and for financial management and will be ready prior to Board approval.
- Organizational assessment recommendations have been identified and steps are being taken to implement these.
- The draft Procurement Plan has been completed and only awaits the insertion of dates.
- The Finance/Procurement Specialist is in place.
- The FMR format has been designed and approved.
- Audit arrangements have been concluded.

The Project Implementation Plan has been completed and approved by the Bank.

I. Compliance with Bank Policies

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

Christopher James Warner
Team Leader

Richard G. Scobey
Sector Manager/Director

Fayez S. Omar
Country Manager/Director

Annex 1: Project Design Summary

SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Sector-related CAS Goal: Fostering social and environmental sustainability</p>	<p>Sector Indicators: Reduced rate of biodiversity loss in the CFR (as measured by the conservation status of priority species and habitats)</p>	<p>Sector/ country reports: Joint WB/UNDP supervision missions (twice per annum)</p> <p>State of Biodiversity Reports and M&E reports.</p>	<p>(from Goal to Bank Mission) Political commitment for project remains high</p>
<p>GEF Operational Program:</p> <p>OP 1 – Arid and semi-arid zone ecosystems</p> <p>OP 2 – Coastal, Marine and Freshwater Systems</p> <p>OP 3 – Forest Ecosystems</p> <p>OP 4 – Mountain Ecosystems</p>	<p>Outcome / Impact Indicators:</p> <p>Increased area of Lowlands under protected area management</p> <p>Proclamation of two MPAs and protection of two aquatic ecosystems</p> <p>Establishment of Garden Route Initiative</p> <p>Consolidation of montane protected areas in Baviaanskloof, Cederberg and Wilderness</p>	<p>Formal incorporation agreements of private land into protected area</p> <p>Presence of proclamations and management plans</p> <p>Presence of Proclamation and management plan</p> <p>as above</p>	<p>Protected area management results in reduced biodiversity losses</p>
<p>Global Objective:</p> <p>Project Development Objective: to support the conservation of the Cape Floristic Region (CFR) and adjacent marine environment by laying a sound foundation for scaling up and replicating successful Project outcomes</p>	<p>Outcome / Impact Indicators:</p> <p>All C.A.P.E. signatory institutions directly support implementation of the Project</p> <p>The number of registered civil society stakeholders participating in the Project increases by 30%</p> <p>A CFR-wide conservation education strategy is successfully designed and implemented across the Project area</p> <p>The Baviaanskloof, Cederberg and Garden Route protected areas have been consolidated</p>	<p>Project reports:</p> <p>Supervision missions, Project Closure Report</p> <p>Review of stakeholder participation in the Project, coupled to M&E system</p> <p>Presence of CFR wide education strategy and survey of public awareness about importance of the CFR</p> <p>Map extent of public and private land incorporated under conservation use</p>	<p>(from Objective to Goal)</p> <p>Government remains committed to the Project</p> <p>Private sector and public commit to the Project</p>

<p>Global Biodiversity Objective The Global Objective is to ensure that the conservation of Cape Floristic Region and adjacent marine environment is secured by 2024</p>	<p>The number of jobs directly associated with conservation and nature-based tourism in Project intervention sites increases by 20%</p> <p>Spatial development frameworks in six representative lowland sites incorporate conservation priorities</p> <p>Five-year targets for protected area status for irreplaceable Broad Habitat Units in Lowland areas and watersheds are met as defined by the C.A.P.E. 2000 Strategy.</p> <p>At Project closure, C.A.P.E. signatory institutions commit to second phase of the C.A.P.E. Program due to the successful completion of the Project</p>	<p>Monitor increase in jobs through M&E system</p> <p>Presence of six spatial frameworks</p> <p>Biodiversity monitoring included into M&E system</p> <p>Project closure report indicating the success of the Project based on the M&E outcomes and Project document for Phase 2 of the C.A.P.E. Program</p>	<p>Conservation of the CFR remains a priority</p>
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Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Output from each Component: <u>Sub-Project Development Objective 1</u> A foundation is established for mainstreaming biodiversity in the CFR into economic activities</p> <p>Output 1: Capacitated institutions to implement the Project</p> <p>Output 2: Inhabitants of the CFR contributing to biodiversity conservation through improved awareness raising and environmental education</p> <p>Output 3: CCU capacitated to perform Project coordination function</p> <p><u>Sub-Project Development Objective 2</u> Conservation of the CFR enhanced through piloting and adapting models for sustainable, effective management</p> <p>Output 4: Protected areas established as per Project document</p> <p>Output 5: Biodiversity in six priority lowland landscapes identified and secured in conjunction with civil society</p> <p>Output 6: Biodiversity concerns are integrated into</p>	<p>Output Indicators:</p> <p>Institutions are able to meet demand to incorporate private land into protected areas</p> <p>Use of Project supported management systems in the various agencies</p> <p>Civil society and private sector initiatives support conservation of the CFR</p> <p>Increased community awareness about the value of the CFR</p> <p>Project partners support the CCU in Phase 2 of the C.A.P.E. Program</p> <p>Presence of nine expanded protected area systems</p> <p>Conservation plans implemented in six Lowland areas</p> <p>Plans developed and implemented to remove</p>	<p>Project reports:</p> <p>Registers from each of the protected areas indicate status of land incorporation</p> <p>User surveys of management systems</p> <p>Survey report</p> <p>Awareness survey</p> <p>Project partners indicate satisfaction with CCU during Project supervision and at Project closure</p> <p>Map and record areas with protected status</p> <p>Maps and reports produced for six Lowland areas</p> <p>Presence of plans to remove threats to biodiversity and</p>	<p>(from Outputs to Objective)</p> <p>Current institutional arrangements for the Project remain intact</p> <p>The target groups throughout the region are willing to take advantage of Project opportunities</p> <p>CCU can deliver on Project partner expectations</p> <p>Land-owners and government remain committed to expansion of the protected areas</p> <p>Private land with protected status results in improved biodiversity conservation</p> <p>Implementation capacity exists in agencies</p>

watershed management	<p>threats to biodiversity in watersheds (alien invasive, fire, ecological reserve, estuarine management)</p> <p>Protocol developed for CFR estuarine management</p>	<p>reports on implementation</p> <p>Copy of protocol</p>	
<p>Project Components / Sub-components:</p> <p>Output 1:</p> <p>1. Institutional Strengthening</p> <p>1.1 <u>Enhance inter-agency cooperation and strategic planning for conservation management in the CFR</u></p> <p>1.1.1 Facilitate the resolution of legal mandates and institutional roles for conservation of CFR</p> <p>1.1.2 Assess the requirements of the contributing agencies to meet their agreed mandates</p> <p>1.1.3 Develop a generic performance management system across implementing agencies to ensure alignment and compliance with C.A.P.E. Program and Project</p> <p>1.1.4 Incorporate biodiversity concerns into the strategies and workplans of five new CMAs</p> <p>1.2 <u>Build capacity for effective conservation management in the CFR</u></p> <p>1.2.1 Undertake training, based on participatory training needs assessment</p> <p>1.2.2 Undertake institutional and training needs assessment for the establishment of Eastern Cape Nature Conservation Agency</p> <p>1.2.3 Conduct capacity building program in conjunction with THETA</p>	<p>Inputs: (budget for each component)</p> <p>US\$5.8 million</p> <p>US\$0.32 million</p> <p>US\$4.05 million</p>	<p>Project reports:</p> <p>Legal and institutional assessment reports</p> <p>Performance management reports</p> <p>CMA workplans</p> <p>Training needs assessment report</p> <p>Agency skills development reports</p>	<p>(from Components to Outputs)</p> <p>Institutional commitment at national, provincial and local levels to the Project</p> <p>National policy and legislation clearly assigns legal responsibility of key national and provincial biodiversity conservation agencies</p> <p>Agreements on standards and protocols for information management</p>

<p>1.2.4 Facilitate and support the development of a networked program to attract and retain new entrants into conservation management</p> <p>1.2.5 Undertake skills development for watershed and PA management</p>			
<p>1.3 <u>Develop financial sustainability plan</u></p> <p>1.3.1 Determine the financial needs of executing agencies for all conservation management activities</p> <p>1.3.2 Identify and select appropriate funding mechanisms and targets for executing agencies</p> <p>1.3.3 Assess the contribution of protected area tourism to the sustainability of conservation management programs</p>	US\$0.95 million	Financial needs assessment and plan	
<p>1.4 <u>Establish a comprehensive information management system</u></p> <p>1.4.1 Provide information management systems outside protected areas</p> <p>1.4.2 Develop mechanism for skills and knowledge transfer</p>	US\$0.48 million	Information management strategy and program report	
<p>2. Conservation Education</p> <p>2.1 <u>Raise awareness and understanding of biodiversity issues and benefits in CFR</u></p> <p>2.1.1 Facilitate coordinated environmental education in the CFR at Project and site level</p> <p>2.1.2 Develop and disseminate materials focusing on CFR biodiversity</p>	US\$1.11 million US\$1.11 million	Biodiversity education strategy reports	Education authorities and service providers reach consensus on strategy and implementation arrangements
<p>3. Project and Program Coordination, Management and Monitoring</p> <p>3.1 <u>Undertake Project and program coordination, management and monitoring</u></p> <p>3.1.1 Undertake Project and</p>	US\$1.79 million US\$1.79 million	C.A.P.E. Monitoring and Evaluation reports C.A.P.E. Coordination Unit reports Minutes of CCC and CIC meetings	Willingness of agencies to cooperate and contribute to the implementation of the CAPE Program

<p>program coordination</p> <p>3.1.2 Undertake financial management and auditing</p> <p>3.1.3 Undertake Project and program management, coordinated monitoring and evaluation including cost effectiveness analysis of activities and design for replication</p> <p>3.1.4 Undertake communication program</p>		<p>Communication strategy and materials</p>	
<p>4. Protected areas</p> <p>4.1 <u>Establish and consolidate key protected areas</u></p> <p>4.1.1 Consolidate three priority large protected areas</p> <p>4.1.2 Establish two priority freshwater and two estuarine protected areas</p> <p>4.1.3 Establish two priority marine protected areas, including fisheries co-management arrangements in the Kogelberg Marine Protected Area</p>	<p>US\$27.72 million</p> <p>US\$23.37 million</p>	<p>Protected area development plans</p> <p>Protected area Strategic Performance Management Systems report</p> <p>Protected area business plans</p> <p>Management plans</p>	<p>Legal mandates for protected area establishment, development and management are clearly resolved</p> <p>Communities surrounding protected areas are willing to engage in participatory planning processes</p> <p>Changes in access rights to resources in protected areas can be successfully negotiated with user groups</p>
<p>4.2 <u>Development of sustainable management effectiveness</u></p> <p>4.2.1 Design and test a Strategic Performance Management System in three target PAs</p> <p>4.2.2 Adapt the EIS model developed in Cape Peninsula National Park for other priority PAs</p> <p>4.2.3 Develop plans for responsible tourism in target PAs</p> <p>4.2.4 Facilitate development of tourism infrastructure and facilities in target PAs</p> <p>4.2.5 Develop PAs business plans and mechanism for financial sustainability for target PAs</p> <p>4.2.6 Implement priority management programs</p>	<p>US\$4.36 million</p>		<p>Communities in the Kogelberg Marine Protected Area are willing to cooperate to develop improved management and monitoring arrangements</p>
<p>5. Establish the foundations</p>	<p>US\$11.67 million</p>		

<p>of the biodiversity economy to enhance conservation stewardship in key lowland landscapes</p>			
<p>5.1 <u>Undertake fine-scale conservation planning</u> 5.1.1 Undertake fine-scale conservation analysis 5.1.2 Develop conservation plans and guidelines</p>	<p>US\$0.62 million</p>	<p>Fine-scale conservation planning reports SDF and ISP planning reports</p>	<p>Property tax regime favors biodiversity conservation on private land</p>
<p>5.2 <u>Integrate biodiversity in land-use decision-making</u> 5.2.1 Integrate fine-scale conservation plans into government spatial planning 5.2.2 Strengthen land-use regulation 5.2.3 Build institutional and individual capacity in municipalities in priority areas</p>	<p>US\$3.58 million</p>		<p>The importance of conserving globally significant biodiversity is understood by authorities and communities in the priority areas</p> <p>There are sufficient skills to conduct conservation planning studies and to build capacity at the local municipal level</p>
<p>5.3 <u>Increase landowners commitment to conservation</u> 5.3.1 Build extension services and pilot cooperative management schemes</p>	<p>US\$7.02 million</p>	<p>Extension service reports</p>	
<p>5.4 <u>Investigate economic incentives for enhancing conservation stewardship of priority lowland</u> 5.4.1 Map current land use economics, and associated hydrological services 5.4.2 Identity the extent and location of agricultural land with the potential to switch to ecotourism/sustainable use 5.4.3 Identify the economic and institutional conditions that could trigger a switch to sustainable land uses 5.4.4 Determine the potential for payment for hydrological services including possible institutional arrangements 5.4.5 Test economic incentive mechanisms and institutional arrangements to encourage land stewardship (tax incentives, stewardship trust)</p>	<p>US\$0.45 million</p>	<p>Draft reports and maps</p>	

5.4.6 Disseminate knowledge to key policy and institutional role players			
6. Integrate biodiversity concerns into watershed management	US\$7.04 million	Catchment Management Agency agreements	There is a willingness and capacity on the part of the new Catchment Management Agencies to incorporate biodiversity concerns into CMAs
6.1 <u>Improve watershed management and water resource management</u>	US\$3.26 million	Business plans of CMAs	
6.1.1 Increase the effectiveness of the "Ecological Reserve" measure in water resource management			There is timeous recognition and commitment to act regarding IAS in the CFR
6.1.2 Incorporate biodiversity concerns into the new fire management system			The legal jurisdiction for the management of estuaries is clarified
6.2 <u>Improve management of Invasive Alien Species</u>	US\$2.48 million	IAS management strategy report	
6.2.1 Create an IAS management strategy and business plan for the entire CFR			
6.2.2 Establish centers of excellence for IAS prevention and management in the CFR			
6.2.3 Pilot the control of invasive aliens in priority ecosystems			
6.3 <u>Improve estuarine management</u>	US\$1.30 million	Estuarine management strategy report	
6.3.1 Design and test a CFR estuarine management program, based on relevant case studies			

* Baseline figure to be established from various statistics

Baseline to be established by analysis in 2003

Annex 2: Detailed Project Description

SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

The Project has six inter-related components that serve to meet the Development Objective of the Project: *to support the conservation of the Cape Floristic Region (CFR) and adjacent marine environment by laying a sound foundation for scaling up and replicating successful Project outcomes.*

The Project will achieve this through two Sub-Project Development Objectives: (i) *laying the foundations for mainstreaming biodiversity into the economy.* It contains three components: institutional strengthening; involving people; and program coordination management and monitoring; and (ii) *undertaking carefully targeted conservation demonstrations in selected biophysical, socio-economic and institutional contexts with a view to scaling these up.* It contains three components: protected area management; establishing the foundations of the biodiversity economy to enhance conservation stewardship; and integrating biodiversity concerns into watershed management.

By Component:

Project Component 1. Institutional strengthening - US\$5.80 million

GEF: US\$1.4 million - Co financing: US\$4.4 million: - Total US\$5.8 million

This component will build on baseline capacities to strengthen the key institutions supporting the conservation of the CFR both for and beyond the life of the Project. Well-capacitated institutions, with clear roles and responsibilities, and which coordinate their activities, are required to support mainstreaming efforts.

Sub-components:

1.1 Enhance inter-agency cooperation and strategic planning for conservation management in the CFR. NBI

GEF: US\$0.32 million - Co-Financing: US\$0 million - Total: US\$0.32 million

This sub-component entails three activity clusters: facilitating the resolution of legal mandates and institutional roles for conservation of the CFR; assessing the requirements of the contributing agencies to meet their agreed mandates; and developing a performance management system across implementing agencies to ensure alignment and compliance with CAPE 2000 Strategy. In particular it will address the alignment of the new Catchment Management Agencies and the incorporation of biodiversity concerns into watershed management (see Component 6).

1.2 Build capacity for effective conservation management in the CFR. NBI

GEF: US\$0.55 million - Co-Financing: US\$3.5 million - Total: US\$4.05 million

This sub-component entails undertaking training, based on a participatory training needs assessment; undertaking an institutional and training needs assessment for the establishment of the Eastern Cape Nature Conservation Agency; conducting a capacity building program in conjunction with THETA (Tourism and Hospitality Education and Training Authority); and facilitating and supporting the development of a networked program to attract and retain new entrants into conservation management. It will also conduct activity-specific capacity-building across the Project, including for the application of a participatory approach, for watershed management and for protected area management.

1.3 Appraise and develop strategies for financial sustainability. NBI

GEF: US\$0.13 million - Co-Financing: US\$0.82 million - Total: US\$0.95 million

This sub-component entails determining the financial needs of implementing agencies for all conservation management activities; and identifying and selecting appropriate funding mechanisms, targets and strategies for executing agencies.

1.4 Establish a comprehensive information management system. NBI

GEF: US\$0.4 million - Co-Financing: US\$0.08 million - Total: US\$0.48 million

This sub-component will support the further development of the C.A.P.E. Information Management Unit as a partnership between key organizations. The Unit's responsibility will be the development and maintenance of a centralized data warehouse with standardized protocols for accessing and distributing information to executing agencies for both protected areas and landscape management. An emphasis will be placed throughout the program on reviewing progress and lessons learned and ensuring skills and knowledge transfer.

Project Component 2. Conservation education - US\$1.11 million

GEF: US\$0.6 million - Co-Financing: US\$0.51 million - Total: US\$1.11 million

This component will raise awareness and support the development of an environmental education strategy, focused on the CFR, in order to change the behavior of inhabitants to support its conservation.

Sub-component:

2.1 Raise awareness and understanding of biodiversity issues and benefits in the CFR. NBI

GEF: US\$0.6 million - Co-Financing: US\$0.51 million - Total: US\$1.11 million

This one sub-component will establish a conservation education focal point in the CFR for facilitating coordinated program support at Project and site levels; developing and disseminating materials that focus on CFR biodiversity and C.A.P.E. Program components to support school curriculum and educators; and training environmental educators and teachers to use the materials developed.

Specifically, this sub-component will:

2.1.1 Facilitate coordinated conservation education in the CFR through establishing a multi-stakeholder conservation education steering committee, establishing a CFR Conservation Education Centre at the Rhodes University Goldfields Environmental Education Service Centre in Grahamstown, establishing a formal network of conservation education service providers in the region and undertaking reviews of lessons learned in conservation education for application throughout the CFR; and

2.1.2 Develop and facilitate the use of conservation education resources focused on CFR biodiversity, through reviewing the existing resources and their use, convening of workshops for teachers and service providers to further develop conservation education resources focused on the CFR, and facilitating improvements in conservation education at tertiary level.

Project Component 3. Program and Project coordination, management and monitoring - US\$ 1.79 million

GEF: US\$1.11 million - Co-Financing: US\$0.68 million - Total: US\$1.79 million

This component will enhance management capacity, effective communication and efficient adaptive management, resulting in the integrated development and implementation of the Project and the C.A.P.E. Program.

Sub-component:

3.1 Program and project coordination, management and monitoring. NBI

GEF: US\$1.11 million - Co-Financing: US\$0.68 million - Total: US\$1.79 million

This sub-component will support: program coordination; management and monitoring; financial management; program management; coordinated monitoring and evaluation; a communications program; and support for stakeholder participation in Project activities.

Specifically this sub-component will:

3.1.1 Undertake program coordination, through ensuring that the major stakeholders continue to interact in the C.A.P.E. Coordination Committees, build the existing capacity of the C.A.P.E. Coordination Unit to act as Program Management Agency within the National Botanical Institute, extend coordination activities in the Eastern Cape, facilitate and monitor the alignment of C.A.P.E. Implementing agencies and facilitate the development of partnership arrangements;

3.1.2 Undertake financial management and auditing, through ensuring compliance with grant agreements and contracts, identifying further co-financing for the C.A.P.E. Program, manage the finances of the C.A.P.E. Coordination Unit, including developing budgets, procurement plans, preparing financial reports and submitting claims for expenditure; managing contracts with Sub-Executing Agencies, and managing contracts with other service providers;

3.1.3 Undertake program development, program management and coordinated monitoring and evaluation, through: convening sub-regional workshops for project identification and development; undertaking the development and management of a database of sub-projects and activities; coordinating the development and management of a monitoring and evaluation system, and monitoring and ensuring compliance with environmental and social safeguards; and

3.1.4 Undertake a communications program, through: drafting and reviewing an annual communications strategy; implementing key components of the strategy including a quarterly newsletter, e-news bulletins and information and project brochures; designing and implementing the C.A.P.E. Action Partners Program.

Project Component 4. Protected area support - US\$27.72 million

GEF: US\$4.12 million - Co-Financing: US\$23.60 million - Total: US\$27.72 million

This component will support the establishment of protected areas thereby contributing to meeting priority targets for conservation of the biodiversity of the CFR. It will support the establishment of cost-effective management; support the development and implementation of tourism plans and support stakeholders to derive direct and indirect benefits.

Sub-components:

4.1 Establish and consolidate key protected areas. WF, SANParks, WCNCB

GEF: US\$0.97 million - Co-Financing: US\$22.39 million - Total: US\$23.36 million

This sub-component will consolidate and expand priority protected areas (Baviaanskloof, Garden Route, Cederberg) with an emphasis on developing the linkages through critically threatened lowland habitats; establishing two priority freshwater and two estuarine protected areas; and establishing two priority marine protected areas (Garden Route and Kogelberg). The Project will pilot fisheries co-management arrangements in the Kogelberg Marine Protected Area using spatial set-asides. The baseline of protected areas is detailed in Table 1 to Annex 12. The Project will seek to expand the area under protection by 4,000km².

4.2 Develop sustainable management effectiveness. WF, SANParks, WCNCB

GEF: US\$3.16 million - Co-Financing: US\$1.20 million - Total: US\$4.36 million

This sub-component will entail designing and testing a Strategic Performance Management System in the key three protected areas; developing plans for responsible tourism and visitor impact mitigation; facilitating development of tourism infrastructure and facilities; developing protected area business plans and mechanisms for financial sustainability; implementing high impact management programs; and undertaking skills development for protected area management.

Project Component 5. Establishing the foundations of the biodiversity economy to enhance conservation stewardship in key lowland landscapes. - US\$11.67 million

GEF: US\$2.45 million - Co-Financing: US\$9.22 million - Total: US\$11.67 million

This component will develop and pilot economic incentives to induce changes in land use behavior in favor of conservation stewardship, especially in threatened Lowland areas.

Sub-components:

5.1 Undertake fine-scale conservation planning in priority areas. WCNCB

GEF: US\$0.62 million - Co-Financing: US\$0 million - Total: US\$0.62 million

This sub-component entails undertaking fine scale conservation analysis in five priority areas: Riversdale, Nieuwoudtville, Upper Breede River Valley, North West Sandveld, and the West Coast lowlands, including Saldanha Peninsula. As the priority South East Lowlands are a potential recipient of CEPF funds, they are excluded from this activity. The fine scale planning will inform other sub-components, and form the basis for priority actions to secure the protection of the most important sites.

5.2 Integrate biodiversity into land-use decision-making. NBI

GEF: US\$0.68 million - Co-Financing: US\$2.9 million - Total: US\$3.58 million

This sub-component will entail integrating fine scale conservation plans into government spatial planning, building institutional and individual capacity in municipalities in priority areas, and strengthening regulation in land-use planning.

5.3 Increase land-owner commitment to conservation. WCNCB

GEF: US\$0.7 million - Co-Financing: US\$6.32 million - Total: US\$7.02 million

This sub-component entails testing and refining non-fiscal incentives, building coordinated extension services and piloting cooperative management schemes in priority areas.

5.4 Improve understanding and design protocols for implementing economic incentives that trigger improved land stewardship. NBI

GEF: US\$0.45 million - Co-Financing: US\$0 million - Total: US\$0.45million

This sub-component will (i) map current land-use economics and associated hydrological services; (ii) identify the extent and location of agricultural land with the potential to switch to ecotourism/sustainable use; (iii) identify the economic and institutional conditions that could trigger a switch to sustainable land uses; (iv) determine the potential for payment for hydrological services including possible institutional arrangements; and (iv) test and refine fiscal and non-fiscal incentives.

Project Component 6. Integrating biodiversity concerns into watershed management - US\$7.04 million
GEF: US\$1.32 million - Co-Financing: US\$5.72 million - Total: US\$7.04 million

This component will ensure that biodiversity considerations are integrated into watershed management, in particular in order to remove the key threats to biodiversity.

Sub-components:

6.1 Improve watershed management and water resource management. WCNCB

GEF: US\$0.32 million - Co-Financing: US\$2.88 million - Total: US\$3.2 million

This sub-component entails increasing the effectiveness of the “Ecological Reserve” measure in water resource management; incorporating biodiversity concerns into the new fire management system; and incorporating biodiversity concerns into water conservation/water demand management programs.

6.2 Improve management of invasive alien species (IAS). NBI and WCNCB

GEF: US\$0.48 million - Co-Financing: US\$2.00 million - Total: US\$2.48 million

This sub-component entail creating an IAS management strategy and business plan for the entire CFR. (NBI); establishing centers of excellence for IAS prevention and management in the CFR (NBI); and piloting the control of invasive aliens in priority ecosystems (WCNCB).

6.3 Improve estuarine management program. NBI

GEF: US\$0.52 million - Co-Financing: US\$0.84 million - Total: US\$1.36 million

This sub-component entails designing and testing a CFR estuarine management program, based on relevant case studies.

Annex 3: Estimated Project Costs

SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

Project Cost By Component	Local US \$million	Foreign US \$million	Total US \$million
Institutional strengthening - UNDP	5.30	0.50	5.80
Conservation education - UNDP	1.01	0.10	1.11
Program Coordination, Management and Monitoring - WB	1.62	0.17	1.79
Protected areas - WB	25.02	2.70	27.72
Biodiversity economy and conservation stewardship - WB	10.34	1.33	11.67
Watershed management - WB	6.34	0.70	7.04
Total Baseline Cost	49.63	5.50	55.13
Physical Contingencies	0.00	0.00	0.00
Price Contingencies	0.00	0.00	0.00
Total Project Costs¹	49.63	5.50	55.13
Interest during construction		0.00	0.00
Total Financing Required	49.63	5.50	55.13

Project Cost By Category	Local US \$million	Foreign US \$million	Total US \$million
Goods	9.07	1.20	10.27
Works	6.00	0.62	6.62
Consultant Services	17.19	1.90	19.09
Operating Costs	14.77	1.60	16.37
Workshops	2.60	0.18	2.78
Total Project Costs¹	49.63	5.50	55.13
Interest during construction		0.00	0.00
Total Financing Required	49.63	5.50	55.13

¹ Identifiable taxes and duties are 10.75 (US\$m) and the total project cost, net of taxes, is 44.38 (US\$m). Therefore, the project cost sharing ratio is 20.28% of total project cost net of taxes.

Annex 4: Incremental Cost Analysis

SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

1. National development objectives

South Africa is strongly committed to the pursuit of sustainable development. The country's primary challenge is to ensure social and economic upliftment, and in particular, to create new employment opportunities and systematically address the root causes of poverty. The GoSA is highly committed, within this context, to biodiversity conservation which is systematically being realigned to this primary objective. The country's astonishing species richness and biogeographic turnover amplify the magnitude of its conservation challenge. While the GoSA appropriates substantial funding directly to conservation management, this is insufficient to establish a biologically representative conservation estate on public, private and community lands, mainstreamed into the sustainable development framework. The State is seeking financial and technical assistance from the international community to advance its global conservation agenda by defraying the high one-time costs associated with building the necessary institutional, social and economic capital and management frameworks. The aim is to align such investment with its broader sustainable development strategies and programs.

2. Global environmental objectives

The CFR is an exceptionally rich storehouse of biodiversity, characterized by high floristic species richness, beta and gamma diversity, fragility and irreplaceability. One of six recognized Plant Kingdoms, the CFR is the only Plant Kingdom located entirely within the boundaries of a single nation. The region's uniqueness makes it one of the highest global conservation priorities and South Africa shoulders a special responsibility for its stewardship on behalf of the global community. There is presently, however, a very real risk that accelerating anthropogenic pressures on the system, if left unchecked, will result in a loss of biodiversity. The GoSA is committed to conserving the CFR's biological heritage but lacks the financial and technical resources and know-how needed to fully operationalize a comprehensive, performance-driven conservation program. A national Programmatic Framework for conservation action, known as Cape Action for People and Environment (the C.A.P.E. Program) has been developed. The Global Environmental Objective of the Program, which underpins the rationale for GEF assistance, is to ensure that by the year 2024 a representative sample of the CFR's biological diversity is effectively conserved, and where appropriate is restored.

3. Baseline scenario

The principal threats to biodiversity in the CFR stem from habitat conversion, colonization by alien invasive species, uncontrolled fires, and unsustainable offtakes of certain commercially important wild resources. These threats are described in Annex 12. The CAPE 2000 Strategy has identified a suite of interventions needed to arrest anthropogenic pressures and protect areas of global conservation importance. The baseline course of events, over five years without the Project and GEF support may be characterized as follows:

Institutional strengthening: The GoSA is embarking on a series of institutional reforms to clarify mandates, roles and structures within and between government agencies. However, there are no plans to address systemic and institutional capacity weaknesses for the management of biodiversity at the bioregional scale, implying that the conservation functions of different institutions will remain poorly coordinated. Various conservation agencies would appropriate funds for skills development (US\$1.07 million); this is

inadequate, relative to need, in terms of creating the skills required for effective implementation of the C.A.P.E. Program by government and non-government agencies. A further US\$2.85 million will be allocated to data base management, including for the procurement of hardware and software and the development of decision support systems. However, data management systems would remain poorly coordinated, with little quality standardization.

Conservation education: A total of US\$0.63 million would be allocated for curriculum development and teacher training. However, no specific provision is being made to integrate CFR specific biodiversity issues into the curricula, nor to develop quality materials dealing with these issues. A total of US\$0.58 million would be expended on education by conservation authorities. This would be dedicated towards designing and updating visitor interpretation materials. As interpretation centers are located mainly in protected areas and botanical gardens, the exposure of rural communities and disadvantaged groups will be limited. Finally, a sum of US\$0.75 million would be appropriated towards general environmental education, dealing mostly with 'brown environment issues' such as waste management.

Program coordination, management and monitoring: An effective program coordination mechanism would be lacking as needed to ensure synergies between the conservation activities of different government and non-government agencies. This will result in a sub-optimal utilization of scarce financial and technical resources. A number of biodiversity monitoring initiatives would continue, including helicopter-based game counts and transect surveys in selected protected areas (cost: US\$3.5 million). The utility of these initiatives would be limited as they do not make adequate provision for socio-economic assessments nor for ecoregional scale consolidation. A more comprehensive system is needed to monitor pressure, state and response. Further, insufficient resources exist for undertaking cost benefit analysis for scaling up and replication of lessons learnt for Phase 2 of the C.A.P.E. Program.

Protected areas: Protected area (PA) management authorities (SANParks, WCNCB, DEAET, DEAT) would allocate sizable resources towards the recurrent costs of managing protected areas (mostly terrestrial sites) throughout the CFR (US\$59 million). This allocation would support a public protected area estate of 10,800 km², relative to a target of 16,632 km², needed to effectively conserve a biologically representative sample of biodiversity. A further 22,288 km² of private lands will need to be managed for conservation. A total of US\$5.4 million would be allocated to the development of nature-based tourism activities in a small number of protected areas. Tourism development would concentrate in a few sites with little diffusion, meaning that prospects for banking on the sector to provide conservation livelihoods in areas of biodiversity significance will remain poor. Also, there is little guarantee that any investment in such areas would be compatible with or contribute to site-specific objectives. A further US\$1 million would be allocated towards the purchase of land. Land would be acquired in an *ad hoc* manner, without necessarily reflecting the highest conservation priorities. Thus while the PA system is expected to gradually expand, it is unlikely that expansion would facilitate the consolidation of PAs across critical ecological landscapes. Many key ecosystems would remain under-represented in the network, including in particular, wetlands and coastal areas.

A total of US\$14.8 million would be allocated by DEAT and other responsible authorities towards the management of inshore fisheries. Management would be effected through traditional means under a weak enforcement framework, including stock assessments, gear restrictions and seasonal closures, rather than through ecosystem-based approaches. There is an unmet need to develop multiple-use marine protected areas to accommodate biodiversity conservation objectives while allowing sustainable fishery utilization.

Biodiversity economy and conservation stewardship: A sizeable investment is planned in the development of Integrated Development Plans at the municipal level (est. US\$14.6 million). These include a spatial

component, and are intended to provide a mechanism for coordinating development investments in infrastructure and services at the local-level. However, limited funding would be available for fine-scale planning, to map the precise location of important land parcels and to investigate new financial instruments to conserve these areas. The lack of precise maps and essential planning capacities would result in a weak reflection of conservation objectives and priorities in the IDPs. This would compromise efforts to mainstream biodiversity management into the agricultural sector. Finally, an estimated US\$2.6 million would be expended in strengthening local extension services. However, there would be very limited capacity in these outfits to service conservation needs. Further, development and implementation of public-private sector models to incorporate land into conservation use would be neglected.

A total of US\$15 million would be expended on environmental impact assessment for major private sector developments. General environmental standards would be utilized, which are poorly tuned to specific biodiversity conservation needs. Further, such environmental impact mitigation would largely be pursued through 'command and control' mechanisms, rather than through employment of market mechanisms, and voluntary compacts with key businesses. A sizeable non-GEF investment is planned to develop small, medium and micro enterprises. The total anticipated budget is US\$16.47 million.

Watershed management: The State is making significant investments in watershed and water resource management. The total baseline allocation is estimated at US\$75.6 million. This includes allocations for the control of alien woody plants in catchments, hydrological assessments, demand-side management and pollution control. There is a major unmet need to integrate key biodiversity conservation imperatives into the baseline program. This includes expanding the focus of invasive alien species (IAS) control to include currently un-targeted species and improving the cost efficiency of existing control measures, such as through induction of bio-control methods, to free up funds to address currently uncontrolled groups of IAS. Further there is a need to make proper provision for ecological reserve requirements in critical wetlands, in allocating water. Finally, there is a need to address biodiversity conservation management needs in estuaries, which have hitherto been neglected.

Baseline scenario costs: The total baseline scenario costs are estimated at US\$213 million over five years to be provided by different sources of funding (see Tables 1 and 2 below). It is important to note that the baseline estimate is conservative. The Project Task Team were of the view that whilst significant private land and private sector initiatives are underway in the CFR, there is no reliable way of assessing the conservation effectiveness of these investments and for realistically modelling expansion. Therefore, they are excluded from the baseline calculations.

4. GEF alternative

This proposal is one of three complementary initiatives, to be supported by the GEF, under the national C.A.P.E. Program, aimed at realizing the afore-mentioned Global Environmental Objective. The Project will implement priority actions identified in the C.A.P.E. Program above the baseline scenario so as to progressively mitigate human-induced threats to the CFR's globally significant biodiversity. C.A.P.E. Program is being implemented in three distinct phases.

The first Phase of five years aims at creating the underlying policies, institutional framework and capacities needed to implement the C.A.P.E. as well as to pilot new conservation approaches (site based interventions) to address the spectrum of conservation needs and management challenges in the CFR. The Project will strategically support a number of Phase 1 interventions with a view towards assuring effective execution of the C.A.P.E Program and fostering conditions for replication. It will achieve this through two

sub-development objectives and implementing six Project components:

Sub-development Objective 1: Capable institutions cooperate to develop a foundation for mainstreaming biodiversity in the CFR into economic activities

Component 1: Institutional strengthening (UNDP) GEF alternative US\$5.8 [GEF funding US\$1.4]

The GEF will provide incremental funding to ensure better alignment between the operations of different institutions in advancing the C.A.P.E. Program. This includes the integration of biodiversity management objectives into strategies, business plans, and annual work plans, such as for the five new Catchment Management Agencies [GEF: US\$0.32m]. GEF funding is being requested to design and deliver a comprehensive training program for conservation skills upliftment; significant co-financing is being supplied by THETA [GEF: US\$0.55m; Co-fin: US\$3.5m]. A medium-term financial sustainability plan for biodiversity conservation operations in the CFR will be prepared [GEF: US\$0.13m; Co-fin: US\$0.82m]. Finally, information management activities will be consolidated and improved, to enhance the utility of data and diffusion of knowledge to end-users [GEF: US\$0.4m; Co-fin: US\$0.08m].

Component 2: Conservation education (UNDP) GEF alternative US\$1.11 [GEF funding US\$0.6]

The GEF will fund efforts to coordinate conservation specific education programs [GEF: US\$0.37m], and for the preparation of resource materials for schools and educational centers and associated teacher training [GEF: US\$0.23m; Co-fin: US\$0.17 m]. These activities are incremental to the baseline. Co-financing (US\$0.34) has been secured to impart conservation education to students at schools and educational centers.

Component 3: Program coordination, management, monitoring and replication (WB) GEF alternative US\$1.79 [GEF funding US\$1.11]

Activities are incremental to the baseline. The GEF will provide funding to staff and to the C.A.P.E. Coordination Unit, to coordinate interventions spearheaded under the Project and to ensure appropriate financial management [GEF: US\$0.85m; Co-fin: US\$0.49m]. A monitoring and evaluation system will be set up to undertake cost benefit analysis for advancing the Program as a basis for facilitating adaptive management. This activity will also be responsible for the design of the replication strategy at end of Phase 1 based on lessons learnt. This will be based on an independent assessment of the success of the Project and readiness to move to Phase 2. [GEF: US\$0.16m; Co-fin: US\$0.1m]. Finally, a communications system will be set up for the C.A.P.E. Coordination Unit [GEF: US\$0.10m; Co-fin: US\$0.08m]. These inputs are incremental. Discussions are underway to increase government contributions.

Sub-development Objective 2: Conservation of the CFR enhanced through piloting and adopting models for sustainable, effective management.

Component 4: Protected areas (WB) GEF alternative US\$27.72 [GEF funding US\$4.12]

Funding will be allocated to consolidate and strengthen management systems in three priority terrestrial PAs; namely the Baviaanskloof, Cederberg and Garden Route (meriting different management approaches), and establishing two priority freshwater, two estuarine, and two marine protected areas. The GEF will provide funding for management planning, the development of visitor management plans, and Strategic Performance Management Systems. Support will also be provided to secure private land under conservation management. Private and public land to the value of US\$5 million is conservatively expected

to be secured in this manner. Income earning private sector investment in tourism and environmental infrastructure in protected areas of approximately US\$10 million is anticipated.

Co-financing has been secured from the GoSA and NGO sector for protected area operations, including for staffing, equipment and operational costs for boundary demarcation, IAS and fire management, and key infrastructure (ranger posts, visitor facilities, interpretation). [GEF: US\$0.97m; Co-fin: US\$22.4m]. These activities will generate largely global benefits over the medium term. In the longer term, tourism development at the target sites is expected to generate domestic co-benefits, justifying the national funding contribution.

In marine protected areas, activities will include the design and piloting of pilot fishery set-asides co-management arrangements for sustainable utilization of living coastal resources and biodiversity conservation. The GoSA will finance the costs of capital acquisition and of enforcement services for the pilots. The GEF will fund the incremental costs of removing knowledge barriers to effecting sustainable utilization of inshore fisheries through spatial management means, and thus to mainstream biodiversity management in the artisanal fishery sector. In the long-term, these demonstrations are expected to increase fishery productivity through an increase in spawning biomass in refugia and spillover effects. The domestic co-benefits derived from the pilot will provide a vehicle for ensuring the financial sustainability of management. [GEF: US\$3.12m; Co-fin: US\$1.2m].

Component 5: Biodiversity economy and conservation stewardship (WB) GEF alternative US\$11.67 [GEF funding US\$2.45]

The GEF will allocate funds to undertake fine-scale planning, to map habitat patches and potential corridors in five to six priority areas, identified as Lowland conservation priorities in the CAPE 2000 Strategy [GEF: US\$0.62m]. The GoSA will fund the development of integrated conservation and development plans in these areas. The GEF will fund capacity building activities to enhance the ability of local area planners in municipalities at these sites to accommodate biodiversity conservation needs in local planning and decision-making, including for the execution of incentives measures (rates rebates). [GEF: US\$0.98m; Co-fin: US\$2.9m]. The GEF will finance efforts to build the capacity of extension officers in these areas to impart biodiversity management advice to land-holders with a view to facilitating formal conservation agreements. The GEF will allocate funds to enhance understanding of economic incentives to induce changes in land user behavior in favor of conservation stewardship. This will include: (i) mapping current land-use economics and associated hydrological services; (ii) identifying the extent and location of agricultural land with the potential to switch to ecotourism/sustainable use; (iii) identifying the economic and institutional conditions that could trigger a switch to sustainable land uses; (iv) determining the potential for payment for hydrological services including possible institutional arrangements; and testing and refining fiscal and non-fiscal incentives [GEF: US\$0.45m].

Component 6: Watershed management (WB) GEF alternative US\$7.04 [GEF funding US\$1.32]

The GEF will allocate funds to develop, test and adapt protocols and tools for incorporating biodiversity concerns into water catchment management. This includes establishing ecological reserve requirements for important wetlands, and strengthening fire management systems and protocols [GEF: US\$0.3m, Co-Fin US\$2.9m]. GEF and non-GEF funding (from the GoSA) will be appropriated towards the development of an overall strategic plan, across all taxonomic groups, for IAS control. The GEF will provide funding to test novel control technologies, and establish safeguards for species not currently subject to effective control. The GoSA will replicate successful approaches [GEF: US\$0.48m; Co-fin: US\$2m]. For estuarine management, the GEF will pilot novel approaches to cooperative governance (local communities

and multi-institutional) and integrated management [GEF: US\$0.54m] while the GoSA will handle the technical aspects underpinning the new management system [US\$0.82m].

Incremental Costs and Benefits:

The systems boundary is defined spatially by the CFR's geographic boundary, spanning an area of 90,000 km² within the Western Cape and Eastern Cape Provinces. The systems boundary is defined temporally by the life of the Project. The GEF will provide funding for activities that generate clear global benefits, and can not be justified solely on account of domestic benefits. These benefits are diffuse, and distributed over long time-horizons, and will not ordinarily be pursued solely in the national interest. Co-financing has been secured for activities producing substantial co-benefits (global + domestic benefits). The baseline, comprising activities that will be pursued irrespective of Project investment, has been estimated at US\$213.15 million. The baseline cost estimate omits baseline costs attached to complementary GEF interventions in the CFR, aimed at supporting the C.A.P.E. Program, including the C.A.P.E.: Agulhas Biodiversity Initiative (ABI) and the Critical Ecosystem Partnership Fund. The Alternative has been costed at US\$268.28 million. The GEF will fund incremental costs, amounting to US\$11 million, exclusive of preparatory assistance. Co-financing of US\$44.13 million has been leveraged for the Alternative (exclusive of preparatory assistance). Table 1 includes UNDP/GEF financing amounts.

Table 1: Cost summaries

All costs in million US\$	Baseline scenario	GEF Alternative	Increment	Increment	Increment
Component			GEF	Others	Total
Institutional strengthening	3.92	9.72	1.4	4.4	5.8
Conservation education	1.96	3.07	0.6	0.51	1.11
Program support	2.8	4.59	1.11	0.68	1.79
PA management	80.2	107.92	4.12	23.6	27.72
Identifying and securing biodiversity in priority areas	48.67	60.34	2.45	9.22	11.67
Integrating biodiversity into watershed management	75.6	82.64	1.32	5.72	7.04
Total	213.15	268.28	11	44.13	55.13

Incremental Cost Matrix

Component	Cost category	Cost (million US\$)	Domestic benefit	Global benefit
<u>Component 1:</u> Institutional strengthening	Baseline	Total = 3.92		
	GEF Alternative	Total = 9.72		
	Increment	GEF: 1.4 THETA: 3.5 SANParks: 0.82 Fynbos Forum: 0.08 Total: 5.8	Programmatic synergies assure cost-effective delivery of national BD conservation commitments through development programs	Improved capacity for long term sustainability of conservation interventions at the systemic level to manage global biodiversity
<u>Component 2:</u> Conservation education	Baseline	Total = 1.96		
	GEF Alternative	Total = 3.07		
	Increment	GEF: 0.6 DEAT: 0.51 Total: 1.11	Expanded access within rural/ disadvantaged communities to education on 'green' issues pertinent to their livelihoods	Enhanced awareness of conservation values amongst decision-makers and civil society; new collaborative management mechanisms enlist a new constituency for BD management
<u>Component 3:</u> Program coordination, management and monitoring	Baseline	Total = 2.8		
	GEF Alternative	Total = 4.59		
	Increment	GEF: 1.11 NBI/DEAT: 0.68 Total: 1.79	n/a	Monitoring Systems in place to measure pressure, state and response of global conservation investments. Replication strategy developed and implemented
<u>Component 4:</u> Protected areas	Baseline	Total = 80.2		
	GEF Alternative	Total = 107.92		
	Increment	GEF: 4.12	Improved cost recovery	System of PAs, including new

		SANParks: 2.2 WCNCB: 4.44 DEAT: 0.74 MCM: 1.2 Private: 15.02 Total: 27.72	mechanisms for PAs, and cost effectiveness in service delivery	models, established to conserve global biodiversity
Component 5: Biodiversity economy and conservation stewardship	Baseline	Total = 48.67		
	GEF Alternative	Total = 60.34		
	Increment	GEF: 2.45 Local Gov't: 6.1 Private: 2 Ford F: 0.12 Private: 1 Total: 11.67	The ecological sustainability of local area development is enhanced New management arrangements provide for better stewardship of natural capital stocks important to welfare	Integrated spatial plans provide a framework for mainstreaming global BD objectives into irreplaceable habitats. New incentive measures help mitigate threats to global ecosystems and uncover tangible new conservation incentives
Component 6: Watershed management	Baseline	Total = 75.6		
	GEF Alternative	Total = 82.64		
	Increment	GEF: 1.32 DWAF: 5.72 Total: 7.04	Efficiencies in IAS controls improves impacts per-unit-input	IAS management expanded to address species threatening native biota, and the minimum ecological reserves of threatened wetlands are maintained to secure global BD
Total	Baseline	US \$213.15		
	GEF Alternative	US \$268.28		
Incremental Cost	GEF	Non-GEF	Total	
Full Project	11	44.13	55.13	
Preparation	0.32	0.32	0.64	
Grand Total	11.32	44.45	55.77	

Annex 5: Financial Summary

SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project Years Ending

	IMPLEMENTATION PERIOD						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Total Financing Required							
Project Costs							
Investment Costs	7.0	11.0	12.0	15.0	14.0	0.0	0.0
Recurrent Costs	40.0	41.5	42.0	47.5	38.2	0.0	0.0
Total Project Costs	47.0	52.5	54.0	62.5	52.2	0.0	0.0
Interest during construction	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Financing	47.0	52.5	54.0	62.5	52.2	0.0	0.0
Financing							
IBRD/IDA	1.0	2.0	2.0	2.0	2.0		0.0
Government	43.3	47.0	48.0	56.5	46.3	0.0	0.0
Central	2.0	3.0	3.0	4.0	3.3	0.0	0.0
Provincial	1.0	2.0	3.0	3.0	1.5	0.0	0.0
Co-financiers	2.7	3.5	4.0	4.0	4.0	0.0	0.0
User Fees/Beneficiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Project Financing	47.0	52.5	54.0	62.5	52.3	0.0	0.0

Main assumptions:

Main assumptions: Services approx 60% (recurrent), works approx 10% (investment), goods approx.10% (investment), training approx 5% (recurrent), operational cost approx 15% (recurrent)

Annex 6(A): Procurement Arrangements

SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

Procurement

Procurement responsibilities

The National Botanical Institute (NBI) and the Sub-Executing Agencies (South African National Parks (SANParks), Western Cape Nature Conservation Board (WCNCB) and Wilderness Foundation (WF) will be responsible for carrying out the procurement of goods and services. The NBI will provide supervision of contracts under which the Sub-Executing Agencies perform their responsibilities. The NBI and Sub-Executing Agencies are expected to work with a variety of partners in the Project, including for-profit companies and non-profit organizations.

Procurement procedures

Procurement of goods, works, and services by the NBI and Sub-Executing Agencies will be carried out following Annual Procurement Plans agreed with the Bank as part of the Annual Work Plan. Procurement of goods and works will be in accordance with the Bank's "*Guidelines for Procurement under IBRD Loans and IDA Credits*" (January 1995, revised in January and August 1996, September 1997 and January 1999) (hereafter referred to as the "*Procurement Guidelines*") and procurement of Consulting Services will be in accordance with the Bank's "*Guidelines for Selection and Employment of Consultants by World Bank Borrowers*" (January 1997, revised September 1997, January 1999 and May 2002) (hereafter referred to as the "*Consultants guidelines*"). The Bank's Standard Request for Proposals (RFP) will be used for Consulting Services under QCBS and Selection by Consultants Qualifications. A draft Procurement Plan was finalized during the appraisal of this Project. As the Project contains no procurement where International Competitive Bidding (ICB) will be used and there are no major international consultancies foreseen, a General Procurement Notice (GPN) will not be required. The following summarizes the procurement methods to be used:

Goods

- Goods to the value of US\$0.25 million will be purchased by the Project. Contracts for goods, equipment and services estimated to cost US\$30,000 - US\$250,000 equivalent per contract will be procured using the National Competitive Procedures which are acceptable to the Bank and which are in accordance with paragraphs 3.3 and 3.4 of the *Procurement Guidelines*;
- Contracts for goods, equipment and services estimated to cost less than US\$30,000 equivalent per contract will be procured using the Shopping Procedures in accordance with paragraphs 3.5 and 3.6 of the *Procurement Guidelines*, and in accordance with the notes on *Guidance on Shopping* which was made available to the NBI Project team and all the Sub-Executing Agencies – the *Guidance Notes* are available in this address:
<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/PROCUREMENT/0,,contentMDK:20105663~menuPK:93977~pagePK:84269~piPK:60001558~theSitePK:84266,00.html>
- Contracts will not be deliberately split to avoid using a specific procurement method.

Consultant Services

The NBI and Sub-Executing Agencies will obtain consultant services in the form of technical assistance, facilitation, and planning advice through consultant contracts with firms, NGOs and/or universities, and individuals. These consultants will assist the NBI and Sub-Executing Agencies in a suite of activities such as: project management, formulating an IEMS, MIRS, fine-scale conservation planning, social, legal, economic information, training, conservation education, monitoring and evaluation and management associated with implementing the Project. According to the initial draft procurement plan which was finalized during the Appraisal, the majority (about 70%) of the funding under this Grant will go towards consultant contracts, and of which about 80-90% is expected to be contracted using the "Individual Consultant" selection method.

- For contracts estimated to cost less than US\$500,000 equivalent per contract, the shortlist may contain entirely national consultants;
- Quality-and-Cost-based Selection: All consulting service contracts valued at more than US\$200,000 equivalent will be awarded through the Quality and Cost Based Selection (QCBS) method in accordance with the provisions of Section II, paragraph 3 of Appendix 1 and Appendix 2 thereto, as per the Consultants' Guidelines;
- Selection Based on Consultants Qualifications (applicable to selection of Firms): This method may be used for assignments, valued at less than US\$200,000 equivalent per contract, for which the need for preparing and evaluating competitive proposals is not justified. In such cases, the NBI and Sub-Executing Agencies will follow the procedures as per paragraph 3.7 of the Consultants' Guidelines - "the Client will prepare the TORs, request expressions of interest and information on the consultants' experience and competence relevant to the assignment and establish a short list, and select the firm with the most appropriate qualifications and references. The selected firm shall then be asked to submit a combined technical and financial proposal for consideration and contract negotiation";
- Services of Individual Consultants meeting the requirements of Section V of the Consultant Guidelines will be selected under the provisions for the Selection of Individual Consultants method. Individual Consultants (IC) will be selected through comparison of curriculum vitae against job description requirements of those expressing interest in the assignment, or those having been identified directly by NBI and other Sub-Executing agencies. Civil servants cannot be hired as consultants under the project;
- Single Source Selection of consultants may be done on an exceptional basis, provided it meets the criteria as stated in paragraph 3.8 to 3.11 of the Consultants' Guidelines. The Bank's prior approval will be sought by NBI and Sub-Executing Agencies for all contracts under single source selection. The following major contracts under Single Source Selection method are envisaged under this Project. Detailed justification will be submitted to the Bank for review and "no objection" prior to awarding the contracts: (i) Coordinator-CAPE Coordination Unit; (ii) Eastern Cape Bioregional Program Coordinator; (iii) to strengthen two centers of excellence for the control of alien invasive species - there will be one based in Cape Town (the Institute for Plant Conservation at the University of Cape Town) and one based in Grahamstown (the South African Institute for Aquatic Biology together with the Plant Protection Research Institute); (iv) to enhance the ecological reserve measure in water management, the University of Cape Town's Freshwater Research Unit will pilot and develop the techniques; (v) to continue to provide continuity for the

Baviaanskloof Project Unit, the existing three staff contracts will be extended; and (vi) to ensure continuity of the Cederberg Biodiversity Corridor Initiative, the contract of the existing Coordinator will be extended;

- Terms of Reference: All TORs will be reviewed and approved by the NBI Project Coordinating Unit. The Bank will review for "no objection" only TORs where the estimated contract amount exceeds the prior review threshold (i.e. \$100,000 or above for firms and \$50,000 or above for individuals).

Works

The (South African) Preferential Procurement Policy Act of 2000 (PPPFA) mandates all the Organs of State to apply specific criteria in their procurement processes to allow for preferential treatment of historically disadvantaged enterprises/individuals. The Country Procurement Assessment Report (CPAR) conducted jointly by the Government and the Bank identified a number of issues in respect of the implementation of the PPPFA and its supporting Regulations. Arising from the CPAR recommendations, the Government, in its policy paper of July 2003 (now approved by the Cabinet), highlighted all the relevant issues in the application of the PPPFA and resolved to review the existing PPPFA and its associated Regulations as an integral part of the process to promulgate the broad based Black Economic Empowerment Bill of 2003. The PPPFA, however, continues to be in operation until the Act and its associated Regulations are formally amended. As NBI is mandated, by an Act of Law, to apply the preferential rules in their National procurement, the procurement of works, under this Project, which are going to follow the national competitive procurement procedures, may follow the PPPFA and its associated Regulations.

Works contracts will include development of supportive tourism infrastructure in selected few sites, fencing activities, path and road construction, alien vegetation control and construction of slipways. A large focus of the allocation of these activities will be towards previously disadvantaged groups. The following procurement methods will be used:

- Contracts for works estimated to cost US\$50,000 - US\$500,000 equivalent per contract will be procured using the National Competitive Procedures which are acceptable to the Bank and which are in accordance with paragraphs 3.3 and 3.4 of the Procurement Guidelines; and
- Minor Works, estimated to cost less than US\$50,000 equivalent per contract, up to an aggregate amount not to exceed US\$525,000 may be procured under; (i) lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation will include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award will be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully. All procurement documents relating to Small Works will be properly filed and retained by NBI and Sub-Executing Agencies, the main coordinating agencies for post review and audit by the Bank or (ii) through community contracting where a competitive market does not exist and on terms and conditions satisfactory to the Bank.

Training and Workshops

All training and workshops under the Project will be conducted on the basis of programs, which should be approved by the Bank on a quarterly basis, and which shall, inter alia, identify: (a) the training and workshops envisaged; (b) the personnel to be trained; (c) the institutions which will conduct the training; (d) the duration of the proposed training and (e) an estimate of the cost.

NBI's and Sub-Executing Agency's Selection Process of Consultants:

NBI: Procurement proposals for activities under the Project will be vetted by the C.A.P.E. Executive Committee (C.A.P.E. EXCO) that consists of the following NBI staff and C.A.P.E. office-bearers: Chief Executive Officer; Chief Finance Officer, Chair: C.A.P.E. Implementation Committee, Coordinator C.A.P.E., C.A.P.E. Finance Manager. The Steering Committee will meet on a quarterly basis and more frequently as the need requires during the early phase of the project. Prior to effectiveness, NBI Project team will prepare a short procedures manual briefly explaining their (i) internal procedures for various procurement activities (mainly for the process, approval, signing and monitoring of contracts) and (ii) working arrangements with the Sub-Executing Agencies for all procurement activities delegated to them.

Procurement Capacity Assessment:

Findings: Although the current procurement function at the NBI is essentially part of the Finance Department, it functions well in its current arrangement. However, it ideally needs to gain greater independence especially in light of the World Bank Project and the anticipated procurement to be spent on goods, works and consultant services. The existing controls for the financial aspect of the procurement function are well managed with a high level of discipline evident, with no noticeable deviation from the Public Finance Management Act. The NBI has considerable experience and capacity in general handling of the procurement cycle but currently does not have any specialist procurement staff. The NBI has some knowledge of the Bank's procurement procedures and guidelines. The overall supervision of procurement under this project will be undertaken by the Procurement/Financial Management Specialist for the C.A.P.E. Coordination Unit. The overall procurement risk under this project is rated as 'Average'.

Recommendations: Given the less complex nature of procurements under this Project, overall monitoring and coordination by NBI's Central Coordination Unit and the acceptable procurement capabilities of all the three Sub-Executing Agencies, the Sub-Executing Agencies will be able to undertake procurement for the activities delegated to them. It is however envisaged that a procurement workshop for a maximum of two days will take place during the first three months of Project implementation. A full-time Financial/Procurement Specialist will be appointed to the C.A.P.E. Coordination Unit, with all other management accounting and auditing functions carried out under the responsibility of the NBI's Chief Financial Officer. Independent procurement reviews and evaluations on performance should be conducted by the Project once every six months for the first year, and thereafter once every twelve months. The procurement reviews/audits should be done as part of the financial audits conducted by the Auditor General's office or by the Auditor General's appointed auditors. The Bank may conduct periodic reviews, if required, to ensure progress in building capacity and satisfactory performance.

Action to be completed by NBI prior to Grant Effectiveness:

- Appointment of a full time Finance/Procurement Specialist. (done April 1, 2004)

Procurement methods (Table A)

Table A: Project Costs by Procurement Arrangements
(US\$ million equivalent)

Expenditure Category	Procurement Method ¹				Total Cost
	ICB	NCB	Other ²	N.B.F.	
1. Works	0.00 (0.00)	0.06 (0.06)	0.83 (0.83)	12.05 (0.00)	12.94 (0.89)
2. Goods	0.00 (0.00)	5.04 (0.04)	0.21 (0.21)	0.00 (0.00)	5.25 (0.25)
3. Services	0.00 (0.00)	0.00 (0.00)	5.98 (5.98)	1.12 (0.00)	7.10 (5.98)
4. Operating costs	0.00 (0.00)	18.00 (0.00)	1.36 (1.36)	19.35 (0.00)	38.71 (1.36)
5. Interest during construction	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
6. Workshops	0.00 (0.00)	0.00 (0.00)	0.52 (0.52)	1.48 (0.00)	2.00 (0.52)
Total	0.00 (0.00)	23.10 (0.10)	8.90 (8.90)	34.00 (0.00)	66.00 (9.00)

^{1/} Figures in parentheses are the amounts to be financed by the Bank Grant. All costs include contingencies.

^{2/} Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Table A1: Consultant Selection Arrangements (optional)
(US\$ million equivalent)

Consultant Services Expenditure Category	Selection Method							Total Cost ¹
	QCBS	QBS	SFB	LCS	CQ	Other	N.B.F.	
A. Firms	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.52 (0.52)	1.05 (1.05)	0.52 (0.00)	2.09 (1.57)
B. Individuals	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	4.41 (4.41)	0.60 (0.00)	5.01 (4.41)
Total	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.52 (0.52)	5.46 (5.46)	1.12 (0.00)	7.10 (5.98)

¹⁾ Including contingencies

Note: QCBS = Quality- and Cost-Based Selection
 QBS = Quality-based Selection
 SFB = Selection under a Fixed Budget
 LCS = Least-Cost Selection
 CQ = Selection Based on Consultants' Qualifications
 Other = Selection of individual consultants (per Section V of Consultants Guidelines), Commercial Practices, etc.
 N.B.F. = Not Bank-financed
 Figures in parentheses are the amounts to be financed by the Bank Grant.

Prior review thresholds (Table B)

Table B: Thresholds for Procurement Methods and Prior Review¹

Expenditure Category	Contract Value Threshold (US\$ thousands)	Procurement Method	Contracts Subject to Prior Review (US\$ millions)
1. Works	50-500	NCB	All Prior Review
	<50	Small Works	All Post Review
2. Goods	>250	ICB	All Prior Review
	30-250	NCB	All Post Review
	<30	Shopping	All Post Review
3. Services	>100	QCBS	All contracts >\$50,000 for individual consultants and >\$100,00 for firms Prior Review
	50-100	QCBS/CQ/Other	
	<50	QCBS/CQ/Other	Post review
4. Training and Workshops			All training and workshops under the Project will be conducted on the basis of programs, which should be approved by the Bank on a quarterly basis, and which shall, inter alia, identify: (a) the training and workshops envisaged; (b) the personnel to be trained; (c) the institutions which will conduct the training; (d) the duration of the proposed training; and (e) an estimate of the cost.
5. Miscellaneous			
6. Miscellaneous			

Total value of contracts subject to prior review: \$5.65 million in 5 years

Overall Procurement Risk Assessment: Average

Frequency of procurement supervision missions proposed: One every 6 months (includes special procurement supervision for post-review/audits)

¹ Thresholds generally differ by country and project. Consult "Assessment of Agency's Capacity to Implement Procurement" and contact the Regional Procurement Adviser for guidance.

Annex 6(B): Financial Management and Disbursement Arrangements
SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development
Project

Financial Management

1. Summary of the Financial Management Assessment

Country Risk

No Country Financial Accountability Assessment (CFAA) has been carried out on South Africa to date. However, it is generally accepted that the country has one of the more developed accounting professions in the world, and certainly amongst the more technically capable in the region. Experience of Bank financed projects is however not that widely available, although to the Project's advantage, SANParks and NBI are both implementing Bank supported GEF Projects.

The country has a good reservoir of qualified accounting professionals and as a middle income country has an adequately staffed Audit Office. In addition, where time is of the essence, the Auditor General is allowed, by legislation, to out-source some of the work. The Auditor General's Office has already produced several annual audit reports, satisfactory to the Bank.

Project Risks

The NBI is currently managing over a hundred different projects. This is an advantage in that the Project is joining the stable of a very experienced project management organization. The potential disadvantage of competing projects has been mitigated by the establishment of the CCU, which is dedicated within NBI, to the management of the Project.

As per the various Financial Management Questionnaires compiled by and with each of the executing/Sub-Executing Agencies, there are no significant risks associated with the Project.

Financial Management strengths and weaknesses

Strengths

Project financial management will be overseen by the existing NBI Finance Department. The CCU will be responsible for receiving and reviewing the completeness and appropriateness of invoices and other requests for payment. The actual capturing of those invoices and their actual settlement will be made by and through the existing NBI payments system. The NBI Finance Department is staffed by seasoned, qualified and experienced professionals who will not only buttress the CCU finance section, but enhance the segregation of duties and hence internal control. In addition, the CCU does not have to find and test a new accounting system. They will simply log into existing, tried, and tested financial software. The proposed incoming Project Finance/procurement Officer will only need training in its proper use.

While the NBI has its own existing Administrative and Accounting Procedures Manual a small update has to be made to this to incorporate the new positions at the CCU, and how they relate to existing NBI structures, and the Sub-Executing Agencies that they will be working with. The production of this enhanced Administrative and Accounting Procedures Manual will be circulated to the Bank for comment.

The Project Financial/Procurement Specialist will be recruited in accordance with Terms of Reference (TORs) acceptable to the Bank.

Finally, project components implemented outside of the NBI/CCU will be implemented by well established organizations already carrying out activities in the same geographical and technical areas. The Sub-Executing Agencies possess significant competencies in both technical execution and financial management.

Weaknesses

A suitably qualified Project Finance/Procurement Specialist will be employed prior to Effectiveness (done April 1, 2004). The incumbent may require some familiarization with Bank requirements as people with experience in running Bank financed projects are not in abundance in South Africa.

The use of Sub-Executing Agencies could also be a weakness, as it means that the NBI is not totally in control of the spending and reporting patterns for all funds. It has to rely on the quality of output of the Sub-Executing Agencies for those activities carried out by them.

These issues have been overcome by the appointment of a Procurement/Financial Management Specialist.

Financial Management System and Reporting

Organizational Structure

A CCU has been established specifically for the management of the Project, and will be in day to day management of the Project's operations. In addition to a Coordinator, the CCU will be supported by the Finance/Procurement Specialist.

The Project's Finance/Procurement Specialist will be responsible for keeping copies of all accounting records (originals filed with the payment documentation at the NBI Finance Department), justification of claims from the Sub-Executing Agencies, disbursements and replenishment of the Special Account, financial reporting on CCU activities as well as consolidating the activities of the Sub-Executing Agencies into FMR's reports, and general administration of the unit. The Project Finance/Procurement Specialist is responsible to both the C.A.P.E Coordinator and the Director of Finance of NBI who remains the "Accounting Officer" for the Project.

Admin and Accounting Procedures Manual

Project financial management will be based on the existing NBI financial management system. The NBI already has a comprehensive Admin and Accounting Procedures Manual which gives guidance on:

- The financial policies and procedures to be applied;
- The chart of accounts;
- The accounting and internal control system to be followed;
- The nature and timing of financial reporting; and
- Auditing arrangements.

The manual will need to be revised to incorporate the new CCU's activities, elaborate on the flow of funds channeled for the IBRD/GEF funding, and give details of :

- Additional account codes for use by the Project – the coding system must give sufficient flexibility to provide financial information by project activity;
- Project component ;
- Disbursement/expenditure category;
- Fixed Assets-creation of a register specifically for project assets if any, and the nature of the details therein; and
- Budgeting-salient features of the Project's budget preparation process, as well as the monitoring of actual performance against budget.

Accounting System

The accounting system for the proposed Project will be based on the existing computerized, double entry systems currently in use at the NBI, SANParks, WCNCB, and WF. The objectives of the systems include the achievement of :

- Proper recording of assets, liabilities, revenues (where applicable) and expenditures of the Project;
- Providing accurate and timely management information;
- Providing timely and accurate information for use by other stakeholders in the formats that they require; and
- Supporting the preparation of statutory and other audits.

The accounting systems must support the general principles of equity, economy, efficiency, and effectiveness. With regards to the Bank's requirements, it is the NBI that will coordinate and collate the quarterly progress reports produced by each of the Sub-Executing Agencies. The reports must be able to support the production of quarterly NBI FMRs which integrate Project accounting, procurement, contract management, disbursement and physical progress of activities on the ground.

Reporting (Financial Monitoring Reports)

Formats of the various periodic financial monitoring reports, to be generated from the financial management system, have been developed. There are clear linkages between the information in these reports and the Chart of Accounts. The financial reports have been designed to provide quality and timely information to project management and various stakeholders on project performance.

The following minimum *quarterly* FMRs will be produced :

- Financial Reports;
- Sources and Uses of Funds by Activity and Component;
- Special Account Reconciliation;
- Physical Progress Report; and
- Procurement Monitoring Report

Retroactive financing of up to US\$150,000 from September 30, 2003, will be reimbursed based on the submission of SOEs.

Project Financial Statements

CCU

The Grant Agreement will require the submission of audited financial statements to the Bank within six months after the financial year-end. The Financial Statements will consist of:

- *A Statement of Sources and Uses of Funds* which recognizes all cash receipts, cash payments and cash balances controlled by the Project;
- *The Special Account Reconciliation; and*
- *The Accounting Policies Adopted and Explanatory Notes.* The explanatory notes should be presented in a systematic manner with items on the *Statement of Sources and Uses* being cross referenced to any related information in the notes. Examples of this information include:
 - a summary of fixed assets by category of assets;
 - copy of FMRs; and
 - a *Management Assertion* that Bank funds have been expended in accordance with the intended purposes as specified in the relevant World Bank legal agreement.

Sub-Executing Agencies

The Subsidiary Agreements with the Sub-Executing Agencies will require audited accounts to be submitted to the NBI and the Bank.

Staffing and Training

Staff Qualifications & Skills

The CCU's Finance/Procurement Specialist has been hired on TORs agreed with the Bank. The NBI already has a professionally qualified Director of Finance with additional qualified accountants in support. Likewise, the "heads" of finance at each of SANParks, WCNCB and Wilderness Foundation are professional accountants who will however each require some guidance on accounting for Bank financed projects.

Training Plan

A training plan for all staff will be prepared based on their various backgrounds. The training will include exposure to Bank procedures.

2. Audit Arrangements

Internal Audit

Internal Audit is outsourced to Pricewaterhouse Coopers at NBI and WCNCB. SANParks has an in-house internal audit department supported by external consultants. The Wilderness Foundation's operations have been fairly small to date and they have not felt the need for an Internal Auditor. This position will however be reviewed during the life of the Project, and should the need arise, the function can also be outsourced.

External Audit

For the NBI, WCNCB and SANParks, the external audit will be carried out annually by the Controller and

Auditor General (CAG) or such other person as may be approved by the CAG. The external audit will cover all World Bank funds and counterpart funds at all levels of Project execution. The auditor will be required to express an opinion on the audited project financial statements only, in compliance with International Standards on Auditing (IFAC/INTOSAI pronouncements) and submit the audit report within six months of the end of the financial year. In addition, detailed management letters containing the auditor's assessment of the internal controls, accounting system and compliance with financial covenants in the Grant Agreement, and suggestions for improvement will be prepared and submitted to management for follow-up.

The Wilderness Foundation's audit is currently carried is by Ernst and Young. This is a reputable international firm of chartered accountants and presumed to have the necessary qualifications. The audit terms of reference will however need to be reviewed by the Bank to ensure compliance with its requirements.

It is recommended that formal arrangements for the external audit of the financial statements covering all Project activities should be communicated to the Bank through the agreed terms of reference. These TORs must be agreed by Effectiveness.

Supervision

Financial management supervision will be carried out regularly by the Financial Management Specialist (FMS) at least once a year. The initial supervision will be on implementation progress of agreed actions as per paragraph 5.1 below.

The FMS will:

- Conduct a financial management supervision shortly post effectiveness; and
- Review the annual Audit Reports and Management Letters from the external auditors and follow-up on material accountability issues by engaging with the Task Team Leader, Client, and/or Auditors.

3. Disbursement Arrangements

The flow of funds arrangements for the Project will entail the operation of the following bank accounts:

Bank/GEF funds: A Rand denominated Special Account will be operated by the counterpart and held at a local commercial bank acceptable to the Bank. The Bank will disburse an initial advance from the proceeds of the Grant into the NBI Special Account. Replenishment will be through submission of FMRs.

Counterpart funds will be allocated through the entities' normal budget processes. The Special Account should be in place by the time of Effectiveness. Details of the necessary authorizations and the bank account signatories should be documented as part of an Administrative and Accounting Procedures Manual to be prepared by the CCU.

Disbursements from the Grant will be made on the basis of FMRs. The Bank will advance an initial amount equivalent to three months worth of average Project expenditures from the proceeds of the Grant into the Special Account. The advance to the Special Account will be used by the recipient to finance the Bank's share of Project expenditures under the Grant.

Where necessary, the direct payment method, involving direct payments from the Grant Account to third parties for works, goods and services, may be utilized upon the recipient's request. Payments may also be made to a commercial bank for expenditures against IBRD special commitments covering a commercial

bank's Letter of Credit. The Bank's Disbursement Letter will stipulate the minimum application value for direct payment and special commitment procedures.

A retroactive financing clause will be provided to support the CCU to continue to operate until such time as the proceeds of the grant becomes available. This will be limited to approximately \$150,000 expenditure and will cover the following expenses: salaries of the Project-Coordinator, Finance/Procurement Specialist, Monitoring and Evaluation Specialist, general PCU office costs, advertising costs for posts and any other reasonable PCU costs approved in writing by the TTL.

Sub-Executing Agencies

The Sub-Executing Agencies will receive an advances of approximately 90 days of estimated Project expenditures attributable to them to facilitate Project execution. The advances will be on the basis of a quarterly execution plans, acceptable to the NBI. They will provide documentation and accountability on the funds received on a monthly basis. NBI representatives and Bank staff will be allowed to review the documentation and books of accounts of the Sub-Executing Agencies. The Project auditors will be given full access and assistance to audit the Project accounts and assets in all agencies concerned with the Project. Alternatively, since the Sub-Executing Agencies have acceptable external auditors, they will audit the Project accounts of the relevant agency and the Project auditors will in turn use the audit reports of the said auditors to complete the Project audit.

Allocation of grant proceeds (Table C)

Table C: Allocation of Grant Proceeds

Expenditure Category	Amount in US\$million	Financing Percentage
Works	0.89	100% of foreign expenditures and 80% of local expenditures
Goods	0.25	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 80% of local expenditures
Consultant services	5.98	100% of foreign expenditures 83% of local expenditures: (Wilderness Foundation: 100% for Baviaanskloof)
Operating Cost	1.36	83%
Workshops	0.52	100%
Total Project Costs with Bank Financing	9.00	
Interest during construction	0.00	
Total	9.00	

Operating costs is defined to include telephone, fax, photo-copying, stationery, fuel, office equipment, rentals etc. 100% disbursement will apply to the WF as a not for profit entity.

Use of statements of expenditures (SOEs):

Conclusion

The overall conclusions of the current financial management assessment are that:

- The proposed financial management arrangements satisfy the Bank's minimum requirements for financial management at the Project; and
- Overall Project financial management risk is assessed as low.

Annex 7: Project Processing Schedule

SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

Project Schedule	Planned	Actual
Time taken to prepare the project (months)	28	
First Bank mission (identification)	01/15/2002	05/28/2002
Appraisal mission departure	11/03/2003	12/07/2003
Negotiations	02/15/2004	02/19/2004
Planned Date of Effectiveness	05/30/2004	

Prepared by:

Christopher Warner, Task Team Leader, World Bank

Trevor Sandwith, C.A.P.E. Coordination Unit

Preparation assistance:

Amanda Younge: Design issues

Merle Sewman: Environmental Assessment

Lala Steyn: Resettlement

Bank staff who worked on the project included:

Name	Speciality
Christopher Warner	Task Team Leader, overall design and social components
Christophe Crépin	Overall support to Project design and GEF policy
Agi Kiss	Biodiversity and Project design quality
Jonathan Nyamakupa	Financial management
Aberra Zerabruk	Legal
Iraj Talai	Finance
Dan Aronson	Safeguards
Vs Krishnakumar	Procurement
John Boyle	Safeguards
Kristine Ivarsdotter	Safeguards
Suzanne Morris	Disbursement
Jean-Christophe Carret	Market based approaches
Matthew Stern	Economic linkages
Caroline Guazzo	Editing
Erika Odendaal	Editing
Hisham Abdu Kahin	Legal
Claudia Sobrevilla	Review

Annex 8: Documents in the Project File*

SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

A. Project Implementation Plan

B. Bank Staff Assessments

Financial management, disbursement, PAD review, December 14, 2003 (Nyamukapa)
Procurement, PAD review, November 1, 2003 (Nyamukapa)
Safeguards, draft ESDS and RPF review , November 20, 2003 (Walton)
PAD review, November 18, 2003 (Crépin)
PAD review, November 5 and 7, 2003 (Kiss)
PAD comments, November 20, 2003 (Scobey)
PAD comments, November 19, 2003 (Van den Brink)
PCD review, February, 2003 (Pagiola),
PCD review, February, 2003 (Sobrevilla)
ISDS review, August 2, 2003 (Boyle)
ISDS review, August 2, 2003 (Ivarsdotter)

C. Other

Spatial component report: Protected areas, January 17, 2003
Spatial component report: Freshwater and watersheds, March 28, 2003
Spatial component: Marine and coastal, March 17, 2003
Spatial component: Lowlands, April, 2003
Cross cutting component: Information management, August, 29 2003
Spatial component: Land use decision making, February 10, 2003
Crosscutting component: Monitoring and evaluation, January 17, 2003
Cross cutting component: Program management, January 17, 2003
Cross cutting component: Conservation livelihoods, August 29, 2003
Cross cutting component: Institutional strengthening, May 30, 2003
Cross cutting component: Participatory approach, April, 2003
Cross cutting component: Environmental education, March, 2003
Draft RPF, October 29, 2003
Draft ESMF, October 29, 2003
Procurement self assessment reviews, September 2, 2003
FMR Format
Draft Procurement Plan
Draft M&E format
PCD review, STAP, February, 16, 2003 (Miller)
PCD review, UNDP, February 2003 (Alers)
PCD review, May 2003, Swiss Council comments
PCD review, May 30, 2003, German Council comments
GEF Focal Point endorsement letter, September 9, 2003
Project Brief, May 16, 2003
PDF B Application
Minutes of PCD review meeting, March 6, 2003

Inaugural CIC meeting, November 30, 2001

GEFSEC Concept Review, March 26, 2003

PDF B submission, March 28, 2003

Aide memoires, October 2-5, 2002; November 6, 2002; December 9, 2002; May 28-31, 2003; June, 22-24, 2003; August 13, 2003; Minutes of Negotiations February 19, 2004

*Including electronic files

Annex 9: Statement of Loans and Credits

SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

30-Mar-2004

Project ID	FY	Purpose	Original Amount in US\$ Millions			Cancel.	Undisb.	Difference between expected and actual disbursements ^a	
			IBRD	IDA	GEF			Orig	Frm Rev'd
P076901	2003	Municipal Financial Management TA	15.00	0.00	0.00	0.00	14.85	5.92	0.00
P052368	2002	ZA - MALOTI-DRAKENSBERG CONSERV. & DE	0.00	0.00	7.93	0.00	7.99	2.55	0.00
P035923	1998	CAPE PENINSULA	0.00	0.00	12.30	0.00	0.57	12.28	0.00
P048606	1997	IND.COMPET&JOB CREAT	46.00	0.00	0.00	21.53	8.36	29.89	0.05
Total:			61.00	0.00	20.23	21.53	31.77	50.64	0.05

SOUTH AFRICA
STATEMENT OF IFC's
Held and Disbursed Portfolio
Feb 29 - 2004
In Millions US Dollars

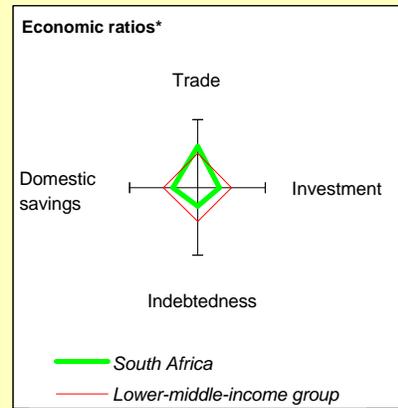
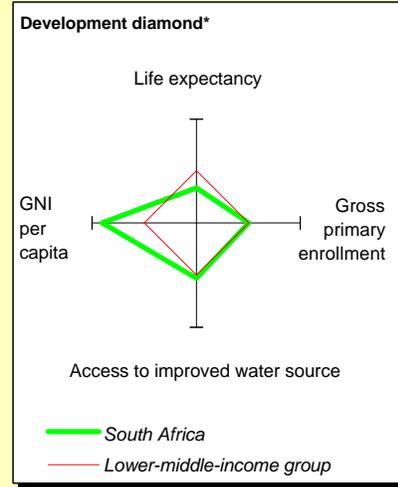
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1999	AEF Bulwer	0.00	0.00	0.19	0.00	0.00	0.00	0.19	0.00
1996	AEF Carosa Farm	0.00	0.09	0.13	0.00	0.00	0.09	0.13	0.00
2000	AEF DBS	0.00	0.00	0.75	0.00	0.00	0.00	0.75	0.00
1999	AEF Dargle Timbr	0.39	0.00	0.00	0.00	0.39	0.00	0.00	0.00
1997/98	AEF E.R. Medical	0.00	0.18	0.00	0.00	0.00	0.18	0.00	0.00
1999	AEF Foxtrot Meat	0.38	0.00	0.00	0.00	0.38	0.00	0.00	0.00
1999	AEF IHS Techno	0.18	0.00	0.65	0.00	0.18	0.00	0.65	0.00
2000	AEF Tusk	1.68	0.10	0.00	0.00	1.68	0.10	0.00	0.00
1995/96/99	AFLIFE	0.00	5.94	0.00	0.00	0.00	5.94	0.00	0.00
2002/04	African Bank	5.20	0.00	0.00	0.00	4.32	0.00	0.00	0.00
2002	Bioventures	0.00	2.53	0.00	0.00	0.00	1.37	0.00	0.00
2000	EDU LOAN	2.72	0.00	0.00	0.00	2.72	0.00	0.00	0.00
2004	Mvela Gold	0.00	0.00	30.27	0.00	0.00	0.00	0.00	0.00
2002	NAMF	0.00	5.00	0.00	0.00	0.00	0.40	0.00	0.00
2001	Printability	5.88	1.50	2.36	0.00	5.88	1.50	2.36	0.00
1995	SAFCF	0.00	1.18	0.00	0.00	0.00	1.18	0.00	0.00
2000/02/03/04	SAHL	0.00	0.66	0.00	0.00	0.00	0.66	0.00	0.00
1999	SAPEF	0.00	27.22	0.00	0.00	0.00	22.42	0.00	0.00
2001	Spier	16.22	1.87	0.00	0.00	16.22	1.87	0.00	0.00
Total Portfolio:		32.65	46.27	34.35	0.00	31.77	35.71	4.08	0.00

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
2000	EDU LOAN	0.00	0.00	0.00	0.00
2004	Hernic	0.02	0.00	0.01	0.00
2001	Spier Estate	0.00	0.01	0.00	0.00
Total Pending Commitment:		0.02	0.01	0.01	0.00

Annex 10: Country at a Glance

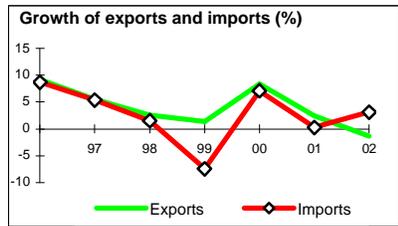
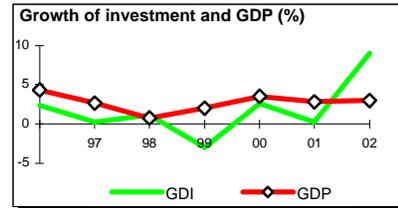
SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

POVERTY and SOCIAL	South Africa	Sub-Saharan Africa	Lower-middle-income	
2002				
Population, mid-year (millions)	43.6	688	2,411	
GNI per capita (Atlas method, US\$)	2,520	450	1,390	
GNI (Atlas method, US\$ billions)	113.5	306	3,352	
Average annual growth, 1996-02				
Population (%)	1.5	2.4	1.0	
Labor force (%)	1.8	2.5	1.2	
Most recent estimate (latest year available, 1996-02)				
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	58	33	49	
Life expectancy at birth (years)	46	46	69	
Infant mortality (per 1,000 live births)	65	105	30	
Child malnutrition (% of children under 5)	..	..	11
Access to an improved water source (% of population)	86	58	81	
Illiteracy (% of population age 15+)	14	37	13	
Gross primary enrollment (% of school-age population)	111	86	111	
Male	115	92	111	
Female	108	80	110	
KEY ECONOMIC RATIOS and LONG-TERM TRENDS				
	1982	1992	2001	2002
GDP (US\$ billions)	80.1	130.5	114.2	104.2
Gross domestic investment/GDP	24.9	14.8	15.1	15.8
Exports of goods and services/GDP	26.6	21.3	30.6	34.0
Gross domestic savings/GDP	24.6	18.8	18.7	19.2
Gross national savings/GDP	20.9	16.2	14.8	16.1
Current account balance/GDP	-4.0	1.5	-0.3	0.3
Interest payments/GDP	0.0	0.0	0.3	0.3
Total debt/GDP	1.1	0.5	21.1	24.0
Total debt service/exports	0.2	0.2	11.6	12.2
Present value of debt/GDP	20.5	..
Present value of debt/exports	62.3	..
	1982-92	1992-02	2001	2002
<i>(average annual growth)</i>				
GDP	1.1	2.7	2.8	3.0
GDP per capita	-1.1	1.2	1.3	1.5



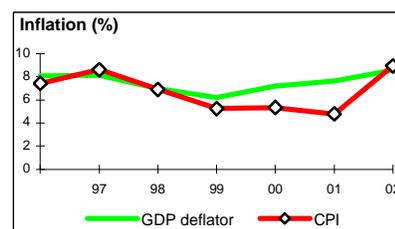
STRUCTURE of the ECONOMY

	1982	1992	2001	2002
<i>(% of GDP)</i>				
Agriculture	5.7	3.8	3.5	3.8
Industry	44.2	36.4	31.5	32.1
Manufacturing	23.7	21.9	18.6	18.8
Services	50.1	59.8	65.0	64.2
Private consumption	58.9	61.0	62.5	61.5
General government consumption	16.4	20.2	18.9	19.2
Imports of goods and services	26.9	17.3	27.1	30.5
	1982-92	1992-02	2001	2002
<i>(average annual growth)</i>				
Agriculture	3.2	2.6	-1.7	4.0
Industry	0.3	1.7	2.6	2.7
Manufacturing	0.7	2.2	3.6	4.0
Services	1.9	3.2	3.4	3.1
Private consumption	1.4	2.9	2.6	3.1
General government consumption	3.1	0.7	3.3	3.7
Gross domestic investment	-3.0	3.8	0.2	9.0
Imports of goods and services	1.7	5.3	0.3	3.1

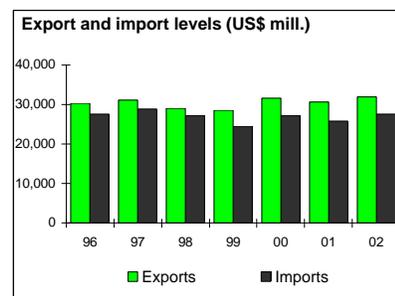


PRICES and GOVERNMENT FINANCE

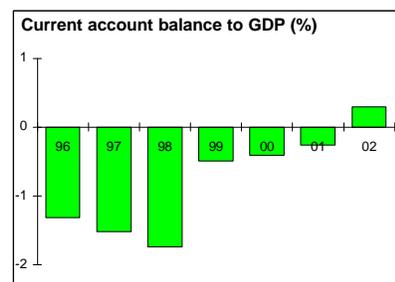
	1982	1992	2001	2002
Domestic prices				
<i>(% change)</i>				
Consumer prices	14.7	13.9	4.8	8.9
Implicit GDP deflator	13.9	14.6	7.6	8.5
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	22.3	23.7	24.4	24.6
Current budget balance	1.3	-4.5	0.4	1.0
Overall surplus/deficit	-3.7	-7.4	-1.5	-1.2


TRADE

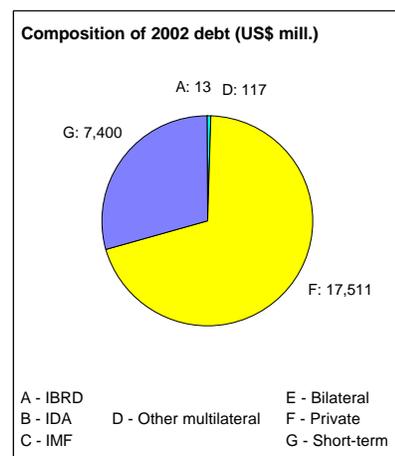
	1982	1992	2001	2002
<i>(US\$ millions)</i>				
Total exports (fob)	20,135	24,487	30,731	32,042
Gold	7,945	7,871	3,415	4,165
Food, beverages, and tobacco	1,879	1,582	2,629	2,741
Manufactures	3,048	5,653	4,556	4,750
Total imports (cif)	20,218	188,224	25,869	27,556
Food	1,059	948	1,893	2,017
Fuel and energy	7,035	6,390	3,436	3,661
Capital goods	..	..	14,130	15,052
Export price index (1995=100)	..	75	16	15
Import price index (1995=100)	..	75	31	32
Terms of trade (1995=100)	..	100	52	47


BALANCE of PAYMENTS

	1982	1992	2001	2002
<i>(US\$ millions)</i>				
Exports of goods and services	20,118	27,839	35,254	36,670
Imports of goods and services	20,372	22,581	31,061	33,039
Resource balance	-254	5,258	4,193	3,631
Net income	-3,181	-2,945	-3,749	-2,748
Net current transfers	257	-366	-739	-572
Current account balance	-3,178	1,947	-295	310
Financing items (net)	2,931	-2,146	-668	-3,715
Changes in net reserves	247	199	963	3,404
Memo:				
Reserves including gold (US\$ millions)	3,981	4,069	7,494	7,620
Conversion rate (DEC, local/US\$)	1.0	2.9	8.6	10.5


EXTERNAL DEBT and RESOURCE FLOWS

	1982	1992	2001	2002
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	857	612	24,050	25,041
IBRD	73	129	0	13
IDA	177	13	0	0
Total debt service	44	62	4,355	4,692
IBRD	4	32	0	1
IDA	2	0	0	0
Composition of net resource flows				
Official grants	0	0	0	0
Official creditors	59	26	0	4
Private creditors	-16	-3	-1,634	432
Foreign direct investment	..	..	..	..
Portfolio equity	..	..	..	..
World Bank program				
Commitments	..	..	0	15
Disbursements	48	5	0	5
Principal repayments	2	21	0	0
Net flows	46	-16	0	5
Interest payments	4	11	0	1
Net transfers	42	-27	0	4



Additional GEF Annex 11: Background to the Project Area

SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

Biodiversity: The conservation of the CFR is a global biodiversity priority. South Africa is a megadiversity country, mainly due to its floristic diversity and high level of endemism. South Africa's plant diversity is estimated at 23,420 species, representing 9% of the world total. The Cape Floristic Region (CFR) in South Africa is the smallest and richest of the world's six floral kingdoms, and is uniquely located entirely within the geographical confines of a single country. It is also one of the world's 25 most threatened biodiversity hotspots (Myers et al., 2000). The CFR is exceptionally rich in species diversity, with some 9,600 species of vascular plants on record. The flora is characterized by high endemism and highly localized distributions, with similar levels of diversity in other taxonomic groups. Many invertebrate species, for example, are highly specialized, having developed highly mutualistic relationships with plants, and like the flora, they tend to have very narrow range distributions.

Underlying this exceptional species diversity is high terrestrial, freshwater and marine habitat diversity. The natural environment includes semi-arid ecosystems, remnant temperate moist forests along the eastern coast, and extensive mountain ecosystems. The habitat diversity is a product of the topographical variation, and substrate and climatic variation, and this in turn influences alpha diversity. Importantly, these landscapes are characterized by high biogeographical turnover, manifest in exceptional gamma diversity. The coastal area is influenced by two oceanic currents: the warm Agulhas Current on the East Coast and the cold Benguela Current on the West Coast. 11,000 species of marine animals have been recorded in South African waters, of which 3,500 are endemic to the CFR occurring only between Cape Point and Port Elizabeth. The marine fish fauna is very rich with some 400 species recorded (including several notable endemics). The nutrient-rich Benguela Current, in particular, is noted for its productive fisheries, although the Agulhas has greater absolute diversity.

Threats: The rich biodiversity of the CFR is under serious threat, as a result of the conversion of natural habitat to permanent agriculture and to rangelands for cattle, sheep and ostriches, inappropriate fire management, rapid and insensitive urban infrastructural development, over-exploitation of marine resources and wild flowers, and infestation by alien species. Some important habitats have been reduced by over 90% and less than 5% of land in the lowlands enjoys any conservation status. The region has therefore been identified as one of the world's "hottest" biodiversity hotspots.

There is an urgent need to arrest these pressures, through the creation of an enabling institutional coordination framework at the regional and local levels, the creation of a biogeographically representative system of protected areas, with different objectives and operated under appropriate management arrangements, and through mainstreaming conservation into the productive sectors, particularly agriculture, forestry and fisheries. This will in turn require the creation of durable multi-stakeholder public-private partnerships.

Protected areas: The CFR is characterized by a relatively large number of protected areas, managed by SANParks, the WCNCB, Eastern Cape Government, local Government and private sector. See figure 1 below. The conservation estate is characterized by at least three key issues: (i) it has not been designed to specifically buffer key threats and to conserve a representative portion of the biodiversity of the CFR. This leaves large portions of habitat extremely vulnerable, especially in Lowland areas and the marine environment. However, the current protected area system serves other useful purposes and is relatively effective in conserving water storage areas and mountain ecosystems; (ii) an increasing number of private

land-owners are forming conservancies, private nature reserves and supporting biosphere reserves, and natural heritage sites. An issue is that these activities are still not taking place in the most vulnerable areas or rapidly enough to conserve threatened habitats and species; and (iii) future models for expanding the conservation estate will need to be based on combining the strengths of both the public and private sector through partnerships.

Table 1. Extent of protected areas in the CFR

Statutory Conservation Area	Management Authority	Number of conservation areas	Total Area (km²)
Wilderness Area	Western Cape Nature Conservation Board, Department of Economic Affairs, Environment and Tourism: Eastern Cape	4	1,169.24
National Park	South African National Parks	7	902.83
Provincial Nature Reserve	Western Cape Nature Conservation Board Department of Economic Affairs, Environment and Tourism: Eastern Cape	79	5,776.88
Marine Protected Area	Western Cape Nature Conservation Board/South African National Parks	7	419.29
Island Reserves	Western Cape Nature Conservation Board	12	2.95
Local Authority Nature Reserve	Various District Councils and Municipalities	38	255.82
Mountain Catchment Area	Western Cape Nature Conservation Board and private land-owners	15	6,190.37
Private Conservation Area			
Private Nature Reserve	Private land-owners	148	1,223.98
Conservancies	Private land-owners	43	5,631.20
Natural Heritage Sites	Private land-owners	36	331.98
Biosphere Reserves	Private land-owners and Western Cape Nature Conservation Board	2	4,608.18

Social and economic context: An assessment of the socio-economic context of the CFR needs to be considered in terms of two key issues: (i) the extent and value to which the CFR contributes to economic growth and development; and (ii) reliance of marginalised/poorer communities on use of these resources.

The financial contribution of ecological services of the CFR to the economy is considerable and in excess of at least US\$1 billion per annum. Sectors which benefit, include the water services sector, fishing, agriculture, flower-harvesting and tourism. Therefore, the conservation of the CFR is not only critical to the economy of the region but also has potential to further economic growth and development and to alleviate poverty.

Poorer communities currently practice limited access to natural resources, including marine resources and medicinal plants when compared to many other parts of Africa. This is due to the historical alienation of

poorer communities from access, the lack of communal land ownership and the lack of indigenous communities in the area. However, the changing demographics in the region, as well as increased poverty and crime/poaching syndicates, have increased pressure on natural resources.

The CFR spans the provinces of the Western Cape and Eastern Cape and has an estimated population of approximately 5,2 million. Some 20-30% of the population resides in rural areas, which harbor the greatest biodiversity, although many urban communities also reside on or adjacent to biologically significant areas. The population is dispersed across a wide area and is characterized by diversity in terms of ethnicity, language and culture. Socio-economic disparities are marked, as are disparities in skills and access to resources. There are sizable pockets of poverty existing throughout, in both rural and urban areas. On the whole, the population of the Western Cape enjoys a greater degree of human, economic and social development than their Eastern Cape counterparts, where unemployment is estimated at 49%.

A range of land tenure arrangements is in evidence, including large, medium and small free-holdings, state-owned land under different management arrangements, and a small proportion of communal land.

Additional GEF Annex 12: Environmental Threats Analysis
SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

Major environmental threats	Root causes	Solutions including GEF intervention (numbers = LFA subcomponent addressing the issue)	Risks
I. Habitat transformation due to land conversion (urban development and agriculture)			
<p>(i) High priority conservation areas in CFR encompassing transition zones between montane and lowlands are severely transformed and fragmented, resulting in loss of connectivity and gradients between large habitat blocks.</p>	<p>1. The total economic value of vulnerable ecological systems (underpinning livelihoods) is not accommodated in the cost/benefit calculus of land-use.</p> <p>2. Biodiversity conservation experiencing decline in support to operating budgets.</p> <p>3. There is generally poor public awareness of the importance of the CFR, its critically threatened status and the opportunities that will be lost should biodiversity losses continue unabated. One of the reasons is that, despite a high level of understanding of conservation education processes, there is poor coordination of effort.</p> <p>4. Inadequate resolution of institutional mandates and poor inter-agency coordination in</p>	<p>1. This is a complex problem for which there is no short-term solution. The Project will lay the foundations for addressing this problem by undertaking investigations regarding economic incentives to facilitate stewardship of key lowland biodiversity.</p> <p>2. Feasibility studies will be undertaken in a representative sample of priority protected areas to develop PA business plans and mechanisms for financial sustainability to support ongoing protected development and management (1.3, 4.2); Economic evaluation of ecological services will provide a sound rationale for further investment in biodiversity conservation (6).</p> <p>3. The Project will raise awareness and understanding of biodiversity issues and benefits in the CFR. It will establish a conservation education focal point to serve the C.A.P.E. Program and provide technical resources to support site-based conservation education processes across the entire Project. It will also build on the favorable national education policy environment to ensure that CFR biodiversity features in school curricula throughout the CFR (2.1).</p> <p>4. The Project will support enhancing inter-agency cooperation and strategic planning for conservation management in the CFR (1.1.) by facilitating the</p>	<p>Studies are inconclusive or unconvincing to key stakeholders.</p> <p>Biodiversity conservation becomes a “cash cow” to cross-subsidise other socio-economic priorities without maintaining the investment in the source of income.</p> <p>Executing Agencies loose their financial autonomy.</p> <p>Unwillingness on the part of the large number of conservation education service providers to coordinate activities.</p> <p>Political conflicts between different levels of government – national, provincial and</p>

	<p>biodiversity conservation in CFR.</p>	<p>resolution of legal mandates, assessing the role of the NBI; and developing a generic performance management system to ensure alignment with C.A.P.E. It will also address the alignment of the Catchment Management Agencies with biodiversity conservation objectives.</p>	<p>local – may compromise inter-agency cooperation and coordination.</p>
<p>5. Skills development programs are ad-hoc and not part of a comprehensive institutional capacity building strategy.</p>	<p>5. Skills development programs are ad-hoc and not part of a comprehensive institutional capacity building strategy.</p>	<p>5. The Project will support a coordinated approach across institutions for training, skills development and cross-institutional skill sharing (1.2).</p>	<p>Skills developed in agency staff are not retained within the institutions as staff losses occur with the consequent skills drain.</p>
<p>6. Information on biodiversity is scattered across various agencies and is of inappropriate quality and resolution.</p>	<p>6. Information on biodiversity is scattered across various agencies and is of inappropriate quality and resolution.</p>	<p>6. The Project will address the lack of a coherent information management system by establishing a C.A.P.E. Information Management Unit, which will provide reliable information to land-use planners, conservation agencies and municipalities and will assist in the development of skills and knowledge transfer. (1.4). It will also ensure that information management for protected areas management is appropriately implemented across the protected area system (4.2).</p>	<p>Agencies do not perceive value of a coherent cross-institutional information management system and resort to legacy information systems.</p>
<p>7. The current protected area system is inadequate to achieve global conservation targets for biodiversity in the CFR; existing large protected areas include land under a variety of protection designations and managed by several authorities. Critically threatened lowland habitats are poorly represented.</p>	<p>7. The current protected area system is inadequate to achieve global conservation targets for biodiversity in the CFR; existing large protected areas include land under a variety of protection designations and managed by several authorities. Critically threatened lowland habitats are poorly represented.</p>	<p>7. The Project will consolidate three priority protected areas, to ensure that the broad-scale planning is operationalized to meet regional pattern and process targets, and particularly in developing the linkages through critical lowland habitats (4.1). In addition it will pilot the enhancement of formal protected area status for the top two priority freshwater and estuarine systems in the CFR, reflecting a wide range of environmental, socio-economic and management conditions (4.1). The Project will also implement management planning for priority marine protected areas in the CFR reflecting a variety of conditions in both the Indian and Atlantic Ocean contexts (4.1).</p>	<p>Political, public and financial support cannot be gained to establish, consolidate and manage large and complex protected areas.</p>
<p>8. Adequate</p>	<p>8. Adequate</p>	<p>8. The Project will support the</p>	<p>Executing Agencies do</p>

	mechanisms and indicators to assess the effectiveness of protected area management are lacking.	development of a Performance Management System in the context of the four major management agencies responsible for protected areas in the CFR (5.2); In addition, the overall Monitoring and Evaluation System will ensure that key outcomes and impacts are assessed and evaluated across the Project (4.1).	not support and maintain the Performance Management Systems.
(ii) Threatened lowland fynbos and renosterveld highly fragmented.	<p>1. There are no effective incentives for land-owners to conserve priority areas – including inadequate policy and legal environment for such incentives.</p> <p>2. Local rates provide a disincentive to land-owners to retain land as private conservation areas.</p> <p>3. High priority conservation areas in lowlands are not incorporated into the current land-use planning system and therefore legal constraints are not available.</p> <p>4. Inadequate information on status and distribution of biodiversity in lowlands (including lack of relevant expertise to collect these data and of standardized system for information gathering, management and communication).</p> <p>5. Landowners unaware of alternative conservation land-use options.</p>	<p>1, 2 and 3. The Project will investigate the application of specific tax incentive measures to support land-owners to conserve irreplaceable biodiversity in threatened lowland areas (5.4). It will also ensure that municipal Integrated Development Plans reflect biodiversity priorities, thereby constraining inappropriate uses (5.2), and it will build coordinated extension services to support land-owners directly (5.3).</p> <p>4. The Project will support fine-scale conservation planning (5.1), integrating the outputs into government spatial planning and building capacity at the municipality level (5.2); it will also support the establishment of C.A.P.E. Information Management Unit (1.4) which will provide reliable, quality information in user-friendly formats to decision-makers and support staff involved in land-use planning and the conservation of biodiversity in the currently unprotected matrix.</p> <p>5. Conservation education processes are aimed at enabling a broad awareness and action competence among stakeholders at all levels regarding</p>	<p>Tax incentives measures are not acceptable to policy-makers.</p> <p>The fine-scale information is not effected and becomes quickly outdated.</p>

		biodiversity values and opportunities (2.1); and the identification of entrepreneurial opportunities increase the options available to land-owners (5.4).	
II. Habitat degradation inside and outside protected areas			
(i) Spread of invasive alien plant species results in altered hydrology, altered soil properties, accelerated soil erosion and increased fire frequency and intensity.	<ol style="list-style-type: none"> 1. Alien clearing priorities are not linked to biodiversity conservation priorities. 2. Long-term bioregional strategic and business planning for invasive alien clearing is lacking. 3. Biocontrol agents still have limited impacts. 	1,2,3. Effective control strategies and measures developed by the Centers of Excellence in IAS management (6.2) will be implemented as part of the overall CFR IAS strategy (6.2); improved efficiency of control techniques for established alien programs brought about by the IPM and Biocontrol activities of the Centers of Excellence (6.2); alien clearing activities will also be conducted as integral part of high impact management programs (6.2).	Political and hence government support for Working for Water program declines (possibly mitigated by having a major Education, Awareness and Training program aimed at building popular support for this Project (2.1).
(ii) Inappropriate fire regimes result in alteration of soil properties and erosion effects.	<ol style="list-style-type: none"> 1. Overlapping responsibilities for fire management. 2. Fire management strategies focus on prevention and do not integrate biodiversity management issues. 3. Lack of resources to manage fires. 	1,2. The Project will support the incorporation of biodiversity concerns into the new fire management system (6.1).	New FPAs do not receive adequate financing to enable them to control fire regime effectively; Fire legislation not amended so as to reduce liability of authorities attempting to carry out planned fires which then escape and do damage to adjacent landowners' property.
(iii) Physical development: urban development in highly vulnerable habitats/4x4 tracks/mining activity in the coastal zone/bridges in estuarine areas impair water flows and natural sediment movement patterns; increased disturbance in biologically sensitive areas (sound and air pollution).	<ol style="list-style-type: none"> 1. Biodiversity aspects not integrated into the coastal zone development plans. 2. Recreational activities in the estuarine ecosystems exceed the carrying capacity. 	<ol style="list-style-type: none"> 1. The Project supports improved land-use planning approaches (5.1 & 5.2) which will contribute to mainstreaming biodiversity in land-use decision-making aided by fine scale biodiversity information being made available for priority areas (5.1 & 5.2). 2. Carrying capacities properly quantified, accepted, and enforced by relevant authorities in accordance with the CFR Estuarine Management Program (6.3). 	<p>Political support for ecologically sound land-use planning decision-making and for the researching, management and monitoring of estuaries in the CFR, is not forthcoming.</p> <p>Monitoring and enforcement of development planning is not adequate to prevent illegal inappropriate developments.</p>

			Local special interest groups are allowed to have their views prevail on this issue of estuary mouth breaching, and carrying capacity and remain unconvinced of the benefits of ecologically sound breaching regimes and of enforcing ecologically sound limits to recreational use of the estuaries.
(iv) Over-abstraction of water from the CFR's surface and ground water resources leads to irreversible pollution of freshwater aquifers by salt water intrusion in coastal areas. Habitat loss results from improvements.	1. Water management programs do not integrate biodiversity aspects.	1. Water supply increased to meet demand through effective alien woody plant removal programs in catchment areas (see II (i)). 2. The Project will support the incorporation of biodiversity concerns into water conservation/water demand management program; (6.1). 3. Over-abstraction prevented by the rigorous implementation by well capacitated Catchment Management Authorities (6.1) of the "Ecological Reserve" measure to all aquatic ecosystems in the CFR (6.1).	Political and hence government support for Working for Water Program declines. Political support for water conservation/water demand management programs is not forthcoming. Enforcement of the "Ecological Reserve" measure is ineffective. Global climate change leads to such significant declines in water supply or increases in water demand in the CFR, that human management of the system becomes impossible.
III. Loss of biodiversity			
(i) Alien species (plants and fish) displace the native species, most of them threatened: <ul style="list-style-type: none"> ● Marine organisms ● Aquatic plants 	1. Introduction of ballast water. 2. Currently, there is no coordinated approach for controlling invasive species in priority areas for conservation.	1. Effective prevention (e.g. ballast water introductions prevented through the GEF supported GloBallast southern African program). 2. Control strategies and measures developed for the marine and freshwater alien species, in cooperation with the Centers of Excellence in IAS management (6.2) and implemented as part of the overall CFR IAS strategy.	The alien fish angling fraternity continue to promote their hobby, even once they have been informed as to the unsustainable nature of this activity. In the worse case scenario they could actively oppose the control of alien fish in priority freshwater ecosystems and even sabotage these pilot

			<p>schemes by re-introducing alien fish into cleared sections of rivers.</p> <p>Control of aquatic invasive alien plants does not continue receiving governmental support (possibly mitigated by 2.1).</p>
<p>(ii) Over-exploitation of natural resources:</p> <p>Estuarine fish and bait organisms are declining.</p>	<p>1. Understanding of ecosystem fundamentals dictating sustainable off-takes remains inadequate at all levels.</p>	<p>1. Scientifically sound maximal sustainable use levels for major exploited living resources are set and implemented as part of the CFR Estuarine Management Program (6.3).</p>	<p>User groups remain unconvinced as to the desirability of controlling their off-take of exploited species in the short-term in the interests of heightened harvestable levels in the medium and long-term.</p>
<p>Marine resources - linefish, abalone and West Coast rock lobster are in serious decline, due to poaching.</p>	<p>1. The regulatory enforcement regime is imperfectly developed.</p> <p>2. Awareness of viable alternative sustainable land-uses (tourism/ sustainable flower harvesting) limited amongst land-holders and capital markets.</p>	<p>1. The Project will support piloting innovative management arrangements for sustainable use of living coastal and marine resources (4.2) – testing new co-management arrangements with the fishing communities; strengthening policing capacities of conservation agencies; designing of set asides as fishery management tool.</p> <p>2. The Project will support a series of strategic interventions which will lead to establishing the foundations for a “biodiversity economy” (5.4).</p>	<p>Elements in these user groups defy use regulations and enforcement capacity or social pressures are inadequate to regulate this illegal off-take (as is currently being experienced with abalone in the marine environment of the CFR).</p>
<p>Over-harvesting of wild fynbos for the flower trade, herbal medicines or herbal teas may contribute to extirpation of rare species, including endemics.</p>	<p>1. The regulatory enforcement regime is imperfectly developed.</p> <p>2. The marginal costs of ecosystem management to facilitate sustainable use are not recovered; Profits accrue elsewhere in the value chain (high mark ups at retail end relative to farm gate).</p>	<p>This work is being piloted through the C.A.P.E.: Agulhas Biodiversity Initiative and will not be duplicated in Phase 1 as the results of ABI will be rolled out in the CFR during Phase 2.</p>	<p>Enforcement capacity of the relevant authorities remains inadequate to regulate illegal off-take of these plant products.</p>

	<p>3. Market opportunities are presently focused on few selected flowers; Indiscriminate market and product focused value chain. Niche market not developed because of supply driven market.</p>		
<p>(iv) Pollution of freshwater ecosystems from agricultural, industrial and urban effluents.</p>		<p>Fully capacitated CMAs (1.1) hold pollution at acceptable levels, aided in this by well defined water quality criteria in the “Ecological Reserve” measure developed for CFR systems (6.1) and by good guidelines as to how this can be achieved, derived from the three water conservation/water demand management pilot programs (6.1).</p>	<p>Regulation and enforcement of water quality management for CFR aquatic systems does not receive adequate political support, and hence funding, so as to be effective.</p>

Additional GEF Annex 13: Socio-Economic Assessment
SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

Context

During the process of formulating the CAPE 2000 Strategy, an extensive process of stakeholder consultation and participation was undertaken, involving a systematic identification of all stakeholders in the CFR who could influence biodiversity conservation or be affected by it. Stakeholders were involved in developing the analysis, strategy and action plan. Participation in the CAPE 2000 Strategy process was structured to allow different degrees and levels of involvement by different groups, depending on their preference and on the roles that they would play in implementation. Executing Agencies that would be responsible for the implementation of C.A.P.E. were involved closely in project governance throughout the process in order to develop a sense of ownership and to guarantee long-term sustainability of the initiative. A media campaign was undertaken to inform the broader public of the CAPE 2000 Strategy process and outputs. Information was made available through a website, brochures and public presentations.

In the period since September 2000, the commitment and involvement of government agencies and other key stakeholders has been sustained and enhanced. Key stakeholder partnerships, supported by two Memoranda of Understanding between government agencies and other stakeholders, have guided preparation activities.

During the project preparation phase, a rapid assessment of stakeholder and social issues was undertaken as part of project preparation in an effort to:

- Identify key stakeholders with biodiversity conservation interests in the CFR;
- Review stakeholder interests and associated impacts on resource use and the Project;
- Identify and mitigate against possible negative socio-economic impacts on local stakeholders resulting from the Project; and
- Develop a mitigation strategy.

Project preparation was undertaken in a participatory manner, involving a broad range of stakeholder groups using a number of different information gathering methods, including formal and semi-formal interviews, group discussions and workshops, and literature review. In addition, local consultants participating in project preparation provided information and contributed to the identification of risks, impacts and mitigation strategies.

Key social issues: The key social issues relevant to the CFR, as identified in the project preparation stage were analyzed according to the following categories: (i) population; (ii) economy; (iii) cultural history; (iv) governance and development; (v) perceptions of conservation; and (vi) capacity.

Population: The CFR covers two provinces, the Western and Eastern Cape, with a very small portion falling into the Northern Cape. The region contains an estimated 5.2 million people, most of whom inhabit the Western Cape province (est. 4.5 million). The population in the region is highly urbanized, with over 70% of the Western Cape population living in the Cape Metropolitan Area, and similar patterns pertaining in the portion of the CFR that falls into the Eastern Cape province. The population of the Western Cape enjoys a greater degree of human, economic and social development than their Eastern Cape counterparts. The Eastern Cape has the second lowest score on the Human Development Index of South Africa's nine provinces. It also has the highest unemployment rate in the country and the second lowest per capita

income. This gives rise to relatively high levels of urbanization from rural areas in the Eastern Cape to the Western Cape and Cape Town in particular. Urbanization rates have been particularly high since the abolition of influx control policies in the late 1980's, leading to a marked increase in urban informal settlements. Human and environmental health issues, fire and flooding impose a distinct burden on resources, services and infrastructure of authorities. The effect of this has been a reduced focus on rural development issues in this region in favor of an increasing concern with urban development priorities. Urban environmental concerns tend to focus on pollution and waste management with limited concern for biodiversity, despite the impact of the urban system on ecosystems and habitat. This indicates a need for increased awareness-raising and education activities amongst the urban communities of the CFR.

The population of the region is characterized by diversity and disparities, in terms of ethnicity, language, skills, income and resources. Between ethnic groups there are significant disparities of skills, educational levels, incomes/wealth, living conditions and access to opportunities, the result of a history of inequality and racially skewed allocation of resources. Inequalities contribute to a range of social problems, including homelessness, poverty, unemployment, degraded human environments and crime.

Economy: South Africa's Gross Domestic Product (ZAR R800 billion/US\$130 billion) has been increasing at about 2-3% per annum over the past four years, with manufacturing contributing 20%, mining a declining share of 7% and the tertiary sector in excess of 60%. Exports have increased from R100 billion in 1995 to R175 billion in 1999 notwithstanding a significant decline in gold output. Per capita GDP (measured at PPP adjusted exchange rates) exceeds US\$7,600, which equals that of Malaysia and Brazil. South Africa has an adult literacy rate of 85%, an average unemployment level of above 30%, a housing shortage of about 2,3 million units and an infant mortality rate of 65 per 1,000.

In the 2000/1 Africa Competitiveness Report of the World Economic Forum, South Africa ranked 7th out of the 51 countries on the continent. Internationally South Africa can be ranked amongst "upper middle income countries" like Chile, Portugal, Korea, Malaysia, Turkey, Brazil and Poland.

Since the political change of 1994, South Africa has made great strides towards a democratic, socially more equitable and economically more globally competitive country. Recent growth in the South African economy has largely been based on the tourism sector, a gradually diversifying and increasingly competitive manufacturing sector, value-adding beneficiation of mineral and agricultural raw materials and a sophisticated trading, financial and professional services sector. Currently, the country is lifting the level of education, training and entrepreneurial development of its labor force, a critical factor in the creation of more employment opportunities and greater international competitiveness.

The Western Cape produces 14% of the annual GDP of South Africa and is the second most productive province. It generates nearly a quarter of the South African agricultural sector's GDP (23%) and accounts for more than half of its agricultural exports. 85% of the arable land in the Western Cape is under agriculture. The climatic and topographic diversity of the province lends itself to the production of various agricultural products, which can be produced for specific domestic and overseas niche markets. The sector is able to generate on average 5.9% of the Western Cape's Gross Regional Product per annum and employs 9% of the province's labor force.

Travel and tourism contribute 9.1% to the Western Cape Gross Regional Product, and 9.3% to Western Cape employment. In order of preference, international visitors to South Africa visited the following destinations: V&A Waterfront, Cape Point, Table Mountain, the Winelands, the Garden Route, Kirstenbosch. Nature-based tourism offers significant opportunities for economic growth and employment in both urban and rural areas.

In contrast to the Western Cape, the Eastern Cape produced only 8% of the National GDP in 1999. It is South Africa's second most populous province, with an unemployment figure of 49%. The metropolitan economy of Port Elizabeth, within the CFR, is based primarily on manufacturing. Other major industries in the province include agriculture, textiles and clothing, tourism, wool, timber and transport. With a significant shift in the agricultural sector from stock to game farming, tourism is becoming a major growth industry. Nevertheless, rural districts within the CFR such as the Baviaanskloof region face general economic decline and growing socio-economic problems. Unless new initiatives such as nature-based tourism come to the fore, this decline is unlikely to be arrested.

Cultural history: The CFR is a rich repository of cultural history. A wide diversity of historical artifacts, built environments and cultural traditions exist as reminders of the region's Palaeolithic, pre-colonial and colonial history, as well as the Apartheid period. C.A.P.E. presents distinct opportunities to both retain the character of the cultural history of the region and build on it as an attraction.

Governance and development: Recent political and institutional changes, including the democratization of local government, have created wide opportunities for participatory development. Integrated Development Plans prepared recently by all local authorities in the region indicate a wide array of interventions required for local development, including provision of basic services and the promotion of economic and social development. C.A.P.E. will align closely with the integrated development planning objectives of local government in the CFR by ensuring that biodiversity concerns are incorporated into municipal land-use planning in priority areas.

Perceptions of conservation: Throughout South Africa and the CFR, perceptions of disadvantaged groups towards conservation are influenced by a history of colonial conquest and land dispossession. Therefore, the C.A.P.E. will take these factors into account in its design of the conservation education component.

Capacity: There is a marked disparity in capacity levels between different social groups in the CFR, particularly with regard to participating in Project activities. This factor has been closely addressed and incorporated into the design and implementation of C.A.P.E. Three areas of consideration are important in this respect:

- Disparities in knowledge levels between stakeholder groups with respect to a basic understanding of conservation and biodiversity in general and specifically in the CFR;
- Disparities in participation skills, as well as applied skills related to the implementation of key aspects of the C.A.P.E.; and
- Disparities in material resources at the disposal of stakeholder groups.

Participation plan

The challenge of participation at bioregional scale: A conservation program at bioregional scale is faced with significant challenges regarding participation. The stakeholder group is vast, dispersed across a wide area and characterized by diversity in terms of language, culture, history, and relationship to the land and sea. The population displays significant socio-economic and educational disparities, as well as disparities in skills and access to resources. Most of the population is concentrated in two major metropolitan areas (Cape Town and Port Elizabeth), but there is a significant rural population often characterized by dire poverty. Many well-organized groups exist, including strong NGO, private sector and trade union organizations, but community-based organizations have withered significantly in the last decade. While government agencies and large organizations with a broad base in the bioregion can participate in conservation programs taking place at bioregional scale, it is difficult for local stakeholder groups to do so,

being more suited to participating in local projects. To prevent local groups being marginalized from the broad-scale policy and strategy aspects of the Project, the Project will undertake a suite of overall and local awareness-raising, communication and participation activities and will monitor impacts.

A new democratic dispensation: The Bill of Rights in the South African Constitution (1996) provides all citizens with the right to an environment that is not harmful to their health or well-being, and to have the environment protected for the benefit of present and future generations, through reasonable legislative and other measures. New constitutional and legislative provisions require public consultation and transparency in government decision-making, and present new opportunities for participation in environmental decision-making. The democratic culture engendered in political struggle and the democratization process has created an expectation and a desire on the part of citizens to be involved meaningfully in decision-making on all issues including the environment. There is nevertheless a need to prevent marginalization of disadvantaged groups such as the poor, rural communities and women and ensure equity of access and benefit sharing at Project level. This can be achieved through well-designed participation plans and targeted environmental education at Project level, to enhance the ability of such groups to participate effectively, and to encourage ownership of and commitment to implementation.

Increased awareness and enthusiasm: In spite of limited awareness, knowledge and understanding of biodiversity in the CFR, communities display increasing levels of interest in environmental issues, demonstrate enthusiastic responses to awareness-raising activities in local conservation projects, and display significant levels of indigenous knowledge. A recent participation exercise undertaken in the neighboring Succulent Karoo Biome with similar socio-economic conditions revealed enormous potential for local leadership and action partnerships in conservation projects. However, there is a need to develop stakeholder understanding of how to engage effectively with such projects.

Participatory mechanisms

Each of the Project components has associated participation mechanisms which are to be adopted in the implementation of the Project. These mechanisms are set out in the following table.

Component	Participation activities
1. Institutional strengthening	<p>Partnerships/Negotiated agreements Participation activities under this heading include the facilitation of a consensus building process for the resolution of legal mandates and lead institutional roles in the conservation management of the CFR.</p>
	<p>Institution development Participation activities under this heading include reviewing the composition and function of the C.A.P.E. Coordination and C.A.P.E. Implementing Committees.</p>
	<p>Consultative processes Participation activities under this heading include supporting participation in Project activities.</p>
2. Conservation education	<p>Partnerships/Negotiated agreements Participation activities under this heading include the building of partnerships between education service providers.</p>
	<p>Institution development Participation activities under this heading include the establishment of a formal network of biodiversity education service providers; creating the capacity to provide stakeholder participation and conflict management support.</p>
	<p>Capacity building Participation activities under this heading includes targeting the skills of biodiversity education service providers; developing the skills of all stakeholders in stakeholder participation and conflict management.</p>
3. Program coordination, management and monitoring	<p>Partnerships/Negotiated agreements Participation activities under this heading include processes associated with negotiating agreements with various agencies on participation in and alignment with the Project, on the collection and reporting of monitoring and evaluation data, and on implementing the outcomes of review processes.</p>
	<p>Capacity building Participation activities under this heading includes the provision of training to the C.A.P.E. project managers.</p>
	<p>Consultative processes Participation activities under this heading include the participatory undertaking of monitoring and evaluation exercises, as well as strategic review processes.</p>
4. Protected areas	<p>Policy, strategy, regulation and plan formulation Participatory activities under this heading include: Overarching plans for the CFR, including the process to formulate policy and a strategic management framework for the Protected Area network as a whole; the formulation and development of tools and mechanisms for securing financial support; the development of an overarching financial sustainability plan for the protected areas network; local area plans, including the development of systematic and strategic conservation plans with conservation targets; and the development of individual Marine</p>

	Protected Area management plans.
	<p>Consultative processes Participation activities under this heading include processes of consultation and dialogue with stakeholders at the local and CFR levels and includes the following: expanding protected areas through using agency staff in outreach activities with stakeholders; stakeholder involvement in processes to secure the priority status of three river systems and three estuaries; and the process for monitoring and evaluating the implementation of Marine Protected Areas.</p>
	<p>Partnerships/Negotiated agreements Participation activities under this heading include processes to expand protected areas through the use of fiscal and non-fiscal incentive programs; and activities to coordinate the work of various agencies with respect to biodiversity and resource use.</p>
	<p>Institution development Participation activities under this heading relate to processes associated with the establishment of a range of structures, including: the establishment of appropriate CFR-wide institutional arrangements; establishing a conservation training network; and a range of working groups related to managing the expansion of the protected area network, as well as the consolidation of the protected status of three estuaries and three river systems.</p>
	<p>Capacity building Participation activities under this heading relate to the content to be incorporated into a range of capacity building activities, which include building focused project management teams for the development of the protected area network; providing short-term start up support to assist the initiation of new protected areas; strengthening conservation management in the Eastern Cape, building the capacity of law enforcement personnel, and the rolling out of an education and awareness program for Marine Protected Areas.</p>
5. Biodiversity economy and conservation stewardship	<p>Policy, strategy, regulation and plan formulation Participation activities under this heading include policy and planning processes which will call on the participation of stakeholders at the CFR-wide and local levels. The CFR-wide activities include processes to lobby for legislative change, and to develop socio-economic instruments for application in localized planning and development processes. Local level planning activities in priority areas will include stakeholder participation in developing conservation plans for priority municipal districts; the development of action plans and guidelines; and, the roll out of a pilot planning project to test land management tools and protocols. Further activities under this heading include those associated with designing and testing market based mechanisms including tax breaks and payment for ecological services, and encouraging community eco-enterprise development around conservation objectives.</p>
	<p>Consultative processes Participation activities under this heading include activities that will require</p>

	the facilitation and mediation of stakeholder participation in: processes of lobbying for, and negotiating, supportive policy and legislation, participation in municipal development forums and the mediation of land-use conflicts.
	Partnerships/Negotiated agreements Participation activities under this heading includes the forging of partnerships with the Working for Water program regarding the application of incentives and cooperative management arrangements; and negotiated and sustained relationships with farmers.
	Institution development Participation activities under this heading include the formulation and implementation of a range of working groups and forums. They include institutional coordination mechanisms in the form of a provincial incentives working group; liaison structures with the agricultural sector in the form of forums involving farmers; and, research coordination in the form of the Fynbos Forum and other ad hoc forums.
	Capacity building Participation activities under this heading include training in participation and conflict management skills for decision-makers and officials involved in land-use decision-making and building skills in partnership creation.
6. Watershed management	Policy, strategy, regulation and plan formulation Participation activities under this heading include participatory processes associated with the development of an overarching plan for 2 estuaries.
	Consultative processes Participation activities under this heading include overarching consultative processes for the development of an invasive alien species strategy; and, processes for the formulation of national policy, legislation and guidelines.
	Institution development Participation activities under this heading include the establishment and management of a set of working groups to: guide the estuary planning process at the provincial level; to bring institutions together to align the C.A.P.E. objectives with the five CFR catchment management agencies; and, a multi-institutional reference group on invasive alien species.
	Capacity building Participation activities under this heading are aimed at incorporating content on stakeholder management in the capacity building activities associated with the implementation of estuary plans.

Additional GEF Annex 14: Description of the C.A.P.E. Program and the Project SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

1. Purpose of the Note

The purpose of this note is to explain the rationale behind GEF investment in the CFR including the linkages and complementarity between the various GEF supported interventions.

2. C.A.P.E. Program

The CFR harbors exceptional biodiversity, exemplified by high species richness, habitat diversity and gamma diversity, or turnover across the ecological landscape. This vital heritage faces accelerating anthropogenic pressures, spurring leading scientists to list the region as one of the world's "hottest" biodiversity hotspots. Given the great ecological heterogeneity, social differences, economic stratification, and variation in institutional and individual capacities across the CFR's landscape, it is evident that a number of different conservation approaches are needed to satisfy conservation objectives. The challenge is multifold: (i) conservation objectives need to be aligned with those of the production sectors and mainstreamed into the economic and social sectors; and (ii) the conservation estate needs to be expanded through public-private sector collaboration. Over its 20 year time-scale, the C.A.P.E. Program aims at expanding the area under effective protected area management from 10,800 km² (12% of the CFR) to 30,800 km² (34.2% of the CFR), assuming that a further 13,000 km² (14.44% of CFR) will persist because of its inaccessibility for any development.

Conservation activities will be backstopped by a strong policy framework, capacitated institutions, new financial mechanisms and other instruments needed to assure the sustainability and cost-effectiveness of management. An overriding objective is to create the foundations for a "biodiversity economy": linking the environmental benefits of the CFR directly to economic growth and livelihood creation. This will be achieved through nurturing the development of conservation compatible industries, such as nature-based tourism, and assuring the sustainable utilization of wild resources, mainstreaming conservation objectives into the production sectors, particularly agriculture, and creating markets for environmental services underpinning the natural resource sectors.

The GoSA is addressing the afore-mentioned challenges, through a comprehensive and long-term programmatic framework entitled Cape Action for People and the Environment (C.A.P.E.). The C.A.P.E. Program aims at implementing the Cape Action Plan for the Environment (CAPE 2000 Strategy), completed in September 2000, with financial support from the GEF/ WB Project: Cape Peninsula Biodiversity Conservation Project. The Strategy involved broad-based stakeholder involvement. The CAPE 2000 Strategy provides a long-term vision for biodiversity conservation in the CFR, identifies conservation priorities based on an assessment of the threats to biodiversity, and articulates an action plan and investment program to address these priorities. All key government conservation and development agencies and major NGOs and private sector associations in the CFR have aligned themselves to the CAPE 2000 vision, and to the accompanying strategy.

Further, in 2001, the GoSA approved a medium-term GEF Project Priority Framework, identifying strategic areas for GEF investment, needed to catalyze a broad spectrum of environmental management endeavors of high national priority. A key objective of the Framework is to expand conservation activities to encompass whole ecological landscapes, focusing on biomes by seeking to "integrate conservation

objectives into the productive sectors, strengthen land-use planning and monitoring functions, develop and support implementation of conservation models, establish new institutional and operational mechanisms, and establish new conservation partnerships bridging the public and private sectors” GEF Medium-Term Project Priority Framework 2000 [Para 2.11]. The CFR was identified as a top priority for GEF intervention, to secure these intended outcomes.

The design parameters for the C.A.P.E. Program and the Project build on policy guidance supplied by the GEF Executive Council in May 2001, following review and endorsement of the policy on Programmatic Approaches. The GEF investment in the Project is consistent with the design elements of GEF Council Paper, GEF/C.17.Inf.11 "the GEF Programmatic Approach: Current Understandings":

- Provision of information on the enabling environment, including policy, legal and institutional arrangements and in-country capacity;
- Agreed goals, objectives, milestones and indicators of outcomes/impacts for each phase of the Project, with specific details for the phase seeking approval;
- Development of a learning and adaptive management system, including monitoring and evaluation plans, with specific details for the phase seeking approval; and
- Provision of a financing plan for the entire program including the envelope of request from the GEF, the main partners and their contributions (including the country). As a minimum the details of the first phase should be clearly spelt out and the co-financing arrangements secure.

Phased approach: Program activities are being scheduled over 20 years, thereby providing an adequate time budget to systematically address current and emergent threats to biodiversity and assure sustainable management. Interventions will be phased, with three distinct stages anticipated.

Phase 1 (5 years) will be characterized by measures being tested and taken to arrest biodiversity losses in the CFR. The GEF support will focus on establishing a systemic and institutional enabling environment for conservation and developing know-how to address key threats and root causes of biodiversity losses. (See Annex 12, Threats Analysis). Lessons learnt from other GEF support to South Africa will be replicated whilst also piloting and demonstrating new approaches to conservation. This phase will result in substantial gains being made in expanding the area under protected area management (4,000 km²). Importantly it will lay the basis for what is termed "the biodiversity economy". The term is used to describe a region and an economy which grows with minimal negative impact on natural systems, rehabilitates the regions ecological capital and supports sustainable economic growth and employment opportunities presented by the regions unique biodiversity and environment. GEF, Phase 1 support, consists of support to three activities: This Project, the Critical Ecosystem Partnership Fund and the C.A.P.E. Agulhas Plain Biodiversity Initiative.

Phase 2 (5-6 years), will be characterized by a significant expansion of capacity to conserve the CFR with most key areas secured under protected area management. Conservation interventions will bring an additional 7,600 km² (8,4%) into the conservation estate, including protected areas, buffers and other support zones, where conservation objectives have been mainstreamed into development. Institutional and individual capacity will be expanded through local government and community conservation programs.

In Phase 3 (7-8 years), the mature phase of the program, markets are expected to play a key role in conserving and even restoring the ecological capital of the CFR. The goals of the C.A.P.E. Program should be met with a further 7,600 km² (8,4%) inducted into the conservation estate. Institutional arrangements for ecoregional scale management will be strengthened, programmatic links strengthened between biodiversity, climate change, and water management initiatives. The root causes and key threats to the conservation of the CFR should have been significantly eliminated. This phase will be funded domestically, but with some technical support still provided by the World Bank and the UNDP.

Mainstreaming: The Project will focus on mainstreaming biodiversity conservation objectives into all the productive sectors, the bioregional economy and key government programs.

Public-private partnership: strong emphasis is placed on deepening the role of the private sector in conservation and related activities. Differentiated strategies will be pursued for different sectors (tourism, fisheries and agriculture) and large, medium and small enterprises. The key program challenge is to leverage substantial private sector investment into rehabilitating the ecological capital of the CFR, thereby also supporting economic growth and employment. Since much of the land to be conserved is owned privately, models will be developed for inducting it into the conservation estate. Even where state land is to be included, the maintenance costs and management requirements are likely to exceed state resources. Therefore, a range of public-private sector models will need to be developed and tested in order to conserve the CFR. The creation of large marine reserves will also require differentiated strategies.

International partnerships: The GoSA is seeking partnerships with a range of multi-lateral and bilateral agencies and the private sector to create a diverse base of experience, technical know-how and networks that may be drawn upon to strengthen actions. The international partnership currently primarily includes the World Bank, UNDP and the CEPF.

Project coordination: The Project is characterized by strategic program coordination, provided by the NBI/CCU to support executing agencies to attain project targets.

Financial management and procurement: The financial management and procurement capacity of the key executing agencies are sound. However, some additional support will be required in order to implement the Project. Provision is made for this in the Project.

Performance: GEF funding for Phase 2 of the C.A.P.E. Program will be predicated on the realization of the trigger indicators listed in Section A2 of this document. Future funding will be closely tied to the performance of Phase 1.

Strategic priorities: Project interventions are aligned with new GEF Strategic Priorities, including for strengthening the national system of protected areas, and mainstreaming biodiversity in productive landscapes.

The overall co-financing which the C.A.P.E. Program is anticipated to leverage over a 20 year period for each phase of the Program is shown in the table below. The ratio of GEF support to non-GEF support is highly favorable. The current baseline funding for Phase 1, over 5 years, is in excess of \$200 million and is not reflected in these figures.

Funding per phase excluding baseline for 20 years: \$US million

Phase	Co-funding	GEF funding including CEPF (GEF) and Agulhas Plain	Total
Phase 1	\$44	\$15.5	\$59.5
Phase 2	\$55	\$10	\$65
Phase 3	\$70	\$0	\$70
Total	\$169	\$25.5	\$194.5

3. The Program components

3.1 C.A.P.E.: Biodiversity Conservation and Sustainable Development Project ie "the Project"

Funding:	GEF: US\$11 million; Co-Financing: US\$28.51 million
GEF IA:	World Bank (lead) and UNDP
Executing Agency:	National Botanical Institute (NBI)
Duration:	Five Years

Brief description: A funding application for work program inclusion was approved at the May 2003 GEF Council meeting, concurrently with the C.A.P.E. Agulhas Plain Initiative, discussed below. The primary objective of the Project is to support the conservation of the Cape Floristic Region (CFR) and adjacent marine environment by laying a sound foundation for scaling up and replicating successful Project outcomes. It will do this by (i) laying the foundation for mainstreaming biodiversity into the economy and productive sectors. Activities will include: institutional strengthening, conservation education, program coordination, management and developing a monitoring framework; and (ii) by undertaking carefully targeted conservation demonstrations in selected biophysical, socio-economic and institutional contexts with a view to scaling these up. Activities will include supporting protected area management; establishing the foundations of the biodiversity economy and integrating biodiversity concerns into watershed management. Refer to Section C, Project description for more information.

Subject to the success of the various GEF interventions, in five years time, The GoSA is anticipated to lodge an application for GEF support to Phase 2 under this Program (see Table 1 for activities). Key triggers for moving from Phase 1 to Phase 2 will be:

1. All C.A.P.E. signatory institutions directly support implementation of the Project;
2. The number of registered civil society stakeholders participating in the Project increases by 30%;
3. A CFR-wide conservation education strategy is successfully designed and implemented across the Project area;
4. The Baviaanskloof, Cederberg and Garden Route protected areas have been consolidated;
5. The number of jobs directly associated with conservation and nature-based tourism in Project intervention sites increases by 20%;
6. Spatial development frameworks in six representative lowland sites incorporate conservation priorities; and
7. Five- year targets for protected area status for irreplaceable Broad Habitat Units in lowlands and watersheds are met as defined by the C.A.P.E. 2000 Strategy.

Replication Plan: A replication and scaling up plan will be further developed during implementation under component 3 as described in section F1.a of this document. The replication plan will be developed together with the proposed application to the GEF for a second tranche of financial support, in five years time. It will be developed by the CCU in cooperation with stakeholders to the Project, including the CIC and the CEC.

Complementarity: The Project will ensure that key interventions in the CFR are delivered on schedule and that financial and technical resources dedicated towards conservation efforts are efficiently managed and effectively targeted to maximize impact. The key Project components discussed above, are critical to the conservation of the CFR and are not being undertaken through other GEF interventions or funding arrangements. The C.A.P.E. Program has already mobilized and motivated a substantial number of partners to begin implementation of key activities using local resources and innovation. The Project will ensure that lessons emerging from relevant C.A.P.E. Program activities are systematically applied across

the CFR planning domain. Protected Area demonstrations will complement the models already established under the CPNP and to be established under the C.A.P.E.: Agulhas Biodiversity Initiative.

3.2 C.A.P.E.: Agulhas Biodiversity Initiative

Funding:	GEF: US\$3 million; Co-Financing: US\$8 million
GEF IA:	UNDP
Executing Agency:	South African National Parks
Duration:	Five Years

Brief description: A funding application for work program inclusion was approved at the May 2003 GEF Council meeting, concurrently with the C.A.P.E.: Biodiversity Conservation and Sustainable Development Project. The project will protect one of the largest extant areas of lowland fynbos in the CFR: the Agulhas Plain. The Plain has been mapped at fine-scale and identified priority sites for biodiversity conservation. Project activities will facilitate conservation in productive landscapes by:

- Operationalizing a new Protected Area representing dryland environments, Agulhas National Park, and outlying protected sites under contractual agreements with private land-owners. The initiative will pilot GoSA policies aimed at establishing Contractual Parks on private lands, installing the institutional arrangements, planning, monitoring and other PA management tools, and incentives that may be applied in the CFR and nationally;
- Developing institutional models and capacities to facilitate multi-stakeholder and inter-sectoral collaboration and public-private partnerships at a local level, on a pilot basis. The model will be tested and adapted, for replication under Phase 2 of C.A.P.E. as well as within this Project;
- Developing know-how, testing management arrangements for and optimizing benefits from the sustainable utilization of wild fynbos, as a demonstration for C.A.P.E.;
- Testing effective means for mainstreaming biodiversity management objectives into the local tourism industry, to inform tourism development activities under C.A.P.E.; and
- Establishing critical know-how for the restoration of degraded lands.

The project has been designed with a time budget of five years. This will allow for best practices to be codified in management arrangements to be spearheaded in C.A.P.E. Phase 2, which will be developed in years four and five.

Complementarity: The primary objective is to develop new PA management models, mainstreamed into the productive landscape to catalyze long-term sustainability both within the CFR's PA network, and nationally. C.A.P.E.: Agulhas Biodiversity Initiative has been designed as a fast track project, intended to test a host of initiatives planned under the national C.A.P.E. Program over 20 years, at a sub-regional level within a time span of five years. The long-term objective of the GoSA and C.A.P.E. is to decentralize conservation management as far as possible to the sub-regional level. ABI will provide a model and toolkit to facilitate this process. Unlike other sites, the Agulhas Plain is in a high state of readiness for successful conservation intervention (following fine-scale planning and intensive stakeholder engagement under the Cape 2000 Strategy). The site thus provides an ideal venue for testing and adapting conservation models to be spearheaded throughout the CFR, and thus to reduce risks and enhance cost-effectiveness of interventions. The initiative has been designed to inform the design and implementation of C.A.P.E.. In addition, ABI will demonstrate: (i) a model for management of PAs in CFR lowlands, complementing the model for montane ecosystems, already provided by the Table Mountain National Park; (ii) the efficacy of new institutional arrangements, linking protected areas, contractual parks and surrounding productive landscapes, and anchored by an integrated extension service; and (iii) tested management models for sustainable wild fynbos harvesting and tourism. Close programmatic linkages with other GEF activities in

the CFR have been developed during preparation. These will be maintained during implementation, to facilitate the continued transfer of key lessons.

3.3 Critical Ecosystem Partnership Fund for the CFR (CEPF)

Funding: GEF: US\$1.5 million; Co-Financing: US\$4.5 million
GEF IA: World Bank
Executing Agency: Conservation International

Brief description: CEPF funding for the CFR was approved in December 2001 by the CEPF Donor Council. An Ecosystem Profile has been prepared, defining the strategic niche and value added of CEPF activities in light of other planned interventions, funded by the GEF, GoSA and other sources. Funding is available for the following activities:

- Supporting civil society involvement in the establishment of community managed protected areas (such as conservancies) and management of biological corridors in the Cederberg, Gouritz and Baviaanskloof areas;
- Promoting partnerships between communities and private enterprises for conservation; and
- Building capacity for conservation work amongst civil society organizations in the region, enabling them to participate meaningfully in new conservation partnerships with public institutions, parastatals and other organizations.

Complementarity: CEPF is funding conservation initiatives led by civil society organizations. Investments are being carefully targeted to avoid any duplication of effort with other GEF activities and maximize synergies with the said activities. Efforts are focused on organizing and building capacities within civil society to implement conservation activities, taking a "learning by doing" approach. The objective is to equip communities with core capacities and know-how that will enable them to collaborate as equal partners on larger conservation initiatives, initiated through C.A.P.E. in Cederberg, Gouritz and Baviaanskloof. The lack of individual and institutional capacities at the community level currently handicaps effective community involvement in larger conservation interventions. CEPF funding is intended to provide a flexible and rapid funding mechanism to address immediate threats to biodiversity, where prospects for success are high, and to augment long term funding windows. CEPF provides funding for initial planning, stakeholder organization and advocacy, to create conditions necessary for the success of larger long-term investments planned in the CFR.

Program implementation and coordination arrangements: The C.A.P.E. Program, comprising of the three above-mentioned complimentary initiatives, is being steered and managed at high level by the C.A.P.E. Implementation Committee (technical committee comprising of key execution agencies) and C.A.P.E. Coordination Committee (National and Provincial level agents). On a day to day basis, the CCU provides strong coordination support to the C.A.P.E. Program.

More importantly, the specific complimentary roles of each of the above-mentioned activities have been planned upfront as described below. The CCU, together with the World Bank, UNDP and CI will review the Program outputs on annual basis to ensure that alignment is maintained.

4. Attachment 1: Summary/ complimentary matrix

CATEGORY	DESCRIPTION OF GEF ACTIVITIES	The Project	ABI	CEPF	TARGETED SITES/ NOTES
<u>a. Enabling policy/ institutional environment</u>					
A.i Program Management	Activity coordination, reporting, integrated monitoring and evaluation systems, performance management training, Program development	×			The Project
A.ii Information Management	Environmental Information Systems	×			The Project
A.iii Systemic Capacities	Policy integration	×			The Project
A.iv Institutional Framework	Programmatic integration and institutional coordination at the sub-regional level; capacity building		×		ABI: Sub Regional level demonstration
A.v Conservation education Systemic Coordination Informal Education	Communication, materials development, capacity building, community facilitation	×	×		The Project ABI: Agulhas Plain
A.vi Civil society participation	Advocacy, institutional strengthening			×	CEPF: facilitated
A.vii Market-based instruments	New market-based instruments developed for mainstreaming biodiversity into the economy	×			The Project
<u>b. Conservation of large habitat blocks</u>					
B.i Protected Areas Mountains Lowlands (drylands) Lowlands (forests) Freshwater Estuarine Coastal/ Marine	<u>Establishment and consolidation</u> Fine-scale planning, legal incorporation, development of PA business plans, performance management systems, ecological surveys	×	×	×	The Project: Cederberg, Garden Route, Baviaanskloof, West Coast MPA. Gouritz: Phase 2. CEPF will finance multi-stakeholder planning activities at Cederberg, Gouritz and Baviaanskloof PAs. ABI: Agulhas National Park
B.ii Protected Areas	<u>Private Lands/ Communal</u>				

Contractual Reserve Conservancies Community Reserve Private Sector (Eskom) Biosphere Reserve	<u>Lands</u> Institutional arrangements, legal incorporation, development of business plans, technical assistance, to develop and adapt PA operations, strengthen supervisory functions, capacity building for land-owners and communities to manage contractual and community reserves, zoning	×	×		Biosphere Reserve and extension of mega-reserves ABI: Elim community reserve, Groot Hagelkraal Contractual Park, six private nature reserves, Walker Bay Fynbos Conservancy
C. Conservation of small habitat blocks					
C.i Site Prioritization Lowland fynbos (drylands) Lowlands (forests) Coastal Renosterveld	Fine-scale conservation planning, conservation plans and guidelines	×			The Project: Upper Breede River Valley, Niewoudtville Plateau, North West Sandveld, Riversdale West Coast Biosphere Reserve, South-east lowlands TMF: Overberg/ Swartland/ Boland and Table Mountain National Park
C.ii Landscape Level Management	Integrated extension services, contractual and management agreements, on farm conservation planning		×		ABI will fund the execution of a landscape level conservation management plan for the Agulhas Plain
C.iii Mainstreaming biodiversity in land-use planning	Integrate conservation planning into spatial planning, strengthen land-use regulations, capacity building for municipalities	×	×		The Project ABI: Agulhas Plain
C.iv. Urban planning	Spatial planning	×			TMF: Port Elizabeth and Cape Town
<u>d. Land/ watershed degradation</u>					
D.i Restoration Drylands (disused farm lands) Wetlands Renosterveld	Pilot activities, to acquire know-how for ecological restoration in degraded areas		×	×	The Project will support designing a strategy to manage alien invasive species
D.ii Integrating	Integrate conservation				The Project: Olifants/Doring,

biodiversity into watershed management	objectives into operations of Catchment Management Authorities	×			Berg, Breede, Gouritz, Fish/Tsitsikamma,
D.iii Estuarine Management	Participatory design and test a CFR estuarine management program	×			The Project will fund the testing of the estuarine management program at 2 sites
D.iv Fire Management	Align baseline fire management system with biodiversity conservation objectives	×	×		
D.v Fire Management	Monitoring impacts of fire and piloting appropriate fire management regime, to curtail land degradation on drylands		×		
D.vi Invasive Alien Species Management Systems	Install monitoring and prediction systems, to facilitate/target management controls, policies on alien clearing on contractual national parks, pilot novel alien clearing mechanisms	×	×		
D.vii Invasive Alien Species Bio-control Integrated Pest Management Invasive Alien Fish	Pilot/adapt new management measures to control alien invasive species, where know how is lacking, and threats are significant	×	×		The Project: field scale testing in Doring, Goukamma TMF: experiment techniques in Cederberg
D.viii Invasive Alien Species Education/Awareness	Systematize public awareness activities, promotional materials	×	×		
<u>E. Sustainable utilization of wild resources</u>					
E.i Wild Fynbos	Determine sustainable oftakes, management planning, certification, market efficiencies		×		
E.ii Coastal/ Marine Resources	Co-management arrangements, Pilot/ adapt spatial Management tools	×			
E.iii Tourism Management	Promotion	×	×		

E.iv Community-Based Natural Resource Management	Small grants for capacity building, advocacy, education, pilot management activities, legal support			×	
<u>F. Ancillary management activities</u>					
F.i Species Management Ichthyofauna Avifauna Flora	Planning, research, demonstration, stock assessment			×	CEPF will fund the Threatened Plant Species Program TMF will fund implementation of management plans for threatened birds (i.e. Black Oyster catcher) and stock assessments for marine fish in Table Mountain National Park
F.ii Offshore Marine Management	Researching environmental variability in Benguela Ecosystem, early warning for red tides/anoxia				

5. Previous GEF support in the CFR

In 1998, the GEF provided US\$12.3 million through World Bank for the Cape Peninsula Biodiversity Conservation Project. This project provided funding to strengthen management of and extend the globally significant Table Mountain National Park, to part-capitalize an environmental Trust Fund, the Table Mountain Fund (TMF), and to prepare the CAPE 2000 Strategy. These respective interventions have all successfully attained their expected outcomes.

Conservation operations in the Table Mountain National Park have been successfully strengthened. The Park has been expanded to encompass previously unprotected and vulnerable ecological units. An intensive effort to control alien invasive plants has greatly reduced threats from infestation. Park planning systems have been systematically integrated into town planning frameworks and a locally relevant conservation education program has been developed. Recurrent management costs are now being partially recovered through institution of user fees. The management systems developed, provide tested and replicable models for other protected areas.

The TMF was initially established with domestic contributions of US\$2 million to support the conservation of Table Mountain. The GEF provided funding (US\$5 million) to broaden the mandate of the Fund to support small-medium scale community-based conservation actions throughout the CFR. To date, it has funded or is funding over 40 projects. The TMF has established a reputation as a model Trust Fund, having developed significant project management capabilities.

The Cape 2000 Strategy has provided the framework for more systematically coordinating the activities of government and non-government agencies within the conservation arena. Further, at a site level, a fine-scale conservation mapping exercise was completed in the Agulhas Plain - one of the most important

refugia for lowland Cape fynbos vegetation globally.

The Cape Peninsula Biodiversity Conservation Project in essence constituted a pre-feasibility phase and substantial investment for a broader initiative to protect the entire CFR. The project has met key performance benchmarks. This success, attributed in large part to strong government commitment and stakeholder support, provides a strong assurance that further conservation measures intended to realize the CAPE 2000 vision have a high probability of success, both in terms of mitigating threats and engineering sustainability. These fundamentals provide the conditions necessary for further GEF support, as part of a larger package, to secure biodiversity conservation objectives within the CFR.

Additional GEF Annex 15: Replication Strategy
SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project

The CAPE project was developed in response to a detailed assessment of threats, gaps and lessons that have emerged since the development of the original CAPE strategy in 2000. These aspects that informed the project are set out in this Project document.

The whole project is focused on developing replicable models, with actual replication primarily taking place in Phase 2. Several activities will be undertaken to ensure that lessons that emerge during and from the project are captured and shared with relevant stakeholders. These stakeholders will include local, national and international parties.

The Project will develop tool kits and sponsor other measures to promote the replication of best practices. These will include:

1. A CAPE M&E system that will be set up to monitor impacts, including aspects relating to sustainability of the project, and outputs in terms of efficiency and effectiveness.
2. Various forums and task teams that will be/ have already been established to link up related aspects of the project. These include the CAPE Protected Areas Forum, and 15 task teams that will be responsible for integrated project implementation and iterative planning.
3. The CAPE Partners Conference, which will be held every two years, starting in June 2004.
4. Hosting of international delegations wishing to learn from the project.
5. Presentation of emerging lessons at local and international meetings.
6. Publication of findings, lessons and emerging trends using appropriate media, including relevant journals and publications and the CAPE website which is in the process of being updated to facilitate this function (among other things).

The pilots that will be implemented in Phase 1 of the project have been designed to test different approaches to biodiversity conservation across a range of issues, executing agencies and local socio-economic conditions. Guidance will not be prescriptive in that it will stress the need for adaptation to suit different social, economic and institutional contexts.

The detailed project replication strategy will be based on lessons that emerge from the first phase of the project. Budgetary provision has been made for the derivation of lessons learned to be translated into guidance for replication during Phase 1 under Component 1: Institutional strengthening, and under Component 3: Program Co-ordination, Management and Monitoring. In addition, CEPF resources are being applied in a complementary way for capacity-building and for knowledge dissemination. A primary vehicle for knowledge sharing and dissemination is the Fynbos Forum, which the program will co-finance. In particular, agency co-financing will be increasingly aligned with replicating lessons learnt in other project sites, based on the forums constituted by the various implementation task teams.

	Strategy	Anticipated Results and impacts	Anticipated Replication strategy/ roll out.
1	Institutional Strengthening		
1	Triggered by the emergence of new legislation, this component of the project will focus on the resolution of legal mandates and institutional roles for conservation agencies across the CFR, and the requirements of such agencies to meet their agreed mandates. It will also pioneer the development of a performance management system across executing agencies to assess their alignment and compliance with the CAPE 2000 strategy. Mechanisms for incorporating biodiversity concerns into management actions of 5 new catchment management agencies will also be piloted.	Clarified institutional mandates for biodiversity conservation, improved performance management and a protocol for performance management across agencies, the incorporation of biodiversity priorities into management actions of catchment management agencies and a mechanisms for rolling out this approach throughout the CFR.	The results of Phase 1 pilots will have relevant for the clarification of legal mandates of conservation agencies across the CFR as well as nationally. This will be especially true for agencies in the Western and Eastern Cape Provinces, that will form the focus of the study. The protocols for performance management that emerge during Phase 1 will be replicable across other eco-regional programs in South Africa and internationally. Approaches to incorporating biodiversity concerns into CMAs that are piloted in Phase 1 of the project will be replicable across CMAs throughout South Africa.
1	A capacity building program will be developed and implemented to respond to needs across the CFR. This program will complement the current CEPF Capacity Building Program and the opportunities that are currently offered by current capacity building initiatives and the SETAs. It is anticipated that the program will look at the placement of relevant staff at tertiary institutions, skill development in staff who are responsible for biodiversity management and mechanisms to attract new entrants into conservation management.	Improved capacity for biodiversity management across the CFR, and approaches to capacity building that are able to respond to the diverse range of capacity building needs across the CFR.	Lessons and approaches that emerge from this component of the project will have relevance to other bioregional programs, and well as other sectors that face similar challenges regarding capacity development. The various SETAs will also benefits from outcomes of this project.
1	The financial needs of implementing agencies for all conservation management activities will be assessed, and strategies will be developed for financial sustainability	Protocols for achieving financial sustainability in pilot sites.	These protocols will be relevant to a suite of protected areas and projects across the CFR.

1	The CAPE information management unit has already been established as part of a CEPF pilot project and GEF support will allow further piloting of innovative approaches that are being tested by this unit. These include the design and management of information to inform biodiversity conservation across the CFR. Information includes spatial data, as well as relevant qualitative information.	A relevant and responsive information management system that is able to collect and collate data as it emerges, and to serve it, in the form of useful products, to users across the CFR.	Protocols and lessons emerging from this project will have relevance to approaches to biodiversity information management across the CFR, nationally and internationally. Representatives of national information management agencies have been invited to participate in the task team that will steer this project to facilitate this knowledge transfer.
2	Conservation Education		
	A co-ordinated conservation education program will be developed at several pilot sites across the CFR. The program will include the development and dissemination of site-based materials that focus on biodiversity education, and that are developed by educators at pilots sites, as well as support for teachers and educators to use materials that are developed.	Raised awareness of biodiversity issues and benefits in the CFR. Tools that can be used by educators in the pilot sites for conservation education among local learners, as well as generic materials that can be adapted for further sites, including protected area education centers and schools across the CFR.	The approaches to conservation education that are developed, as well as the generic material that emerge, will be replicated across the CFR in Phase 2 of the project. The approaches and protocols that emerge will have relevance for other ecoregional programs, both locally and internationally.
3	Project co-ordination, management and monitoring		
3	Several implementers will be involved in the roll out of the project and, given the participatory approach that underpins the project, it will be important to ensure that opportunities for participation are created, and that lessons emerging across the landscape are shared. The CCU has been established at the PMU that will oversee project development, co-ordination, management and monitoring. It will also be responsible for communication between partners and the dissemination of findings and lessons that emerge as the program is implemented.	Improved project management and protocols for the management of the CAPE project will be established. A state of the art M&E system will be developed that is able to track implementation across the landscape. The M&E system will monitor processes underpinning results, taking care to define the determinants of project performance. A communication strategy, that facilitates participation and knowledge transfer across the CFR will also be tested. This will result in increased participation by stakeholders across the CFR in the project, and improved sharing of innovations and lessons.	Approaches to project management and development, knowledge and information sharing and the M&E system that is developed will be replicable across other multi-stakeholder projects with similar properties.
4	Unleashing the potential of protected areas		

4	<p>Establishment and consolidation of the Cederberg, Baviaanskloof and Garden Route Mega Reserves, and Kogelberg Biosphere Reserve.</p> <p>These pilot areas were selected because they represent areas with different socio-economic environments, development pressures, and institutional arrangements.</p>	<p>Improved management and three replicable strategies, applicable to mega-reserve establishment, consolidation and sustainability. These strategies will pilot different approaches to land consolidation, stakeholder involvement and mechanisms for financial sustainability.</p>	<p>Lessons that emerge from these pilots will be applicable to other protected areas within the CFR, including World Heritage Sites. They will also be relevant to protected areas in other National and International ecoregions.</p> <p>Emerging lessons will be shared with local PA implementers through a Protected Areas Forum, that will meet quarterly with purpose of deepening approaches to PA establishment and consolidation.</p>
4	<p>Establishment and consolidation of the Garden Route and Kogelberg Marine Protected Areas.</p> <p>These projects will test the implementation and management of MPAs by WCNCB, who will be mandated by MCM to take on this responsibility. The Kogelberg MPA sits adjacent to a Biosphere Reserve, and co-management of the area with the Biosphere Reserve Company will also be tested. Lessons that emerge from the current MPA establishment process of the Table Mountain National Park will be incorporated in project design.</p>	<p>Replicable strategies for both new (as in the case of Kogelberg) and existing MPAs that consider sustainable management of these important marine areas. Co-management arrangements between MCM and WCNCB will be tested, as will approached to involving Biosphere Reserve Management Structures in MPA establishment and management.</p>	<p>Lessons that emerge from these pilots will be applicable to other marine protected areas within the CFR, as well as to marine protected areas in other National and International ecoregions.</p>
4	<p>Two Freshwater and Estuarine Protected Areas will be established in the CFR. This will be the first time that protected areas that focus on freshwater or estuary conservation are formally established in South Africa. The exact locations of these protected areas will be determined as a result of further investigations that will take place during the first few months of the project.</p>	<p>Protocols for the establishment of freshwater and estuarine protected areas in terms of new South African legislation, improved management of the target pilot sites and piloting of co-management of these areas.</p>	<p>Lessons and models that emerge from these pilots will be applicable to other important freshwater areas and estuaries across the CFR, as well as nationally.</p>
5	<p>Biodiversity Economy and Conservation Stewardship</p>		
5	<p>Five fine scale conservation plans will be developed to inform biodiversity planning in targeted priority areas. The</p>	<p>Protocols for the development of fine scale conservation plans that respond to the needs of implementers, and are easily</p>	<p>The implementation of biodiversity conservation has to be informed by conservation planning. One of the constraints that is experienced is that</p>

	<p>approaches that are taken will be informed by lessons that are emerging from a key pilot study that developed a fine scale conservation plan for the Swartland and Overberg areas of the CFR. As new lessons emerge, they will be shared across these ecoregions and across the CFR. A conservation planning task team has been established to facilitate this process. Lessons from the CFR pilots are already being applied in other eco-regional programs in South Africa, including the Succulent Karoo and Sub-tropical Thicket programs.</p>	<p>developed and updated. Novel approaches will be tested in each of the areas.</p>	<p>conservation plans are expensive, time consuming and very often are outdated and do not respond to the needs of the implementers. It is anticipated that the fine scale conservation planning protocols that emerge after the 5 year program will allow the roll out of cost effective and relevant conservation plans that are easily updated across the eco-region. Strategies that emerge will be replicable across the CFR, as well as nationally and internationally.</p>
5	<p>The outputs of the fine scale plans will be integrated into 6 district municipalities. In addition, municipalities will be supported to improve their information management and decision making processes as these relate to biodiversity conservation.</p>	<p>Improved decision making regarding transformation of virgin lands and conservation of biodiversity. Protocols for the uptake of biodiversity information into local authority planning processes, including IDPs and SDFs.</p>	<p>Lessons that emerge in the pilots associated with this aspect of the project will be replicable across the CFR in other district municipalities, as well as at a finer scale in local municipalities across the region. Approaches will also have relevance to other municipalities across South Africa.</p>
5	<p>A program looking at how landowners can be supported to participate in conservation stewardship will be rolled out in 5 priority areas and three mega-reserve areas across the CFR. Approaches that are adopted will be drawn from a CEPF pilot project that is currently underway in the Swartland and Overberg Lowlands, and lessons that are emerging from this project are already being communicated to both conservation and agricultural extension staff in Protected and Priority Areas across the CFR.</p>	<p>Protocols for rolling out conservation stewardship across the CFR, including tools for a range of areas with varying socio-economic conditions.</p>	<p>Tools and protocols will be rolled out across the 8 priority protected areas of the CFR, as well as in World Heritage Sites and other conservation worthy areas.</p>
5	<p>Protocols for implementing economic incentives that trigger improved land stewardship will be developed. These will inform the roll out of stewardship programs across the CFR.</p>	<p>Improved understanding of economic incentives that trigger land stewardship and protocols for implementing appropriate economic incentives.</p>	<p>Results of this study will be tested in Phase 2 of the study, and will be relevant to other initiatives, both locally and internationally, that seek to trigger land stewardship that supports conservation in landscapes with competing land uses.</p>
6	Watershed management		

6	Ecological reserve determination is a requirement of South Africa's National Water Act, and this component will look at improving the effectiveness of this with regard to the requirements of biodiversity. In addition, the program will seek to incorporate biodiversity concerns into the new fire management system and water conservation/ demand management programs.	Improved incorporation of biodiversity concerns into ecological reserve determination, fire management and water demand management, as well as protocols and methods for achieving this.	The protocols and methods that emerge during Phase 1 of the project will be applied to other sites in the CFR during Phase 2 of the project.
6	The creation of an invasive alien strategy and business plan for the entire CFR, as well as the establishment of centers of excellence to support the prevention and management of alien invasive species.	An integrated strategy for the management and control of invasive alien species across the CFR, as well as specific tools and protocols for the management of particular species.	The approaches to managing particular species of alien invasive species that are tested in Phase 1 of the project will be replicated at other sites across the CFR during phase 2 of the study.
6	The design and testing of an estuarine management program at several pilot sites across the CFR. A protocol will be developed in year 1 of the project, and implemented and monitored during the remainder of phase 1.	Improved estuarine management at several pilot sites across the CFR. A tested and refined protocol for estuarine management.	The protocol will be rolled out in other priority estuaries across the CFR in Phase 2 of the project. It will also be relevant for other priority estuaries, both nationally and internationally.

**Additional GEF Annex 16: Role of Each Agency per Component and Procurement Category
SOUTH AFRICA: C.A.P.E.: Biodiversity Conservation and Sustainable Development Project**

Component and procurement category	Total all agencies	NBI incl. other	SANParks	WCNCB	WF
TOTAL ALL 6 COMPONENTS		4.714	1.327	3.860	1.099
Works	0.889	0.000	0.397	0.455	0.037
Capital (goods)	0.306	0.073	0.082	0.142	0.009
Personnel (staff)	7.099	3.324	0.725	2.450	0.600
Operational	1.714	0.640	0.088	0.542	0.444
Workshops	0.993	0.678	0.034	0.271	0.010
Total	11.000	4.714	1.327	3.860	1.099
TOTAL COMPONENTS 3,4,5,6		3.146	1.327	3.428	1.099
Works	0.889	0.000	0.397	0.455	0.037
Capital (goods)	0.252	0.055	0.082	0.105	0.009
Personnel (staff)	5.980	2.524	0.725	2.131	0.600
Operational	1.364	0.323	0.088	0.509	0.444
Workshops	0.515	0.243	0.034	0.227	0.010
Total	9.000	3.146	1.327	3.428	1.099
1. Institutional strengthening	1.400	0.968	0.000	0.432	0.000
Works	0.000	0.000	0.000	0.000	0.000
Capital (goods)	0.050	0.013	0.000	0.037	0.000
Personnel (staff)	0.919	0.600	0.000	0.319	0.000
Operational	0.193	0.160	0.000	0.033	0.000
Workshops	0.238	0.195	0.000	0.043	0.000
Total	1.400	0.968	0.000	0.432	0.000
2. Conservation education	0.600	0.600	0.000	0.000	0.000
Works	0.000	0.000	0.000	0.000	0.000
Capital (goods)	0.004	0.004	0.000	0.000	0.000
Personnel (staff)	0.200	0.200	0.000	0.000	0.000
Operational	0.156	0.156	0.000	0.000	0.000
Workshops	0.240	0.240	0.000	0.000	0.000
Total	0.600	0.600	0.000	0.000	0.000
3. Program Co-ordination, Management and Monitoring	1.110	1.110	0.000	0.000	0.000
Works	0.000	0.000	0.000	0.000	0.000
Capital (goods)	0.007	0.007	0.000	0.000	0.000
Personnel (staff)	0.902	0.902	0.000	0.000	0.000
Operational	0.201	0.201	0.000	0.000	0.000
Workshops	0.000	0.000	0.000	0.000	0.000
Total	1.110	1.110	0.000	0.000	0.000
4. Unleashing the potential of protected areas	4.120	0.000	1.327	1.694	1.099
Works	0.831	0.000	0.397	0.397	0.037
	0.182	0.000	0.082	0.091	0.009

Capital (goods)					
Personnel (staff)	2.362	0.000	0.725	1.038	0.600
Operational	0.630	0.000	0.088	0.098	0.444
Workshops	0.115	0.000	0.034	0.070	0.010
Total	4.120	0.000	1.327	1.694	1.099
5. Establishing the foundations of the biodiversity economy to enhance conservation stewardship in key lowland landscapes	2.450	1.130	0.000	1.320	0.000
Works	0.000	0.000	0.000	0.000	0.000
Capital (goods)	0.063	0.049	0.000	0.014	0.000
Personnel (staff)	1.510	0.716	0.000	0.795	0.000
Operational	0.476	0.122	0.000	0.354	0.000
Workshops	0.401	0.243	0.000	0.157	0.000
Total	2.450	1.130	0.000	1.320	0.000
6. Integrating biodiversity concerns into watershed management	1.320	0.906	0.000	0.414	0.000
Works	0.058	0.000	0.000	0.058	0.000
Capital (goods)	0.000	0.000	0.000	0.000	0.000
Personnel (staff)	1.205	0.906	0.000	0.299	0.000
Operational	0.057	0.000	0.000	0.057	0.000
Workshops	0.000	0.000	0.000	0.000	0.000
Total	1.320	0.906	0.000	0.414	0.000

