# The Sustainable Landscape Finance Coalition's Finance Solution Approach©

*Chandni Navalkha, Associate Director of the ILCN*
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Since 2019, the Sustainable Landscape Finance Coalition has been driving the creation of landscape finance solutions for effective and enduring conservation landscapes in South Africa and across Africa.

Between June 2020 and June 2021, the Coalition launched six Finance Solutions Incubators and are successfully concluding them and moving to the implementation stage of four new finance projects: BMA Tax Incentive for Rhino; Grasslands Carbon Project; Corporate Finance for Biodiversity Offsets; and Rates Rebates Local Access.

More information on these projects will be detailed over the coming weeks. As the Coalition continues to evolve and moves to its next stage of supporting exciting new innovations in conservation finance for Africa, Chandni Navalkha, Associate Director for the ILCN, spoke with Candice Stevens, Chair of the Sustainable Finance Coalition and Co-Chair of IUCN's WCPA Sustainable Finance Specialist Group to learn more about the Coalition's four-stage Finance Solution Approach © and how it is advancing the development and practical implementation of new finance solutions across landscapes.

**Candice, thanks so much for taking the time to share this exciting work with the ILCN community. Could you start by sharing what inspired the Coalition to develop the four-stage Finance Solution Approach?**

As you know, there's a major gap and urgent need for additional finance to come into conservation, particularly at a large landscape level. We can do that from a number of difference sources, some of which we showcase in forums like the ILCN Global Congress. But actually creating those new and sustainable finance solutions on the ground can be a difficult process. It's a very new space in combining conservation and finance, especially in countries that do not have the history that places like the United States has had in developing these. What I identified was that we have a lot of discussions, a lot of ideas, and we hear about exciting concepts in different parts of the world, but to actually translate these into your own context and realise the flow of finance can be a difficult process.

So from that context, and then learning from my work on Section 37D Biodiversity Tax Incentives in South Africa and what it took to take that from a concept, to a pilot, and ultimately to scale, we translated that into the development of a four-stage finance solution approach that is specifically designed to break down components of the journey in a very strategic way with the aim of determining whether a concept for conservation finance is actually viable or not.

**What is the four-stage Finance Solution Approach and how does the Incubator fit into it?**

We want to be able to take a concept, and break it down into 'building blocks' or the critical success factors of that finance solution to determine if its viable. In that process, we're determining viability, but we're also creating the foundation to transfer and replicate that finance solution – because identifying the building blocks allows us to then look at the next landscape or entity to see if it has those critical success factors. If it does, that means we can look to pilot something similar elsewhere.

This all starts with the incubation process, which is Stage One, where we take one specific concept, put it in the form of a problem statement, define it with a number of framing questions, and then sit with a group of niche experts – no more than 10 people that each represent a different focal area or a different skillset or experience – and we meet on a regular basis on this concept. The meetings themselves are flexible yet structured, and the momentum builds in each meeting so that we continue to gain traction in unpacking what makes the finance concept viable or not.

**How long is the incubation stage and how do you find the money to support it?**

The incubators are designed to run for no longer than six months. They're designed to run at limited to no cost, so we do rely on pro bono expertise, essentially, there's virtually no cost except for experts' time. And we're not writing proposals or sending out funding pitches and then trying to fit our concept to the funders' concept. We aim to be as fast and flexible as possible to come out with clear indications of how to build a new finance solution.

**Could you briefly describe the rest of the stages of the approach?**

We only want to pilot finance solutions that have been scoped and incubated, and that takes us into stage two, which is about creating finance strategies at a large landscape level. Sometimes it's for a particular entity or project, but mostly we're working at the landscape level. During this stage, we put together a road map for implementation of the most viable finance solutions, pulling from the incubators, from existing pilots and existing initiatives that have gone to scale and determine whether they fit that landscape. If they do, we unpack it in a finance strategy. If we find in an incubator that a specific concept is highly complex, during this stage we might instead decide to issue a feasibility study on specific elements.

Stage three is where we pilot these finance strategies, and this is where we need a little bit of seed funding or catalytic funding to get the project off the ground. But we are able to run pilots in 1-2 years as opposed to 3 to 5 years, as all the scoping and viability has been achieved already. We also transition the incubator into an advisory committee for the pilot project, which means that we maintain that thought knowledge and problem solving that experts were providing at stage one all throughout the pilot period. And again, experts are quite willing to continue participating, which is amazing. In the incubators, we also identify where we believe things could be piloted so that we don't have to go looking for a pilot location, landscape, or landowner – we're already prepared. We can pretty much hit the ground running incredibly quickly for that reason. This ultimately leads us to scale within a timeline that we work on, which is from concept to scale in five years. That is what happened with Section 37D, and I believe that will happen with the majority of the other solutions we're working on.

**You mentioned seed funding – what is the cost or resource threshold you're looking at for the pilot stage?**

We’re looking at between three and five million over that five year period. And so generally we look at a return on investment of anywhere between 450%-2000% depending on the finance solution in question. I can’t even believe the figures, but it’s real.

**Wow, okay, that is impressive. Have you done that ROI assessment for the first incubator?**

We commissioned an independent economic assessment,  conducted by Dr. Hugo van Zyl of Independent Economic Researchers. An independent valuation of all of our incubators and specifically three incubators that have gone to pilot within the last year was concluded. This included economic modeling which we can continue to track over time as more data comes in. Essentially, it gives us an estimate of what we’re working towards in terms of the financial flow that will come from all of these pilots as they go to scale.

A cost-benefit analysis was also undertaken so that we know how much we’re going to be spending to get the solution off the ground so we can look at the return on investment, not just the cost-benefit in terms of implementing the solution, but also in terms of if the solution has any impacts we may not have foreseen.

**Can you tell us a bit more about some of the incubators that have taken place so far to get a sense of the different solutions?**

All of them are slightly different. One is focused on developing bankable projects, which is less about going to pilot and more about bridging the gap between the conservation and finance sectors- creating pipelines for finance. That’s very different from another incubator we’re running on municipal property tax rebates, which in simple terms means that you don’t pay local rates and taxes if you have a protected area. This solution has focused on helping landowners access rebates at a local level, and that’s being implemented already by the team at Wilderness Foundation Africa. Then we have another incubator on debt instruments, where the incubator actually went straight into a feasibility study for a green bond for South African National Parks.

**This is just mind boggling, all of the different concepts and solutions that are being explored. Based on what you’ve learned from incubators that have concluded and the pilots that are underway right now, are you thinking about making any adjustments to the incubator and the approach?**

I think what we have learned is that an incubator needs to have the right advisory group and the right framing questions. The tax incubator was probably our most effective and efficient incubator, and the reason it was such a success was that the problem statement and framing questions were so carefully and narrowly defined. So we were tackling one specific thing and we really got down to the crux of what the issue was and why it hadn’t been viable up until now. And we were able to answer that very directly with our stakeholders. This resulted in an effective pilot project which was built on these building blocks.

**I think that’s such a crucial piece, having a group of expert advisors that bring the relevant experience and skills to help shape the problem statement and the framing questions. Can you talk a little bit more about how you identify members of an advisory group?**

That really depends on where we'd like to pilot and implement. In other words, the solution will determine the experts. So far, all of the pilots are taking place in South African landscapes, so all of our experts are South African. But that's not to say that we don't build on global experience. We have sought out advisory capacity into the Coalition on top of advisor capacity in the incubators. For example, ILCN co-founder Peter Stein for me is a really fantastic advisor and sounding board. So is David Meyers at the Conservation Finance Alliance and Leigh Whelpton from the Conservation Finance Network. We are now working beyond South Africa and going regional, including West Africa, the Islands, and East Africa. It's just monumental.

**Yes! That actually leads me into my last question, which is, is that the vision – a global sustainable landscape finance solutions incubator?**

Yes, definitely. I would love to translate as many finance solutions as possible to jurisdictions and regions that have similar building blocks. When I look at biodiversity tax incentives for example, I know we can transfer the finance solution to Eswatini as similar building blocks are in place. Translating finance solutions across regions is a matter of capacity and finance which we hope to source soon. So that's the really big dream.

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