Infrastructure Investment Prospectus

Western Cape Government

FOR YOU

PROVINCIAL PUBLIC-SECTOR STRATEGIC OFFSET BANK

EXECUTIVE SUMMARY

High-level project overview; Unique value proposition and competitive advantage; Strategic significance and impact; Key stakeholders; Investment opportunity.

PROJECT DESCRIPTION & STRATEGIC CASE

Project scope and objectives; Justification; Sector-specific analysis; Market size and demand analysis.

PROJECT STATUS & IMPLEMENTATION READINESS

Current phase of development; Readiness for procurement; Regulatory and environmental approvals; Community and stakeholder engagement.

GOVERNANCE, POLICY & ENABLING ENVIRONMENT

Legal and regulatory framework; Government policies; Governance role; Investment needs and policy incentives.

ECONOMIC & COMMERCIAL VIABILITY

Value-for-money assessment; Cost-benefit analysis; Risk evaluation; Economic multipliers and macroeconomic benefits.

FINANCIAL REQUIREMENTS & FUNDING STRATEGIES

Total project cost breakdown; Funding sources; Revenue models; Innovative financing mechanisms.

PROJECT FEASIBILITY, APPROVALS & INFRASTRUCTURE PLANNING

Feasibility study findings; Master plan integration; Alternative evaluation; Infrastructure planning and prioritisation.

DELIVERY MECHANISM & PROCUREMENT STRATEGY

Phased implementation; Procurement methods; Bidding process; Supplier selection; Risk-sharing mechanisms.

PROJECT COMMUNICATION & STAKEHOLDER ENGAGEMENT

Investor engagement strategies; Community participation; Government and regulatory interactions.

SPECIAL (E.G. GENDER) PROCUREMENT ACTIONS & SOCIAL IMPACT

Gender-responsive procurement; Social benefits; Sustainability and environmental compliance.

OPERATIONS & MAINTENANCE STRATEGY

Long-term asset management; Performance monitoring; Digital technology leverage; Resilience planning and climate adaptation.

CONCLUSION & CALL TO ACTION

Summary of investment benefits; Next steps; Contact details and proposal submission.

CONTENTS

The Provincial Public-Sector Biodiversity Offset Bank is a strategic initiative designed to proactively conserve ecologically significant ecosystems in the Western Cape ahead of anticipated public infrastructure development. By establishing a centralised offset mechanism, the project aims to streamline environmental compliance, reduce development costs and delays, and deliver more effective and scalable conservation outcomes.

Current offset practices are fragmented and reactive, often resulting in small, scattered conservation areas with limited ecological impact and high management costs. This project addresses these inefficiencies by consolidating offset requirements into larger, strategically located conservation sites that are easier and more cost-effective to manage, while offering greater biodiversity protection.

The initiative is grounded in South Africa's legal and regulatory framework, particularly the National Environmental Management Act and its Environmental Impact Assessment Regulations. It aligns with national policy developments such as the White Paper on Conservation and Sustainable Use of Biodiversity and the National Biodiversity Offset Guideline (2023), which support innovative offsetting instruments and proactive environmental interventions.

Currently in the pre-feasibility phase, the project is being refined in collaboration with key provincial departments, including Infrastructure, Health and Wellness, and Education. Future stakeholder engagements will extend to municipalities, private landowners and local communities, particularly in relation to land stewardship and acquisition.

EXECUTIVE SUMMARY

Investment will focus on allocating underutilised government land or purchasing suitable private land, with sustained funding for long-term conservation management. The offset bank will also support blended finance models and nature-positive approaches, increasingly favoured by development finance institutions.

Economic and social benefits include job creation, increased local income, land value appreciation, and enhanced ecosystem services such as water purification, carbon sequestration and climate resilience. The offset bank will also facilitate compliance with international biodiversity commitments and reduce risks and delays in public development projects.

Phased implementation will begin with a pilot site, expanding as demand grows. Conservation management will be overseen by qualified entities such as CapeNature or SANParks, and social safeguards such as ensuring gender-responsive procurement and community participation will be built into the project design. Overall, the project represents a proactive solution to balance infrastructure development with ecological sustainability in the Western Cape.

PROJECT DESCRIPTION & STRATEGIC CASE

Project scope and objectives; Justification; Sector-specific analysis; Market size and demand analysis.

SCOPE AND OBJECTIVES

The project aims to establish a provincial public-sector strategic offset bank, designed to proactively conserve ecosystem types that will be impacted by planned public sector development, to serve as future offsets for those developments. The project objectives are to:

- Streamline the offsetting process for approved public developments, reducing the impact of offsets on both the overall cost and the implementation timeline of public development projects.
- Conserve biodiversity before the development impact takes place.
- Consolidate offset requirements into larger and more strategically placed offsets which are easier and cheaper to manage than small scattered offsets, and which result in improved conservation outcomes.

JUSTIFICATION

Current ad-hoc offset implementation is expensive and time-consuming, and has the potential to seriously hamper the implementation of public developments. In terms of conservation effectiveness, ad-hoc, small and scattered offsets chosen with the aims of minimising project cost and maximum ease of implementation often have limited true conservation value and high management costs compared to the conservation gain achieved.

MARKET SIZE AND DEMAND ANALYSIS

This will be completed with support from the Western Cape Department of Infrastructure, Western Cape Department of Health and Wellness, and the Western Cape Education Department.

Given the global biodiversity significance of the Cape Floristic Region and the requirement to meet biodiversity targets, there will be an increasing demand for the de-risking of public sector infrastructure projects. The Western Cape Government pursues alternative and blended finance models for infrastructure projects with development finance partners, and de-risking and nature-positive approaches are seen as standard practice within these future partner institutions.

Streamline the offsetting process for approved public developments, reducing the impact of offsets on both the overall cost and the implementation timeline of public development projects.

PROJECT STATUS & IMPLEMENTATION READINESS

Current phase of development; Readiness for procurement; Regulatory and environmental approvals; Community and stakeholder engagement.

CURRENT PHASE OF DEVELOPMENT

Pre-feasibility

READINESS FOR PROCUREMENT

Currently undergoing project preparation and refinement.

REGULATORY AND ENVIRONMENTAL APPROVALS

Subject to the National Environmental Management Act (Act 107 of 1998; NEMA) and the NEMA Environmental Impact Assessment (EIA) Regulations (2014, as amended)[1]. One of the outputs in the White Paper on Conservation and Sustainable Use of South Africa's Biodiversity (DFFE, 2023) focuses on creating regulatory certainty "for implementation of innovative biodiversity offsetting instruments, such as strategic biodiversity offsets and biodiversity offset banking". The current draft national Overall Policy on Environmental Offsetting allows for "proactive improvement interventions", catering for interventions taken which contribute towards the slowing or reversing of ecological deficit, and which are not implemented in response to a particular environmental impact. Additionally, such interventions must result in "a measurable improvement in the environment as measured against a pre-intervention baseline", must be ideally protected in perpetuity but at least for 30 years, must not be part of existing state funded environmental quality and protection programmes, and must not be the result of the fulfilment of any legal or regulatory obligation (in order to qualify for the fulfilment of future legal or regulatory obligations relating to offsets).

COMMUNITY AND STAKEHOLDER ENGAGEMENT

At the current level of project development, the main stakeholders are the Western Cape Department of Infrastructure, the Western Cape Department of Healthh and Wellness, and the Western Cape Education Department. Future engagements will take place with Municipal and national government owners of under-utilised land, local communities surrounding the proposed areas to be included in the offset bank, as well as relevant private landowners in terms of stewardship agreements or purchasing their land for offset banking.

[1]National Environmental Management Act 107 of 1998, Environmental Impact Assessment Regulations, 2014, as amended. Government Notice R982 in Government Gazette 38282 dated 4 December 2014.

One of the outputs in the White Paper on Conservation and Sustainable Use of South Africa's Biodiversity (DFFE, 2023) focuses on creating regulatory certainty "for implementation of innovative biodiversity offsetting instruments, such as strategic biodiversity offsets and biodiversity offset banking".

GOVERNANCE, POLICY & ENABLING ENVIRONMENT

Legal and regulatory framework; Government policies; Governance role; Investment needs and policy incentives.

LEGAL AND REGULATORY FRAMEWORK

Section 24 of the Constitution gives everyone the right to an environment that is not harmful to their health or well-being, and to have the environment protected through reasonable legislative and other measures that, among other things, secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development. The NEMA and the EIA Regulations are legislative measures that have been taken to advance that right. As per the mitigation hierarchy[2], biodiversity offsets are an integral part of the environmental management system created under NEMA. NEMA also includes national environmental management principles, which guide all environmental decision-making, including decisions relating to developments. Two of the important NEMA principles which relate directly to biodiversity offsetting are:

S2(4)(a)(i): That the disturbance of ecosystems and loss of biodiversity are avoided, or where it cannot altogether be avoided, are minimised and remedied. – This principle is the basis for the mitigation hierarchy.

S2(4)(p): The costs of remedying pollution, environmental degradation and consequent adverse health effects and of preventing, controlling or minimising further pollution, environmental damage or adverse health effects must be paid for by those responsible for harming the environment. – This principle is informally referred to as the "polluter pays" principle.

Biodiversity offsetting is one of the means of remedying the disturbance or loss of biodiversity, but only after the other mitigatory steps (i.e. avoidance, minimisation and rehabilitation) have been implemented. In terms of who pays for the implementation of the mitigation hierarchy, including biodiversity offsets, it is clear from the above principles that the costs for implementing biodiversity offsets are the responsibility of the developer – this applies regardless of whether the developer is a private party or a public institution. The implementation of the mitigation hierarchy, including potential biodiversity offsets, must therefore be budgeted for in all public development projects (regardless of whether the mandate of the public institution in question includes conservation or not).

In terms of the environmental management system provided for by NEMA and the EIA Regulations, a competent authority (CA) may grant Environmental Authorisations (EAs) subject to conditions. In appropriate circumstances[3], a CA may grant an EA subject to the condition that a measurable biodiversity offset is implemented by the EA holder.

The legal and regulatory framework for strategic offsetting is already described under "Regulatory and environmental approvals".

Government policies: Besides the existing legal and regulatory framework, national and provincial government have not finalised any formal policies relating to offsets. The following Guidelines and Strategies have relevance:

- National Biodiversity Offset Guideline (2023)
- Western Cape Guideline on Biodiversity Offsets (2015)
- Saldanha Strategic Offset Strategy (2020)

[2]Provided for in section 2(4)(a)(i) of the National Environmental Management Act (Act 107 of 1998; NEMA) and described in detail in the Guideline on Need and Desirability (DFFE, 2017). [3]Described in detail in the National Biodiversity Offset Guideline (2023).

INVESTMENT NEEDS AND POLICY INCENTIVES

Investment is required in the form of allocation of existing appropriate underutilised government land towards public development offset banking, or the application of funds towards the purchase of appropriate land for the establishment of a public development offset bank, as well as sustained funding for managing the land for conservation. As noted, no formal policies relating to offsets have been finalised by either the National or the Western Cape Governments.

ECONOMIC & COMMERCIAL VIABILITY

Value-for-money assessment; Cost-benefit analysis; Risk evaluation; Economic multipliers and macroeconomic benefits.

VALUE-FOR-MONEY AND COST-BENEFIT ASSESSMENTS

No formal assessment can be completed prior to potential public-sector strategic offset bank land areas being identified. However, in terms of project costs, larger-scale offsetting has been shown to have a smaller per-hectare cost of implementation and management than small offsets. This effect can be observed in the conservation management sector in general. Once a public-sector strategic offset bank is established, the time cost of meeting offset obligations to public entities implementing development will also be significantly reduced, resulting in real project savings. Value-for-money will also be affected based on the investor type (private vs. public).

RISK EVALUATION

RISK	MITIGATION
Public-sector strategic offset bank(s) established which turns out to be larger than that which was estimated to be required for future development (will result in some offset credits not being sold, which may impact the viability of managing the land for conservation in terms of budget).	Complete analysis of planned public development pipeline to assess future demand.
Land being allocated towards a public-sector strategic offset bank with insufficient funds for managing for conservation.	Before selecting land, do a full cost of management analysis and include this as required budget allocation from relevant Department and/or central budget allocation determined by Provincial Treasury. If offset credits are requested from government Departments that did not initially invest in the offset bank arrangements, the appropriate transfer of funds need to be set up to ensure that the government Department responsible for the impact is the one paying for the mitigation. ***Note that mitigation of the environmental impact of development is a legal requirement as per the NEMA and EIA regulations regardless of a particular government Department's core legal mandate, and in this instance does not count as budgets being allocated towards conservation***.
Land invasion leading to the conservation outcomes of the offset bank being compromised (e.g. Driftsands Nature Reserve deproclamation following extensive unlawful occupation during the COVID19 pandemic).	Implement appropriate monitoring as well as develop standard operating procedures to deal with land invasion, including all necessary role players (e.g. SAPS).
No appropriate (i.e. correct ecosystem type) public or private land available to meet the necessary offset demand.	Complete analysis of planned public development pipeline to assess future demand, and complete analysis of publicly owned land potentially available for offset banking.
Landowners (either public or private) unwilling to allocate/sell identified land for the purpose of offset banking.	Limited mitigation potential; appropriate landowner engagement as necessary.

ECONOMIC MULTIPLIERS AND MACROECONOMIC BENEFITS

MULTIPLIER TYPE / MACROECONOMIC BENEFIT	DESCRIPTION RELEVANT TO OFFSET BANKING
Employment multiplier	Offset banks require ecologists, land managers, restoration workers, compliance officers, and monitoring staff, creating direct and indirect jobs.
Income multiplier	Local communities benefit from conservation-related employment, increasing household spending on goods and services.
Land value multiplier	Offset bank land may appreciate in value due to its ecological importance and long-term financial benefits from biodiversity credits.
Tourism and recreation multiplier	Offset banks can support eco-tourism, hiking, birdwatching, and research activities, generating revenue for local businesses.
Supply chain multiplier	Demand for native plants, seed nurseries, erosion control materials, and ecological monitoring services boosts related industries.
Technology and innovation multiplier	Increased demand for remote sensing, GIS mapping, biodiversity monitoring software, and ecological restoration techniques stimulates innovation.
Cost savings for public development	Government Departments have predictable, streamlined options for biodiversity offsets rather than facing project delays due to mitigation uncertainty.
Long-term ecosystem service benefits	Protected areas improve water quality, carbon sequestration, and flood mitigation, reducing government spending on disaster response.
Investment in rural economies	Many offset banks are in rural areas, directing funding toward local communities and landowners.
Resilience against economic shocks	Offset banks provide stable, long-term investment opportunities that are less volatile than traditional real estate markets.
Compliance with international agreements	Strengthens South Africa's ability to meet commitments under the Convention on Biological Diversity and attract sustainability-focused investors.
Cost savings for public development	Government Departments have predictable, streamlined options for biodiversity offsets rather than facing project delays due to mitigation uncertainty.

FINANCIAL REQUIREMENTS & FUNDING STRATEGIES

Total project cost brerakdown; Funding sources; Revenue models; Innovative financing mechanisms.

TOTAL PROJECT COST BREAKDOWN

To be determined based on feasibility analysis, analysis of planned public development pipeline to assess future demand, analysis of publicly owned land potentially available for offset banking, discussions with the Department of Infrastructure, the Western Cape Department of Health and Wellness, and the Western Cape Education Department, as well as costing the conservation management of the specific land parcels involved for 30 years.

FUNDING SOURCES

Potential public funding sources include the Department of Infrastructure, the Western Cape Department of Health and Wellness, the Western Cape Education Department, and Provincial Treasury.

REVENUE MODELS

The project is primarily aimed at reducing the cost of development, as opposed to generating revenue. The budget for managing the offset bank is to be allocated by the relevant government Departments involved in the development of the public-sector strategic offset bank, or through offset credit sales to government Departments that require offsets for development projects.

INNOVATIVE FINANCING MECHANISMS

The offset banking approach represents an innovative approach to financing offsets.

PROJECT FEASIBILITY, APPROVALS & INFRASTRUCTURE PLANNING

Feasibility study findings; Master plan integration; Alternative evaluation; Infrastructure planning and prioritisation.

FEASIBILITY STUDY FINDINGS

Feasibility analysis still to be completed.

INFRASTRUCTURE PLANNING AND PRIORITISATION

The location and size of the offset bank will be determined based on infrastructure planning and prioritisation completed by the Western Cape Department of Infrastructure, the Western Cape Department of Health and Wellness, and the Western Cape Education Department.

DELIVERY MECHANISM & PROCUREMENT STRATEGY

Phased implementation; Procurement methods; Bidding process; Supplier selection; Risk-sharing mechanisms.

PHASED IMPLEMENTATION

An initial pilot site will be identified and established as an offset bank, with additional sites to be added over time as required.

PROCUREMENT METHODS

Ideally the conservation management of the public-sector strategic offset bank will be facilitated by an appointed management authority, which may include CapeNature, SANParks, Biosphere Reserves or other NPO partners. Procurement methods will be in line with public procurement rules as required for public entities.

BIDDING PROCESS AND SUPPLIER SELECTION

Land acquisition will take place either by reallocating existing provincial land (no financial transaction required) or specific privately-owned land parcels will be identified for potential purchase based on offset requirements. Conservation management actions will be implemented by the assigned management entity as per their legally required procurement rules.

RISK-SHARING MECHANISMS

Potential Public-Private Partnership in terms of private landowners providing their land as offsets for the public-sector strategic offset bank via high conservation value stewardship agreements.

PROJECT COMMUNICATION & STAKEHOLDER ENGAGEMENT

Investor engagement strategies; Community participation; Government and regulatory interactions.

INVESTOR ENGAGEMENT STRATEGIES

Investor engagement will be linked to feedback on monitoring and evaluation of the management of the public-sector strategic offset bank. Updates on available offset credits and offset credit sales / transfers will also be provided.

COMMUNITY PARTICIPATION

See "Community and stakeholder engagement" on page 7.

SPECIAL (E.G. GENDER) PROCUREMENT ACTIONS & SOCIAL IMPACT

Gender-responsive procurement; Social benefits; Sustainability and environmental compliance.

GENDER-RESPONSIVE PROCUREMENT

The project will ensure that the offset bank management entity implements gender-responsive procurement (e.g. CapeNature has existing internal targets for employing women).

SOCIAL BENEFITS

Includes improved local recreation opportunities and ecosystem goods and services, as well as local job creation. For more detail see "Economic multipliers and macroeconomic benefits" on page 12.

SUSTAINABILITY AND ENVIRONMENTAL COMPLIANCE

The project is fundamentally designed to increase sustainability by improving and facilitating the implementation of the mitigation hierarchy to address the environmental impact of public developments, as well as improving environmental compliance by assisting EA holders in meeting their legally required offset obligations within the legally required timeframes.

RISK-SHARING MECHANISMS

Potential Public-Private Partnership in terms of private landowners providing their land as offsets for the public-sector strategic offset bank via high conservation value stewardship agreements.

OPERATIONS & MAINTENANCE STRATEGY

Long-term asset managment; Performance monitoring; Digital technology leverage; Resilience planning and climate adaptation.

LONG-TERM ASSET MANAGEMENT AND PERFORMANCE MONITORING

A cost analysis will determine the budget requirement to consider the minimum funding period for management of the public-sector strategic offset bank, which is 30 years. If the public-sector strategic offset bank is not managed by a conservation entity up front, the initial management arrangements will include an agreement with an appropriate conservation entity to take over management of the offset bank after the initial 30-year management responsibility lapses. Standard offset implementation requires periodic audits to ensure offsets are still performing their function.

DIGITAL TECHNOLOGY LEVERAGE

The project will utilise existing conservation management software solutions for the public-sector strategic offset bank management.

RESILIENCE PLANNING AND CLIMATE ADAPTATION

Strategic offset banking improves resilience and climate change adaptation via the conservation of biodiversity (particularly when applied in urban environments) and all associated ecosystem goods and services.

CONTACT DETAILS

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PROJECT PARTNERS

National government owners of land, local communities, private landowners, Biosphere Reserves, SANParks, NPOs.

PROVINCIAL PARTNERS

Western Cape Departments of Infrastructure, Health and Wellness and Education, as well as CapeNature.

MUNICIPAL PARTNERS

Municipal owners of land.