

Introduction

Investing in Africa: Investing in Nature by NatureFinance explores the potential of nature credit instruments to drive private finance into African conservation and restoration. The forthcoming technical report which this booklet summarises, maps and analyses the emerging landscape for biodiversity credits across the continent. It draws from interviews with over 80 stakeholders, with special thanks to these market stakeholders, and takes into account international market developments. The landscaping and stakeholder engagement was undertaken with the support of *Advancing Green* and made possible with support from *FSD Africa*.

Nature credits are currently primarily traded in voluntary markets, with two-thirds tied to carbon sequestration, namely carbon credits. Conversely, biodiversity credits, garnering increasing global attention, are nascent, with various types and market structures emerging. While carbon credits signify climate gains, biodiversity credits denote nature gains, offering investment prospects for a larger range of conservation efforts across ecosystems and species. Biodiversity credits represent the potential of a non-traditional revenue stream for conservation and restoration, with current levels are estimated at only USD 2–8 million.¹

Biodiversity credits sometimes referred to as biocredits, biodiversity units or nature certificates, represent a measured or verified improvement in biodiversity outcomes through quantifiable stewardship effort. This definition was kept intentionally broad for the purposes of the landscaping study given the lack of consensus on definition and methodologies worldwide, rather opting to showcase the innovative and impactful African projects and pilots which see themselves as part of this market.

Biodiversity credits can serve different purposes:

Investment: generating financial flows that are invested in nature conservation and restoration.

Business behaviour: making biodiversity destruction expensive, and shifting business behaviour towards nature positive products, services and processes.

Local ownership and benefit sharing: rewarding nature's stewards, Indigenous Peoples and local communities (including farmers) for their conservation work.



For a fuller picture of how the landscape is developing, these selected case studies from the over 30 projects mapped, illustrate the range of products, methodologies, and platforms under development across a range of ecosystems and species, including highlighting where first sales have taken place.



EarthAcre: has finalised their first sale and is developing an African Grasslands Biodiversity Methodology that integrates ecosystem integrity and bio-cultural components, enabling projects with a large number of smallholder landowners to engage in communal management while receiving individual and communal benefits.



VALUENATURE

ValueNature: an African biodiversity credits facilitator, operating across the continent and expanding globally, utilises digital monitoring tools and an investment framework for land conservation, with a focus on transparency and community empowerment through Nature Investment Certificates (NIC).



ECOTRUST: are establishing green corridors through biodiversity and carbon credits with smallholder farmers under the Plan Vivo standard, aiming to protect biodiversity hotspots like the Albertine Rift and mitigate threats to endangered species such as the Eastern Chimpanzee.



WWF Namibia, Wadappt and CCFN: are integrating indigenous and local community expertise with technology through Wadappt's blockchain-based MRV platform, where sales have already been made. Wadappt enables independent data verification and saleable nature certificates to support conservation efforts, such as the Black Rhino Guardian Program in Namibia.



African Parks: are developing Verifiable Nature Units (VNUs) with the Landbanking Group to incentivise conservation across diverse ecosystems, utilizing descriptors, inputs, and outcomes to quantify and finance nature-positive outcomes.



Grootbos Foundation and Fauna & Flora: are piloting biodiversity credit projects in South Africa's Cape Floristic Region, home to 20% of the continent's flora. Leveraging decades of conservation experience to sustainably fund conservation and protect a biodiversity hotspot threatened by climate change and invasive species.



WCS's HIFOR Initiative: offers high-integrity forest units, each representing a hectare of maintained tropical forest, supporting carbon removal, biodiversity preservation, and benefiting indigenous peoples. Pilots in Brazil and the Republic of Congo aim to serve diverse clients, leveraging climate and biodiversity impacts.



West Africa Blue: are driving private finance into coastal mangroves through blue carbon projects, emphasizing community development and biodiversity measurement through eDNA, while also profiling and protecting endangered species with projects in Sierra Leone and Guinea aiming to improve livelihoods while combating climate change.



Baotree: are facilitating MRV and data tracking using mobile technology, bridging on-the-ground data collection with project monitoring across portfolios of projects, with partnerships extending from Kenya to South Africa and Thailand.



AirImpact: are integrating monitoring tools into a comprehensive platform to scale conservation efforts, with a focus on transparency and community engagement on project development and reporting assisted by AI functionality.



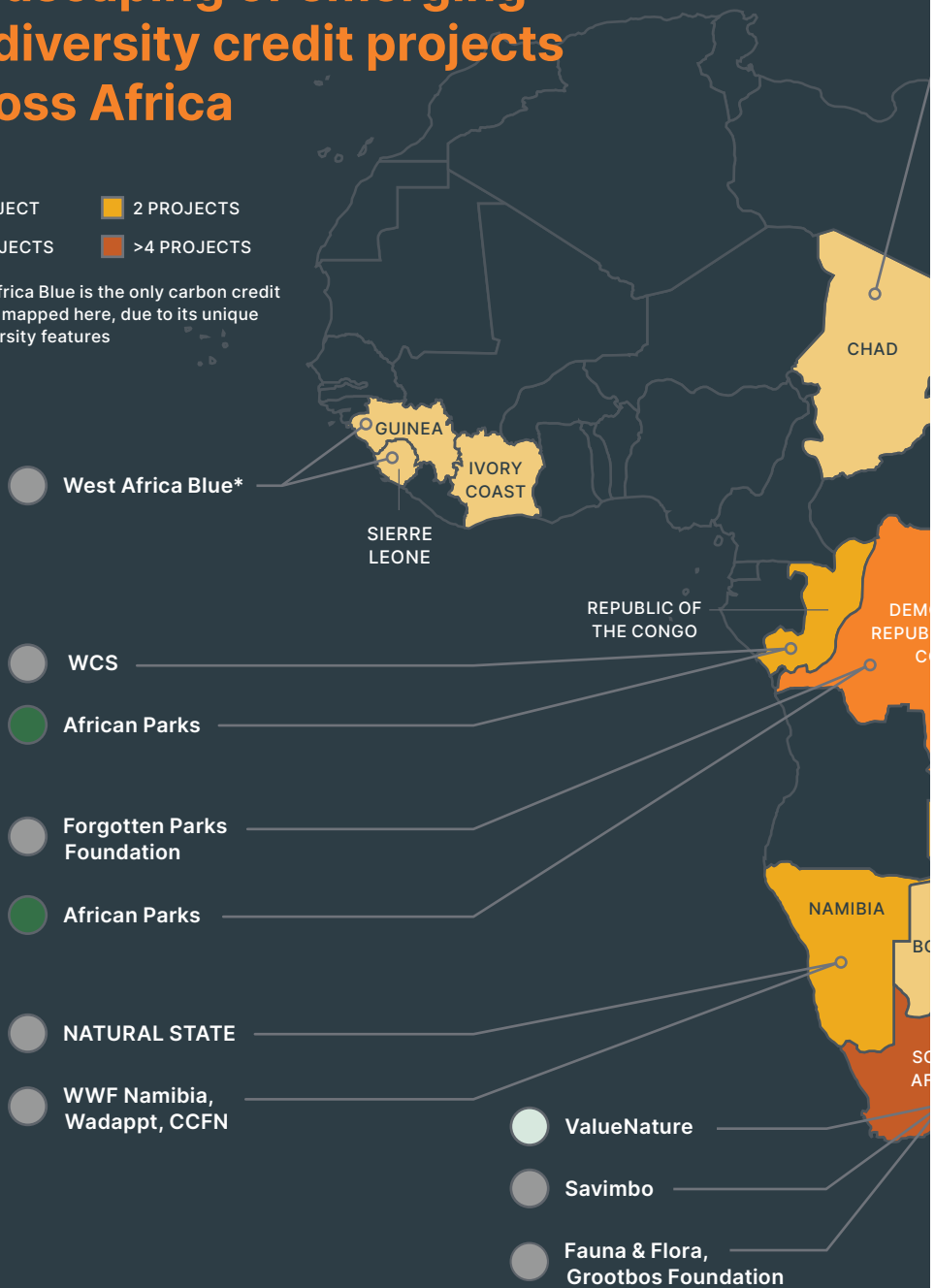
BIRA: FSD Africa, Axum, and the African Leadership University founded the Biodiversity Investments—Researcher & Accelerator (BIRA), Africa's first accelerator for biodiversity credit projects working with other experts, including CreditNature, Xilva, and Baotree to provide expertise on biodiversity and ecosystem measurement, biodiversity project assessment, and data collection. One of the primary goals of the accelerator is to increase transactions for biodiversity impact, including the identification of a potential pipeline of companies, working closely with individual companies or projects to improve the investment proposition of the project, and engaging with potential buyers so as to facilitate pioneering investments in nature-positive solutions.

Landscaping of emerging biodiversity credit projects across Africa

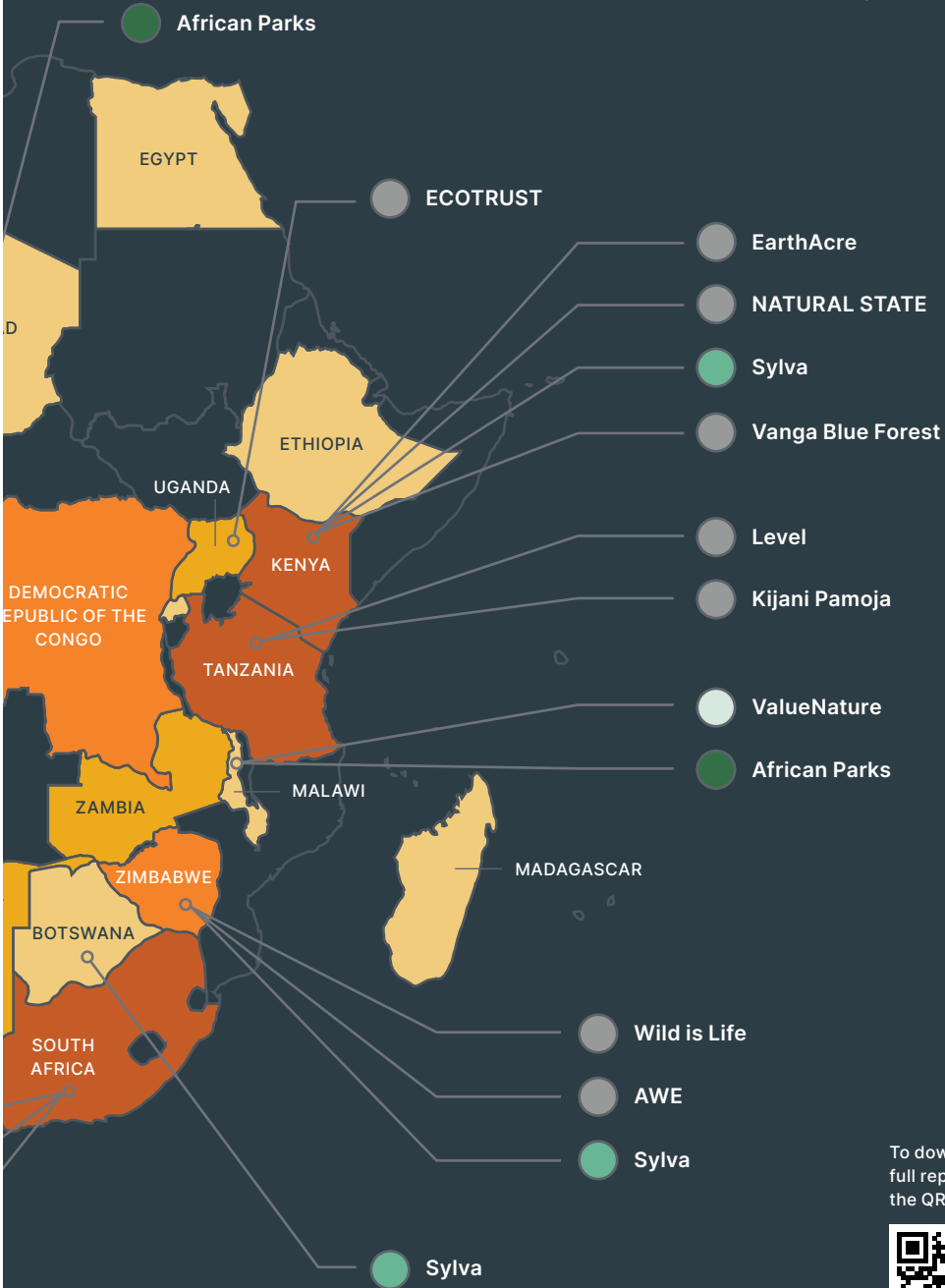
LEGEND

- 1 PROJECT
- 2 PROJECTS
- 3 PROJECTS
- >4 PROJECTS

* West Africa Blue is the only carbon credit project mapped here, due to its unique biodiversity features



This map indicates the number of biodiversity credit projects that were engaged with throughout the landscaping study and names those developers whose projects are publicly known.



To download the full report, scan the QR code.



Recommendations and interventions

These recommended interventions aim to establish market trust, promote equitable development, and ensure fair compensation in Africa's biodiversity credit markets. The six principles with corresponding interventions to achieve them are: 1. Quality of biodiversity credits; 2. Market incentives and disincentives; 3. Equitable market access; 4. Fair price for both nature-rich countries and nature's stewards, local communities and developers; 5. Establishing regulations for transparency and efficient biocredit trading; and 6. Building stakeholder voices into the core market design.

1 Quality of biodiversity credits in biodiversity improvement measures and social benefits

RECOMMENDED INTERVENTIONS:

Support a regional **biocredit producers' association and ultimately a more formalized 'sellers club'**, where price floors can be set and product offerings aggregated.

Support an **independent body or standard to determine the scientific and community outcomes and integrity of biodiversity credits.**

2 Market incentives and disincentives

RECOMMENDED INTERVENTIONS:

Offsetting and insetting: remain an area of ongoing debate locally and internationally which improved market governance needs to address by creating the right incentives and removing the potential damage and risks that bad claims can bring, with the burden of market and financial risks being more evenly distributed away from communities and developers and onto buyers and investors, overseen and enforced by regulators.

Mandated contributions to drive demand: this could include, for example, establishing no-net-loss or net-gain 'comply or compensate' frameworks across supply chains and procurement, key sectors or even at a national level, such as the UK's Biodiversity Net Gain Policy² or Colombia's biodiversity offset policies,³ both of which represent policy-induced demand that have scaled demand for biocredits.

Regulated Incentives: such as taxation, for example South Africa's newly introduced tax incentive for threatened species. The Threatened Species and Other Effective Area-based Conservation Measures, allowing South African taxpayers safeguarding threatened ecosystems or species, to deduct all expenses related to their conservation efforts from their taxable income.⁴

Incorporating biodiversity goals into voluntary carbon markets (VCMs) aligning with carbon trading and monetisation. This approach leverages the existing mechanisms and liquidity of carbon trading to simultaneously address biodiversity conservation by embedding biodiversity outcomes within carbon credits, accounting for both carbon sequestration and biodiversity improvements.

3 Equitable market access

RECOMMENDED INTERVENTIONS:

Finance-based Models: Development finance institutions (DFIs), such as the AfDB and commercial banks should:

- **Introduce biodiversity-linked financial products.**
- **Introduce nature positive requirements into general lending criteria.**

International instruments: credits linked to operationalising the Kunming-Montreal Global Biodiversity Framework, Article 6.2, as well as disclosure frameworks including SBTi, TCFD and TNFD.

4 Fair price for both nature-rich countries and nature's stewards, local communities and developers

RECOMMENDED INTERVENTIONS:

Setting Minimum Price Floors: to prevent the undervaluation of biodiversity contributions and ensure financially viable conservation efforts. Following Terrasos' standardized cost-based pricing model, account for conservation costs, opportunity costs, and fair compensation for local communities. A transparent and consistent pricing framework helps establish a minimum compensation level for nature's stewards.

Leverage Digital Technologies and Facilitate Fintech Platforms: including new digital technologies, like blockchain, and leveraging mobile money, which enable market access and price discovery, and direct flows of finance. Leveraging digital technologies for transparent tracking and verification of biodiversity impacts could help build trust and attract private investment.

5 Establishing regulations for transparency and efficient biocredit trading

RECOMMENDED INTERVENTIONS:

Derisking measures: for both buyers and sellers would encourage investment into nature credit markets, from insurance, guarantee type, first loss, etc.

African Biocredit markets could regulate biocredit trading similar to the Commodity Futures Trading Commission (CFTC), the USA's Commodity Exchange Authority, with a focus on providing guidance for trading credits to ensure integrity, transparency, liquidity, and efficient price discovery in the financial markets. Covering both over the counter (OTC) trades and trades conducted through exchanges. Key aspects of these regulations should include:

- **Trader Certification**
- **Trading Practices**
- **Transparency Requirements**
- **Monitoring and Enforcement**

6 Building stakeholder voices into the core market design

RECOMMENDED INTERVENTIONS:

Ensuring Effective Representation of the views of Indigenous Peoples and Local Communities in emerging national and international governance platforms, notably concerning rights including over data ownership, price setting, voice and validation.

Best Practice and Capacity Building and Support: Adopt best practice in which project initiation can only take place once proof of negotiation and consultation on agreed benefits has taken place, with local and indigenous communities having access to financial and legal support in decision and agreement making.

Include indexation clauses in sales contracts to ensure profits from credit resales or world price increases are paid back as bonus payments to local communities once biodiversity improvement is achieved.

Financial and Legal Capacity Building: Ensuring best practice and financial and legal advisory council is paid for Indigenous and Local Communities when entering into and engaging with commercial agreements.

1 UNEP. "State of Finance for Nature 2023." 2023.

2 UK Biodiversity Net Gain Policy: <https://www.gov.uk/guidance/understanding-biodiversity-net-gain#:~:text=In%20England%2C%20BNG%20is%20mandatory,than%20there%20was%20before%20development>.

3 World Rainforest Movement, 2017, 'Colombia: Environmental Offsets, Legitimizing Extraction', <https://www.wrm.org.uy/bulletin-articles/colombia-environmental-offsets-legitimizing-extraction>.

4 South African Threatened Species and Other Effective Area-based Conservation Measures (OECMs), official DFFE media release: https://www.dffe.gov.za/mediareleases/creecy_biodiversitymanagementagreement and Daily Maverick analysis: <https://www.dailymaverick.co.za/article/2023-11-13-new-tax-incentive-might-be-just-whats-needed-to-save-sas-threatened-species/>.