



OUTPUT 7: RISK ASSESSMENT AND MITIGATION PLAN (FINAL-V1.3)

Provision of Project Preparation Services to the South African National Biodiversity Institute (SANBI)

11 April 2025



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LIST OF ABBREVIATIONS

Acronym	Definition
AML	Anti-Money Laundering
APR	Adaptation, Policy and Resourcing
BRAM	Biodiversity Research Assessment and Monitoring
CARA	Conservation of Agricultural Resources Act 43 of 1983
CCA	Climate Change Act 22 of 2024
CFT	Countering the Financing of Terrorism
CMA	Catchment Management Agency
COGTA	Department of Cooperative Governance and Traditional Affairs
DAE	Direct Access Entity
DALRRD	Department of Agriculture, Land Reform and Rural Development
DBSA	Development Bank of Southern Africa
DFFE	Department of Forestry, Fisheries and the Environment
DMA	Disaster Management Act 57 of 2002
DRR	Disaster Risk Reduction
DWS	Department of Water and Sanitation
EbA	Ecosystem-Based Adaptation
Eco-DRR	Ecosystem-Based Disaster Risk Reduction
EIA	Environmental Impact Assessment
EPWP	Expanded Public Works Programmes
FT	Financing Terrorism
GCF	Green Climate Fund
GEF	Global Environment Facility
IAP	Invasive Alien Plant
M&E	Monitoring and Evaluation
ML	Money Laundering
NBI	National Business Initiative
NAFAB	National Adaptation Funds Advisory Body
NDA	National Designated Authority
NDMC	National Disaster Management Centre
NEMA	National Environmental Management Act 107 of 1998
NEMBA	National Environmental Management: Biodiversity Act 10 of 2004
NEMPAA	National Environmental Management: Protected Areas Act 57 of 2003 (as amended)
NGO	Non-Governmental Organisation
NWA	National Water Act 36 of 1998
NGO	Non-Governmental Organisation
OHSA	Occupational Health and Safety Act 85 of 1993
PCC	Presidential Climate Commission
PMG	Project Management Group
PMU	Project Management Unit
PPE	Personal Protective Equipment
PSC	Project Steering Committee
SALGA	South African Local Government Association
SANBI	South Africa's National Biodiversity Institute
SANParks	South African National Parks
SAWS	South African Weather Service
UNDP	United Nations Development Programme
USD	United States Dollar
ZAR	South African Rand

1 Introduction

1.1 PROJECT CONTEXT

The impacts of climate change have been felt across South Africa with the frequency and severity of floods, droughts and wildfires increasing. Climate projections show that this trend, including changes in intensity and unpredictability, will continue. These hazards are leading to escalating risks of significant impacts on South Africa's wider economy and both the urban and rural livelihoods and its most vulnerable populations.

In response, South Africa's National Biodiversity Institute (SANBI) is preparing a full application, with the associated supporting documents, to the Green Climate Fund (GCF) to fund a programme to scale up ecosystem-based approaches to managing climate intensified disaster risks in vulnerable regions of South Africa (the Eco-DRR project). Ecosystem-based approaches are broadly accepted as a cost-effective and sustainable means to promoting resilience in communities vulnerable to climate change intensified droughts, floods and wildfires and this project will utilise ecosystem-based approaches to reduce the impacts of climate change to the benefit of 5 481 886 people. This will be achieved through the rehabilitation of vulnerable catchments, the integration of ecosystem-based approaches into settlement planning and disaster risk reduction (DRR), and the creation of an enabling environment that unlocks private sector finance and scales best practices across South Africa. As part of the GCF full funding proposal (FFP) application process, a concept note was developed for the Eco-DRR project which was initially endorsed in 2019 and subsequently revised.

1.2 OBJECTIVES AND STRUCTURE OF THE REPORT

The purpose of this report is to present the legal due diligence and the risk assessment for the Eco-DRR project. The legal due diligence section of this report provides a legal review of the Eco-DRR project using a dual programmatic and project lens that aims to ensure that all legal requirements are covered when the Eco-DRR project is implemented. The risk assessment section presents the findings from the risk assessment and provides a mitigation plan to address the identified risks with the aim of fully adhering with GCF Risk Matrix. The structure of the report is as follows:

- **1. Introduction:** Presents the project context, objectives and structure of the report.
- **2. Legal Due Diligence:** Describes the relevant acts, regulations and safeguards that are applicable to the Eco-DRR project and what considerations must be taken to ensure compliance with these legal instruments and safeguards.
- **3. Risk Assessment and Mitigation Plan:** Details the different risk for the Eco-DRR project according to GCF's risk category options and describes appropriate mitigation measures as well as a mitigation plan.

2 SANBI Legal and Financial Aspects

2.1 SANBI'S LEGAL CAPACITY

Full legal name: South African National Biodiversity Institute

Information on incorporation, legal form and legal status: SANBI's legal personality and mandate derives from a national Act of Parliament called the National Environmental Management: Biodiversity Act 10 of 2004 ("NEMBA"). SANBI was established under section 10(1) of the NEMBA and is recognised as a juristic person under section 10(2) of NEMBA. SANBI has the capacity to litigate. In terms of section 12(l) of NEMBA, SANBI may "institute or defend any legal action". NEMBA therefore empowers SANBI to serve as plaintiff or defendant (in action proceedings) and as an applicant or respondent (in application proceedings). Furthermore, section 12(k) of NEMBA states that for the purposes of performing its duties, SANBI can perform legal acts (including acts in association with, or on behalf of any other organ of state). SANBI can therefore be joined to legal proceedings as a litigant.

Ability to enter into contracts

SANBI's contractual capacity is confirmed in terms of NEMBA. Specifically, NEMBA recognises SANBI as a "juristic person" and explicitly acknowledges SANBI's ability to perform "legal acts", which acts would include entering into contracts or agreements with international organisations (see NEMBA at sections 10(2) and 12(k)).

Examples of contracts entered into between SANBI and international organisations are provided as:

- SANBI's contract with the Adaptation Fund for the Small Grants Facility Project, signed and dated by SANBI's CEO on 28 October 2014.
- SANBI's contract with the Adaptation Fund for the uMngeni Resilience Project, signed and dated by SANBI's CEO on 28 October 2014.

Moreover, section 11(p)(i) of NEMBA also states that SANBI must upon request by the national Minister of Forestry, Fisheries and the Environment advise the Minister on international agreements binding on South Africa that relates to biodiversity.

Ability to receive and reflow funds (AE)

SANBI has the capacity to directly receive funds into its own bank accounts.

SANBI is recognised as a "national public entity" under schedule 3A the Public Finance Management Act 1 of 1999, as amended ("PFMA"). Section 13(5) of the PFMA states that money received by a national public entity listed in schedule 3 must be paid into the bank account opened by the institution concerned. As noted above, SANBI is listed as a schedule 3A national public entity under the PFMA and is therefore able to receive funds directly into its own bank account.

Section 10(2) of NEMBA establishes SANBI as a juristic person. Section 12(d) of NEMBA enables SANBI to open and operate its own bank accounts for the purposes of performing its duties.

2.2 CONTRACTUAL ARRANGEMENTS

For the Eco-DRR project the SANBI will be both Accredited Entity and Executing Entity and as such the governance arrangements have been designed to clarify accountability and a division of responsibility. No other Executing Entities will be involved in the implementation of the project.

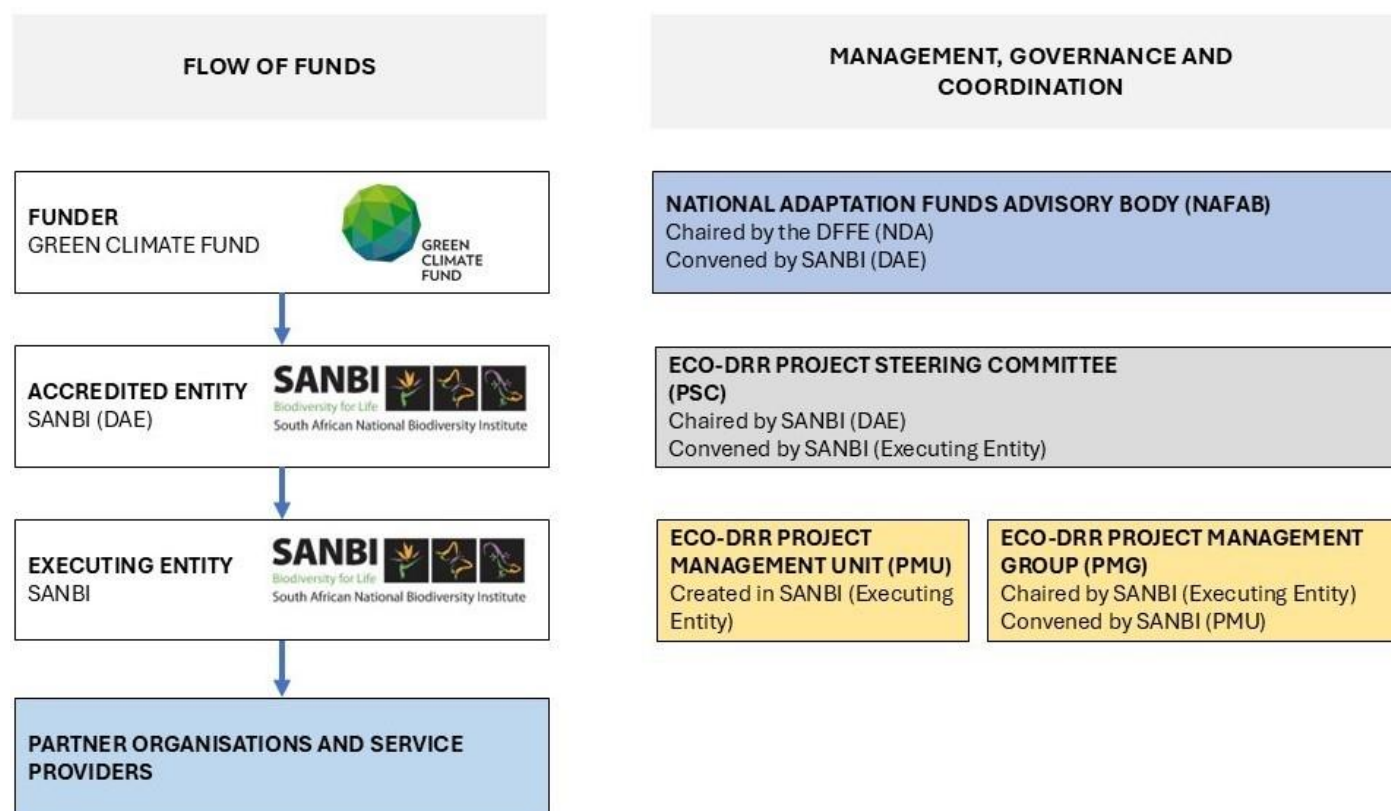


Figure 2-1: Project governance arrangements

Contractual arrangements by the partner organisations and service providers that will support implementation will be finalised during the project's Operationalisation Phase. SANBI has a standardised approach to the implementation of such projects that includes a detailed Operationalisation Phase supported by rigorous engagements with all those involved. Thus, the Operationalisation Phase will ensure that all contractual arrangements made will be fit-for-purpose and based upon the findings of this phase. There will be no contractual arrangements between SANBI and project beneficiaries.

2.3 TAXES

Applicable Taxes (or Exemptions) on Goods and Services Purchased with GCF Funds

SANBI is a Schedule 3A Public Entity and is exempt from taxes levied on income funds. No taxes will be levied against transfer of funds between GCF and SANBI.

Tax Implications on Transfers of Funds between SANBI and Partner Organisations/ Service Providers and Budget Provisions for Tax Payments

Value Added Tax (VAT) is levied when goods and services are bought. SANBI can apply to National Treasury for an exemption from paying VAT in certain circumstances. If the South African Government has entered into an international donor funding agreement with GCF, in terms of which goods or services must be supplied for the benefit of the people in South Africa (known as Official Development Assistance Agreements ([ODAA]), and the ODAA stipulates that such funding cannot be used to pay for any taxes imposed under South African Law, then SANBI can apply to National Treasury for exemption from paying taxes, including VAT. VAT paid on transactions will be claimed back and applied to the project. Once funds are transferred from SANBI to the recipient (i.e. partner organisations and/or service providers), the recipient may be liable for tax if the transfer is categorised as payment for the purchase of goods and/or services. However, if the recipient is also tax exempt then the payment for the purchase of goods and/or services will not attract tax.

2.4 FINANCIAL ASPECTS

Channelling of Funds: Direct Receipt of Funds by SANBI from GCF: SANBI has the authority to directly receive funds into its own bank account. SANBI can receive funds directly from GCF without funds first flowing through a particular ministry or body in the government.

According to Section 10(2) of NEMBA, SANBI is established as a juristic person, and Section 12(d) grants it the ability to open and manage its own bank accounts to carry out its responsibilities.

Section 13(5) of the PFMA stipulates that funds received by a national public entity listed in Schedule 3 must be deposited into the bank account of the respective institution. As mentioned earlier, SANBI is listed as a Schedule 3A national public entity under the PFMA, enabling it to receive funds directly into its own bank account.

Approvals, Licences, and Permits for Fund Transfers between GCF, SANBI and Partner Organisations / Service Providers: No approvals, licences or permits are required. SANBI has previously opened a US\$ bank account to receive GCF Readiness grant funds. SANBI will transfer funds from the US\$ bank account to SANBI's ZAR account as and when funds are expensed and or disbursed to the final recipient.

Approvals, Licences, and Permits for Transfer of Unused Funds and Investment Income from SANBI to GCF: No approvals, licences or permits are required. Any unused funds will remain in the US\$ bank account until such time as the project ends and they are returned to GCF. This applies equally to any investment income earned.

Foreign Exchange: The nature of this application is in the form of a grant, and whilst the grant will be accessed in US Dollars, this will be translated into South African Rands (ZAR), and ZAR will be used for all projects implementation activities. Depending on the tranche arrangements for the grant – this could potentially impact the actual ZAR funds available for project's implementation by SANBI.

The rand has consistently depreciated against the USD for the last 10 years (Barker, 2023), and as such, the use of the current exchange rate in the project's budget is believed to be a conservative approach. Any significant changes that have a material impact on the project will be reflected on together with GCF management and programmed accordingly. The Eco-DRR project, specifically SANBI through the PMU, will track, monitor and report on all finances accessed and utilised under the project, so that there is a record and accountability for every dollar of grant received.

This risk is outlined amongst the key risk elements outlined below. See section 4.2.4.

3 Legal Due Diligence

3.1 RELEVANT ACTS AND REGULATIONS

3.1.1 National Environmental Management Act 107 of 1998 (NEMA)

The Act provides for cooperative and environmental governance by establishing principles for decision-making on matters affecting the environment, institutions that will promote cooperative governance and procedures for coordinating environmental functions exercised by organs of state. The following sections / clauses in NEMA are important for the Eco-DRR project:

- 2 Principles – (4)(a) Sustainable development requires the consideration of all relevant factors including the following:
 - (i) That the disturbance of ecosystems and loss of biological diversity are avoided, or, where they cannot be altogether avoided, are minimised and remedied;
 - (ii) that pollution and degradation of the environment are avoided, or, where they cannot be altogether avoided, are minimised and remedied;
 - (iii) that the disturbance of landscapes and sites that constitute the nation's cultural heritage is avoided, or where it cannot be altogether avoided, is minimised and remedied;
 - (iv) that waste is avoided, or where it cannot be altogether avoided, minimised and re-used or recycled where possible and otherwise disposed of in a responsible manner;
 - (v) that the use and exploitation of non-renewable natural resources is responsible and equitable, and takes into account the consequences of the depletion of the resource;
 - (vi) that the development, use and exploitation of renewable resources and the ecosystems of which they are part do not exceed the level beyond which their integrity is jeopardised;
 - (vii) that a risk-averse and cautious approach is applied, which takes into account the limits of current knowledge about the consequences of decisions and actions; and
 - (viii) that negative impacts on the environment and on people's environmental rights be anticipated and prevented, and where they cannot be altogether prevented, are minimised and remedied.
- 2 Principles – (4) (r) Sensitive, vulnerable, highly dynamic or stressed ecosystems, such as coastal shores, estuaries, wetlands, and similar systems require specific attention in management and planning procedures, especially where they are subject to significant human resource usage and development pressure.
- 24 Environmental authorisations - (1) In order to give effect to the general objectives of integrated environmental management laid down in this Chapter, the potential consequences for or impacts on the environment of listed activities or specified activities must be considered, investigated, assessed and reported on to the competent authority or the Minister responsible for mineral resources, ...
- 24 Environmental authorisations - (4) Procedures for the investigation, assessment and communication of the potential consequences or impacts of activities on the environment - (b) must include, with respect to every application for an environmental authorisation and where applicable –

- (i) investigation of the potential consequences or impacts of the alternatives to the activity on the environment and assessment of the significance of those potential consequences or impacts, including the option of not implementing the activity;
 - (ii) investigation of mitigation measures to keep adverse consequences or impacts to a minimum;
 - (iii) investigation, assessment and evaluation of the impact of any proposed listed or specified activity on any national estate referred to in section 3 (2) of the National Heritage Resources Act, 1999 (Act 25 of 1999), excluding the national estate contemplated in section 3 (2) (i) (vi) and (vii) of that Act;
 - (iv) reporting on gaps in knowledge, the adequacy of predictive methods and underlying assumptions, and uncertainties encountered in compiling the required information;
 - (v) investigation and formulation of arrangements for the monitoring and management of consequences for or impacts on the environment, and the assessment of the effectiveness of such arrangements after their implementation;
 - (vi) consideration of environmental attributes identified in the compilation of information and maps contemplated in subsection (3); and
 - (vii) provision for the adherence to requirements that are prescribed in a specific environmental management Act relevant to the listed or specified activity in question.
- 24 Environmental authorisations – (4A) Where environmental impact assessment (EIA) has been identified as the environmental instrument to be utilised in informing an application for environmental authorisation, subsection (4) (b) is applicable.
 - 24E Minimum conditions attached to environmental authorisations - Every environmental authorisation must as a minimum ensure that-
 - (a) adequate provision is made for the ongoing management and monitoring of the impacts of the activity on the environment throughout the life cycle of the activity;
 - (b) the property, site or area is specified; and
 - (c) provision is made for the transfer of rights and obligations.

All project actions will need to ensure coherence with legal and regulatory requirements of NEMA and associated regulations. The implementation of any ecosystem-based adaptation (EbA) intervention under Outcome 1 of the Eco-DRR project that may have an impact on the environment will need to consider whether an environmental authorisation must be obtained in terms of NEMA as per Section 24 (1). If an environmental authorisation is needed, then the impacts on the environment, socio-economic conditions and cultural heritage as a result of the project will need to be properly considered, investigated, assessed and reported on prior to project activities commencing. The use of environmental authorisations or EIAs as the preferred environmental instrument to inform an application will be determined based on the type of intervention to be implemented which will be guided by EIA Regulations and Listing Notices that have been published under NEMA to regulate development activities.

In the absence of knowing exactly what project activities will take place, provision will be made for identification of activities that require an environmental authorisation during the Operationalisation Phase. Environmental authorisations are permits issued by the environmental department, which are needed to commence environmentally sensitive activities as set out in South African law. In event of a listed activity being triggered, an Environmental Authorisation will be applied for and

obtained prior to commencement of project activities. DFFE will be consulted to advise whether a listed activity will likely be triggered. If DFFE is of the opinion that there are triggers, then an appropriately qualified Environmental Assessment Practitioner will be appointed and make that determination and apply for the environmental authorisation.

3.1.1.1 EIA Regulations, 2014 as amended

EIA Regulations regulates EIAs which need to be undertaken to obtain an environmental authorisation. Listing Notice 1 sets out activities that require a basic assessment before an environmental authorisation may be granted. Listing Notice 2 sets out activities that require a scoping and environmental impact reporting process before an environmental authorisation may be granted. Listing Notice 3 sets out activities which, in certain geographical areas, require a basic assessment before an environmental authorisation may be granted. At this juncture, the nature of the interventions to be implemented and the specific activities under the Eco-DRR project are still to be determined. Once known, DFFE will be consulted on whether an environmental authorisation is required for that activity. If environmental authorisation is required, then a registered environmental assessment practitioner will be engaged to ensure compliance with the EIA Regulations. There is sufficient time during the Operationalisation Phase of the Eco-DRR project to apply for and obtain the requisite authorisation from the competent authority.

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3.1.2 National Environmental Management: Biodiversity Act 10 of 2004 (NEMBA)

The NEMBA provides for the management and conservation of South Africa's biodiversity within the framework of NEMA. It provides for the protection of species and ecosystems that warrant national protection; the sustainable use of indigenous biological resources; the fair and equitable sharing of benefits arising from bioprospecting involving indigenous biological resources; and the establishment and functions of SANBI. The following sections / clauses in NEMBA are important for the Eco-DRR project:

- 2 Objectives of Act: The objectives of this Act are- (a) within the framework of the NEMA, to provide for-
 - (i) the management and conservation of biological diversity within the Republic and of the components of such biological diversity;
 - (iA) the need to protect the ecosystem as a whole, including species which are not targeted for exploitation;
 - (ii) the use of indigenous biological resources in a sustainable manner;
 - (iii) the fair and equitable sharing among stakeholders of benefits arising from bioprospecting involving indigenous biological resources.
- 57. Restricted activities involving listed threatened or protected species and species to which an international agreement regulating international trade applies

- (1) A person may not carry out a restricted activity involving a specimen of a listed threatened or protected species without a permit issued in terms of Chapter 7.
- Chapter 5 Species and Organisms Posing Potential Threats to Biodiversity. 64. Purposes of Chapter. (1) The purpose of this Chapter is-
 - (a) to prevent the unauthorised introduction and spread of alien species and invasive species to ecosystems and habitats where they do not naturally occur;
 - (b) to manage and control alien species and invasive species to prevent or minimise harm to the environment and to biodiversity in particular;
 - (c) to eradicate alien species and invasive species from ecosystems and habitats where they may harm such ecosystems or habitats.
- 65. Restricted activities involving alien species
 - (1) A person may not carry out a restricted activity involving a specimen of an alien species without a permit issued in terms of Chapter 7.
 - (2) A permit referred to in subsection (1) may be issued only after a prescribed assessment of risks and potential impacts on biodiversity is carried out.
- 71. Restricted activities involving listed invasive species
 - (1) A person may not carry out a restricted activity involving a specimen of a listed invasive species without a permit issued in terms of Chapter 7.
 - (2) A permit referred to in subsection (1) may be issued only after a prescribed assessment of risks and potential impacts on biodiversity is carried out.

Considering that many of the interventions under Outcome 1 of the Eco-DRR project will entail invasive alien plant (IAP) removal as well as other activities that may impact the ecosystem and biodiversity, there is need to ensure compliance with NEMBA and associated regulations. It is recommended that engagements with DFFE (as the primary entity responsible for environmental management in the country) be undertaken once the Eco-DRR project is underway and interventions have been identified with site locations finalised. These engagements will be used to determine if there are implications regarding NEMBA and what regulatory requirements will be needed.

3.1.2.1 Alien and Invasive Species Regulations (2014)

The regulations provide for the different categories of listed invasive species; restricted activities; national framework documents; registers and notifications; risk assessments; issuing, amendment and cancellation of permits; emergency suspension; and compliance and enforcement. Of note for the Eco-DRR project is the following:

- 2. Category 1a Listed Invasive Species. (1) Category 1a Listed Invasive Species are those species listed as such by notice in terms of section 70(1)(a) of the Act as species which must be combatted or eradicated.
- 3. Category 1b Listed Invasive Species. (1) Category 1b Listed Invasive Species are those species listed as such by notice in terms of section 70(1)(a) of the Act as species which must be controlled.
- 4. Category 2 Listed Invasive Species. (1) Category 2 Listed Invasive Species are those species listed by notice in terms of section 70(1)(a) of the Act as species which require a permit to carry out a restricted activity within an area specified in the Notice or an area specified in the permit, as the case may be.

- 5. Category 3 Listed Invasive Species. (1) Category 3 Listed Invasive Species are species that are listed by notice in terms of section 70(1)(a) of the Act, as species which are subject to exemptions in terms of section 71(3) and prohibitions in terms of section 71A of Act, as specified in the Notice.
- 6. Restricted activities. In addition to those activities defined in terms of section 1 of the Act as restricted activities, the following activities are hereby prescribed as restricted activities:
 - (a) spreading or allowing the spread of, any specimen of a listed invasive species;
 - (b) releasing any specimen of a listed invasive species;

When undertaking IAP removal, it will be necessary to consult the Alien and Invasive Species Regulations (2014) to understand under which category the IAPs fall into and if permits are needed to undertake any activities related to IAP removal. Engagement with DFFE during project operationalisation will be necessary to ensure compliance with the regulations and if there are broader legal implications regarding IAP removal in specific sub-catchments.

3.1.3 The National Environmental Management: Protected Areas Act 57 of 2003 (as amended) (NEMPAA)

The Act provides for the protection and conservation of ecologically viable areas, the establishment of a national register of protected areas, as well as the proclamation and management of these areas. It provides for a national system of protected areas in South Africa as part of a strategy to manage and conserve the country's biodiversity. The Act also provides for the assignment of national parks, special parks and heritage sites to South African National Parks (SANParks). The following sections / clauses in NEMPAA are important for the Eco-DRR project:

- Chapter 2 System of Protected Areas in South Africa. Kinds of protected areas. 9. The system of protected areas in South Africa consists of the following kinds of protected areas:
 - (a) special nature reserves, nature reserves (including wilderness areas) and
 - (b) world heritage sites;
 - (d) specially protected forest areas, forest nature reserves and forest wilderness 10 areas declared in terms of the National Forests Act, 1998 (Act No. 84 of 1998); and
 - (e) mountain catchment areas declared in terms of the Mountain Catchment Areas Act, 1970 (Act No. 63 of 1970).
- Management authorities. 38. (1) The Minister, in writing-
 - (a) must assign the management of a special nature reserve or a nature reserve to a suitable person, organisation or organ of state; and
 - (b) may assign the management of a protected environment to a suitable person, organisation or organ of state, provided that the owner and lawful occupier have requested or consented to such assignment, and the Minister has given the owner and lawful occupier notice in writing in terms of section 33.
- Preparation of management plan.³⁹ (2) The management authority assigned in terms of section 38(1) or (2) must, within 12 months of the assignment, submit a management plan for the protected area to the Minister or the Member of Executive Council for approval.

Once implementation sites for Outcome 1's interventions have been finalised during the Operationalisation Phase of the Eco-DRR project, it will be necessary to determine if any of the sites fall within protected areas and/or heritage sites. This

will require engaging with the designated management authority to obtain access to these sites and to secure permission to undertake the proposed activities. In addition, there will be need to align with any existing management plans that the management authority has developed for the protected area and/or heritage site. In this regard, engagement with the management authority will be crucial during the early stages of the project to ensure alignment and compliance with NEMPAA. At this juncture none of the sites involved are within designated protected areas, and while GCF will allow work in protected areas they will then require a Biodiversity Conservation Plan as well as a Environmental and Social Management Plan.

3.1.4 National Water Act 36 of 1998 (NWA)

The Act recognises that water is a scarce and unevenly distributed national resource which belongs to all people. It acknowledges national government's overall responsibility for and authority over the nation's water resources and their use. The aim of the NWA is to promote water resource management that achieves the sustainable use of water for the benefit of all, noting that protection of the quality of water resources is necessary to ensure sustainability. The Act also promotes integrated management of all aspects of water resources and the delegation of management functions to a regional or catchment level so as to enable everyone to participate. The following sections / clauses in NWA are important for the Eco-DRR project:

- Part 1 General Principles. Water use is defined broadly, and includes taking and storing water, activities which reduce stream flow, waste discharges and disposals, controlled activities (activities which impact detrimentally on a water resource), altering a watercourse, removing water found underground for certain purposes, and recreation. In general, a water use must be licenced unless it is listed in Schedule 1, is an existing lawful use, is permissible under a general authorisation, or if a responsible authority waives the need for a licence.
- 21. Water use. For the purpose of this Act, water use includes-
 - (c) impeding or diverting the flow of water in a watercourse;
 - (i) Altering the bed, banks, course or characteristics of a watercourse.
- 8. Establishment of catchment management strategies. A catchment management agency (CMA) contemplated in Chapter 7 must, by notice in the Gazette, establish a catchment management strategy for the protection, use, development, conservation, management and control of water resources within its water management area.
- 80. Main functions of CMAs. Subject to Chapter 2 and section 79, upon establishment of a CMA, the initial functions of the CMA are-
 - (a) to investigate and advise interested persons on the protection, use, development, conservation, management and control of water resources in its water management area;
 - (b) to develop a catchment management strategy; and
 - (c) to coordinate the related activities of water users and of the water management institutions within its water management area.
 - (d) to promote the coordination of its implementation with the implementation of any applicable development plan established in terms of the Water Services Act, 1997 (Act No 108 of 1997); and
 - (e) to promote community participation in the protection, use, development, conservation, management and control of the water resources in its water management area.

Many of the activities proposed under Outcome 1 of the Eco-DRR project will entail working in a water management area, specifically a wetland or riverine rehabilitation interventions. As such, there is need to ensure all activities linked to catchments and watercourses comply with the precepts of the NWA and its associated regulations. In particular, water use licences are required if water flow in a watercourse is impeded / diverted and/or a bed, bank, course or characteristics of a watercourse is altered. Further to the above, when considering the mandate of CMAs, engagements and partnerships with CMAs (where applicable) will be necessary to ensure that the project's activities align with the CMA's objectives and catchment management strategy for the water management area. Engagement with the Department of Water and Sanitation (DWS) and CMAs (where applicable) will be vital to determine if water use licences are needed for the Eco-DRR activities in wetlands and rivers / streams as well as ensuring compliance with the NWA and associated regulations.

3.1.5 Conservation of Agricultural Resources Act 43 of 1983 (CARA)

The Act allows for the Minister responsible for agriculture to determine control measures, and establish schemes, which may pertain to various forms of DRR and management. Amendments to regulations under CARA ensures that landowners are legally responsible for the control of IAPs on their properties. In addition, CARA divides IAPs into weeds and invader plants, with weeds regarded as alien plants with no known useful economic purpose, while invader plants may serve useful purposes as ornamentals, as sources of timber and may provide many other benefits, despite their aggressive nature. The following sections / clauses in CARA are important for the Eco-DRR project:

- Control measures. 6. (1) In order to achieve the objects of this Act the Minister may prescribe control measures which shall be complied with by land users to whom they apply. (2) Such control measures may relate to-
 - (j) the prevention and control of veld fires;
 - (m) the restoration or reclamation of eroded land or land which is otherwise disturbed or denuded.
- Schemes. 8. (1) The Minister may, with the concurrence of the Minister of Finance, by notice in the Gazette establish a scheme¹ in terms of which assistance, out of moneys appropriated by Parliament for this purpose, may be granted to land users by means of-
 - (a) the payment of subsidies in respect of-
 - (i) the construction of soil conservation works;
 - (ii) the reparation of damage to the natural agricultural resources or soil conservation works which has been caused by a flood or any other disaster caused by natural forces;
 - (iii) the reduction of the number of animals being kept, on land in order to restrict the detrimental effect of a drought on that land;
 - (iv) the restoration or reclamation of eroded, disturbed, denuded or damaged land;
 - (v) the planting and cultivation of particular crops which improve soil fertility or counteract the vulnerability of soil to erosion;
 - (vi) the combating of weeds or invader plants;

¹ Such schemes have been established to assist land owners (generally farmers) specifically for cold spell relief (under GN 274 GG 26080 of 3 March 2004.), flood relief (under GN 272 GG 26080 of 3 March 2004) and assistance during drought (under GN R20 GG 27157 of 14 January 2005 and GN R21 GG 27157 of 14 January 2005).

- (b) the supplying of weed killers in order to combat weeds or invader plants, and the rendering of services by the department, including the utilisation of weed killers, in order to combat weeds or invader plants on the land of land users.

The Eco-DRR project will have activities that target IAP removal as well as wildfire reduction and restoration of eroded and/or damaged lands. These project activities will need to work with the precepts of CARA and its associated regulations. To better ensure compliance with the Act, engagement with landowners and the Department of Agriculture, Land Reform and Rural Development (DALRRD) will be necessary.

3.1.6 Climate Change Act 22 of 2024 (CCA)

The CCA seeks to enable the development of an effective climate change response and a long-term, just transition to a low-carbon and climate-resilient economy and society for South Africa in the context of sustainable development. It focuses on alignment of policies and institutional arrangements (including the establishment of the Presidential Climate Commission (PCC)), and sets out adaptation objectives nationally and sectorally, as well as sectoral emission targets and carbon budgets. The following sections / clauses in CCA are important for the Eco-DRR project:

- Provincial Forums on Climate Change. 8. (1) Every Premier's intergovernmental forum, established in terms of section 16 of the Intergovernmental Relations Framework Act, also serves as a Provincial Forum on Climate Change. (3) A Provincial Forum on Climate Change must—
 - (a) coordinate climate change response actions in the relevant province in accordance with this Act.
- Municipal Forums on Climate Change. 9. (1) Every district intergovernmental forum, established in terms of section 24 of the Intergovernmental Relations Framework Act, also serves as a Municipal Forum on Climate Change. (3) A Municipal Forum on Climate Change must—
 - (a) coordinate climate change response actions for those activities within the operational control of the relevant municipality in accordance with this Act.
- Climate change response. 17. (1) A Member of the Executive Council and a mayor of a metropolitan or district municipality, as the case may be, must—
 - (a) at least within one year of the publication of the National Adaptation Strategy and Plan contemplated in section 21, undertake a climate change needs and response assessment for the province, metropolitan or district municipality, as the case may be.

The Eco-DRR project will entail implementation of interventions at national, provincial and local level across 4 district municipalities which will require both vertical and horizontal coordination and planning. Several governance arrangements are proposed for the Eco-DRR project which will need to factor in the governance structures put forward in the CCA to ensure compliance with CCA. Relevant project interventions and outcomes will need to be communicated through municipal climate change forums where appropriate. It is recommended that engagements with the PCC, district municipalities and provincial government be undertaken during operationalisation to understand what intergovernmental forums have been established under the CCA and if there are legal considerations that the project needs to comply with.

3.1.7 Disaster Management Act 57 of 2002 (DMA)

The Act is the primary legislation that provides guidance on disaster management in South Africa with a strong emphasis on prevention and its comprehensive approach to DRR. The Act provides for an integrated and coordinated approach to disaster risk management as well as institutional governance structures that focus on preventing or reducing the risk of disasters, mitigating the severity of disasters, preparedness, rapid and effective response to disasters, and post-disaster recovery. The Act also delegates disaster management to various stakeholders including all spheres of government as well as the establishment of national, provincial and municipal disaster management centres; other disaster management players such as private sector, civil society, traditional leaders and volunteers. The following sections / clauses in DMA are important for the Eco-DRR project:

- Establishment. 29. (1) Each province must establish a disaster management centre.
- Provincial disaster management advisory forum. 37. (1) The Member of the Executive Council responsible for disaster management in a province may establish a provincial disaster management advisory forum.
- Responsibilities in event of provincial disaster. 40. (1) The executive of a province is primarily responsible for the co-ordination and management of provincial disasters that occur in the province. irrespective of whether a provincial state of disaster has been declared in terms of section 41.
- Establishment. 43. (1) Each metropolitan and each district municipality must establish in its administration a disaster management centre for its municipal area.
- Municipal disaster management advisory forum. 51. (1) A metropolitan or district municipality may establish a municipal disaster management advisory forum...

Outcome 2 of the Eco-DRR project will focus on DRR within the targeted district municipalities and there will be several activities that look at disaster preparedness, early warning information and dissemination, and training of local government and communities to improve DRR. As such, project support to municipalities regarding the improvement of DRR approaches will need to work within the precepts of the DMA. Engagement and collaboration with existing forums as outlined in the DMA as well as mandated entities at a provincial and local level will be needed to ensure compliance with the Act.

3.1.8 Occupational Health and Safety Act 85 of 1993 (OHSA)

The OHSA provides for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery. It also includes clauses for the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work. The following sections / clauses in OHSA are important for the Eco-DRR project:

- 8. General duties of employers to their employees. (1) Every employer shall provide and maintain, as far as is reasonably practicable, a working environment that is safe and without risk to the health of his employees.
- 8. General duties of employers to their employees. (2) Without derogating from the generality of an employer's duties under subsection (1), the matters to which those duties refer include in particular-
 - (a) the provision and maintenance of systems of work, plant and machinery that, as far as is reasonably practicable, are safe and without risks to health;
 - (b) taking such steps as may be reasonably practicable to eliminate or mitigate any hazard or potential hazard to the safety or health of employees, before resorting to personal protective equipment (PPE);

- (c) making arrangements for ensuring, as far as is reasonably practicable, the safety and absence of risks to health in connection with the production, processing, use, handling, storage or transport of articles or substances;
- (d) establishing, as far as is reasonably practicable, what hazards to the health or safety of persons are attached to any work which is performed, any article or substance which is produced, processed, used, handled, stored or transported and any plant or machinery which is used in his business, and he shall, as far as is reasonably practicable, further establish what precautionary measures should be taken with respect to such work, article, substance, plant or machinery in order to protect the health and safety of persons, and he shall provide the necessary means to apply such precautionary measures;
- (e) providing such information, instructions, training and supervision as may be necessary to ensure, as far as is reasonably practicable, the health and safety at work of his employees;
- (f) as far as is reasonably practicable, not permitting any employee to do any work or to produce, process, use, handle, store or transport any article or substance or to operate any plant or machinery, unless the precautionary measures contemplated in paragraphs (b) and (d), or any other precautionary measures which may be prescribed, have been taken;
- (g) taking all necessary measures to ensure that the requirements of this Act are complied with by every person in his employment or on premises under his control where plant or machinery is used;
- (h) enforcing such measures as may be necessary in the interest of health and safety;
- (i) ensuring that work is performed and that plant or machinery is used under the general supervision of a person trained to understand the hazards associated with it and who have the authority to ensure that precautionary measures taken by the employer are implemented; and
- (j) causing all employees to be informed regarding the scope of their authority as contemplated in section 37 (1) (b).

The Eco-DRR project will employ people in the targeted district municipalities with a focus on EbA interventions including IAP removal, rangeland management and wetland rehabilitation amongst others. These activities may require the use of dangerous chemicals – particularly for the removal of IAPs – which will necessitate the use of PPE and training on the use of such chemicals. In this regard, once sites and interventions are finalised in the Operationalisation Phase, SANBI will engage with the Department of Employment and Labour to understand the requirements for compliance with OHSA.

3.1.9 **Spatial Planning and Land Use Management Act 16 of 2013**

The Spatial Planning and Land Use Management Act (“SPLUMA”) is the national spatial planning framework law in South Africa, which calls for alignment between spatial plans and land use laws of all spheres of government. In terms of the Act, municipal spatial development frameworks must include a strategic assessment of the environmental pressures and opportunities within the municipal area, including the spatial location of environmental sensitivities and high potential agricultural land, where applicable. The Eco-DRR Project has considered the enabling environment in which the project interventions are best suited to take place and has ensured that the project placement is appropriate with the municipality’s needs.

3.1.10 Provincial and Local Legislation

Various provinces and municipalities have their own disaster management policies and environmental regulations, tailored to local needs and contexts. Prior to commencement of proposed project activities, a thorough desktop review of any relevant provincial legislation and municipal by-laws in the targeted district and local municipalities must be done. Examples of the kinds of laws that may be relevant to the Eco-DRR project include bylaws related to stormwater management, biodiversity, waste management, fire safety, disaster risk management and others. Bylaws may require any person undertaking activities in that area to obtain a consent, authorisation or license before doing any work in that jurisdiction. The municipal and provincial officials should therefore be engaged in the Operationalisation Phase to determine whether any applications should be made by the consultants of the Eco-DRR project, with the view to obtaining necessary permissions to undertake work in the area. If consents, authorisations or licences are required, then the turnaround for obtaining these permissions must be factored into the timeframes of the Eco-DRR project to ensure that there are no undue delays.

The Operationalisation Phase will develop a more detailed assessment of all the project interventions, including a review of all regulatory requirements. At that juncture any regulatory requirement processes will be initiated with the various institutions, as outlined above.

The triggering of regulatory requirements depends on the nature of the project interventions envisaged. Detailed information about the kinds of interventions, its scale, and its proximity to sensitive areas will be determined in Operationalisation Phase, in collaboration with partner organisations and community beneficiaries. The Operationalisation Phase will allow sufficient time to design interventions which are fit-for-purpose to suit the needs of the community and the landscape. Specific regulatory requirements for undertaking specific interventions can thereafter be determined with certainty (during the Operationalisation Phase). The Eco-DRR project will not acquire land or displace or resettle any communities or people.

At this stage it would be premature to make a determination on what specific approvals or permits requirements may be of relevance to the Eco-DRR project as it depends on site-specific circumstances. After assessments are conducted during the Operationalisation Phase, then SANBI will be guided by the provisions in South Africa's suite of environmental legislation which articulates procedures relating to the issuance of approvals and permits. SANBI will also liaise with DFFE, which has experience undertaking large-scale restoration projects in South Africa and will be a partner organisation in Outcome 1, to ensure that regulatory requirements are met before interventions are undertaken on site. In its capacity as AE, SANBI will ensure and document compliance with applicable approvals, licenses and permits to implement the Funded Activity.

3.2 ENVIRONMENTAL AND SOCIAL SAFEGUARDS

3.2.1 GCF Environmental and Social Safeguards

The interim Environmental and Social Safeguards of the GCF are the International Finance Corporation's Environmental and Social Performance Standards. Eight performance standards are provided for, and these are discussed below:

3.2.1.1 Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts

Performance Standard 1 establishes the importance of (i) integrated assessment to identify the environmental and social impacts, risks, and opportunities of projects; (ii) effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them; and (iii) the management of environmental and social performance throughout the life of the project. Performance Standard 1 applies to all projects that have environmental and social risks and impacts (International Finance Corporation, 2012).

This standard aligns with NEMA and the need for EIAs for proposed activities that could significantly impact the environment. The EIA will identify potential risks and develop mitigation strategies to minimise any adverse effects. Additionally, South Africa has specific sectoral legislation and guidelines provide further directives tailored to various industries, ensuring compliance with environmental standards and fostering sustainable practices.

To comply with Performance Standard 1, the Eco-DRR project will utilise standardised processes and guidelines that will ensure that every intervention undertaken will adhere to, and report against GCF and South African environmental safeguards and regulatory standards. The project will have clear procedures for baseline assessments and the monitoring of project development and implementation processes to ensure adherence. These will be developed in conjunction with DFFE as the custodian of natural resources in the country.

3.2.1.2 Performance Standard 2: Labor and Working Conditions

Performance Standard 2 recognises that the pursuit of economic growth through employment creation and income generation should be accompanied by protection of the fundamental rights of workers. The standard aims to promote the fair treatment, non-discrimination, and equal opportunity of workers; establish, maintain, and improve the worker-management relationship; promote compliance with national employment and labour laws; protect workers, including vulnerable categories of workers; promote safe and healthy working conditions, and the health of workers; and avoid the use of forced labour (International Finance Corporation, 2012).

Performance Standard 2 aligns with the country's Labour Relations Act 66 of 1995, which safeguards workers' rights, promotes fair labour practices, and addresses issues like discrimination, unfair dismissal, and collective bargaining. Additionally, the Basic Conditions of Employment Act 75 of 1997 sets minimum standards for working hours, leave, and other essential conditions. The OHSA mandates the creation of safe working environments, emphasising risk assessments, health standards, and safety protocols. Moreover, the Employment Equity Act aims to eliminate unfair discrimination and promote equal opportunities in the workplace.

The Eco-DRR project will satisfy this standard through its compliance with South Africa's relevant acts and regulations. National guidelines will be used to ensure alignment with national legislation and GCF's safeguards. This will also be guided by SANBI's human resources policies and procedures which set out its approach to managing workers consistent with the requirements of this Performance Standard and national law. Both SANBI's and South Africa's labour-related policies promote non-discrimination and equal opportunity regarding employment, and this will be followed for the Eco-DRR project.

SANBI will promote sound worker-management relationship and enhance the development benefits of a project by treating workers in the project fairly, and provide safe and healthy working conditions, considering the needs to ensure protection against sexual abuse, exploitation and sexual harassment. The national policies with regards to affirmative action and equal opportunity will apply noting that all public and private sector businesses are required to report annually to the Department of Employment and Labour with regards to employment equity and Broad Based Black Economic Empowerment plans and progress made in this regard.

Where workers are employed through the project, documented information that is clear and understandable, regarding their rights under national labour and employment law and any applicable collective agreements will be provided including their rights related to hours of work, wages, overtime, compensation, and benefits upon beginning the working relationship and when any material changes occur. The working conditions and terms of employment will be reasonable. Where employment opportunities are identified in the project, a scoping assessment of implications and challenges will be undertaken followed by detailed action plans to manage identified and emergent health and safety issues, supported by clear accountabilities.

It is important to note that, in terms of the OHSA, public and private sector organisations must provide for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery, and ensure the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work. As such, plans must be put in place to ensure this which is subject to audit by the Department of Employment and Labour.

3.2.1.3 Performance Standard 3: Resource Efficiency and Pollution Prevention

Performance Standard 3 recognises that increased economic activity and urbanisation often generate increased levels of pollution to air, water, and land, and consume finite resources in a manner that may threaten people and the environment at the local, regional, and global levels. This Performance Standard outlines a project-level approach to resource efficiency and pollution prevention and control in line with internationally disseminated technologies and practices. In addition, this Performance Standard promotes the ability of private sector companies to adopt such technologies and practices as far as their use is feasible in the context of a project that relies on commercially available skills and resources (International Finance Corporation, 2012).

Both the NEMA, NWA and the National Development Plan emphasise the importance of protecting the environment by preventing or reducing pollution coupled with improved resource efficiency. These aspects are also covered in the country's commitment to the Paris agreement transition to low-carbon economy.

The Eco-DRR project will comply with this standard through its compliance with national relevant acts and regulations. National guidelines will be used to ensure alignment with national legislation and GCF's safeguards. The project's Environmental and Social Management Plan also outlines the potential environmental risks and presents mitigation measures to prevent pollution and strengthen resource efficiency. SANBI and all partners will ensure applicability of this standard to safeguard environmental integrity and human health, applying to emissions to air, discharges to water, greenhouse gas emissions, soil contamination, project-associated waste, and environmentally sound management of hazardous substances following the international best practices and standards. However, the Eco-DRR project is not

expected to produce significant emissions, nor will it consume high amounts of water or energy. Similarly, it is not anticipated that the project will generate any major waste materials of significant amounts. In addition, SANBI and partners will elaborate on the applicability of this standard in the context of the project archetypes and considering the sensitivity/vulnerability of the receiving environments and local capacities in enforcing relevant policies and standards of environmental management.

The removal of IAPs may entail the use of herbicides which can pose a risk with regards to pollution. Assessments will be undertaken prior to implementation to determine the most appropriate and safe option regarding IAP removal that will have the lowest impact on the surrounding environment. If there are risks of pollution during intervention implementation, detailed regulatory impact assessment of these in the Operationalisation Phase will be undertaken. Management plans will also be developed that adhere to environmental and water use regulations.

If the interventions in the Eco-DRR project involve impeding or diverting the flow of water in a watercourse; or altering the bed, banks, course or characteristics of a watercourse, a water use licence will be required as per Section 21 (f) of the NWA. Water use licences are a regulatory instrument that helps reduce the risk of pollution and damage to the environment – specifically water resources. The project will need to adhere to these licences (if they are issued for an intervention) and any terms and conditions that have been included under the licence.

3.2.1.4 Performance Standard 4: Community Health, Safety, and Security

Performance Standard 4 acknowledges that project activities, equipment, and infrastructure can increase community exposure to risks and impacts. In addition, communities that are already subjected to impacts from climate change may also experience an acceleration and/or intensification of impacts due to project activities (International Finance Corporation, 2012). Within South Africa, NEMA and the OHSA set out specific regulations for managing social and environmental risks. These acts place a strong emphasis on the need to protect communities' health and safety when undertaking any activities.

The Eco-DRR project will have limited adverse risks and impacts upon communities and their health and safety. However, this safeguard addresses the health, safety and security risks and impacts on project-affected communities and the corresponding responsibility of SANBI to avoid or minimise such risks and impacts, with particular attention to people who – because of their particular circumstances – may be vulnerable. As such, it will be a requirement that each intervention is assessed. An initial and indicative suite of risks include:

- Consultants and contractors have access to communities during early project phases and undertaking stakeholder engagement processes which can expose the vulnerable members of communities to abuse.
- An influx of workers can expose the community to risks of sexual exploitation and abuse.
- Workers (both men and women) are vulnerable to sexual harassment and abuse, exacerbated by the traditionally male working environment.
- Illegal practices undertaken off-site and near communities can put villages/settlements at greater risk of sexual abuse, exploitation and harassment as well as a range of other social risks.
- Modern slavery and human and sex trafficking of men, women and children has been linked to the construction sector.
- Safety issues on construction sites for workers, noting that the community often supply the workforce.

- Violence and gangsterism can surface in terms of ensuring access to work or associated contracts.

In terms of the OHSA, public and private sector organisations must provide for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery, and ensure the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work. As such, plans will be put in place to ensure this, and this can be subject to audits by the Department of Employment and Labour.

3.2.1.5 Performance Standard 5: Land Acquisition and Involuntary Resettlement

Performance Standard 5 notes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons that use this land. Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood¹) as a result of project-related land acquisition and/or restrictions on land use (International Finance Corporation, 2012).

Within South Africa, the Promotion of Administrative Justice Act 3 of 2000 and NEMA require comprehensive assessments and consultations with affected parties before any land acquisition or resettlement. Additionally, the Interim Protection of Informal Land Rights Act 31 of 1996 acknowledges and protects the rights of individuals residing on land informally. Fair compensation and meaningful engagements are also required in such cases.

The Eco-DRR project will not acquire land or displace or resettle any communities /people. The project interventions will be implemented in land that is used communally and belongs to the chiefs or local authorities.

3.2.1.6 Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

Performance Standard 6 looks at the protection and conservation of biodiversity including maintaining ecosystem services, and sustainably managing living natural resources which are fundamental to sustainable development. The requirements set out in this Performance Standard have been guided by the Convention on Biological Diversity with the aim of: 1) protecting and conserving biodiversity; 2) maintaining the benefits from ecosystem services; and 3) promoting the sustainable management of living natural resources through the adoption of practices that integrate conservation needs and development priorities (International Finance Corporation, 2012). South Africa's NEMA, NEMBA, and NEMPAA mandate the assessment and management of risks associated with biodiversity. These laws emphasise the need for EIAs prior to development activities, ensuring that potential risks to biodiversity and ecosystems are identified and mitigated.

The Eco-DRR project aims to conserve biodiversity and sustainably manage the environment. To ensure alignment to Performance Standard 6, key principles that the project will follow when implementing interventions include:

- The intervention does not lead to measurable adverse impacts on those biodiversity values for which the critical habitat was designated, and on the ecological processes supporting those biodiversity values;
- The intervention does not lead to a net reduction in the global and/or national/regional population of any critically endangered or endangered species over a reasonable period of time; and

- A robust, appropriately designed, and long-term biodiversity monitoring and evaluation programme is integrated into the SANBI's management programme.

All natural habitats must be left with a net positive impact as a result of the interventions and biodiversity offsets may be required to compensate for any impacts on natural habitats that cannot be avoided or mitigated in any other way. However, these offsets are only to be used as a last resort with the Environment and Social Management Plan outlining the necessary management and mitigation measures needed. Positive biodiversity / ecosystem impact will be demonstrated (over and above legal or safeguard requirements). These impacts will be integrated into the project's objectives with clear targets and indicators.

3.2.1.7 Performance Standard 7: Indigenous Peoples

Performance Standard 7 acknowledges that indigenous peoples, as social groups with identities that are distinct from mainstream groups in national societies, are often among the most marginalised and vulnerable segments of the population. In many cases, their economic, social, and legal status limits their capacity to defend their rights to, and interests in, lands and natural and cultural resources, and may restrict their ability to participate in and benefit from development (International Finance Corporation, 2012). The objectives of this standard are:

- To ensure that the development process fosters full respect for the human rights, dignity, aspirations, culture, and natural resource-based livelihoods of indigenous peoples.
- To anticipate and avoid adverse impacts of projects on communities of indigenous peoples, or when avoidance is not possible, to minimise and/or compensate for such impacts.
- To promote sustainable development benefits and opportunities for indigenous peoples in a culturally appropriate manner.
- To establish and maintain an ongoing relationship based on informed consultation and participation with the indigenous peoples affected by a project throughout the project's life-cycle.
- To ensure free, prior, and informed consent of the affected communities of indigenous peoples when the circumstances described in this Performance Standard are present.
- To respect and preserve the culture, knowledge, and practices of indigenous peoples (International Finance Corporation, 2012).

The country's laws, including the Constitution and the NEMA, emphasise the need for meaningful engagement and consultation with indigenous communities regarding projects or developments that might impact their lands or resources. It's required that framework plans are prepared for engagement and agreed consultation processes with indigenous people, outlining the protocols and mechanisms to be employed.

The Eco-DRR project targets four district municipalities in the country and there are no indigenous people in these areas. If there are instances that interventions impact upon indigenous peoples, an indigenous peoples plan will be developed and this plan will outline the actions necessary to minimise and/or compensate for any adverse impacts and identify opportunities and actions to enhance the advantageous impacts of a project. This plan and the Environmental and Social Management Plan will need to align and be coherent. The plan will set out how these are to be undertaken in a culturally appropriate manner.

3.2.1.8 Performance Standard 8: Cultural Heritage

Performance Standard 8 recognises the importance of cultural heritage for current and future generations. Consistent with the Convention Concerning the Protection of the World Cultural and Natural Heritage, this Performance Standard aims to ensure that clients protect cultural heritage in the course of their project activities. In addition, the requirements of this Performance Standard on a project's use of cultural heritage are based in part on standards set by the Convention on Biological Diversity (International Finance Corporation, 2012).

The National Heritage Resources Act 25 of 1999 forms the cornerstone for the management of heritage sites and resources in South Africa, and emphasises the protection and conservation of the country's diverse heritage. It mandates the consideration of cultural heritage in EIAs, ensuring that proposed developments or activities do not compromise significant cultural sites or artifacts.

This standard may apply to the Eco-DRR project if implementation sites for interventions coincide with cultural heritage sites and/or resources. If so, this will trigger the requirements of the National Heritage Resources Act 25 of 1999. A Heritage Specialist will be required to submit a Notice of Intent to Develop should the interventions trigger the Act's requirements and may require application for a permit under the regulations published in 2000 through Government Gazette No. 21239. Heritage requirements are also included in the Environment and Social Management Plan. Guidelines provided by the South African Heritage Resource Agency note the following key considerations in this regard as being:

- Social assessment, identification of stakeholders and formation of management committee;
- Documentation, research and investigation of the identity of the place;
- Analysis of the information gathered;
- Development of appropriate responses;
- Development of an Implementation plan, and
- Basic principles for the development of management plans.

3.3 IMPLEMENTATION CONSIDERATIONS

Through the due diligence undertaken under Sections 3.1 and 3.2, there are several Acts and regulations that the Eco-DRR project will need to be mindful of during implementation including GCF's safeguards. However, since the location and design of the interventions have not been finalised, there will be a need during the Operationalisation Phase to engage with relevant regulatory departments to understand the legal implications and measures that will be undertaken to ensure compliance. This includes DFFE, DALRRD, DWS, CMAs, and the Department of Employment and Labour, local municipalities, amongst others. During these engagements, it will be necessary to explore the option of exemptions and what actions will be needed to be taken to qualify for an exemption. In the instance where a permit, authorisation or consent is required by law then the requisite application will need to be completed and lodged with the competent authority before starting project activities.

4 Risk Assessment and Mitigation Plan

4.1 PRINCIPLES AND DEFINITIONS

Risk is the potential incident that can impact on the ability to achieve objectives and targets (GCF, 2017). Noting the potential and the impact of these risks an organization will undertake various actions to manage and mitigate the impact of these risks, within the context of their risk appetite and risk tolerance. Typically, organisations produce a risk register that outlines the risks that can impact upon an organization or activities and provides the mechanisms that will be used to identify, analyse, and evaluate these risks as well as provide the measures needed to mitigate these risks. This approach is also typically utilized to identify the priority risks to enable focused action to manage these (GCF, 2017).

For each risk, the GCF (GCF, 2017) have defined the following parameters critical for the risk register.

- **Probability and impact:** Assessment of the likelihood of the risk events occurring and, if the risk event occurs, the overall impact on the organisation and/or the project/intervention;
- **Risk tolerance:** Level of appetite or tolerance that the organisation and/or project/intervention has to a particular type of risk;
- **Mitigation:** Mechanisms are required to reduce the probability of occurrence, or to reduce the impact of each type of risk if it were to occur. Potential mitigation measures include policies, procedures, internal controls, and analytical tools. Mitigation also involves allocating a risk to a party best placed to manage that risk;
- **Priority:** Provides the relative importance of each risk to the organization and/or project/intervention or activity based upon the probability of occurrence and impact; and
- **Key risk indicator:** Parameter(s) that are used to measure the level of risk that materialized (GCF, 2017).

The purpose of the risk assessment is to identify the Eco-DRR Project level of exposure to key risks, to evaluate the potential of these risks and the consequent impact. The identification of risk mitigation measures is aimed at minimising the impact on project-level outputs and will be a critical tool for risk control (Figure 4-1).

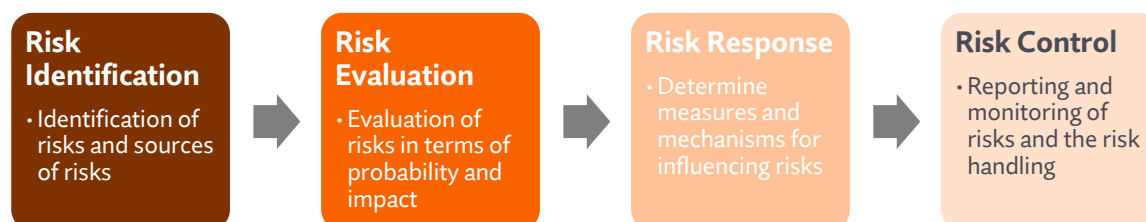


Figure 4-1: Components and process for risk mitigation

This risk report explores the broader array of risks that reside at the project-level and that can have impact upon the ability of the SANBI to attain its objectives. At this stage of the Eco-DRR project development process, it is also important to note key risks that may reside at the intervention level that will have impact on the overall project. Lastly, it is necessary to reflect

on the key risks at the governance and operational level that could impact upon the successful implementation of the Eco-DRR project at intervention level.

This risk report therefore provides a suite of risk matrices that outlines the priority risks for the Eco-DRR project and provides the mitigation approaches that are planned to manage these risks. When these aspects are combined with the Environmental and Social Management Plan, the Project Design, the Logframe and the Monitoring and Evaluation (M&E) Framework, the Eco-DRR project will have a comprehensive approach to the management of its risk. Specifically, the M&E Framework will outline the various monitoring and reporting protocols that will be utilised by the Eco-DRR Project Management Unit to monitor, respond and report of risk mitigation.

The risk management approach is informed by general risk management practice and specifically the GCF Risk Guidelines (2019) with regards to risk identification, assessment, categorisation, impact evaluation and proposed mitigation measures to reduce risk impact. In considering this risk mitigation approach, the GCF risk category options are listed below and have been used to categorise the Eco-DRR risks.

1. Governance;
2. Technical and operational;
3. Financial;
4. Legal;
5. Reputational: instances wherein the actions/decisions of GCF are called into question on the basis of undertaking unacceptable risks or outcomes, or which could otherwise lead to a negative image of GCF;
6. Money laundering (ML) / financing terrorism (FT);
7. Sanctions: United Nations Security Council resolutions imposing financial sanctions that would prohibit the engagement of GCF; and
8. Prohibited practices: abuse, conflict of interest, corruption and retaliation against whistle-blowers or witnesses, as well as fraudulent, coercive, collusive and obstructive practices.

Effective risk mitigation requires assessment of inherently uncertain events and circumstances, typically addressing two dimensions, namely, how likely the uncertainty is to occur (probability), and what the effect would be if the event happened (impact). These provide the basis for determining a comparative rating for each identified risk. The categories for probability and impact are presented in the figure below.

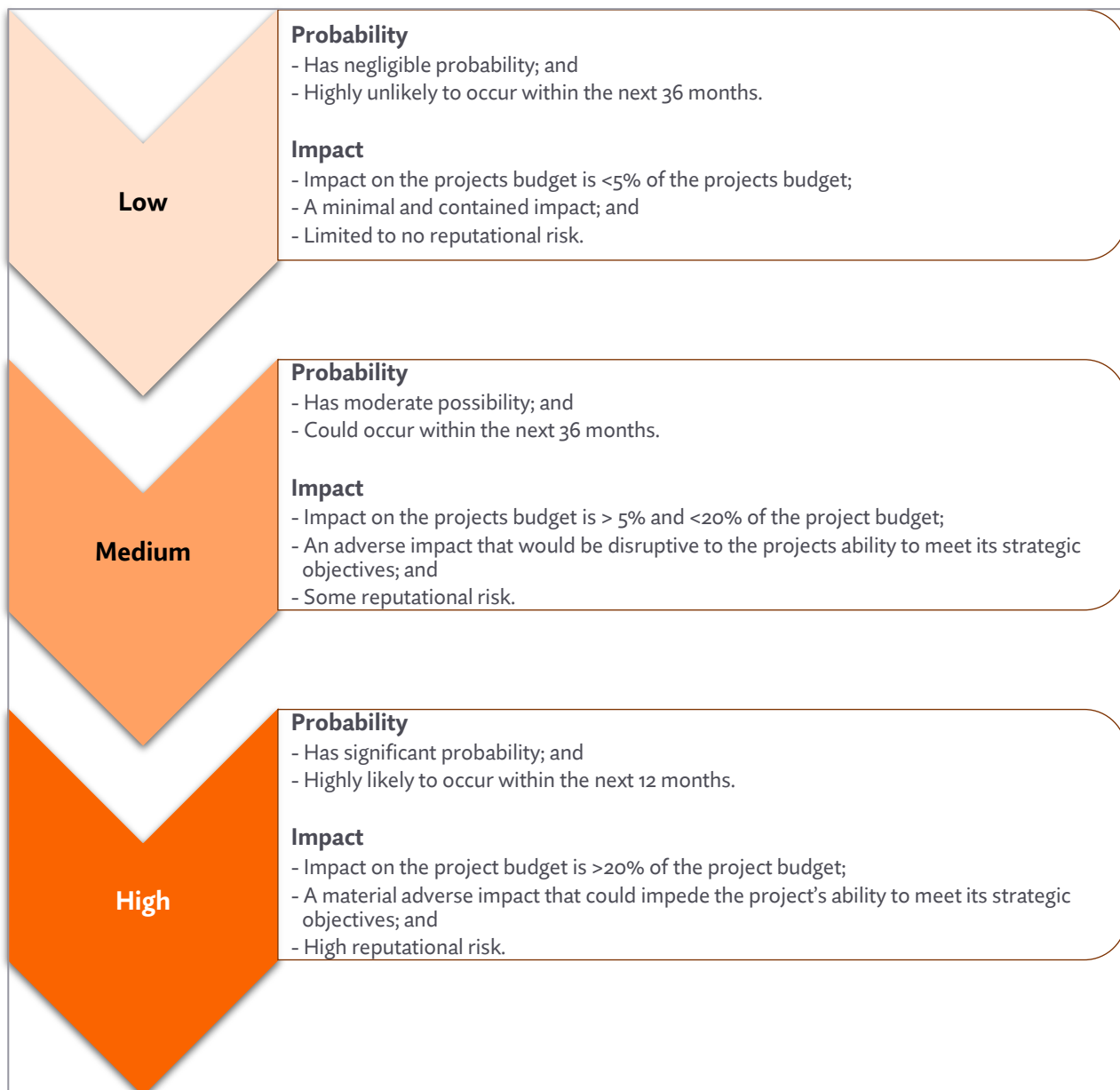


Figure 4-2: Categories for Probability and Impact

Using these definitions, the priorities for risk can be assigned using Table 4-1.

Table 4-1: Priority risk ratings

Impact	Probability - Low	Probability - Medium	Probability - High
Low	Low priority	Low Priority	Medium Priority
Medium	Low priority	Medium Priority	High Priority
High	Medium Priority	High Priority	High Priority

Using this framework, a suite of risk matrices outlining the core risks that face the Eco-DRR Project have been developed and are presented in section 2 of this report, with section 3 providing the risk mitigation plan.

4.2 ECO-DRR RISK MATRICES

The risk management approach is informed by general risk management practice and specifically the GCF Risk Guidelines (2019) with regards to risk identification, assessment, categorisation, impact evaluation and proposed mitigation measures to reduce risk impact. In considering this risk mitigation approach, the GCF risk category options are listed below and have been used to categorise the Eco-DRR risks:

- Governance;
- Technical and operational;
- Financial;
- Legal;
- Reputational;
- Money laundering (ML) / financing terrorism (FT);
- Sanctions; and
- Prohibited practices: abuse, conflict of interest, corruption and retaliation against whistle-blowers or witnesses, as well as fraudulent, coercive, collusive and obstructive practices.

The Eco-DRR project will manage these risks and mitigate their impacts as tabulated below.

In addition, it must be noted that:

- No interventions will be undertaken in any jurisdiction which is subject to or affected by United Nations Security Council Resolutions.
- No individual or entity that is listed on any United Nations Security Council sanctions list, including the United Nations Consolidated Sanctions list will be involved in any manner with the project or its activities, either as a counterparty, implementer, or beneficiary. Sanction screening will be conducted by the PMG (with support from the PMU) throughout project implementation to ensure that any potential sanctions exposure is identified in a timely manner
- There are no intentions to directly distribute or disburse funds to beneficiaries as support will be provided to communities through a range of in-kind technical and operational guidance and support, and businesses through support via the use of such mechanisms as accelerators, incubators, market soundings and business matching, as well as support to leverage both private and public sector finance.
- Noting the governance arrangements set out for the project, the monitoring, management and mitigation of project risks will be standard agenda items for the PSC and the PMG, such that these are monitored on a month to month basis. These risks will be translated into a project risk management tool that the PSC will be accountable to maintain, supported by the inputs and reporting from the PMG.
- Over and above the risks listed hereunder, SANBI is not aware of any risks linked to foreign arbitral awards against any Executing Entity/ies in the Republic of South Africa, and this is not perceived to be a risk to the Eco-DRR project. Additionally, SANBI is not aware of any other legal issues or risk that may impact upon the project other than those listed in this due diligence report and also in the Environmental and Social Management Framework.

- The due diligence process that will be implemented for contractors will be used to manage conflict of interest. This will be done by using a Declaration of Interest (SBD 4 as per South Africa's procurement) which requires bidders to disclose any relationships or interests that could create a conflict of interest with the evaluation or adjudication of the bid. The purpose of the Declaration of Interest (SBD 4) is the following:
 - Transparency and Accountability: The declaration aims to ensure transparency and accountability in the procurement process, preventing potential conflicts of interest and fostering ethical conduct.
 - Combating Corruption: It helps to combat corruption and ensure that bids are awarded fairly and on merit, rather than based on personal connections or relationships.
 - Ensuring Impartiality: The declaration ensures that the evaluation and adjudication of bids are conducted impartially, without any influence from personal relationships or interests.
- Regarding whistle-blowing, a Whistleblowing Hotline is fully functional and is administered and managed by Advance Call: Ethics and Fraud Hotline. Advance Call reports any cases of fraud or misconduct to SANBI Management for investigation if warranted. The Whistleblowing Hotline can also be used to receive complaints regarding Environmental and/or Social Harms and Gender Discrimination. The Advance Call system allows for anonymous whistleblowing. SANBI also receives and administers formal, informal and anonymous matters from various communication mediums. This includes a dedicated internal SANBI fraud email address, administered by SANBI's Director: Governance, Risk and Compliance. The protection of Whistleblowers is included in SANBI's Fraud Prevention Policy. SANBI also maintains Hotline Registers of all reported matters reported through the hotline. SANBI's Risk Management and Fraud Prevention Committee, which is chaired by the Chief Operations Officer, adjudicates on alleged cases reported through the whistleblowing system or other approved means. These cases are reported quarterly to the Audit and Risk Committee, which is a sub-Committee of the SANBI Board. Enterprise Risk Management Reports are presented at SANBI's Audit and Risk Committee, as per the process above. SANBI's Hotline Registers include details of the incident, progress in its resolution, status and responsible party. More details on this can be found in Annex 7: Summary of Consultations, Site Level Stakeholder Engagement Plan and Grievance Mechanism of the incident, progress in its resolution, status and responsible party. More details on this can be found in Annex 7: Summary of Consultations, Site Level Stakeholder Engagement Plan and Grievance Mechanism.

4.2.1 Selected Risk Factor 1: Political Flux

Selected Risk Factor 1: Political Flux			
Category	Probability	Impact	Priority
Governance	Medium	Medium	Medium
Description			
Both business and project sustainability are highly affected by a country's political environment and government policies, which are in varying levels of flux, as evident over these past decade. With continued socio-economic challenges and political shifts, sometimes conditions can be unpredictable in developing markets, such as South Africa. These have resulted in some level of policy uncertainty and in some instances insufficient allocation of resources to ensure the implementation of strategies. There has been some level of uncertainty in some municipal environments which has impact on prioritisation of interventions through planning.			
Mitigation Measures			

The project governance structures that will be put in place for the project will need to keep abreast of national shifts in policy and strategy as well as the governance and financial frameworks to ensure ongoing alignment.

The National Adaptation Funds Advisory Body (NAFAB) is an advisory body that guides SANBI, as a DAE, on whether projects align with national climate change adaptation objectives and communicates GCF expectations for projects based on the emerging environment. The Project Steering Committee (PSC) is an oversight committee that reviews the work of the project to ensure compliance with project deliverables and GCF requirements. The Project Management Unit (PMU) is the central technical hub for the conceptualisation and execution of project activities. The PMU is supported by a Project Management Group (PMG), which comprises technical experts from various institutions outside of SANBI. These experts weigh in with technical and strategic guidance in furtherance of the project's objectives. The PMG periodically convenes reference group meetings to strategically consult on the operationalisation of project activities. Task Teams support on thematic categories of work relating to the project. At a municipal level, ongoing engagement with municipal leadership and staff will need to be undertaken by the PMU to ensure awareness of potential shifts in local-level plans and policies and if the interventions are still in alignment with the municipalities' goals and objectives. Challenges and associated risks being identified at municipal levels will be reported through to the Project Management Group (PMG) and the Project Steering Committee (PSC).

The role of supporting partners such as SALGA on these national aspects will be useful in ensuring timeous response. Likewise the partnerships developed with civil society groups at local levels will be essential in staying abreast of local level political issues, particularly where there may be challenges between municipal and traditional leaders.

4.2.2 Selected Risk Factor 2: Oversight and Governance

Selected Risk Factor 2: Oversight and Governance			
Category	Probability	Impact	Priority
Governance	Medium	High	High
Description			
<p>The oversight and management of a project of this scale that will work across national, provincial and municipal spheres of government is complex. The project governance will need to be rigorous in terms of meeting both GCFs and SANBI's standards, appropriately responsive and adaptive to ensure effective implementation, and diligent in terms of financial management, in adherence to safeguards and reporting. The long-term character of the Eco-DRR project requires a level of oversight and governance that appropriately reflects the uncertainties and significant variety of risks that the project will be exposed to over the duration of the project.</p> <p>Additionally, this large-scale project, with significant on-the-ground investment, will involve many different stakeholders entering the project life cycle at different stages with different roles, responsibilities, requirements and risk-management capabilities (i.e. private sector, traditional leadership, local government players, NGOs; and civil society, amongst others). This has the potential to create levels of inconsistency in project management approaches. A common understanding of the governance modalities will need to be clearly outlined, documented, communicated and adhered to by all relevant stakeholders.</p>			
Mitigation Measures			
<p>SANBI has a long and successful track record for the implementation for projects that required multi-layered project governance arrangements. This includes the following projects:</p> <ul style="list-style-type: none"> • Building Resilience in the Greater uMngeni Catchment (uMgungundlovu DM in KwaZulu-Natal, South Africa) • Taking Adaptation to the Ground (Namakwa and Mopani Districts in Northern Cape and Limpopo Provinces, South Africa) • Mainstreaming Biodiversity into Land Use Regulation and Management at the Municipal Scale (South Africa) • Ecological Infrastructure for Water Security Project (Greater uMngeni, Pongola-uMzimkhulu and Berg Breede catchments, South Africa) • Securing Multiple Ecosystem Benefits Through Sustainable Land Management in the Productive but Degraded Landscapes of South Africa (South Africa) <p>As such, SANBI aims to bring this rich experience to bear not only to ensure sound project oversight, but also to leverage its ability to ensure effective project implementation.</p>			

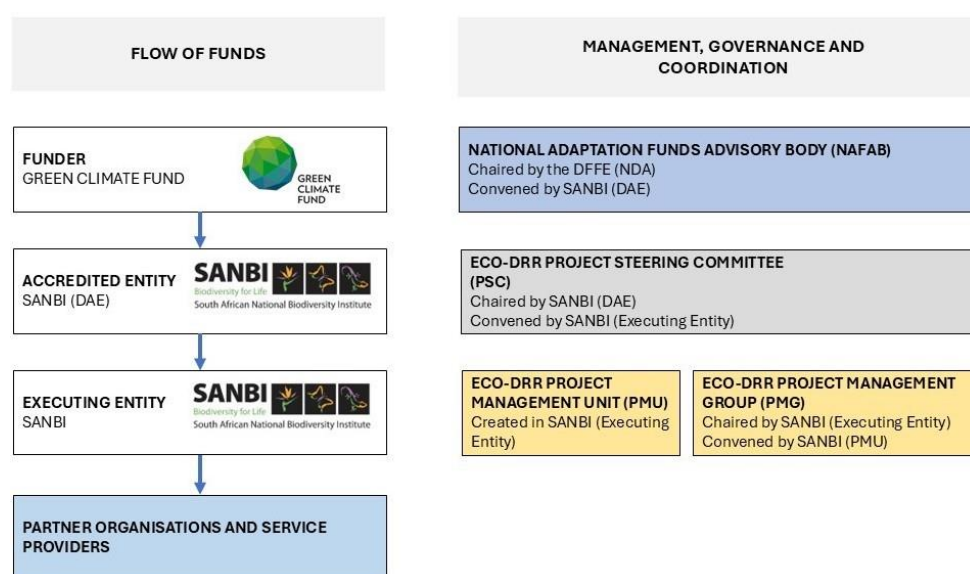
Selected Risk Factor 2: Oversight and Governance

In addition, DFFE has a strong track record in implementing the government's EPWP, including Working for Water, Working for Ecosystems, Working for Wetlands and Working on Fire, with rigorous accounting and monitoring of beneficiaries, and environmental and social safeguards in place. DFFE also has a strong track record for a large number of GEF-funded projects (usually with an oversight role) over the past 25 years (see <https://www.thegef.org/country/south-africa>).

Further to the above, governance arrangements will be put in place to ensure effective oversight, monitoring and reporting of the Eco-DRR project. The proposed governance arrangements (see figure below) entail key actors across all three spheres of government in South Africa and promotes horizontal and vertical integration and collaboration. The project's design will include the following governance structures:

- **National Adaptation Funds Advisory Body (NAFAB)** as an advisory body that guides SANBI, as a Direct Access Entity, on whether projects align with national climate change adaptation objectives and communicates GCF expectations for projects based on the emerging environment.
- The **PSC** as an oversight committee that reviews the work of the project to ensure compliance with project deliverables and GCF requirements.
- The **PMU** as the central technical hub for the conceptualisation and execution of project activities. The PMU is supported by a **PMG**, which comprises technical experts from various institutions outside of SANBI. These experts weigh in with technical and strategic guidance in furtherance of the project's objectives. The PMG periodically convenes reference group meetings to strategically consult on the operationalisation of project activities.
- **Task Teams** support on thematic categories of work relating to the project.

SANBI plays distinct roles in the governance arrangements for the Eco-DRR project. In the first instance, it is the accredited entity of the GCF and as such is a recognised developer of national programmes / projects. This project preparation support is undertaken through the Adaptation, Policy and Resourcing Division (APR) which has an established track record in designing and preparing such projects. If the application to GCF is successful, and SANBI signs the Funded Activity Agreement, it will be the APR Division that will represent the Direct Access Entity function. SANBI: APR, as the Direct Access Entity, will oversee project management, check for risks, ensure alignment with GCF requirements and provide guidance to the Executing Entity i.e. SANBI: Biodiversity Research Assessment and Monitoring Division (BRAM). SANBI: BRAM, as the Executing Entity, will serve the reporting function to the Direct Access Entity by providing updates on progress of project implementation and alerting the Direct Access Entity to possible project risks. The importance of maintaining a governance split between the Accredited Entity and Executing Entity functions is well noted by SANBI. As such the APR Division will act strategically as the Direct Access Entity.



More detail regarding the governance structures of the Eco-DRR project can be found in Annex 21: Design Report.

4.2.3 Selected Risk Factor 3: Environmental and Social Safeguards

Selected Risk Factor 3: Environmental and Social Safeguards			
Category	Probability	Impact	Priority
Governance	Medium	Medium	Medium
Description			
<p>The Eco-DRR Project not adequately meeting key environmental and social safeguards indicators is a key project risk. This includes undertaking a comprehensive due diligence assessment of baseline conditions, identifying the various environmental and social impacts (whether direct or indirect) and assessing the measures and alternatives required to manage or mitigate these impacts. While South Africa has a well-structured environmental sector regulatory framework, the implementation and associated compliance, monitoring and enforcement are often weak. The regulatory and legal frameworks regarding social impacts find root in the country's Constitution (Act 108 of 1996) but are less well conceived. Nevertheless, there is established policy and practice to support ensuring that social safeguards are applied and that adequate consultation with groups vulnerable to climate change (including target municipalities, communities, women and youth) is undertaken. Again, application through projects is sometimes weak, particularly in the more poorly capacitated parts of the country, which are often where water and environmental hazards are also more significant. Meeting the GCF's environmental and social safeguards is a critical factor for GCF funding approval.</p>			
Mitigation Measures			
<p>There is a clear need to ensure compliance to GCF's environmental and social safeguards and this is supported by the DFFE as the National Designated Authority, and SANBI as the Executing Entity (and Direct Access Entity) – both of which are guided by national legislation and policies that emphasise the importance of adhering to environmental and social safeguards. In terms of these safeguards, the interventions to be undertaken would be categorised as Category B projects which are those that have potentially limited adverse social and environmental impacts and are few in number, generally site specific, largely reversible and readily addressed through mitigation measures.</p> <p>In support of this, South Africa does have a very comprehensive suite of environmental and sustainable management policies, with clear guidelines on environmental risk assessment and management. The Eco-DRR project will utilise standardised processes and guidelines that will ensure that every intervention undertaken will adhere to, and report against these safeguards and regulatory standards. The project will have clear procedures for baseline assessments and the monitoring of project development and implementation processes to ensure adherence. These will be developed in conjunction with the Direct Access Entity and Executing Entity to ensure alignment with the environmental and social management system policy framework.</p> <p>The Eco-DRR project will also establish the PSC to manage the project level compliance to GCF environmental and social standards. Early engagement with the leading line ministries, including DWS, COGTA, and DFFE as well as the GCF focal point will be a key risk mitigation measure to ensure meeting the GCF requirements for environmental and social safeguards are aligned to the South African policy framework. These have been outlined in the project's environmental and social management plan.</p> <p>Lastly, SANBI will provide supply chain mechanisms, and this will assist projects where municipal and other governmental capacity is limited, thereby ensuring that mechanisms are in place to ensure the necessary due diligence assessments are undertaken.</p>			

4.2.4 Selected Risk Factor 4: Foreign Exchange

Selected Risk Factor 4: Foreign Exchange			
Category	Probability	Impact	Priority
Forex	Low	Low	Low
Description			
<p>The nature of this application is in the form of a grant, and whilst the grant will be accessed in US Dollars, this will be translated into South African Rands (ZAR), and ZAR will be used for all projects implementation activities.</p> <p>Depending on the tranche arrangements for the grant – this could potentially impact the actual ZAR funds available for project's implementation by SANBI.</p>			

Selected Risk Factor 4: Foreign Exchange

Mitigation Measures

The rand has consistently depreciated against the USD for the last 10 years (Barker, 2023), and as such, the use of the current exchange rate in the project's budget is believed to be a conservative approach. Any significant changes that have a material impact on the project will be reflected on together with GCF management and programmed accordingly. The Eco-DRR project, specifically SANBI through the PMU, will track, monitor and report on all finances accessed and utilised under the project, so that there is a record and accountability for every dollar of grant received.

4.2.5 Selected Risk Factor 5: Compliance (Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT))

Selected Risk Factor 5: Compliance (AML/CFT)

Category	Probability	Impact	Priority
ML / FT	Low	Medium	Low

Description

GCF's Policy on Prohibited Practices strongly highlights the negative impacts of fraud and corruption, not only the project's implementation, but all entities involved. Instances of fraud and other corrupt practices, as outlined in the GCF's Policy on Prohibited Practices, will undermine the project's due diligence efforts as well as negatively impact upon the reputation of the GCF, DFFE as the National Designated Authority and SANBI as the Direct Access Entity and Executing Entity as well as the creditability of the Eco-DRR project.

Mitigation Measures

DFFE, as the National Designated Authority, together with SANBI as the Direct Access Entity and the Executing Entity, will strongly adhere to all GCF protocols and reporting mechanisms. In addition, these entities are governed by South Africa's procurement policies as outlined by National Treasury. The President has recently signed into law two key Acts of Parliament, namely the General Laws (Anti-Money Laundering (AML) and Combating Terrorism Financing (CFT)) Amendment Act, 2022 and the Protection of Constitutional Democracy Against Terrorism and Related Activities Amendment Act, 2022. This is a significant step towards strengthening South Africa's AML/CFT measures.

The South African legislation, through the Public Finance Management Act 1 of 1999 and Municipal Finance Management Act 56 of 2003, provide for regulatory oversight and procedures to counter prohibited practices. These are supported by various national and provincial level audit processes. In the development and implementation of the Eco-DRR project, the procurement processes, standardised procedures and supporting guidelines will ensure alignment with the GCF's Policy on Prohibited Practices, as well as build upon the systemic checks and balances that are provided by the DFFE, as NDA, as well as SANBI as the DAE and Executing Entity - particularly around fraud and corruption. SANBI shall also apply its own fiduciary principles and standards which should enable it to comply with the Policy on Prohibited Practices and the principles of the AML and CFT Policy.

Procurement processes undertaken have to adhere to the Public Procurement Act (Act 28 of 2024) as well as the Preferential Procurement Regulation (2022) that stem from the Preferential Procurement Policy Framework Act (2000). SANBI has a Supply Chain Management Policy (2023) that outlines the procedures and processes that must be adhered to in alignment with these legal instruments as well as the guidance materials provided by National Treasury. Strict oversight over these processes is applied. In addition, these instruments do clarify the approaches to variations, payments and processes linked to dispute and terminations.

All appointments will be supported by due diligence of the parties to be contracted, together with contractual agreements. The SANBI and governmental policies regarding these contractual agreements and the associated accountabilities clarify the approaches that the project will utilise. These together the oversight of the project governance arrangements will minimise risks of money laundering, financing of terrorism or prohibited practices.

Internal controls for the minimisation of this risk include:

- Due diligence assessments prior to appointment or the finalisation of any contractual arrangements.
- Ongoing due diligence undertaken on an annual basis for all contract holders.
- Oversight and maintenance of all transaction records.
- Regularised reporting inclusive of project progress and financial status.
- Project governance structures that oversee all aspects of project management and delivery, as well as staff oversight on all project activities at various levels of implementation.

Selected Risk Factor 5: Compliance (AML/CFT)

- Annual training on aspects of supply chain management, money laundering, the financing of terrorism and prohibited practices.

This will be a standard item on the agenda of the Eco-DRR PSC so as to monitor progress and to ensure that swift, and adaptive management actions are required to address any changes in risk level. This will include monitoring any adjustments in GCF policy as well as those of the South African government. Likewise, the Eco-DRR PMG will maintain these aspects on their regular meetings to monitor and manage this risk.

Additionally, the Eco-DRR PSC will develop thorough service-level agreements (as outlined in its Supply Chain Management Policy, 2021) and risk management protocols linked to a comprehensive governance arrangement that will ensure effective oversight and reporting.

SANBI has developed and approved its AML / CFT policy which aligns with GCF's AML and CFT principles. This policy will be complied with during project implementation.

4.2.6 Selected Risk Factor 6: Sufficient Co-investment to Support GCF Investment

Selected Risk Factor 6: Sufficient co-investment to support GCF investment

Category	Probability	Impact	Priority
Other	Low	Medium	Medium
Description			
<p>In response to the impacts of climate change on the environment and rural communities, only through the leveraging of GCF funding will the realisation of the Eco-DRR project be achieved. This will build the foundations for Eco-DRR interventions, as well as support demonstration projects where lessons can be learned to either replicate or scale up those interventions.</p> <p>In the development of the full funding proposal, a range of discussions with impacted stakeholders were had to inform the interventions that either build on existing work or learn from the lessons from projects already undertaken. This was done with the view to build implementation sustainability by rooting interventions in other existing projects/programmes.</p>			
Mitigation Measures			
<p>The Eco-DRR project, specifically the PMU, will ensure alignment with national, provincial and local plans and objectives thereby promoting co-investment from government and other actors. Engagement with stakeholders across sectors and spheres of government will be ongoing to explore opportunities for synergies in current and planned initiatives related to Eco-DRR.</p> <p>In addition, the involvement of relevant government departments, NGOs and private sector in the governance arrangements will ensure that all stakeholders are kept abreast of the project as well as promoting ownership and buy-in. These governance arrangements will provide the necessary platforms for stakeholders to identify opportunities for co-investment that aligns with strategic priorities and planned programmes of work</p>			

4.3 RISK MITIGATION PLAN

A pragmatic approach should be taken to mitigate each of the risks noted in the preceding section. The mitigation and management of risks will be integral to the successful implementation of the Eco-DRR Project and achievement of its objectives. Each of the corresponding risk mitigation options are noted in the Risk Mitigation Plan provided in the table below.

Table 4-2: Risk mitigation plan

No.	Category	Risk Description	Probability	Impact	Priority	Mitigation Options
1	Governance	Political Flux Both business and project sustainability are highly affected by a country's political environment and government policies, which are in constant flux, as evident over these past decade in the South African political environment.	Med	Med	Med	<ul style="list-style-type: none"> The project governance structures (specifically the PMU) will need to keep abreast of national shifts in policy and strategy as well as the governance and financial frameworks to ensure ongoing alignment. At a municipal level, ongoing engagement with municipal leadership and staff will need to be undertaken by the PMU to ensure awareness of potential shifts in local-level plans and policies and if the interventions are still in alignment with the municipalities' goals and objectives. The role of supporting partners such as SALGA on these national aspects will be useful in ensuring timeous response.
2	Governance	Oversight and Governance The oversight and management of a project of this scale that will work across national, provincial and municipal spheres of government is complex. The project governance will need to be rigorous in terms of meeting both GCFs and SANBI's standards, appropriately responsive and adaptive to ensure effective implementation, and diligent in terms of financial management, in adherence to safeguards and reporting.	Med	High	High	<ul style="list-style-type: none"> SANBI has a long and successful track record for the implementation for projects that required multi-layered project governance arrangement. In addition, DFFE has a strong track record in implementing the government's EPWP, including Working for Water, Working for Ecosystems, Working for Wetlands and Working on Fire. Further to the above, governance arrangements will be put in place to ensure effective oversight, monitoring and reporting of the Eco-DRR project. The proposed governance arrangements entail key actors across all three spheres of government in South Africa and promotes horizontal and vertical integration and collaboration
3	Governance	Environmental and Social Safeguards The Eco-DRR Project not adequately meeting key environmental and social safeguards indicators is a key project risk. While South Africa has a well-structured environmental sector regulatory framework, the implementation and associated compliance, monitoring and	Med	Med	Med	<ul style="list-style-type: none"> South Africa does have a very comprehensive suite of environmental and sustainable management policies, with clear guidelines on environmental risk assessment and management. The Eco-DRR project will utilise standardised processes and guidelines that will ensure that every intervention undertaken will adhere to, and report against these safeguards and regulatory standards. The Eco-DRR project will also establish appropriate structures to manage the project level compliance

No.	Category	Risk Description	Probability	Impact	Priority	Mitigation Options
		enforcement are often weak.				to GCF environmental and social standards.
4	Forex	Foreign Exchange The nature of this application is in the form of a grant, and whilst the grant will be accessed in US Dollars, this will be translated into South African Rands (ZAR), and ZAR will be used for all projects implementation activities.	Low	Low	Low	<ul style="list-style-type: none"> The use of the current exchange rate in the project's budget is believed to be a conservative approach. Any significant changes that have a material impact on the project will be reflected on together with GCF management, and programmed accordingly. The Eco-DRR project, specifically the PMU, will track, monitor and report on all finances accessed and utilised under the project, so that there is a record and accountability for every dollar of grant received
5	ML / FT	Compliance (AML / CFT) GCF's Policy on Prohibited Practices strongly highlights the negative impacts of fraud and corruption. This can undermine the project's due diligence efforts as well as negatively impact upon the reputation of the GCF, DFFE and SANBI as well as the creditability of the Eco-DRR project.	Low	Med	Low	<ul style="list-style-type: none"> DFFE and SANBI will strongly adhere to all GCF protocols and reporting mechanisms. They are governed by South Africa's procurement policies as outlined by National Treasury. SANBI has also recently released its first version of its AML/CFT policy The South African legislation provides for regulatory oversight and procedures to counter prohibited practices coupled with provincial level audit processes. Procurement processes, standardised procedures and supporting guidelines will ensure alignment with the GCF's Policy on Prohibited Practices. SANBI shall also apply its own fiduciary principles and standards. The Eco-DRR project (PMU) will develop thorough service-level agreements and risk management protocols linked to a comprehensive governance arrangement that will ensure effective oversight and reporting.
6	Other	Sufficient Co-investment to Support GCF Investment Only through the leveraging of GCF funding will the realisation of the Eco-DRR project be achieved.	Low	High	Med	<ul style="list-style-type: none"> The Eco-DRR project will ensure alignment with national, provincial and local plans and objectives thereby promoting co-investment from government and other actors. Engagement with stakeholders across sectors and spheres of government will be ongoing to explore opportunities for synergies. The involvement of relevant government departments, NGOs and private sector in the governance arrangements will ensure that all stakeholders are kept abreast of the

No.	Category	Risk Description	Probability	Impact	Priority	Mitigation Options
						project as well as promoting ownership and buy-in.

5 References

GCF, 2017. *Annex V: Risk management framework component I – revised risk* (GCF/B.17/21), s.l.: GCF.

International Finance Corporation, 2012. *Performance Standards on Environmental and Social Sustainability*, s.l.: International Finance Corporation.