

The Wildlife Conservation Bond

Questions & Answers

What is the Wildlife Conservation Bond (WCB)?

The Wildlife Conservation Bond (WCB) aims to increase black rhino populations in two protected areas in South Africa, Addo Elephant National Park (AENP) and Great Fish River Nature Reserve (GFRNR). The WCB is a pilot project that involves the issuance of an outcome-based World Bank (International Bank for Reconstruction and Development or IBRD) structured bond to finance conservation activities, and together with financing from the Global Environment Facility (GEF), transfers project risk from donors to investors. As a World Bank Sustainable Development Bond, the WCB combines a 'use of proceeds' bond that supports the financing of sustainable development projects and programs in IBRD member countries with an outcome-based mechanism that facilitates access to additional financing for conservation that the parks would otherwise not have had access to.

Why focus on rhino conservation?

Rhinos are an "umbrella" species that depend on an intact and healthy ecosystem. Conservation of rhinos has much broader benefits than for the species alone, helping to protect ecosystems and many other species that share the rhinos' habitat. The activities financed by this project will help conserve an area of 153,000 hectares that is home to many other species. The parks serve as a sanctuary for other fauna and flora species, serve as a carbon sink, and protect water catchment areas. For example, the AENP has diverse mammalian fauna, over 400 bird species, and over 13 endemic species of herpetofauna, and provides sanctuary for pollinators that serve the local citrus industry, roughly 25% of South Africa's citrus industry. GFRNR hosts many pollinators, which support the agricultural industry and local subsistence farmers. Protected areas also help mitigate climate change and act as a buffer against extreme weather events.

How big of a threat is poaching to rhinos?

Rhinos are a critically endangered species. Every day, three rhinos are slaughtered for their horns. Today, there are only 5,600 black rhinos across the globe, a dramatic loss from 100,000 black rhinos in 1960. While the rhino population has doubled from a low of 2,400 in 1995 to roughly 5,600 today, COVID-19 threatens these gains due to a severe reduction in tourism and a feared increase in



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poaching. The two parks have a strong track record of black rhino conservation, however, investments are needed to conserve rhino habitat and enhance security measures to protect the species from poaching.

How does the WCB help to protect and grow the rhino population?

By facilitating access to additional funding that the parks would otherwise not have access to, the WCB significantly increases funding for the parks to scale up their activities to protect and grow rhino populations. Project activities include measures to increase supply and distribution of water, improve rhino security through enhancements in staffing, equipment, facilities, training, fence upgrades, improved aerial support, communications, and national and regional coordination. Investors in the WCB will not receive coupon payments on the bond. Instead, the World Bank will make conservation investment payments totaling about US\$10 million to finance rhino conservation activities at the two parks. Instead of receiving coupon payments on the bond, investors will potentially receive a conservation success payment at maturity based on the final rhino population growth rate at maturity. Conservation success payments are funded by the GEF and paid by the World Bank, linked to the growth of the rhino population at the two parks.

How will communities benefit from the WCB project?

Communities will benefit from jobs provided through the WCB in a region that is severely impacted by COVID-19, affecting livelihoods. The GFRNR is half owned by the local community, with a revenue sharing scheme for tourism

and game sales designed to catalyze economic development.

For AENP, the community will benefit from not only the direct and indirect jobs, but also from ZAR 2.6 million in project investments for specific community interventions and benefits to community members that participate in the “Working for Water,” “Working on Fire”, “Working on Ecosystems and Environmental Monitors” programs. Permanent employment opportunities will be provided, including security and monitoring staffing, and community members will also be employed on an ad hoc basis. There will also be employment opportunities during the construction phase of new infrastructure as well as maintaining current infrastructure.

What is innovative about this project and financial instrument?

The project is a first of its kind principal-protected, outcome-based structured bond, where investors do not receive coupon payments. Instead, the World Bank will make conservation investment payments directly to the park managers to help finance conservation activities. The WCB supports efforts to grow black rhino populations in two parks in South Africa that have set targets for growing these populations. In turn, if rhino growth is achieved during the 5-year life of the project, investors have the potential to receive a return on their investment in the form

of conservation success payments payable at maturity. If rhino population growth rate targets are not met, investors still receive their principal investment back when the bond matures, but would not receive any conservation success payments. The WCB taps a new source of funding for conservation as it engages private and institutional investors, rather than donors alone, thereby transferring project outcome risk from donors to investors. If proven effective, this concept and structure could potentially be replicated and adapted to address challenges at other rhino sites, or for other wildlife species and development challenges, more generally.

Why were the Addo Elephant National Park and Great Fish River Nature Reserve chosen for this transaction?

These sites were selected given the importance for rhino conservation, intervention strategies, track record, cost effectiveness, and risk profile. The black rhino population numbers at the two sites represent a significant portion of South Africa’s and the global black rhino population. Further conservation investments will secure and grow this important black rhino population. AENP has a strong track record of black rhino conservation and is a major conservation success story given the large-scale expansion of the park over the past 30 years, including through funding support from the GEF. GFRNR is a critical reserve for the black rhino population in South Africa.



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