SUSTAINABLE DEVELOPMENT BONDS

WILDLIFE CONSERVATION BOND

July 12, 2022
WCB Flow of Funds

DONOR

Conservation Success Payment
USD 13.76 million
Funds managed by World Bank Treasury

INVESTORS

Principal
USD 150 million

Year 5: Conservation Success Payment
(up to USD13.76 million contingent on rhino growth)

CALCULATION AGENT

Growth Rate Calculation Report

Training on rhino data management system

VERIFICATION AGENT

DONOR

Diverted Investor Coupons
(financing conservation activities)

Grant Agreements

Great Fish River Nature Reserve
Addo Elephant National Park

INVESTORS

Annual Investor Reporting

Sustainable Development Lending
## Wildlife Conservation Bond – Potential payoff to investors

<table>
<thead>
<tr>
<th>Rhino growth scenario</th>
<th>Issuance Price Bond interest</th>
<th>Redemption</th>
<th>Bond Yield per Annum</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Principal</td>
<td>Success Payment**</td>
</tr>
<tr>
<td>Annualized rhino growth rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&gt;4%</td>
<td>94.84%</td>
<td>100%</td>
<td>9.173%</td>
</tr>
<tr>
<td>&lt;=4% and &gt;2%</td>
<td>94.84%</td>
<td>100%</td>
<td>7.338%</td>
</tr>
<tr>
<td>&lt;=2% and &gt;0%</td>
<td>94.84%</td>
<td>100%</td>
<td>3.669%</td>
</tr>
<tr>
<td>&lt;=0%</td>
<td>94.84%</td>
<td>100%</td>
<td>0.000%</td>
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</table>

** Success Payment will be sourced from Global Environment Facility
Addo Elephant National Park – Mission May 2022
WILDLIFE CONSERVATION BOND (WCB)

Communications Overview
Showcase innovation in mobilizing private sector financing for biodiversity and conservation
Make the investment case for supporting biodiversity initiatives through innovative financing
Build relationships with partners - donors, private banks, NGOs, governments
Support project design and approval, investor identification and bond issuance

Source: Great Fish River Nature Reserve
South Africa Pioneers Innovative Wildlife Conservation Bond to Protect Black Rhinos and Support Local Communities

A new lifeline for wildlife conservation finance

Introducing the #WildlifeConservationBond

GEF blog

Social Media Package
Mobilizing private capital for protecting critically endangered black rhinos

The black rhino is an umbrella species, shaping ecosystems on which other species and economies depend.

Conservation efforts are helping to recover black rhino populations across Africa.

In 1995 there were 2,400 black rhino. Today, there are 2,600 black rhino.

The bond mobilizes private capital to finance activities that protect and grow rhino populations and support local communities.

But serious gaps in conservation financing have impacted programs that protect and grow rhino populations.

The $150M (USD) Wildlife Conservation Bond aims to bolster efforts to increase black rhino populations in two protected areas in South Africa.

Communities will benefit from jobs related to rhino conservation activities.

Investors receive a conservation success payment if black rhino populations at target sites grow.

This taps a new source of funding for conservation and passes project outcome risk from donors to investors.

Ecosystems strengthened: Clean water and habitat for pollinators that support local citrus production.

15.3K hectares under improved management.

2,300 jobs supported.

Management of Conservation Areas Enhanced.

Infographic

Link to infographic
The World Bank in South Africa

The World Bank’s strategy in South Africa reflects the country’s development priorities and its unique leadership position at sub-regional and continental levels.

WILDLIFE CONSERVATION

Protecting “umbrella species” like the rhino and their ecosystems and provides environmental and socioeconomic benefits.

A new lifeline for wildlife conservation finance

The Wildlife Conservation Bond will protect black rhinos and open a new source of financing for biodiversity.
The press release was viewed more than 6,300 times within a week of the launch.

Wildlife Conservation Bond Boosts South Africa’s Efforts to Protect Black Rhinos and Support Local Communities

PRETORIA, March 23, 2022—The World Bank (International Bank for Reconstruction and Development, IBRD) today priced the Wildlife Conservation Bond (WCB) in support of South Africa’s efforts to conserve endangered species. Also known as the “Rhino Bond,” this five-year $150 million bond is expected to protect black rhinos and support local communities.

Related
Feature story: South Africa Plus Innovative Wildlife Conservation to Protect Black Rhinos and Si

Strategic Quotes from Government, Investors, World Bank Senior Leadership

objectives of the New Deal for People with Nature. South Africa is committed to securing nature’s contribution to people through well-managed and expanding Conservation Areas that contribute to inclusive rural economic growth by thriving Biodiversity Economy Nodes,” said Minister Barbara Creecy, the Minister of Forestry, Fisheries and the Environment, South Africa.

“The Rhino Bond is a groundbreaking approach to enabling private sector investment in global public goods — in this case biodiversity conservation, a key global development challenge,” said World Bank Group President David Malpass. “The pay-for-success financial structure protects an endangered species and strengthens South Africa’s conservation efforts by leveraging the World Bank’s technology,” said Vuyani Dayimani, CEO of ECPTA.

“We are proud to be the lead investor in this innovative and not only attractive total return potential, but also significantly improves the ability to fund investments in equipment, infrastructure, and support local communities.” said Stephen M. Liberatorato, Head of ESG/Impact at Nuveen.

“The WCB model provides a new blueprint for the way conservation is financed and has the potential to be a key enabling tool for the delivery of the post-2020 Global Biodiversity Framework,” added Oliver Withers, Biodiversity Lead within Global Sustainability at Credit Suisse. “It will draw in private sector funding by unlocking new revenue streams to promote a system of sustainable national parks that contribute to the South African biodiversity economy. The funding will also contribute to fostering community involvement in conservation of these iconic species.”

This bond will significantly increase the funding for the Great Fish River Nature Reserve, which is much needed to scale up activities to protect and grow our rhino populations and increase benefits to local communities and the economy.

This bond will support important conservation efforts at Addo Elephant National Park and help fill funding gaps due to a reduction in tourism due to the COVID-19 pandemic,” said Dumisani Dlamini, Acting CEO for SANParks. This project is an example of our continued efforts to foster innovation, best practices, and support the development of the biodiversity sector in South Africa.

The press release was viewed more than 6,300 times within a week of the launch.
More than 430 media stories across the globe – including, online, print and broadcast
Blog by Avril Benchimol for the GEF was viewed 669 times within a week of the launch.
WCB Social Media Coverage

895 social media mentions and 9,564 engagements

Social media package shared with partners, the GEF and across World Bank

Promoted on multiple channels on Twitter, Instagram, Facebook and LinkedIn

Hashtags: #WildlifeConservationBond and #WB_RhinoBond
Introducing the #WildlifeConservationBond—a new kind of #InnovativeFinance that we are launching with Global Environment Facility. Bringing private investment into conservation, the new bond will help protect critically endangered B ... see more

Conserving Wildlife, Mobilizing Investors
#WB_RhinoBond

+World Bank channels for Environment, Climate, Africa VP, MD/CFO
<table>
<thead>
<tr>
<th>Questions</th>
<th>Answers</th>
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<tbody>
<tr>
<td>1. The fund from the Bank to the two parks are grants. Could you explain what are the source of such grant funds?</td>
<td>The “diverted coupon payments” that the investors would typically receive in a traditional IBRD bond is used for conservation investment payments to the two parks.</td>
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<td>2. Could you please repeat the value of the grants that go to the parks? Where do these grants come from, the GEF or the World Bank?</td>
<td>The value of the conservation investment payments is ZAR 152M.</td>
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<tr>
<td>3. So (1) the parks gets the foregone coupons in the form of a grant; and the (2) the investors gets the GEF results-based grant payments (in lieu of coupon) if conservation outcomes are achieved? Or does the project also get the GEF results-based payment?</td>
<td>Investors in the WCB do not receive coupon payments. Instead, the World Bank will make conservation investment payments to the two protected conservation sites – AENP and GFRNR, to fund rhino conservation activities. Investors stand to receive a success payment at maturity, linked to the growth rate of the black rhino population at the two parks, paid by the World Bank with funds provided by the GEF.</td>
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<tr>
<td>4. There is no incentive payment directly to the parks? The performance incentive for them would presumably come if they are able to establish a track record of success - it will then be easier for them to raise funds from similar schemes in future. Is that correct?</td>
<td>The parks receive the “diverted coupon payments”. Potential conservation success payments go to investors.</td>
</tr>
<tr>
<td>5. What was done to enable the upfront payment to the parks using the forgone coupons of the bond (which normally realizes over 5 years)?</td>
<td>The WCB structure was created to provide the required cashflow for the project budgeted activities.</td>
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<td>6. What is essentially happening in this transaction is that risk is being transferred from the GEF (who only pay out on success) to the investors? What is the inherent advantage of that?</td>
<td>The WCB transaction tests a new model for conservation financing where investors accept project outcome risk in return for a potential payout if the project is successful. The structure creates an opportunity for private investment in conservation, supported by sound quantifiable metrics and models.</td>
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<tr>
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<td>7. Efficiency and grant will definitely be key issues for the replication efforts. In this case, the government could have received $13+ million grant directly from the GEF, instead of $10+ million from the scheme.</td>
<td>Traditional GEF projects are grant financing. Therefore, GEF funds pay for the project activities regardless of the outcomes. In this case, GEF funds will be used for payment of successful conservation outcomes only if the project succeed (Black Rhino population growth). The funding came from the GEF’s Non-Grant Instrument window, so it was additional funding South Africa would not have access to if not for this participation in this project.</td>
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<td>8. In pitching this as a potential instrument to sovereign governments the off-balance sheet nature is appealing but can you talk about the net impact on fiscal accounts? Do the proceeds fully cover the increased conservation costs as well as previous costs, i.e. does this transaction unlock additional fiscal space? What is the net impact for SOAF in this example?</td>
<td>This structure only channels the coupon to conservation activities, so impact on fiscal account is limited to size of diverted coupon payments. Still, for some countries this can be orders of magnitude more than what funding is currently allocated to their protected areas.</td>
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<tr>
<td>9. As interest rates rise, what are the implications for this kind of fixed return structure?</td>
<td>With higher interests, a smaller issuance size could generate similar amounts for the conservation activities (&lt;$150M issuance size).</td>
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<tr>
<td>10. For principal repayment to bond holders, how is the repayment financed? Are the conservation projects revenue generating?</td>
<td>Repayment of principal comes from IBRD balance sheet. &quot;diverted coupon payments&quot; that the investors would typically receive in a traditional IBRD bond is used for conservation investment payments to the two parks.</td>
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<tr>
<td>11. If the Rhino growth rate is 2% or lower, the yield to the investors ends up being lower than they would normally receive from a World Bank bond?</td>
<td>At over 0 to 2% growth rate, the bond effective yield is 1.79%, which was slightly less than an IBRD 5-year conventional bond.</td>
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<td>12. Many panelists mentioned that the project’s significant owners / beneficiaries of this activity are local communities. Could you give some idea as to how they are engaged around the different stages of the initiative e.g., bond negotiations, project implementation, governance, etc.</td>
<td>At Great Fish River Nature Reserve, the Likhayalehu community own +50% of the park. Therefore, the idea of the WCB (and any other projects) was raised with the Community Property Association in the co-management committee. The community sanctioned then sanctions participation in projects. Very importantly, we also have a community member that sits on the ECPTA Board structure. The Board plays oversight over our activities and the community Board representative ensures that communities has a real voice and input. Board representative ensures that communities has a real voice and input.</td>
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<tr>
<td>13. How much funding do the communities get? Given it was mentioned it was very important for local communities to receive incentives for conservation?</td>
<td>Communities will benefit from jobs provided through the WCB. 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.</td>
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<tr>
<td>14. Assuming the project is very successful and results in a healthy Rhino population, how will this funding model ensure long-term sustainability and management effectiveness of the two parks?</td>
<td>By facilitating access to additional funding that the parks would otherwise not have access to, the WCB significantly increases funding for black rhino management at the parks, which allows them to scale up their activities to protect and grow these important rhino populations. Project will also support business planning to explore additional revenue generating opportunities for the parks.</td>
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<td>15. Is the GEF grant scheme also replicable? Are there more funds to support replicating more wildlife bond structures in other countries? If no, what other existing funds could be used or adjustments to financial structure would be needed to replicate this bond?</td>
<td>Yes, the scheme is replicable by the GEF or other donors including bi-/multilateral donors and philanthropies. We see this as a proof of concept so that other issuers (with good ratings) and other donors can partner together for this for other species or other geographies.</td>
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<tr>
<td>16. What would be the participation interests of investors if there was no success payment? In other words, how could we replicate this model if there is no &quot;success payments&quot; from the GEF or other grant sources?</td>
<td>The WCB transaction tests a new model for conservation financing where investors accept project outcome risk in return for a potential payout if the project is successful. This structured bond requires participation of a donor to provide funds for conservation success payment.</td>
</tr>
<tr>
<td>17. How will this annualized rhino growth rate be calculated during the five years? What is the population which will be monitored?</td>
<td>See page 43 of the <a href="#">prospectus</a> for the formula used to calculate the rhino population growth rate. The black rhino population at these two parks will be monitored.</td>
</tr>
<tr>
<td>18. How does the project cover the cost of monitoring and reporting by the calculation agent?</td>
<td>A bilateral donor generously provided funds to cover costs related to monitoring and reporting.</td>
</tr>
<tr>
<td>19. What is the reasoning behind calling it a “Rhino Bond” as opposed to a “Wildlife Bond”. What considerations should countries put in place when deciding one over the other?</td>
<td>The name of this bond is Wildlife Conservation Bond. It is also known as the “rhino bond” given the key performance indicator used for conservation success payment. Countries have options when considering financial instruments and how to market them.</td>
</tr>
</tbody>
</table>
Press release: Wildlife Conservation Bond boosts South Africa's efforts to protect black rhinos and support local communities
Blog: A new lifeline for wildlife conservation finance
Project documents
Infographic
Video
Q&A