

# Wildlife Conservation Bond mobilizes private capital to protect critically endangered rhinos

The World Bank's USD 150 million Wildlife Conservation Bond (WCB) is a first-of-its-kind outcome-based bond that supports the financing of conservation activities, and together with financing from the Global Environment Facility (GEF) transfers project risk from donors to investors.

The transaction mobilizes private capital to facilitate financing of black rhino conservation activities at two protected areas in South Africa, Addo Elephant National Park (AENP) and Great Fish River Nature Reserve (GFRNR).

## Background

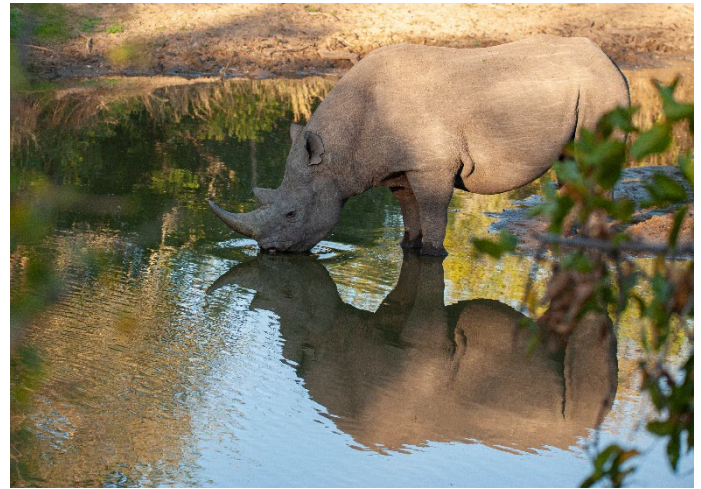
Conservation of biodiversity and ecosystems faces an estimated annual financing gap of up to \$800 billion. Financial instruments that can crowd in additional private capital for conservation are urgently needed.

Rhinos play a crucial role in Africa's wild ecosystems, which is critical to other species and to the national economy of South Africa through tourism and jobs. However, black rhinos are critically endangered due to poaching and loss of habitat. The black rhino population numbers at AENP and GFRNR represent a significant portion of South Africa's and the global black rhino population. The parks have a strong track record of rhino growth in recent years; however, further conservation investments are required to secure and grow this important black rhino population.

## Objectives of the WCB

The objective of the WCB project is to secure and grow the black rhino population, support over 2,000 jobs for the local community and improve the management of a 153,000-hectare area from the project's conservation activities.

Importantly, 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.

## Financial Solution

The WCB is a 5-year US dollar denominated principal-protected World Bank Sustainable Development Bond. 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.

The rhino growth rate will be calculated and verified by independent parties, Conservation Alpha and the Zoological Society of London respectively, over the bond term. The financial structure was developed with Credit Suisse and builds on earlier preparatory work at the parks.

Irrespective of the rhino growth rate and project implementation risk, investors will receive their principal investment back at maturity from the World Bank, providing investors a AAA-rated investment with the potential for an additional return if conservation outcomes are achieved.

## Outcome

The WCB is a first of its kind structured bond, that tests a new model of conservation financing, linking the investment return under a bond issuance to conservation performance.

Key innovations of the WCB include:

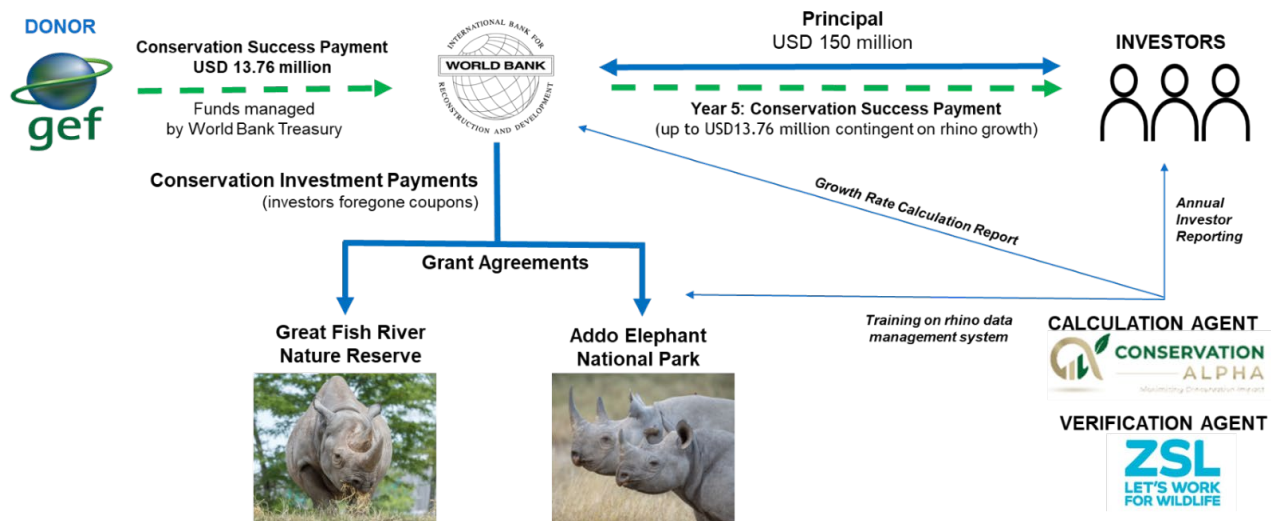
- Facilitating access to additional financing that South African parks would otherwise not have access to
- Passing project implementation risk to capital market investors with donors paying only on successful outcome
- Deployment of advanced conservation monitoring, verification and quantification tools in connection with a bond transaction

## World Bank's Role

The World Bank (International Bank for Reconstruction and Development or IBRD) is the issuer of the WCB. World Bank Treasury led the structuring, documentation, marketing, and execution of the bond transaction, and coordinated the activities of numerous external service providers. This transaction benefited from the World Bank's large institutional investor base and bond issuance infrastructure.

The World Bank is the GEF's trustee and provides administrative services for its operation. The World Bank's Environment, Natural Resources, and Blue Economy Global Practice project team is an implementing agency of the GEF and will manage the WCB project, providing implementation support to the parks and monitoring and assessing project progress and results.

## Transaction Structure



## Transaction Summary

<b>Size</b>	USD 150 million	<b>Conservation Investment Payment</b>	No payment of interest to investors on the bonds. Instead, IBRD will make conservation investment payments to the parks (subject to certain payment suspension events), totaling ZAR 152 million over the five years.
<b>Issue Price</b>	94.84 %	<b>Redemption Payment</b>	Redemption at Par
<b>Issue Date</b>	March 23, 2022	<b>Conservation Success Payment</b>	A success payment may be paid to investors at maturity, determined as a function of the rhino population growth rate in AENP and GFRNR over the term of the bonds, as calculated and verified by Conservation Alpha and the Zoological Society of London respectively. The maximum conservation success payment is USD 13.76 million.
<b>Maturity Date</b>	March 31, 2027		
<b>Sole Structurer</b>	Credit Suisse		
<b>Joint Bookrunners</b>	Credit Suisse and Citi		

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