



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 28-Apr-2020 | Report No: PIDC29331



BASIC INFORMATION

A. Basic Project Data

Country South Africa	Project ID P174097	Parent Project ID (if any)	Project Name South Africa: Wildlife Conservation Bond (P174097)
Region AFRICA	Estimated Appraisal Date Jan 12, 2021	Estimated Board Date Jun 30, 2021	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) National Treasury	Implementing Agency The Eastern Cape Parks and Tourism Agency (EPTCA), South African National Parks (SANParks)	GEF Focal Area Biodiversity

Proposed Development Objective(s)

To create an outcome-driven structured bond that channels private sector funds to increase black rhino populations in target protected areas in South Africa.

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	15.00
Total Financing	15.00
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Private Sector Investors/Shareholders

Equity	Amount	Debt	Amount
Non-Government Contributions	15.00		
Trust Funds	15.00		
Total	15.00		0.00



Payment/Security Guarantee

Total	0.00
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Environmental and Social Risk Classification
Substantial

Concept Review Decision
Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

South Africa is a highly diverse country marked by inequality. South Africa’s political transition is known as one of the most remarkable political feats of the past century. In August 2016, the country held the most competitive local government election since 1994 in which the ruling African National Congress (ANC) lost majority support in four of the metropolitan cities, and the latest general elections were held in May 2019. The years since the end of apartheid have witnessed South Africa’s transformation into a stable and robust economy. However, many challenges remain. While poverty rates fell between 1996 and 2008, progress on this front has slowed in recent years and inequality remains extremely high.

South Africa has struggled to generate and maintain economic growth and now faces a recession following the COVID-19 pandemic. Growth per capita averaged 1.1 percent between 1994 and 2000, 2.9 percent between 2001 and 2008, and stagnated in 2009, turning negative in 2015 with a modest rebound in 2017¹. South Africa’s much anticipated economic rebound in 2018 did not occur. While substantial efforts by the authorities to strengthen governance of public resources and stabilize the fiscal situation helped the economy to not contract further, economic growth remained moderate with a technical recession in the first half of 2018. Economic growth was forecast to reach only 0.5 percent in 2019 and rise gradually to 1.7 percent by 2022². The global recession triggered by the COVID-19 pandemic means such growth is unlikely.

Sustained growth will require a shift to a more inclusive economy and the participation of a greater share of the population, mainly through job creation. The economy created few jobs between 1994 and 2000 and shed jobs between 2001 and 2004. Job growth accelerated in the 2000s, with the South African economy generating 4.1 million jobs in net terms between 2000 and 2016. Given economic growth, average job creation in South Africa has been slightly more modest than in peer countries, with an employment-to-growth elasticity of 0.5. Employment has recovered and exceeded the 2007 employment peak since 2013 but still lags the National Development Plan (NDP) target of creating 11 million jobs between 2010 and 2030³. As of the end-2019, South Africa’s average unemployment rate stood at 29%⁴. The Sarah

¹ World Bank 2018. Republic of South Africa Systematic Country Diagnostic

² South Africa National Treasury <http://www.treasury.gov.za/documents/mtbps/2019/mtbps/Chapter%202.pdf>.

³ World Bank 2018. Republic of South Africa Systematic Country Diagnostic

⁴ The results of the Quarterly Labour Force Survey (QLFS) for the fourth quarter of 2019 indicate that the official unemployment rate remained unchanged (29,1%) compared to the third quarter of 2019. <http://www.statssa.gov.za/?p=12948>



Baartman District Municipality in the Eastern Cape of SA where the target project sites are located has a population of 479,922, an annual household income of R29,400⁵ (equivalent to the SA average annual household income) and an unemployment rate of 24.9%⁶.

Addressing the gender gaps in rural communities around PAs can result in greater sustainability of natural resources and significant improvements in their livelihoods. According to Statistics South Africa (StatsSA), 57.2 percent of women were poor in 2015, somewhat more than men (53.7 percent). Women headed households are particularly affected by poverty. Women seem to be particularly disadvantaged in relation to land ownership; between 2005 and 2010, only 36 percent of the beneficiaries of the land redistribution and tenure program were women. The country has relative gender parity in access to primary and tertiary schooling. In fact, a recent study⁷ notes that more girls finish school and enter institutions of higher learning. However, when examining employment statistics, more men are in wage paying jobs, in high paying jobs and in managerial or decision-making positions more so than women. The study also notes that being pregnant or having a baby is one of the main reasons for being out of school among girls aged 15–19. In rural areas, women are more likely than men to be engaged only in non-market activities (subsistence agriculture). Women are thus more likely than men to be doing unpaid economic work. The rate of gender-based violence is high.

The COVID-19 pandemic is causing major disruptions in businesses and will severely impact South Africa's economy in the near term. As of April 27, 2020, there are more than 2.9 million confirmed cases globally and 196,295 deaths.⁸ South Africa has 4,793 confirmed cases and 90 deaths.⁹ Nearly 30 percent of equity values globally have been wiped out, causing mass unemployment. The drastic actions Government of South Africa (GoSA) is taking to mitigate the health impacts of the COVID-19 (including border closures), has brought travel and tourism activities to a stand-still. This is having a disastrous impact on the livelihoods that depend on tourism revenues. Further, revenues at national parks will continue to decline and, in some cases, disappear. Among other consequences, this increases the likelihood of wildlife poaching. Indeed, between March 23, 2020 when a national lockdown began in South Africa and April 8, 2020, at least nine rhinos were poached.

B. Sectoral and Institutional Context

Illegally traded natural resources contribute significantly to the loss of biodiversity and threaten sustainable and inclusive development. The World Bank estimates that the annual cost of illegal logging, fishing and wildlife trade is a staggering US\$1-2 trillion. Illegal activities erode countries' natural capital and undermine their ability to achieve many of the SDGs. This is especially the case in low-income countries where livelihoods disproportionately depend on natural capital. In these countries, the World Bank calculates governments forego an estimated US\$7-12 billion in potential fiscal revenues per year.

South Africa's rich endowments of biodiversity assets and ecological infrastructure provide great opportunities to support the country's development and provide a key opportunity for job creation. South Africa ranks as the third most biologically diverse country in the world and contains three of the world's 34 biodiversity hotspots.¹⁰ The country welcomed nearly 9 million overseas tourists in 2015, with almost 70 percent visiting national parks. The tourism employed

⁵ <https://wazimap.co.za/profiles/district-DC10-sarah-baartman/#economics>

⁶ <https://municipalities.co.za/demographic/103/sarah-baartman-district-municipality>

⁷ African Gender Development Index (AGDI) study.

⁸ World Health Organization <https://covid19.who.int/>

⁹ South Africa [Department of Health](#) (Accesses on April 27, 2020).

¹⁰ South Africa's National Biodiversity Strategy and Action Plan 2015-2025



over 710,000 people in 2015, or about 4.5 percent of the workforce, surpassing the mining sector¹¹. In addition, conservation-related industries have higher economic potential than regular agricultural activities, such as stock farming.¹² It is estimated that income from ecotourism could exceed that derived from pastoralism by as much as four-fold in the Eastern Cape.¹³ Nature-based tourism generates revenue for protected areas management and conservation, and benefits local communities through job creation as well as by actively engaging them in biodiversity conservation efforts.

South Africa has a robust policy, institutional and regulatory framework for the conservation, management and sustainable use of biodiversity. South Africa's Constitution (Act 108 of 1996), Biodiversity Act (Act 10 of 2004) and Protected Areas Act (Act 57 of 2003) provide the main legal framework for the management, protection and conservation of biodiversity. South Africa's National Biodiversity Strategy and Action Plan 2015-2025 aims to conserve, manage and sustainably use biodiversity to ensure equitable benefits to the people of South Africa, including as strategic objectives: the enhanced management of biodiversity assets; investments to enhance resilience of the ecological infrastructure; the adoption of practices that sustain the long-term benefits of biodiversity; and developing effective knowledge foundations to support the management, conservation and sustainable use of biodiversity. There are various well-established government departments and institutions with mandates that link to the conservation and management of biodiversity and natural resources. The leading authority for the implementation of the NBSAP is the Department of Environmental Affairs (DEA). South African National Parks (SANParks), was established through the Protected Areas Act as a conservation authority mandated to conserve, protect, control and manage a system of national parks and other defined protected areas and their biodiversity. In addition, provincial departments of environmental affairs and provincial conservation authorities exist for each of South Africa's nine provinces. The Eastern Cape Parks and Tourism Agency (EPTCA) is responsible for provincial protected areas in the Eastern Cape Province.

Progress has been made in growing and diversifying sources of finance for biodiversity management and conservation, but limited financial resources remain one of the sector's main challenges. In many cases biodiversity management and conservation is funded through layering of multiple funding sources. The NBSAP establishes as a key activity the appropriate allocation of resources for effective management of biodiversity, especially in priority areas, highlighting the need to create incentives that encourage private sector investment. Funding for biodiversity has been mainly channeled through government expenditure and contributions from international grants. However, public-private partnerships and cooperative efforts relevant to biodiversity and ecosystem management involving the state, private companies, non-governmental organizations (NGOs) have grown in the country.¹⁴

Global rhino populations have faced significant pressures from reductions in available habitat compounded by large-scale demand for rhino horn as part of the illegal wildlife trade. There is a long history of using rhino horn (which are made of keratin) for carvings in the Yemen and for traditional medicine, especially in Viet Nam and China. Today, powder from the horn is used as a traditional medicine, and increasingly as a status symbol for hangover cures. Furthermore, rhino horn is desired by speculators, who bank on price increases as species become rarer. Rhino populations and sub-species have disappeared entirely from several Asian and African countries. In 2011, the Western Black Rhino was declared extinct. Following the death of the last male in 2018, the Northern white rhino is essentially extinct in the wild. In 2019, with the death of the last known specimen, the Sumatran rhino became officially extirpated in Malaysia. Both the Javan and Sumatran rhino number less than 100 individuals.

¹¹ World Bank 2018. Republic of South Africa Systematic Country Diagnostic

¹² OECD Environmental Performance Reviews: South Africa 2013

¹³ Kayser, Sobrevila and Ledec, (2011). World Bank GEF Report. https://www.thegef.org/sites/default/files/publications/AENP-web_0.pdf

¹⁴ South Africa's National Biodiversity Strategy and Action Plan 2015-2025.



Rhino poaching pressures have been extremely high since 2008, particularly in South Africa. The black rhino was the most numerous of the world's five rhino species, and at one stage could have numbered around 850,000. By 1960, an estimated 100,000 remained, and as poaching intensified and pressure on their habitat increased, their numbers declined to just 5,495¹⁵ individuals today. Black rhinos are listed as Critically Endangered on the IUCN Red List, meaning they are extremely vulnerable to extinction in the wild. The biggest drivers of this decline remain reduction in habitat and poaching. Habitat loss is exacerbated by the increasing costs of rhino security as many landowners cannot afford to conserve rhinos on their land. South Africa's rhinos have been intensively targeted; rhino poaching in the country increased by 9,000% between 2007–2014 with the number of rhinos poached growing from 13¹⁶ in 2007 to 1,215¹⁷ in 2014. In 2019, 594¹⁸ rhinos were reported poached in South Africa. Efforts to decrease poaching include improved capability to react to poaching incidents, the deployment of new technology, improved information collection and sharing amongst law enforcement authorities, better regional and national cooperation and more meaningful involvement of private sector, non-governmental organizations and donors¹⁹. However, there is significant concern that the numbers of poached rhinos are declining each year because rhino populations in South Africa have declined in total numbers to 15,625 white rhino and 2,046 black rhinos²⁰, based on data up to the end of 2017.

Rhino poaching is expected to increase in the Eastern Cape, which could lead to a significant decline in black rhino populations. The country's Addo Elephant National Park (AENP) and the Great Fish River Nature Reserve (GFRNR) in the Eastern Cape host two priority black rhino populations and are collectively responsible for protecting around 80% of the Eastern Cape's black rhino, 18.5% of South Africa's black rhino population, and 6.8% of the global black rhino population (see Annex 1 for a project map). This region experienced a 58% increase in rhino poaching in 2018. Analysis suggests that this surge in poaching in the Eastern Cape might be attributable to 'leakage' stemming from enhanced law enforcement capabilities, and potentially reduced target rhino populations, elsewhere in the country. Kruger National Park was ground-zero for rhino poaching, often attributed to its location on the Mozambique border and its relative proximity to major international ports, which are critical for the illegal wildlife trade. There were subsequent spikes in poaching in KwaZulu-Natal which held the second largest rhino populations in South Africa. The poaching issue is now arguably migrating to the Eastern Cape and its major international ports. These poaching pressures are heightened by existing illegal wildlife trade activities for abalone in the Eastern Cape linked with a sophisticated network of criminal syndicates, with connections to mainland China, Hong Kong and Taiwan. Neither of the two priority sites is adequately prepared for poaching, let alone such a dramatic spike in poaching. Expert opinion and scenario modelling suggest that without intervention, poaching pressures will likely lead to an annual decline of –3.7 percent in rhino populations in the Eastern Cape.

Poaching decreases wildlife populations, adversely affects ecosystems and impacts the country's economy. Rhinos are umbrella species for broader biodiversity given their need for large intact landscapes. As high-value targets of Illegal Wildlife Trade, protection of rhinos benefits a myriad of other species within these ecosystems. Iconic "big five" species such as rhinos bring in significant tourism revenue for a range of countries, which is significantly affected by poaching. It

¹⁵ CITES COP18. AfRSG Report. https://www.researchgate.net/publication/331988665_CoP18_Doc_831_Annex_2_African_and_Asian_Rhinoceroses-Status_Conservation_and_Trade_A_report_from_the_IUCN_Species_Survival_Commission_IUCN_SSC_African_and_Asian_Rhino_Specialist_Groups_and_TRAFFIC_to/link/5c99e945299bf1116947deb1/download

¹⁶ <https://www.traffic.org/news/south-africa-annual-rhino-poaching-toll-falls-for-second-year-running-but-the-crisis-continues/>

¹⁷ https://www.environment.gov.za/mediarelease/molewa_waragainstopoaching2015

¹⁸ https://www.environment.gov.za/mediarelease/reportbackon2019_rhinopoachingstatistics

¹⁹ <https://www.timeslive.co.za/news/south-africa/2020-02-03-rhino-poaching-declined-again-in-2019-says-environment-minister/>

²⁰ https://www.researchgate.net/publication/331988665_CoP18_Doc_831_Annex_2_African_and_Asian_Rhinoceroses-Status_Conservation_and_Trade_A_report_from_the_IUCN_Species_Survival_Commission_IUCN_SSC_African_and_Asian_Rhino_Specialist_Groups_and_TRAFFIC_to/link/5c99e945299bf1116947deb1/download



is estimated that between 2006–2014, rhino poaching caused total annual losses to tourism revenue in South Africa, Namibia, Kenya and Zimbabwe of between €205.76 million and €230.76 million, and that the extirpation of one of the ‘big five’ species could result in wildlife tourism falling by 20 per cent.²¹ This aligns with figures from South Africa’s Addo Elephant National Park, where revenue increased by 14% following the introductions of lion to make it a big five destination.²² The total loss of the Park’s natural capital due to rhino poaching from 2006–2012 is estimated in a range of €360–544 million.²³

Socio-economic losses from rhino poaching exacerbate the current status of funding for biodiversity conservation, which faces a US\$1bn per day shortfall globally. The socio-economic loss from rhino poaching is not incurred by any one individual or organisation but rather the loss is disproportionately distributed to rural communities at the base of the pyramid. In addition, rhino security is a major financial burden for protected areas and countries in general. Poaching has dramatically increased the cost of conservation because of the response required to combat increasingly sophisticated poaching. Protected area managers are therefore not able to allocate enough resources to biological management activities to grow populations, rather focusing on securing their rhinos.

Despite the intense pressures on global rhino populations, recovering rhino populations is not an unrealistic vision. Southern White rhinos numbered just 50 individuals in the early 20th Century before sustained conservation efforts resulted in their recovery to over 21,000 white rhinos before the current poaching crisis. The future of the rhino relies on both securing and growing its populations and its range of appropriate and available habitats. This will require addressing current challenges of traditional rhino conservation financing.

Traditional rhino conservation financing faces challenges associated to short-funding cycles, which limits long-term planning and the ability to adapt. Traditional conservation funding limits the ability of protected area managers to focus on long-term planning and leverage their knowledge and experience to respond adaptively to changes in-the-field conditions. In addition, the traditional model is focused on outputs rather than outcomes, where current funders have mixed success based on under- or non-performance of implementers as flows are typically for defined, short-term programmes. Current implementation models are inefficient with large overhead costs to implement conservation projects. This traditional model of financing conservation has also typically relied on government and philanthropic dollars where funding is drastically inadequate.

Instruments that can crowd in additional private capital as part of the solution for conservation financing are urgently required. The Wildlife Conservation Bond to be developed by the project proposes a new model for conservation funding. It will help change the business as usual of conservation financing and catalyse a new frontier in innovative finance by attracting new risk investment into the conservation field and setting up an outcomes-driven framework to proactively secure and grow the black rhino populations in South Africa. The scale of the bond issuance will allow for institutional investors to participate in a sector not historically considered. This framework can be replicated for other rhino sites within South Africa and beyond²⁴ and to other species and protected areas.

²¹ Smith LO and Porsch L. 2015. The Costs of Illegal Wildlife Trade: Elephant and Rhino. A study in the framework of the EFFACE research project. Berlin: Ecologic Institute.

²² Brett MR. 2019. From game camps to landscape conservation: The evolution and development of the Addo Elephant National Park, South Africa. *African Journal of Hospitality, Tourism and Leisure* 8(5): 49.

²³ Brett MR. 2019. From game camps to landscape conservation: The evolution and development of the Addo Elephant National Park, South Africa. *African Journal of Hospitality, Tourism and Leisure* 8(5): 49.

²⁴ The Rhino Impact Investment (RII) has already screened three sites in Kenya for investment readiness.



Tapping into institutional investors with structured bond products. A key aspect of this project is to assess institutional investor appetite to finance wildlife conservation, which is typically financed by governments, Official Development Assistance (ODA), or with philanthropic resources. Current biodiversity conservation expenditures are insufficient²⁵ and there is an urgent need for the private sector to increase its biodiversity conservation contributions, including for wildlife conservation. This is also the case for funding to combat poaching and illegal wildlife trade, which the World Bank estimated to be [US \\$2.35 billion](#)²⁶ from 2010-2018. Although significant, this is a fraction of what is required to secure these natural assets²⁷ that are the basis for tourism in Africa and other continents. Institutional investors represent a potential new source of funding as it represents over \$100 trillion in assets globally,²⁸ and this investment segment already contributes to environmental sustainability with \$579 billion in global climate finance between 2017-2018.²⁹ The WCB project will help generate awareness amongst this investor segment and fill a knowledge gap on a structured debt instrument linked to conservation outcomes. This instrument and the lessons that will be learned from project implementation will help promote increased institutional investments for biodiversity conservation.

Relationship to CPF

The project will directly contribute to the Sustainable Development Goal (SDG) 15 “Life on land” by mobilizing and increasing financial resources for biodiversity and ecosystem conservation (SDG 15.A) and enhancing global support for efforts to combat poaching and trafficking of protected species, including by increasing the capacity of local communities to pursue sustainable livelihood opportunities (SDG 15.B). The project will also contribute to the following goals: protection of important habitats for carbon sequestration (SDG13 Climate Action) and supporting a major tourism industry and a thriving commercial agricultural industry (SDG8 Decent Work and Economic Growth) which creates jobs in the local region (SDG1 No Poverty) and feeds people (SDG 2 Zero Hunger). The community engagement elements will also highlight gender equality (SDG5). The project will additionally support SDG17, Partnership for the goals.

The proposed project contributes to the World Bank Group’s twin goals of ending extreme poverty and building shared prosperity in a sustainable manner. The project is well aligned with the Systematic Country Diagnostic (SCD) and the Country Partnership Framework (CPF) which is now under preparation. The project is consistent with the World Bank Group’s twin goals of eliminating poverty by 2030 and boosting shared prosperity. These goals are in line with the priorities set out in South Africa’s National Development Plan, which aims to eliminate poverty and reduce inequality by 2030. Based on the government’s National Development Plan, the WBG’s Country Partnership Strategy (CPS) 2014-2017 provided a framework of collaboration focused on three main programs of support, which included promoting investments through energy, private investments and environment programs. The WBG is currently preparing its next CPF with South Africa, based on a SCD developed in consultation with the Government. The SCD highlights the need to create job opportunities consistent with a low-carbon growth agenda, increase the resilience of vulnerable natural resources, and prepare long-

²⁵ In 2012, estimates of global expenditures for biodiversity conservation were around [US\\$52 billion per year](#). The High-Level Panel on Global Assessment of Resources for Implementing the CBD Strategic Plan for 2011-2020, estimated that the global investment required amounts to between US\$130 and \$440 billion annually.

²⁶ The Global Wildlife Program analyzed 24 international donors (see Table 1), which collectively committed over US \$2.35 billion to combat IWT in Africa and Asia from 2010–2018.

²⁷ For example, a 2018 [analysis](#) of 282 state-owned protected areas (PAs) with lions found that these PAs require \$1.2 to \$2.4 billion or \$1,000 to \$2,000/km² annually, yet receive just \$381 million or \$200/km² (median) annually. Nearly all PAs with lions are inadequately funded; deficits total \$0.9 to \$2.1 billion.

²⁸ OECD. 2019. Pensions at a Glance.

²⁹ Climate Policy Initiative. 2019. Global Landscape of Climate Finance 2019.



term social protection systems that protect vulnerable communities. The CPF overarching goal is to support South Africa in stimulating investment and job creation to achieve economic and social convergence for an inclusive and resilient society, including actions to promote competition, investment and inclusive job creation (Pillar I) and promoting resilience, sustainability, and spatial convergence (Pillar III). The project is consistent with these objectives as it will support recovery of the critically endangered black rhino and improve the management of two important conservation areas, which provide important ecosystem services that support local economies, and are critical for tourism and related jobs.

The project will also contribute to addressing priorities of the World Bank's Africa Climate Business Plan³⁰, now in its fourth year of implementation. In particular, the project will contribute to "Scaled-up and transformational investments in key sectors and areas" which places a strong emphasis on support for climate resilient landscape management. It will also support implementation of the World Bank Action Plan on Climate Change Adaptation and Resilience³¹ in priority areas.³² The project also contributes to the Tourism Sector Development Plan (2015/16 – 2019/20) which focuses on unlocking the binding constraints in the sector.³³

Furthermore, the project is aligned with the WB-led Global Environment Facility (GEF)-funded Global Wildlife Program (GWP)³⁴ and Program's theory of change which is focused on delivering global biodiversity conservation and improved livelihoods. This project focuses on rhino conservation and crime prevention and increased benefit-sharing with local communities. Further, it supports corporate biodiversity efforts and partnership initiatives, including the International Consortium on Combating Wildlife Crime (ICWC). The project also directly contributes to the GEF-7 South Africa project *Catalyzing Financing and Capacity for the Biodiversity Economy around Protected Areas* (P170213), which strives to leverage financial resources and improve capacity to implement the Biodiversity Economy and increase benefits from selected Protected Area landscapes to local communities.

C. Proposed Development Objective(s)

To create an outcome-driven structured bond that channels private sector funds to increase black rhino populations in target protected areas in South Africa.

Key Results (From PCN)

The three key project expected results include:

- Number of black rhino population in target sites (annual increase of 5% by the end of the project)³⁵.
- Area under improved management (153,141 hectares).
- Number of direct beneficiaries disaggregated by gender as co-benefit (increase from 624 to 4,172)³⁶.

³⁰ World Bank. 2018. *Accelerating Climate-Resilient and Low-Carbon Development: The Africa Climate Business Plan*. May 2018.

³¹ World Bank. 2019. *The World Bank Group Action Plan on Climate Change Adaptation and Resilience*. January 2019.

³² The Action Plan prioritizes the mainstreaming of climate action through programmatic operations. Among the high potential areas identified, are support for (a) integrated landscape management approaches, (b) "triple-win" approaches such as climate-smart agriculture and afforestation that seek to capture benefits from development, emissions reduction, and enhanced resilience, and (c) nature-based solutions (also referred to as ecosystem-based adaptation approaches) that reduce risks, protect environmental services and generate income-generation co-benefits.

³³ The five priority areas identified in the TDSP are: (a) marketing and promotion, (b) human resource development, (c) product development, (d) natural and cultural resource conservation, and (e) tourism management and regulation. Specifically, the project directly contributes to conservation of natural tourist attractions in the targeted PAs.

³⁴ The Global Wildlife Program (GWP) is US \$232 million GEF-funded program that serves to coordinate and share lessons across projects aiming to reduce illegal wildlife trade (IWT). It includes national projects in 29-countries.

³⁵ See annex 5 for more information on the metrics that will support monitoring of key project results.

³⁶ Increased well-being of the local communities, will be tracked through the Social Assessment for Protected and Conserved Areas (SAPA) conducted in Y1 and Y5.



D. Concept Description

The project is focused on addressing major challenges for financing conservation and proposes an innovative financing model to unlock and direct private finance for the conservation of the black rhino in South Africa. The Project aims to catalyze the world's first Wildlife Conservation Bond (WCB) that links the coupon payments of an institutional SDG-related bond issuance to conservation performance. This innovative transaction enables private/institutional bond investors to participate in a market which has historically been focused on donors and philanthropic investors that look beyond typical financial rates of return to guide investment decisions. **Through the proposed model, financing from the coupon payments of the WCB will be directed to two priority sites for rhino conservation: Addo Elephant National Park and Great Fish River Nature Reserve** (see Annex 1 for project area map). Project investments will be used to enhance management of these protected areas to secure and increase black rhino populations, and increase benefits realized by local communities.

The project builds on existing conservation efforts in the two priority sites, as well as a two-year product development phase³⁷ that included an extensive assessment and stakeholder engagement. The WCB product development phase was done under the US \$4.5 million Rhino Impact Investment Project ([RIIP](#)) funded by the Global Environment Facility (GEF), The Royal Foundation, UK Aid and the Zoological Society of London (ZSL). This work was implemented under the leadership of ZSL with technical support from Conservation Alpha, Conservation Capital, Credit Suisse, DLA Piper and the International Union for Conservation of Nature (IUCN) Species Survival Commission's African Rhino Specialist Group (AfRSG).

The product development phase allowed the identification of important conservation sites that have the capacity to deliver impact under the WCB, which include the Addo Elephant National Park (AENP) and the Great Fish River Nature Reserve (GFRNR); the two sites selected for the proposed project. As part of the preparation of the WCB project, the WCB concept and its financing structure was developed. The WCB concept preparation efforts build on prior GEF projects at AENP and other donor funded projects at GFRNR³⁸.

The WCB transfers some of the risk of underwriting rhino conservation to private bond investors through the issuance of a World Bank bond. Bond investors elect to give up a fixed coupon which will be used to fund the enhanced rhino conservation at the two target sites. If rhino growth outcomes are achieved in year five, the investor will receive a single final success payment (using GEF NGI funding). Funding will be directed to the two project sites to implement conservation and adaptive management activities that seek to maximize net rhino growth rates over five years. The WCB will draw-in US\$13.76m funding from the GEF's non-grant instrument (NGI) window to pay the WCB bond holder a final success payment based on independently verified rhino growth (conservation success payment). The project governance structure (detailed in Annex 2) will follow standard World Bank policies and procedures applied for Investment Project Financing (IPF) and will flow-down to the independent fund manager (IFM) and project partners. The IFM will serve as a project implementation unit.

³⁷ WCB product development phase was completed from 2016-2020 and included US \$4.5 million grant amounts. The project included the following components: (i) gap analyses of priority rhino sites conducted, shortlist of priority rhino sites identified for inclusion in the live investment and RII investment performance metrics tested and demonstrated in Tsavo West, Kenya; (ii) bring 5-10 rhino sites up to Investment readiness and prepare sites to deliver against the RII; and (iii) Investment Blueprints developed, financial structure built, management, legal, and governance structure developed.

³⁸ The [ICR](#) of the World Bank's Greater Addo Elephant National Park GEF-funded Project (\$5.5M), implemented from 2004 to 2010, found the projects outcomes were satisfactorily achieved. This GEF project was implemented mostly before the rhino poaching crisis hit SA in 2008. The project did not focus specifically on rhino conservation, rather had economic and community development, social ecology, and land incorporation development plans.



Financing structure

WCB

World Bank Treasury will issue a US\$150 million IBRD bond (TBC) managed by an investment bank and use proceeds for the World Bank's general sustainable development (SDG) investments. The bond holders agree upfront to forego all bond coupon payments. There is no sovereign guarantee. With the consent of the bond holders, to be detailed in the bond product offering documentation, bond investors give money to the project (i.e. foregone coupon payments determined at the time of bond issuance when rates are locked in) will be paid directly to the and IFM. The net-present value (NPV) of future coupon payments is approximately USD13M (estimated coupon payments; subject to market conditions) and will be issued (per investor instructions) at a fixed rate payable on four interest payment dates in the following amounts [US\$TBC million] on the Issuance Date and [US\$ TBC] on each subsequent interest payment date. The interest on the bond will be paid at four intervals (Fixed Rate, payable on [four] interest payment dates in the following amounts [US\$2A] on the Issuance Date and [US\$ A] on each subsequent Interest Payment Date). The IFM will be guided by an investment committee and will channel funds to support enhanced conservation management efforts at the two SA protected areas.

The IFM, who will receive a contract from the WB and be bound by WB IPF policies and procedures, will manage the project funds under an independent governance and specialist management frameworks and direct them to the Addo Elephant National Park (AENP) and Great Fish River Nature Reserve (GFRNR). The funds will be spent as detailed in the proposed and independently approved Theory of Change (TOC - Annex 3) and budgeted workplan for each site. The TOC ensures interventions are aligned with the project development objectives. The TOC is based on project activities focused on habitat management, range availability, containment and attrition, and rhino population management. The bond coupon payments will flow from the IBRD to the IFM (following bond investor instructions) who will then disburse funds to the project site-level partners who will implement the conservation activities in the respective parks. Grant agreements between the IFM and the two partner sites will outline the funding tranches that will be available for drawdown every 3/6 months for ongoing implementation of the site strategies and workplans (see Annex 6³⁹). Fund disbursements (from foregone bond coupon payments) will be guided by an adaptive management approach and service level agreements that link disbursements to achievement of milestones as described in Annex 2.

Conservation Success Payment

The black rhino growth rate at each site is assessed over the period and independently verified. At the end of the 5-year term, the IBRD Bond is redeemed at par and bond investors receive their principal back⁴⁰, independent of the rhino growth rate achieved. Based on the degree of success of the project (namely the independently verified rhino growth rate), the bond investors receive a Conservation Success Payment at maturity from the funds provided by GEF.

As shown in Annex 4, the conservation success payment will be directly proportional to the growth in the rhino population, to be capped on the upside at 1.83% per annum (reflecting a 3.67% annual growth target in the rhino population)⁴¹. Note the potential upside is dependent upon the coupon attached to the IBRD bond issuance. In the event of zero growth rate or decline in the rhino population, no conservation success payment will be made to the bond holders. The bond investors

³⁹ The budget included in Annex 6 is greater than the amount that will be generated by the foregone coupon payments. The project team will work with project partners to identify donors that can fill the gap.

⁴⁰ The IBRD will make the bond principal repayment at maturity. Principal repayment risk is based on IBRD credit worthiness and its capacity to repay the debt.

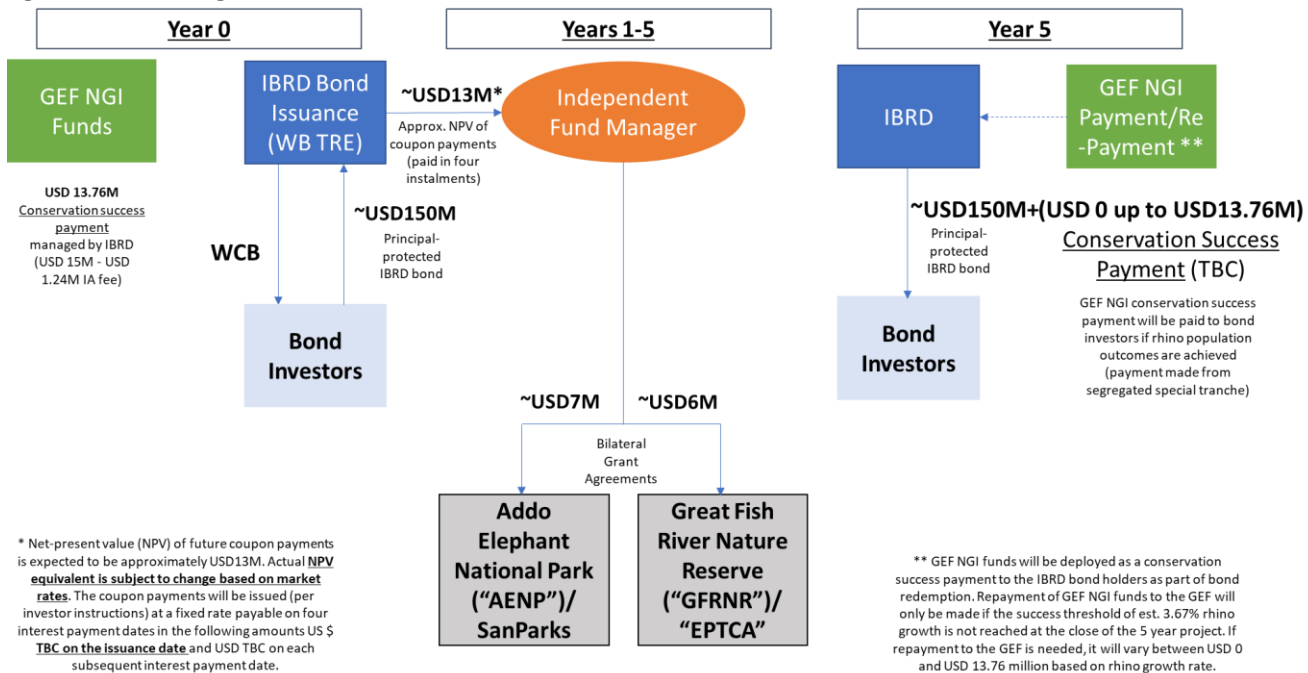
⁴¹ An additional outcome payer(s) may participate in this project, which would increase the upside potential for the conservation success payment. Additional outcome payer(s) will be confirmed during project preparation.



will still however (regardless of rhino growth rate), receive their principal back from the IBRD Bond. IBRD will use its balance sheet make bond principal payment to bond investors. If performance targets are met, IBRD will make a success payment to the bond investor (source for conservation success payment is GEF NGI).

The WCB conservation success payment targets were created using scenario planning and are in line with the growth target of South Africa’s national rhino strategy (increase by over 5% per annum). The without WCB project scenario has an average annual rhino population decline of 3.7%. Conservation success payments (using GEF NGI funds) will only be made if independently verified average annual growth rate of rhino population is between 0% and 3.67%. Based on the notional issuance of US\$150m, the GEF funding will only cover conservation success payments of the project up to a 3.67% rhino growth rate (6.5% is the estimated upper growth rate if the WCB is successfully implemented). In terms of net rhino growth in year five of the project, the upper bound combined black rhino estimate at the two target sites is 104 (from a baseline of 375 rhinos in year 0 at time of bond issuance). The Rhino Outcomes Management System (see Annex 5) will be used to provide evidence of rhino growth performance and used throughout the project lifecycle. In year 5, after independent verification of net rhino population growth, IBRD will use GEF funds to make a single success payment to bond holders. GEF NGI funds will be deployed as a conservation success payment (i.e. outcome payment) to the bond holders as part of bond redemption. If rhino growth is not achieved, the GEF NGI funds would be returned to the GEF (i.e. referred to by the GEF as a repayment). It will only be repaid to the GEF if the success threshold of est. 3.67% rhino growth is not reached at the close of the 5-year project. If repayment is required, payment will vary between USD 0 and USD 13.76 million based on rhino growth rate.

Figure 1. Financing Structure



Launch of the WCB is targeted by WB Treasury for the end of Q4 2020 or beginning of Q1 2021, after this GEF NGI project is endorsed by the GEF June 2020 Council and project preparation activities are completed. Timeline is subject to change.



Project components

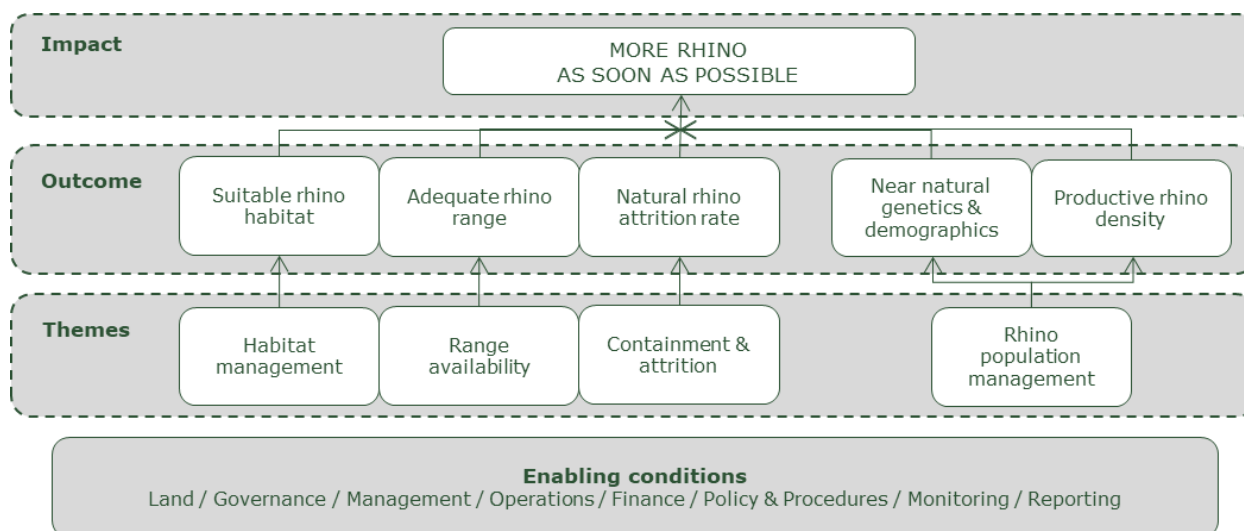
The project will support an evidence-based and adaptive management approach that uses data-supported interventions to dynamically respond to changes in performance risks (a surge in poaching incursions). It will invest in site-based conservation management (component 1), national/regional enabling conditions (component 2), and project management support (component 2) to effectively and efficiently execute project activities, including the environmental and social framework (ESF). The WBG will transfer funds (i.e. bond coupon payments) to the IFM who will in turn transfer funds to a project-specific segregated bank accounts at Partner Sites (WFA for SanParks at Addo Elephant National Park and EPTCA at Great Fish River Nature Reserve). These project partners will then use the funds to implement site-specific activities⁴². Grant Agreements between the IFM and the two project partners will outline funding tranches that will be available for drawdown every 3/6 months for ongoing implementation of the site-specific workplans. Each Partner Site will work with communities to optimise social and gender inclusion and benefit sharing for a more positive future supported by better conservation.

WCB Theory of Change

A Theory of Change (ToC) ensures all interventions are focused on achieving a desired Impact.

Within the rhino ToC, there are four themes, supported by data and causal evidence, that when optimised, can lead to the maximized outcomes that secure and grow rhino populations:

Each theme has its own Theory of Change for achieving the desired outcome.



Alignment with GEF Focal Area, Global Environmental Benefits

The WCB aligns with the GEF Biodiversity Focal Area Strategy through:

⁴² The IFM will make recommendations relating to funding and performance of site rhino strategies to the Investment Committee (IC) for approval. The IC will review recommendations and if approved, the IC will instruct the Administrator to flow the next tranche of funding to the Partner Sites.



- a) **Mainstreaming biodiversity across sectors as well as landscapes in the Global Wildlife Program by preventing the extinction of known threatened species.** The Wildlife Conservation Bond aims to not only preserve the black rhino population, where it is working with sites which manage over 6.8% of the global black rhino population but considerably increase the numbers of rhinos at these sites. The Theories of Change include considerable investment in range expansion for black rhino and population management, which work together to increase the resilience of the Critically Endangered black rhino against extinction. The Eastern Cape black rhino prefer thicket habitats which are extremely efficient at sequestering carbon from the atmosphere, mitigating the effects of climate change; both WCB sites are made up of former degraded farmland which will continue to be restored through active protection of these areas. The Wildlife Conservation Bond will also include a considerable community engagement component which will work to ensure that the local communities living in and around the WCB sites are equitably benefitting directly from the project, with measurable increases in their well-being.
- b) **Address direct drivers to protect habitats and species through enhancing the effectiveness of protected area systems.** The Wildlife Conservation Bond will be deployed in two state sites and a key focus of the implementing strategies is improving both the management and cost effectiveness of the sites themselves as well as sharing best practice. The Theories of Change will increase the capacity of the sites in the management of their habitats, the rhino populations and their monitoring and evaluation processes. A bespoke rhino monitoring system (Rhino-OMS) has been created which will record and monitor the rhino population, both informing management decision making and the return that bond investors receive from the Conservation Success Payment. A key element of the Theory of Change development is financial sustainability beyond the life of the project; AENP is committed to sustaining new role roles implemented under the 5-year term and GFRNR will develop business plans to further explore additional revenue generation opportunity or will work to identify other sources of finance to provide ongoing financial support.

The Wildlife Conservation Bond also delivers on the Private Sector Engagement element of the GEF 7 Strategy. The WCB will catalyze private sector investment in conservation and transfer risk from donors to bond investors. In the proposed role for GEF as an outcome payer “paying for results”, the GEF would be viewed as a principal catalyst for investment by bond investors in the Wildlife Conservation Bond.

The project will deliver considerable conservation outcomes for the sites, by delivering on the national targets to increase the numbers of Critically Endangered black rhino, increasing range for black rhino and improving protected area management. The improved management effectiveness will also benefit the other endangered habitat and species which exist at these sites.

The Wildlife Conservation Bond aims at delivering a holistic approach to conservation which addresses economic, social and ecological sustainability. The approach is focused on Sustainability Goal 15: Life on Land, but there is considerable work where the conservation outcomes deliver under these conservation goals act as the underpinning of the achievement of the rest of the sustainability goals. The ecosystem services provided by these two partner sites are extensive: carbon sequestration (SDG 13); filtering and storing clean water (SDG 3 and SDG 6); supporting a commercial citrus and subsistence agricultural industry (SDG 8) which feeds people (SDG 2) and creates jobs in the local region (SDG 1). The approach also focuses on social inclusion and financial sustainability within biodiversity conservation which are fundamental to delivering the changes required to ensure the survival of all species, including humans, on this planet.



Innovation, Sustainability and Potential for Scaling Up

The Wildlife Conservation Bond is highly innovative as it a first-of-its-kind structure and has the potential to be a catalyst for behavior change and increased funding in conservation, moving to an outcomes focused approach and drawing in private sector risk investment.

The Wildlife Conservation Bond has been developed with the sustainability, replicability and scalability at the forefront. Sustainability for the sites has been a core element of the Theories of Change to ensure that at the end of the 5-year investment term, there is funding in place to continue to improve management of the protected areas and increase further the rhino populations.

The next step for the Wildlife Conservation Bond would be to scale to other rhino sites, other species, other landscapes and other contexts. Now that the Theories of Change have been developed and understanding improved of what is required for the sites to be “investment ready”, this knowledge can be shared to reduce the project development time and cost for Wildlife Conservation Bond 2.0, which could include a larger number of sites and countries. There are also three priority rhino sites in Kenya which are currently finalising their Investment Readiness status which would enable fast scaling of the Wildlife Conservation Bond. There are further opportunities to apply the work of the Wildlife Conservation Bond to other species and landscapes, lending itself particularly well to any context where a core outcome can be identified.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	

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