



**IFC FORESTS BOND  
ANNUAL REPORT TO BOND  
INVESTORS**

**Summary Based on Annual Monitoring Report  
Prepared by Wildlife Works Carbon LLC**

**Kasigau Corridor REDD  
Project, KENYA**

REPORTING PERIOD: (July/2018) through (June/2019)

November 5, 2019

INTERNATIONAL FINANCE CORPORATION  
2121 Pennsylvania Avenue, NW  
Washington, DC 20433 USA  
[www.ifc.org](http://www.ifc.org)

## SUMMARY ANNUAL REPORT TO BOND INVESTORS

### 1. VCU Generation

During the period from January 1 through December 31, 2017, a total of 1,829,532 VCUs (net 1,591,693 VCUs after deducting the risk buffer) were verified from Phase I Rukinga REDD+ Project (“Phase I”) and Phase II Kasigau Corridor REDD+ Project (“Phase II”, and collectively the “Project”), which covers the Project Area of 199,910 hectares (30,169 hectares and 169,741 hectares for Phase I and Phase II, respectively). Phase I and Phase II have verified cumulative 2,807,970 VCUs and 10,892,174 VCUs respectively from the start of the Project through December 31, 2017. For the third coupon payment of the IFC Forests Bond on November 4, 2019, the Project delivered 469,984 Eligible VCUs of vintage 2017 generated from Phase II to IFC. The Project remains in full compliance with both the VCS and CCB Standards. No Noteholder selected the coupon in the form of VCUs, therefore, no Eligible VCUs were delivered to the Noteholders.

Wildlife Works Carbon LLC (WWC) calculates emission reductions (ERs) per calendar year (CY), so the results in Table 1 below reflect 2017 volumes when the last verification happened. Although WWC has not verified for CY 2018, there is generally minimal variation in ERs across years. WWC’s preliminary analysis done for CY 2018 towards the upcoming project verification indicates little difference from these 2017 volumes: about 1.36 million for Phase II and 216,000 for Phase I. Exact amount of VCUs for CY 2018 will be reported after the verification is finalized, including calculation of deductions from leakage, confidence deduction, periodic buffer returns, possible reversals, etc.

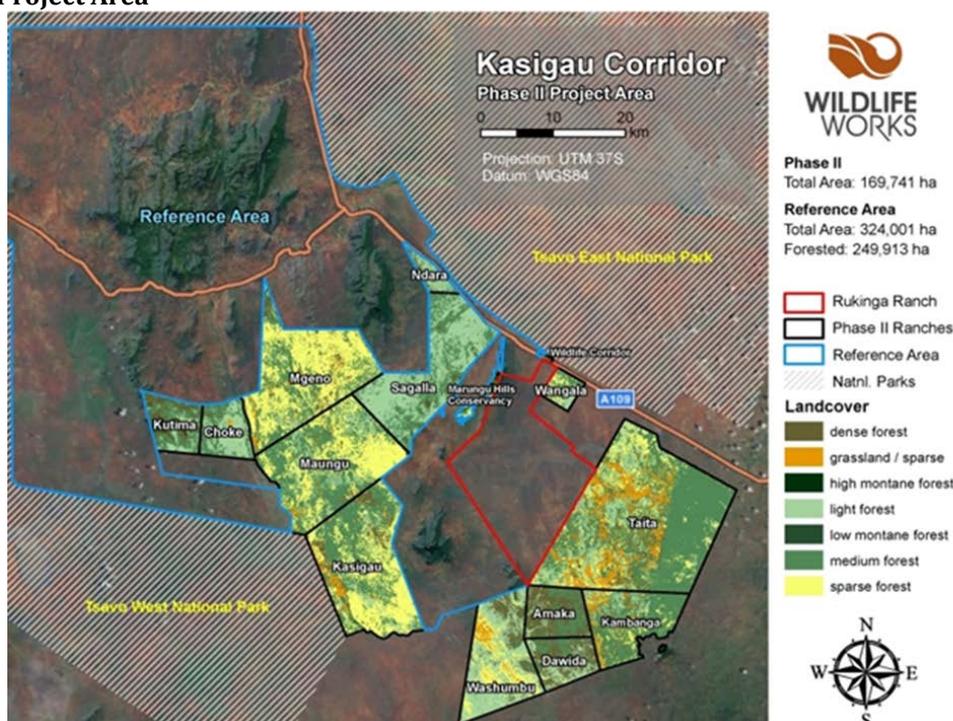
**Table 1: Volume of gross and net emission reductions from the Project during the reporting period**

Project Phase	Ranches	Period	GERs <sup>1</sup>	NERs <sup>2</sup> after risk buffer
<b>Phase II: Kasigau Corridor</b>	ALL 13 ranches under Kasigau Phase II	January 1- December 31, 2017	1,574,391	1,369,720
<b>Phase I: Rukinga</b>	Rukinga Ranch	January 1- December 31, 2017	255,141	221,973
		Total	1,829,532	1,591,693

<sup>1</sup> Gross Emission Reductions

<sup>2</sup> Net Emission Reductions

**Figure 1: Project Area**



## 2. Revenue Share Breakdown

Total revenues were US\$8.24 million and total expenses were US\$6.70 million. The breakdown of revenue sharing for the fiscal year 2018 (Jan 1<sup>st</sup> 2018 thru December 31<sup>st</sup> 2018) is as follows:

- (i) 33.3% of gross revenues to the local project landowners;
- (ii) 47.8% of gross revenues for project operations, which consists of (a) 25.7% allocated to local operations including local salaries and associated costs such as insurance, on-site and in-country project operating costs including goods and services procured locally including local transport, and all other core operations like infrastructure development (e.g., waterholes within project and community areas) and other project activities like greenhouses and tree planting, and (b) 22.1% allocated to non-local operations and support including non-local salaries and associated costs such as air travel and any other services procured, VCU sales and marketing-related costs such as brokerage fees and issuance costs, third-party verification costs and any applicable financing costs.  
This left net cash of US\$1.54 million available for profit sharing which was shared between;
- (iii) 9.4% of gross revenue to WWC and
- (iv) 9.4% of gross revenue in payments to the community through the Wildlife Works Carbon Trust (WWCT) and Locational Carbon Committees (LCCs), which have been spent / are to be spent for school bursaries, water projects and education and health infrastructure e.g., furniture etc..

## 3. Community Development Projects Funded by Carbon Revenue

**WWCT: LCC projects:** 42 projects were initiated and/or completed during the reporting period across the six Locations in the Project Area: Kasigau 8, McKinnon 3, Marungu 9, Mwachabo 6, Mwatate 9, and Sagala 7. Nine were water projects (e.g., construction of harvesting and storage facilities), 21 were education-related (e.g., classroom construction), three were health-related, with another nine being other infrastructural projects not related to these three categories. A total of KES32.8 million was spent on these projects during this reporting period.

**WWCT: Bursaries:** During 2019 education year, 3,212 students received Partial Scholarships supported by the Project, with a low of 369 in McKinnon and a high of 657 in Mwachabo and Mwatate locations. A total of KES19.4 million was spent on these bursaries. These scholarships were predominantly towards secondary education (over 75%) with the rest being tertiary (polytechnics, colleges and university).

## 4. Employment

- As at June 2018, the Project employed total 347 full-time employees, of whom 95 (27%) were female, and 325 (94%) were Kenyan.
- Typically, more than 80% of Wildlife Works' employees at the Project are recruited directly from the local community. This employment income constitutes a meaningful infusion of money into these communities and is an important source of livelihood for most of the households that have a member employed.

## 5. Development Activities

### **Activities & projects**

- *Provision of goods and services:* About \$600,000 of operational costs goes into the local communities surrounding the Project as providers of goods and services including transport, food and water supply amongst others.

### **Non-monetary benefits**

- *Building social capital and capacity:* This is mainly achieved by supporting women and youth groups, community-based conservation organizations etc. across the Project. During the reporting period, a total of 63 meetings/seminars were held involving over 1,500 community members. They covered diverse topics ranging from leadership, health, agricultural techniques, group and monetary management, and climate change, conservation and REDD+.

- *Improving access to markets:* Wildlife Works continues to build and improve access to markets for various products in the Project through use of technology, such as through the Wildlife Works' Export Processing Zone (EPZ) for apparel and Hadithi for community handicrafts. As of June 2019, 55 local community members (75% being women) were trained or employed in Wildlife Works' eco-factory at the EPZ, mainly as seamstresses but also in several printing and other support positions like sales and marketing. Additionally, 41 Women's Groups and one Disabled Group were subscribed under Hadithi, comprising approximately 1,200 women and several men in the disabled group. Through these efforts, a substantial amount of revenue from salaries or sales accrues to these local communities, especially directed to women, which greatly empowers them and their societies in general. In 2017 for instance, KES4.9 million was spent on women group crafts by Hadithi, paid cash in hand to the individual ladies, rising to KES10.5 million in 2018, again paid cash in hand to the individual ladies. In Q1 of 2019, KES4.4 million was spent on handicrafts which is projected to raise to close to KES15 million by the end of 2019.
- *Improving wildlife habitat and reducing human-elephant conflict (HEC):* During this reporting period, Wildlife Works has maintained and operated the wildlife-only borehole within Rukinga Wildlife Sanctuary built in conjunction with the Elephant Cooperation (<https://www.elephantcooperation.com>). The distributional network from this borehole across the ranch is at an advanced planning stage.
- *Agriculture and livelihoods:* Wildlife Works continues to jointly implement the sustainable agriculture and HEC deterrents project in conjunction with national and international universities under the Earthwatch Institute (<http://earthwatch.org/Expeditions/Elephants-and-Sustainable-Agriculture-in-Kenya>). During this period, findings from this research on effectiveness of deterrents have led to expansion of this project into Ngambenyi area of the Project where installation of the metal-strip has already begun. This research enhances the REDD+ Project goals in general, and the objectives of WWC's organic Greenhouse and sustainable agriculture programs in particular.
- *Commercialization of eco-charcoal venture:* Implementation has begun for the eco-charcoal business plan involving improved harvesting, kilning processes and automated briquetting that was funded by the National Research Fund (<http://researchfund.go.ke/>), after remittance of funds happened in 2018. To begin the scaling up process, the Project initiated baseline studies on the biodiversity and mechanization of production (kilning and briquetting processes) during this reporting period, before moving on to improving sales and marketing.

## 6. Reporting to Communities and Project Stakeholders

- *Landowners' meetings:* In addition to 19 board meetings with landowners, there were two full landowner meetings held across the Project during the reporting period where the major agenda points included: sales projections, breakdown of income allocations by ranch based on projected sales, potential future deals and project evolution amongst other issues.
- *LCC (Locational Carbon Committee) /CBO (Community Based Organizations) meetings:* 83 meetings were held with LCCs and implementing partner CBOs across the six Administrative Locations specifically for discussing various aspects of the Project implementation including: WWC's financial status, updates on sales and community allocations through WWCT, and vetting and evaluation of the LCC and CBO including bursaries, Project projects-related activities.

**DISCLAIMER** This report has been prepared for information purposes only. IFC does not make any warranties or representations as to the completeness or reliability of the information, opinions, or conclusions expressed herein. The reports and any other information contained or otherwise accessible through the websites mentioned in this report are historical and only speak as of their respective date. IFC is under no obligation to update these materials. This report is not intended to provide the basis for the evaluation of any securities issued by IFC. This report should not be construed and does not constitute an invitation, recommendation, or offer to subscribe for or purchase any of IFC's securities. Under no circumstances shall IFC or its affiliates be liable for any loss, damage, liability, or expense incurred or suffered, which is claimed to have resulted from use of this report, including without limitation any direct, indirect, special, or consequential damages, even if IFC has been advised of the possibility of such damages. For additional information concerning IFC, please refer to IFC's current Information Statement, financial statements, and other relevant information available at [www.ifc.org/investors](http://www.ifc.org/investors)