



Annual Narrative Progress Report

Reporting Period: 1 January – 31 December 2021

Programme Title & Project Number Programme Title: Miamba Yetu: Sustainable Reef Investments Programme Number: 00127088	Programme Location Country/ies: Kenya and Tanzania
Convening Agent <ul style="list-style-type: none">Wildlife Conservation Society	Preparatory Grant Period Duration <ul style="list-style-type: none">Start Date¹: 5/21/2022End Date: 12/31/2021
Total Approved Budget Total GFCR Preparatory Grant Budget: \$100,000	Report Submitted by: Name: Michelle Cordray Organisation & Title: WCS, Program Manager, East Africa Email address: mcordray@wcs.org Phone:

¹ The start date is the date of the first transfer of the funds from the MPTF Office as Administrative Agent. Transfer date is available on the [MPTF Office GATEWAY](#)

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Executive Summary

WCS received a \$100,000 preparatory grant from the (Global Fund for Coral Reefs) GFCR in April 2021 to develop a full funding proposal to support reef conservation in the broader transboundary region of Kenya and Tanzania. WCS, as the convening agent, partnered with Okavango Capital and Conservation capital. This collaboration allowed WCS to marry its scientific and conservation expertise with the necessary financial capabilities to deliver a blended finance approach that would support business opportunities that would benefit the conservation of coral reefs. Our team identified a core area for investments within the transboundary conservation area as well as another five sites where investments could be focused to achieve results (Malindi, Pemba, Zanzibar, Tanga and Dar es Salaam). The approach would allow for the expansion beyond the core area to better create linkages with potential investment opportunities and to explore opportunities to address emerging threats from large investment projects.

WCS submitted a final proposal to the GFCR in September 2021. The two-year, \$3 million proposal was approved by the GFCR in December 2021.

Achievements

1. The grant allowed WCS to collaborate with an entity, Okavango Capital Partners, focusing on developing investments in conservation projects and to consider new opportunities to address conservation challenges. This important collaboration allowed the integration of investment and finance capability with WCS's scientific and ecological expertise.
2. We were able to sketch out the design of a financing mechanism for the region that will help leverage funding from GFCR to attract other financing for projects approved as part of the program implementation. This will be achieved through the creation of a special purpose vehicle (SPV) within Okavango Capital Partners.
3. WCS identified an early-stage project opportunity working with Blue Finance in Pemba. The program will use GFCR grant funding and leverage loan funding from other sources to support tourism and MPA management. The project created an opportunity to WCS to work with Blue Finance on a mutually beneficial program.

Challenges Encountered

1. One of the major challenges is that there are currently few investable projects linked to coral reef conservation. Significant effort will be required to develop a pipeline of investable projects that also support reef conservation.
2. Many of the opportunities identified based on current threats are small-scale; time and resources will be required to incubate and aggregate new enterprise opportunities to invest at scale.
3. COVID-19 restrictions limited the team's ability to travel and meet with potential stakeholders, thus limiting the ability of the team to identify potential opportunities.

Lessons Learned

1. A major pipeline will be built with a terminus in Tanga. The company building the pipeline plans to undertake marine offsets and there are possibilities to engage with the company to support funding for enterprises in the future. Engaging early on with the company will be important to take advantage of this funding.
2. The level of interest in project incubation and investment is growing in the region. We will need to engage with a variety of actors to ensure effective collaboration and avoid duplication of efforts. Fortunately, those discussions are already occurring. Success will depend on providing solid technical assistance as well as grant funding.
3. Success of the program will require effective leadership based in the region. As a consequence, WCS is hiring a project manager to oversee the project implementation. The person hired for the

position will have business, banking, or private equity experience and conservation interests and work closely with WCS and our partners to develop the pipeline for investments, thereby expanding WCS's technical capabilities in the region.

~~Highlight in the summary, the elements of the main report that you consider to be the most critical to be included in the GFCR's Consolidated Annual Report. The above points will be described in more detail in the subsequent sections.~~

~~*Three Key Achievements*~~

- ~~1. Team identified early stage investment option in Pemba through Blue Finance which will leverage additional funding through loans.~~
- ~~2. Team was able to development a management and governance structure that will combine both financial and environmental criteria as part of the project review and approval process. Monitoring systems will ensure compliance~~
- ~~3. WCS was able to expand its scientific capability to include finance through its partnership with Okavango Capital and Conservation Capital.~~

~~*Three Challenges*~~

- ~~1. A major challenge will be developing the approach for the financing of small-scale projects and ones that address important local livelihood issues. This is a challenge that will involve the WCS team with other stakeholders in the Western Indian Ocean who are also looking for appropriate mechanisms.~~
- ~~2. The ability to find appropriate projects that can receive equity investment is a challenge that the team will need to focus on once the governance and operating structures are in place.~~
- ~~3. There will be a need to find cost-effective solutions. Many proposals require significant management and overhead costs, so efforts will need to focus on development effective and efficient mechanisms~~

~~*Three Lessons Learned*~~

- ~~1. Success will depend on providing technical assistance as well as grant funding for many of the early stage projects.~~
- ~~2. There is a need to provide strong leadership that is able to engage both on the financial and environmental aspects of the projects.~~
- ~~3. There will be a need to invest significant time to develop an effective pipeline; expanding partnerships in the region may help.~~

I. Progress, Challenges and Lessons Learned

1. Identification and Description of Priority Areas	
Summary	Key activities included the identification of the focus area for project implementation, expanding north and south from the Transboundary Conservation Area (TBCA) to allow for the identification of a greater number of investment opportunities and to address the growing threats to reef and coastal systems due to the growth of development in the region. The team identified potential opportunities for development under three categories: Marine Protected Areas Finance, Community Marine Management and Sustainability, and Reef Ecosystem Risk Reduction.
Objectives Achieved	During the preparatory phase, the team developed a system of eight appraisal categories to assess identified opportunities and organize possible funding responses. Eight specific opportunities were identified for further feasibility analysis, while several categories of projects were identified for future development once the project funds were secured, COVID restrictions

	<p>lifted to permit travel, and studies could be completed. In addition, the project identified an effective approach for creating a special purchase vehicle (SPV) with Okavango Capital that would foster the development of new investments, while crowding in funding from other sources. Priority was also given to engagement with partners to incubate new enterprise opportunities.</p>
Challenges	<p>The most significant challenge was the inability to travel to the field to engage effectively with different stakeholders regarding project opportunities. Additional time will be needed to meet with project developers and with institutions to scope out some of the most promising ideas. The team believes that blue carbon could be a potential beneficial investment for community livelihoods and for conservation but limited information is available regarding the feasibility of investment. Completion of feasibility studies in 2022 with funding from other donors will allow for a more thorough assessment of that opportunity.</p>
Lessons learned	<p>Some of the important lessons learned include:</p> <ul style="list-style-type: none"> • Currently there is a limited portfolio of investable options in the region that can deliver both financial returns and positive conservation benefits. Time will be needed to develop those feasible options • A strong project governance system will be required to decide on investment priorities so that conservation outcomes are integrated into all investment decisions. • Strong internal project management will be required to identify effective projects and to manage the balance between financial returns and conservation outcomes
2. Partnerships	
Summary	<p>WCS forged a partnership early with Conservation Capital and Okavango Capital Partners (OCP) as part of the preparatory grant to ensure that the team had sufficient financial expertise to take on the design of the program, while guaranteeing adequate inclusion of conservation criteria in investment decisions. We also explored, and continue to discuss, potential collaboration with other organizations that are active in the broader region. This includes coordination with IUCN as part of a “venture studio” as well as World Wildlife Federation (WWF) and a technical team at Finance Earth, who are promoting incubation opportunities for programs in the Western Indian Ocean. The WCS team expects to develop those connections as part of its program implementation plan. In addition, we have developed a working relationship with Blue Finance, an organization that WCS hopes to work with in this region and beyond.</p>
Objectives Achieved	<p>The partnership with Blue Finance will result in the implementation of the first project for this region. The project will be grant funded through GFCR and will receive loans from financing organizations that have been lined up by Blue Finance.</p> <p>With Okavango Capital Partners we plan to create an SPV through which to develop and finance projects in the region, using funds from GFCR (grants</p>

	and loans) along with investments from investors identified through the OCP client base. There will also be potential for participation by Pegasus Capital.
Challenges	<p>Opportunities for partnership to support project incubation exist in the region. However, the situation is fluid. IUCN and partners have created the aforementioned venture studio/incubator that will operate in the region. Recently that initiative appears to be linked to a wider Western Indian Ocean initiative. As the convening agent, WCS has engaged with the various institutions, and part of the work of the project will be to determine how best to create an effective partnership to incubate projects.</p> <p>The relationship with Pegasus and the role that it can play in financing projects is still unclear. Development of that relationship will need to take place during the implementation of the project.</p>
Lessons learned	We have learned that there are a lot of players beginning to operate in the blended finance space in the region and that we will need to analyze how best the GFCR program can align with the various actors and programs underway so that we can use funds effectively and efficiently. We have also learned that despite the interest, there are relatively few examples of investments taking place, and many are small-scale. Given these challenges, it will be imperative that the programs can chart a collaborative approach.
3. Pipeline identification	
Summary	WCS and its partners for this project are based in the region and it was possible to make connections and identify a potential pipeline. Some of the key pipeline projects are linked to activities that are priorities in the region such as marine protected area conservation and tourism. Development of a learning centre/aquarium and investments in blue carbon have potential and will require feasibility studies to determine investment potential. Through OCP, we have identified a variety of business opportunities that will improve livelihoods and contribute to coral reef conservation, while others will reduce plastic pollution.
Objectives Achieved	One quick win identified was the Blue Finance project that would support MPA management along with an investment in ecotourism. That project will be up and running in early 2022. The team identified a plastic recycling venture where the program could have provided financing but the company was able to meet its funding needs, prior to the time GFCR funds would have been available. That example indicates that there are potential opportunities that can be developed and that there will be opportunities to use funding from GFCR to leverage additional financing.
Challenges	<p>Challenges include:</p> <ul style="list-style-type: none"> • The need to aggregate across many small projects to develop a portfolio of projects that have a scale that works for financing • The lack of experience of many organizations in managing financing; building capacity among different groups will be essential to the success of the program • Finding equity investments that meet current Pegasus Capital criteria may prove difficult.

Lessons learned	<ul style="list-style-type: none"> Working with a broad array of stakeholders will help to identify projects in the broader region. There is a lot of interest in developing a pipeline of projects. Grant funds and technical assistance will be very important in building the pipeline.
4. Stakeholder engagement	
Summary	Contacts made by the team during the preparatory period indicated a strong interest in the project. Discussions with the various stakeholder allowed the team to establish a three-pronged strategy focused on investments that contributed to Marine Protected Area financing, community management and sustainability, and reef ecosystem threat reduction
Objectives Achieved	<p>The WCS team engaged a variety of groups in the development of its proposal. These included:</p> <ul style="list-style-type: none"> National and international NGOs Government Businesses Ecotourism operators Local communities with whom WCS works as part of its program
Challenges	The most significant challenge to stakeholder engagement was the inability to travel as planned due to COVID restrictions in place during the implementation of the project. WCS actively engages with communities operating in the TBCA and those contacts have provided some of the ideas that the program will pursue such as ecotourism development and aquaculture and fisheries linked to reef conservation. As restrictions are eased, the level of engagement will increase as part of an active effort to build a project pipeline.
Lessons learned	There were no particular lessons learned. It is clear that the team will need to engage with local communities to understand their constraints and to devise programs that can reduce drivers to reef degradation while ensuring adequate livelihoods. The team also recognizes that some of the constraints will be linked to a need for policy changes, which may be more challenging to address.
5. Other	
Objectives Achieved	<u>N/A</u>
Challenges	<u>N/A</u>
Lessons learned	<u>N/A</u>



II. Reporting on Activities

Delete before submission: The below table should provide an overview of the activities conducted during the preparatory grant phase. **Refer to the activities indicated in the preparatory grant Budget and Workplan submitted along with the Concept Note to the GFCR Secretariat.** The first column should mirror the activities listed in the preparatory grant budget and workplan. Add or remove rows as needed.

Outputs & Activities	Objectives Achieved	Objectives missed
Output 1: Scope the opportunity for a financial facility using blended capital focused on the TBCA		
Activity 1.1.1: Review options	<ul style="list-style-type: none"> Identified various programs operating in the region and the potential for setting up a funding facility Determined feasibility of setting up an SPV to catalyze funding and identify project pipeline 	<ul style="list-style-type: none"> Need to identify best approach for establishment incubator – this was not achieved during this phase and needs to take place in 2022
Activity 1.1.2: Stakeholder analysis	<ul style="list-style-type: none"> Carried out meetings with broad array of stakeholders exploring a variety of funding options 	<ul style="list-style-type: none"> Did not have adequate discussions with incubator (venture studio) managers. There is a need to visit potential project sites to explore how investments could be undertaken
Output 1.2: Design the corporate structure, governance, operations and capitalization of the facility		
Activity 1.2.1: Analysis of opportunities	<ul style="list-style-type: none"> Completed analysis of approaches that would work Assessed the work of one incubator operating in the area 	<ul style="list-style-type: none"> Did not complete an analysis of the incubator options that may be operating in the broader region
Activity 1.2.2: Establishment of the facility design	<ul style="list-style-type: none"> Identified an approach of an SPV created within Okavango Capital with governance system involving all partners to provide both financial and environmental review Governance structure outline developed to facilitate and catalyze investments 	<ul style="list-style-type: none"> Governance structure still in draft form. SPV and final governance structure to be determined once project manager is in place
Output 1.3: Design the core investment strategy		
Activity 1.3.1: Determine investment options	<ul style="list-style-type: none"> Identified the catchment areas for investments that will include the TBCA as well as Malindi, Pemba, Zanzibar, Tanga and Dar es Salaam Identified a need for a dual structured fund designed to identify and fund profitable ventures while building smaller-scale opportunities – those with higher risk, longer development, lower financial return, higher social return 	<ul style="list-style-type: none"> Structures still in concept stage and will need to be finalized in early 2022 (first quarter)

Outputs & Activities	Objectives Achieved	Objectives missed										
Output 1.4: Develop a preliminary pipeline of investable opportunities and target metrics												
Activity 1.4.1: Identify projects for investment	<ul style="list-style-type: none"> Developed a framework to classify 8 categories of potential investments based on core characteristics, funding characteristics, and potential investment outcomes. <p><i>Pipeline categories:</i></p> <table border="1" data-bbox="401 456 1383 789"> <thead> <tr> <th data-bbox="401 456 884 505">Going Concern</th> <th data-bbox="884 456 1383 505">New Ventures</th> </tr> </thead> <tbody> <tr> <td data-bbox="401 505 884 553">1. Ready to go and on target</td> <td data-bbox="884 505 1383 553">6. Scalable start-ups</td> </tr> <tr> <td data-bbox="401 553 884 634">2. Ready to go but needs importing into target</td> <td data-bbox="884 553 1383 634">7. One-off smaller scale businesses</td> </tr> <tr> <td data-bbox="401 634 884 716">3. Ready to go, but only scalable with aggregation</td> <td data-bbox="884 634 1383 716">8. Community livelihood- based initiatives</td> </tr> <tr> <td data-bbox="401 716 884 789">4. Ready to go, but outside target area</td> <td data-bbox="884 716 1383 789"></td> </tr> </tbody> </table> <ul style="list-style-type: none"> Identified a list of potential example projects for investment including: <ul style="list-style-type: none"> Ecotourism in Pemba Plastics recycling Micro-forestry 	Going Concern	New Ventures	1. Ready to go and on target	6. Scalable start-ups	2. Ready to go but needs importing into target	7. One-off smaller scale businesses	3. Ready to go, but only scalable with aggregation	8. Community livelihood- based initiatives	4. Ready to go, but outside target area		<ul style="list-style-type: none"> Did not develop any very small-scale projects benefiting communities at this time; there is a need to develop the incubator/venture studio mechanism first. Outreach will be aided by the hire of the project manager
Going Concern	New Ventures											
1. Ready to go and on target	6. Scalable start-ups											
2. Ready to go but needs importing into target	7. One-off smaller scale businesses											
3. Ready to go, but only scalable with aggregation	8. Community livelihood- based initiatives											
4. Ready to go, but outside target area												
Output 1.5: Identify a potential coalition of local organisations												
Activity 1.5.1: Outreach to government, industry and NGO partners to explain the strategy	<ul style="list-style-type: none"> Carried out meetings throughout the project development process to discuss project with stakeholder Obtained letters from government in support of project implementation in both Kenya and Tanzania (as well as Zanzibar) Interest generated by stakeholders in the project with continued expressions of interest for collaboration 	<ul style="list-style-type: none"> Team was not able to meet with various stakeholder, including some involved in development incubator ideas 										
Additional activities: none												



III. Highlights

Coral Reef Protection through MPA management and development of ecotourism and improved livelihoods - Blue Finance

Description of activities conducted including stakeholder engagement:

The programme strives to improve coral reef health and community livelihoods by enhancing MPA management capabilities and financial sustainability, while reducing the primary anthropogenic drivers of degradation of coral reef ecosystems via:

- (i) Reduction of overfishing and destructive fishing, as well as contributing to the recovery of herbivore and endangered fish species via enhanced law enforcement, long term community engagement and development of new jobs for fishing communities in the MPAs;
- (ii) Reduction of land-based pollution via improved enforcement of regulations by engaging the communities and companies responsible and collectively developing mitigation mechanisms, and enhancing technology transfer
- (iii) Increased sustainable tourism (avoiding overcrowding, anchor damage, etc.)

Results:

The results will be improved management of a Marine Protected Area (MPA) with the aim of improving the sustainable use of 6,500 ha of marine biodiversity, enhancing livelihoods of 1,100 households and increasing climate change resilience. Grant financing will support nature-based tourism initiatives and MPA scientific and management equipment. Loan financing will support the construction of an underwater room for hotel guests, with contributions from the hotel and hotel guests supporting the MPA.

Challenges: The most significant challenge will be the rebuilding of the tourism industry. Fortunately, much of the high-end tourism in the area has not suffered as much as the more popular international tourism and as such, it is expected to rebound. Project financials take into account the need to allow tourism to rebound and returns on investment are estimated under the assumption of tourism returning to some level of normalcy in 2023 or 2024.

Lessons learned: The approach aimed at MPA financing through grants linked to investments in tourism that will contribute to the long-term management of the PA offers a useful mechanism to secure the conservation of coral reefs. Creating more sustainable economic opportunities will be a crucial element of the program and success will be necessary to meet the long-term conservation objectives of the project.

Link to supporting visuals: see below



Figure 2: Underwater trails, easy discovery for everyone



Figure 7: The UW room offers a unique experience to discover the marine life of the MPA