



ANNUAL NARRATIVE REPORT:

MZ CorInvest

January – December 2023

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Programme Overview – Concept Note

Programme Title & Project Number		Programme Duration	
Programme Title: MZ CorInvest		Start Date: December 2022	
Programme Number: 00134274		End Date: February 2023	
Total Approved Budget			

Total GFCR Prep Grant Budget: BIOFUND = *USD \$99,441*

Executive Summary

Mozambique is rich in coral cover, and the coral reefs of Mozambique are among the most biodiverse and resilient in the world and are of key importance to the livelihoods of the coastal people. However, many coral sites are remote, and coral reefs face threats from overfishing and destructive fishing practices, habitat loss and degradation and plastic and wastewater pollution. More generalised threats include increasing climate change-related extreme events, mounting pressure from population growth, poor mobilisation of local community knowledge systems, and low levels of expertise. There is a gap in funding for protection and conservation, with less than 20% of the protected area costs covered by the state budget and own revenues, and the remaining funds coming predominantly from short-term project finance.

The investment environment is difficult and to date, there have been no systematic efforts to leverage private investment at the level required to close the financing gap, with neither a financial ecosystem nor the local capacity to develop an investment pipeline for mobilising private finance.

The MZ CorInvest programme is designed to overcome these threats and obstacles and create a pathway for future investments to follow. In the North and South of the country, 3 sites have been selected, two of them with existing tourist flows to galvanise as prime beach, dive and nature ecotourism destinations. Facilitated tourism investment and small and medium sized enterprises (SMEs) incubation, as well as site management plans, will develop the cash flow necessary to manage reefs optimally. . Simultaneously, it addresses the needs of companies obligated to mitigate their environmental impact under Mozambique's newly enacted 'Biodiversity Offsetting Decree.' These companies are required to offset their negative environmental effects by investing in conservation or restoration initiatives. By collaborating with such companies, the program offers opportunities for them to fulfil their offsetting obligations through investments in sustainable reef management and restoration projects within the designated sites.

Formal protection for all sites will be established or improved and monitoring programs launched with the help of the Universities and the National Agency for Conservation Areas, ANAC. BIOFUND itself will contribute with finance, interns, technical assistance and sub-grants monitoring and supervision. Expected results are sustainable reef management and restoration of reefs in 3 refugia sites representing all reef types in Mozambique.

During the first year of programme design, significant progress has been achieved in advancing the objectives of the programme full proposal preparation grant. A dedicated consultant was hired to meticulously craft the project proposal, ensuring its alignment with strategic objectives and stakeholder priorities. Through intensive research and consultation, three preliminary project areas have been determined, laying the groundwork for targeted intervention and impact. Crucially, key implementing

partners have been identified and are fully on board, demonstrating a robust collaborative framework essential for success. Notably, we have secured the crucial buy-in of the Ministry of the Sea, Fisheries, and Inland Waters, underscoring the governmental support vital for sustainable development initiatives. Looking ahead, our next steps involve engaging in comprehensive public consultations to refine and finalize the programme proposal, ensuring it reflects the diverse perspectives and needs of stakeholders across the spectrum. These efforts aim to foster inclusivity and ownership, essential for the effective implementation of our programme's objectives. According to the programme proposal development timeline that is being followed, a first complete draft is expected to be shared with the GFCR UN Global Team by May 2024.

I. Programme Objectives

The purpose of MZ CorInvest is to enable and promote sustainable financing for coral reef conservation by leveraging private market-based investment and financial models that contribute to the preservation of functionally healthy coral reefs in Mozambique and increase communities' adaptive capacities while addressing local drivers of coral reef degradation.

A number of innovative financing mechanisms, including private (from grants to revolving loan funds) and public (from government market based instruments to offsets), will be used as necessary and appropriate to provide long term support to the fragmented and difficult to finance but nonetheless critical activities in the seascape, following the recommendations of a thorough applicability evaluation in the context of Mozambique, to be performed in the first phase.

Through the GFCR grant window, MZ CorInvest will promote the establishment of new conservation areas or strengthen the management of existing ones (**Outcome 1**), will support capacity development via technical assistance and a monitoring and evaluation program. Coral reefs and adjacent ecosystem solutions for new project development incubation and/or acceleration programs will be contemplated in a partnership approach with an incubator/venture studio. Projects and specific investment-ready opportunities including some at a community level involving more vulnerable groups such as women and youth, will be identified and incubated and/or accelerated through a process intended to support local entrepreneurship (**Outcome 2**). Projects will include for-profit and not-for-profit private sector organisations that directly and indirectly can make a discernible positive impact on coral reef integrity and coastal marine livelihoods, enhancing resilience to climate change with a vision to lift up numerous small, highly valuable, but currently difficult to finance local-level initiatives into scalable, commercial investment-ready initiatives for the mid and long term. (**Outcome 4**). Under the GFCR investment window, MzCorInvest will identify potential investments to benefit from financing such as concessionary loans and capacity investment to blue economy businesses and community entrepreneurs/cooperatives (**Outcomes 1 and 2**). Recognizing the constraints to investment in Mozambique, a long-term view will be adopted in capturing investment-ready opportunities. One potential option in the immediate term are businesses focused on biodiversity offsets from coastal development projects, particularly shipping, coastal mining and oil and gas, recently mandated in law as a part of Mozambique's ESIA mitigation hierarchy, which will therefore need to provide coastal and marine habitat restoration services (**Outcome 3**). These projects will be focused in and around coral biodiversity hotspots.

Output 1.1: Well-managed MPAs and LMMAs are created and/or supported;

Output 1.2: Increase in scientific studies on climate change refugia;
Output 1.3: Elimination of destructive fishing practices and harmful gears;
Output 1.4: Development of an Entrepreneurial MPAs;
Output 2.1: Community-based project for sustainable fisheries, tourism and mariculture;
Output 2.2: Reef-first businesses are incubated and accelerated (Idea Lab);
Output 2.3: Promoting effective investment pipeline of reef-friendly small/medium and large private businesses (ProAzul);
Output 3.1: The national regulatory framework for restoration is strengthened;
Output 3.2: Capacity for coral reef restoration businesses is improved;
Output 3.3: Biodiversity offset finance unlocked to provide financing for coral reef and associated ecosystem restoration;
Output 4.1: Reinforced Existing Climate Emergency Response Fund;
Output 4.2: (Destination) Management plans to include reef insurance;
Output 4.3: Improved coastal protection mechanisms in place.

II. Programme Implementation & Results

A. Programme Results Overview

During the Reporting Period, significant strides were made in laying the groundwork for the comprehensive design of the GFCR full programme proposal, primarily focusing on Output 1.1: Assessment of Priority Coral Reef Sites. Activities under this output included thorough assessments of local drivers of coral reef degradation in priority sites across Maputo, Inhambane, and Nampula. Through Activity 1.1.1, a local Coral Reef Conservation consultant conducted a comprehensive review of existing baseline data and identified research needs crucial for project relevance. Concurrently, Activity 1.1.2 facilitated consultations with MPA managers and local conservation CSOs, providing insights into existing protected areas management and identifying potential new sites for conservation efforts. Additionally, Activity 1.1.3 engaged an international consultant to explore conservation business models, addressing gaps in financing mechanisms and identifying opportunities for collaboration with government and private sectors. As a result of these efforts, the MZ CorInvest proposal was developed (Activity 1.1.4), integrating all project components for submission to GFCR.

In parallel, Output 1.2 involved consultations with MPA managers, Government provincial sectors, and local conservation CSOs, fostering dialogue on coral reef protection strategies and innovative financial schemes. Activities such as stakeholder consultations at national level in Maputo (Activity 1.2.1) and local consultations in Ponta do Ouro, Inhambane/Vilanculos, and Nampula/Nacala (Activities 1.2.2, 1.2.3, and 1.2.4 respectively) facilitated inclusive discussions on protected areas potential and business opportunities aligned with national coral strategies.

Moreover, Output 1.3 aimed at developing innovative financing schemes to support marine conservation efforts. Activity 1.3.1 involved the allocation of BIOFUND team resources to provide technical support for project development, focusing on blue carbon readiness and biodiversity offsets in project sites.

Overall, the Programme development phase achieved a commendable level of progress, with activities contributing significantly to the formulation of a comprehensive programme proposal. Key partnerships played a pivotal role, facilitating stakeholder engagement and resource mobilization critical for achieving results. Moving forward, continued collaboration and stakeholder involvement will be essential to refine

proposed interventions and ensure their alignment with national conservation priorities and financial sustainability.

Annex 1 provides more detailed information.

B. Indicator-Based Performance Assessment

OUTPUT / ACTIVITY	TARGET INDICATORS / DELIVERABLES / ACTIVITIES	TARGET COMPLETION	IMPLEMENTATION STATUS AND ACTUAL COMPLETION DATE
Output 1.1: Assessment of Priority Coral Reef Sites Activity 1.1.1 – Local Drivers of Coral Reef degradation in the priority sites are assessed	<ul style="list-style-type: none"> Gap analysis report on coral reef biodiversity data completed Research proposal outlining specific research areas relevant to the project submitted List of potential research institutions for collaboration finalized 	November 2023	First chapters of the draft proposal with the relevant information completed and submitted by 21/11/23.
Activity 1.1.2 – Consultations with MPA managers and local conservation CSOs	<ul style="list-style-type: none"> Report on existing protected areas management and coral activities completed Rapid assessment report on potential new Protected Areas (PAs) for coral reef conservation submitted Stakeholder engagement report detailing consultation outcomes finalized 	November 2023	<p>First chapters of the draft proposal with the relevant information completed and submitted by 21/11/23 .</p> <p>There's no specific detailed reports but all relevant information is included in the draft proposal.</p>
Activity 1.1.3 - Conservation business models	<ul style="list-style-type: none"> Report on existing financing mechanisms for MPA management completed Assessment report on tourism flow and opportunities for coastal and marine conservation finalized Inventory of training facilities and local capacity for business hubs on coral reef conservation compiled 	March 2024	Information assessed regarding existing business, tourism flow and local capacity and facilities during consultations from June to October 2023. Relevant chapters being drafted to integrate the project proposal.
Activity 1.1.4: MZ CorInvest proposal developed	<ul style="list-style-type: none"> Comprehensive project document integrating all project components 	April 2024	The project proposal is being developed, currently in its final stages. Next steps are stakeholders consultations for final inputs and then final approval and submission.

	finalized for submission to GFCR		
Output 1.2: Consultations with MPA managers, Government provincial sectors, and local conservation CSOs Activity 1.2.1: Stakeholder consultations at national level/ Maputo	<ul style="list-style-type: none"> Report on initial and final stakeholder consultations in Maputo City completed 	November 2023	<p>Consultations done in September and October.</p> <p>There's no specific (formal) detailed report but all relevant information is included in the draft proposal.</p> <p>The proposal/solutions are based on the information collected from every stakeholder consulted. A record of everyone consulted is kept.</p>
Activity 1.2.2: Stakeholder consultations Ponta do Ouro/ Maputo	<ul style="list-style-type: none"> Consultation report detailing discussions on protected areas potential and financial schemes in Ponta do Ouro finalized 	November 2023	<p>Consultations done in September and October.</p> <p>There's no specific detailed report but all relevant information is included in the draft proposal.</p>
Activity 1.2.3: Stakeholder consultations - Inhambane/Vilanculos	<ul style="list-style-type: none"> Consultation report summarizing discussions on protected areas potential and financial schemes in Inhambane/Vilanculos completed 	November 2023	<p>Consultations done in June and July.</p> <p>There's no specific detailed report but all relevant information is included in the draft proposal.</p>
Activity 1.2.4: Stakeholder consultations - Nampula/Nacala	<ul style="list-style-type: none"> Consultation report outlining discussions on protected areas potential and financial schemes in Nampula/Nacala finalized 	November 2023	<p>Consultations done in September.</p> <p>There's no specific detailed report but all relevant information is included in the draft proposal.</p>
Output 1.3: Innovative financing schemes Activity 1.3.1: Innovative financing mechanisms to support marine conservation in project sites	<ul style="list-style-type: none"> Reports on blue carbon readiness and biodiversity offsets in project sites completed 	March 2024	<p>Information assessed from October to February. Relevant chapters being drafted to integrate the project proposal.</p>

C. Gender Mainstreaming

Mozambique has made considerable progress towards achieving gender equality. The country passed laws and regulations for women, ran campaigns to raise awareness of women's rights, and promoted gender parity in education.

The proportion of women in leadership positions has increased, with over 42 % of women in parliament (2020), the 5th highest in Africa and 16th highest globally. Almost half (49.5 %) of the informal firms and a quarter (24.2 %) of the formal firms are owned by women.

The country has also received development assistance from multiple global players to increase women's participation and promote gender equality in employment and business ownership. For example, the Khalifa Fund for Enterprise Development (KFED) has (2017) pledged a USD 25 million Memorandum of Understanding (MoU) to support innovation and entrepreneurship projects for women and youth by investing in more than 4,800 projects, which are expected to generate more than 11,000 jobs.

Despite all these efforts poverty remains disproportionately high in female-headed households. Disempowerment among girls and women hinders growth through low levels of skills among women, and the poor productivity of women in the labor market (Yadav, K. et al, 2021). In relative terms, women have high employment rates in Mozambique, an indication that they are active participants in the labor market with an exceptionally high trend for women between the ages of 15 and 24 (2017). Almost half of the informal enterprises (49.5%) are either owned by women or have women in the top management, yet with less than a quarter (24.2%) of women ownership in the formal sector. However, women are disproportionately concentrated in subsistence activities and the informal sector and when looking also to the low female enrolment (11%) at the secondary level, it may indicate compulsory employment.

Due to lack of access to quality education, women and young girls are at a significant disadvantage in accessing economic opportunities and political platforms; they are excluded from political voice and opportunities to earn an income, for social mobility and self-improvement. They are underrepresented in local institutions and governance mechanisms and tend to have less decision-making power than men.

To better this scenario, we have implemented strategies during the design phase and plan to carry on during implementation such as organizing women-only meetings to create safe spaces for them to voice their concerns, aspirations, and ideas. Additionally, we plan to integrate extensionists or community agents who are women, ensuring that the needs and perspectives of women and young girls are effectively communicated and addressed.

Moreover, our implementation partners have a strong track record of gender mainstreaming activities, ensuring gender perspectives are integrated throughout our initiatives. These efforts aim to increase feminine representation in local governance and institutions, empowering women economically and politically. By partnering with organizations that prioritize gender equality and women's empowerment, we can leverage their expertise and experience to maximize the impact of our efforts.

Transforming the livelihoods of households with overdependence on marine and coral reef resources is one of the goals of this project, developing environmentally sustainable and resilient activities will have to be dominated by gender-inclusive livelihood alternatives that contribute to empower women.

All interventions will have to be planned to prioritize women dedicated capacity-building programs and their participation in decision-making processes in what is related to sustainable and innovative livelihoods and financing mechanisms. Skills development, know-how and awareness raising will be one of the critical interventions to enable women and young girls to engage in direct implementation of enterprises/businesses and value chain development but also to develop technical capacity for “home grown” technical assistance and entrepreneurship.

This will be the basis for the investments in HEs to be done by the implementing partners on the ground – in the three locations where the project will be executed – the investments by the incubator IdeaLab when working with the youth entrepreneurial initiatives and startups and by PROAZUL when promoting medium and large enterprises. Guidelines for gender and youth inclusion, following best practices, will be either designed or replicated if existing ones are deemed satisfactory.

For example priority will be given, with respect to strengthening technical, management and market skills, to existing groups of women/ cooperatives already involved in blue businesses – collecting clams, sand oysters, octopus, buying and selling fish, cooking for tourists village cultural visits, etc.; In existing and new protected areas to be established, gender action learning systems will also be put in place by BIOFUND, in collaboration with implementing partners and co-management entities of MPA aiming at the development of inclusive livelihoods, value chains and entrepreneurship.

III. Stakeholder Engagement

During the proposal development period, a diverse array of stakeholders was actively engaged, each playing a crucial role in shaping the formulation of the full programme proposal. Until February 2024, 168 people were consulted from which 30% were women. Private sector entities, particularly those involved in the tourism sector and other relevant industries, were consulted extensively to understand existing business models, identify opportunities for collaboration, and assess the potential for private investment in conservation efforts. Concurrently, engagement with private small entrepreneurs helped to gauge local economic dynamics and explore avenues for community participation in conservation initiatives.

National entities, including government ministries and agencies such as the Ministry of the Sea, Fisheries, and Inland Waters, were key partners in the proposal development process. Consultations with these stakeholders provided insights into national conservation priorities, regulatory frameworks, and available resources, ensuring alignment with broader government strategies and objectives. Similarly, collaboration with NGOs brought valuable expertise, technical support, and community mobilization efforts to the table, enriching the proposal with diverse perspectives and innovative solutions.

Community councils played a central role in ensuring the participation and representation of local communities in the proposal development process. Through consultations and community meetings via other project implementing partners, their input was sought to understand local needs, priorities, and traditional knowledge relevant to coral reef conservation. This grassroots engagement not only fostered ownership of the proposed interventions but also helped to tailor solutions to the specific contexts and challenges faced by local communities.

Furthermore, coordination efforts with Protected Areas management entities were instrumental in identifying priority sites for conservation, assessing existing management practices, and exploring

opportunities for enhancing protection and sustainable use of marine resources. By leveraging the expertise and resources of these stakeholders, the proposal was enriched with actionable strategies and interventions tailored to local contexts.

Moving forward, efforts to coordinate with national and local government units, as well as other regional and country initiatives, will be critical to avoid duplication of efforts, maximize synergies, and foster sustainability. Likewise, ongoing engagement with the broader community will be essential to promote awareness, mobilize support, and foster a sense of ownership and stewardship towards coral reef conservation efforts. By harnessing the collective expertise, resources, and commitment of these stakeholders, the full programme proposal is poised to deliver tangible impacts and contribute to the long-term sustainability of Mozambique's coral reefs. Final stakeholders meeting to approve the project draft proposal is being organized. After this meeting, all consultations will be considered concluded and the draft proposal will be finalized and submitted to GFCR.

IV. Resource Mobilisation

During the reporting period, the programme has not yet mobilized grant co-financing or investment capital. However, promising prospects for securing additional co-financing have emerged, particularly as new projects are commencing within the intervention areas identified by the programme.

Efforts to secure co-funding for the programme have been underway, with the programme team actively engaging with potential donors, partners, and investors from both the public and private sectors. Despite the absence of secured funding at present, the implementing partners involved in the programme have undertaken conservation projects within the chosen intervention areas. These ongoing initiatives serve as a strong foundation for future collaboration and potential co-financing opportunities.

The programme team has been proactive in cultivating partnerships and fostering dialogue with relevant stakeholders to explore avenues for co-financing. This includes strategic engagement with governmental entities, non-governmental organizations, private sector entities, and other potential funding sources. Additionally, efforts have been made to align the programme's objectives and activities with the priorities and funding streams of potential donors and investors, thereby enhancing the attractiveness of the programme for co-financing.

Looking ahead, the programme remains optimistic about securing co-financing to support its development and implementation phases. Continued engagement with stakeholders, targeted fundraising efforts, and the leveraging of existing partnerships will be critical in realizing this objective. By capitalizing on the momentum generated by ongoing conservation projects and leveraging the collective resources and expertise of partners, the programme aims to secure the necessary co-financing to achieve its goals and deliver lasting impact in the targeted intervention areas.

V. Adaptive Management

During the reporting period, adjustments were made to the programme management in response to unforeseen challenges encountered in the initial phase of our collaboration – primarily being the delay on the partnership agreement signing. Secondly, difficulties arose in securing an appropriate consultant and addressing scheduling conflicts that hindered progress on the project. As a result, it became imperative to extend our contractual relationship to ensure the successful completion of the assignment within a desired timeframe.

To mitigate these challenges and maintain momentum, adjustments were made to the implementation work plan and timeline. Additional time was allocated to accommodate the extended duration of the consultant's engagement, allowing for the necessary flexibility to overcome scheduling conflicts and ensure progress on project deliverables. This adjustment in the timeline necessitated re-evaluating interdependencies and dependencies on external stakeholders, ensuring alignment with project milestones and objectives.

Lessons learned:

During the program design phase, important lessons were learned, and adaptations were identified. We recognized a significant gap in technical expertise to train others in fisheries, aquaculture, mariculture and related fields.

The most critical lesson emerged regarding the assessment of the private sector. Existing assessments failed to differentiate between household enterprises, small traders, startups, and medium-sized companies, resulting in ineffective strategies. It became evident that tailored approaches are necessary to address the diverse needs of these different entities, and organizations providing support to the private sector must make this crucial distinction to maximize impact.

Lastly, the need of management fees for implementation partners - on this matter special attention from GFCR is needed, for orientation on procedures and guidelines.

Annexes

Annex A: Activities Already Attained and Lessons Learned

1. Assessment of coral reefs status quo in Mozambique, characterization of the coast in relation to coral reefs features, gathering of existing information (research, monitoring) and level of awareness about Coral reefs, and major threats;

2. Papers and documents consultation and content analysis (gathering available documents and studies

a. Bilateral meetings with Government and private entities, academia and researchers, as well as with NGOs more than 90 interviews.

b. Field visits and meetings with District Government entities and other relevant actors and stakeholders including community representatives;

Tofo/Inhambane: 5 a 10 de Julho

Vilankulo/Parque Nacional do Arquipélago de Bazaruto: 30 Julho - 5 August 2023

Nacala: 23 a 29 August 2023

Maputo National Park /Ponta do Ouro: 11 August and 16 – 18 October 2023

3. Participation in relevant meetings

Blue Conference: July 20 / 21 Organized by BIOFUND/WCS - All the conservation community participated.

Meetings with group of interest – Researchers and NGO's h Coral Reefs - Cientistas e ONGs com trabalho de Investigação)

GOSCMAR: October 26 - Annual meeting organized by WWF/ Civil Society Platform for marine issues to secure interaction with the Ministry of the Sea, Interior Waters and Fisheries, including all the National Directorates and Provincial representatives.

AMGC – November 23 2023 - CCP's: Meeting organized by WWF/Fondation Ensemble with representatives from the Government and organizations that work with the Fishermen local associations and the promotion of Fishing areas of community management;

Coral Strategy Planning – December 20, 2023 – Meeting organized by WCS/INOM with Government entities, conservation NGOs and CSOs, academia, to jointly prepare the action plan for the implementation of the strategy. The MozCoral project draft was presented to all participants.

4. Preparation of chapters 1 to 3; Up to November 2023

5. Decision about the geographic locations for the implementation of the project according to some criteria established as well as the potential implementing partners;

6. Analysis of the market - private sector characteristics from the point of view of financing needs and demand as well as the financial supply side;

7. Preparation of chapters 4 to 6

8. Design of reef solutions and consultation/co-creation with implementing partners;

Next steps

- Workshop for final discussion and validation of the proposal (NACALA; INHAMBANE; MAPUTO)

- Final review of chapters already prepared and preparation of remaining chapters

CORAL REEFS IN MOZAMBIQUE – existing info and major concerns raised:

- a. **Information:** There is very little information among decision makers, government entities and the general public about the relevance of coral reefs as a country asset and the role they play in various areas/sectors – the sustainability of fisheries, the significant contribution to tourism, the coastal protection, the resilience against Climate Change impacts. There are almost no studies measuring the economic contribution of coral reefs and associated ecosystems – sea grasses and mangroves – on fisheries and tourism, or on coastal protection. Registry of physical geographic areas of coral reefs, mangroves and seagrasses varies significantly from document to document.
- b. **Monitoring:** Although some studies exist and some monitoring exercises were developed, **Mozambique does not have a reliable data base on coral reefs nor an accurate and updated mapping.** Monitoring has been done in an inconsistent and irregular way without proper coordination, the level of information collected varies from place to place; There hasn't been a solid methodology, procedures and guidelines to lead all interveners and initiatives in a direction that allows similarity of data collected, methods applied among other elements to be considered in order to ensure comparability.
- c. **Research** has been limited – lack of researchers is one of the issues; many marine biologists do not know how to swim; relatively recent initiatives from CSO and a few universities initiated swimming and diving training; certified diving costs 2 000 000 mts per person approximately and might take a number of months along 2 to 3 years;
- d. **Research licensing:** The bureaucracy imposed to obtain research licenses is seriously affecting the need to promote more research. This is an issue that needs to be addressed as part of the improvement of the legal framework;
- e. **Information about the relevance of Marine protected areas** – has been under protection, classified and mapped KBA's, areas suggested for new marine conservation areas to reach the targets internationally established and agreed upon by the Government of Mozambique - for the protection of coral reefs was also obtained; There is also information about the existence of coral reefs refugia and connectivity.
- f. **Challenges** faced to ensure coral reefs conservation and effective management of conservation areas were identified; From limited financial resources, particularly regularity and consistence of those resources, poor capacity to absorb and spend available resources due to weak human resources capacity in science, management, tourism and community engagement, lack of proper knowledge about complementary business opportunities for local communities to inadequate capacity to provide technical assistance that generates impact as well as gaps in the legislation, a number of issues were listed. Excess of legal bureaucracy to approve the establishment of fishing areas of community management and conservation, reluctance with management decentralization and devolution of power and institutional weaknesses in the government entities intervening in these areas resulting in poor coordination and leadership, are serious limitations that will affect the promotion of community conservation areas and the designation of new conservation areas;
- g. **Levers** - The need to develop a research strategy and protocol, a regular monitoring and evaluation program and a communications' campaign to reach at least two different publics – citizens and decision makers on one side and local communities, particularly youngsters in the implementation locations - was found obvious and indispensable. The need to promote a more flexible research licensing process;

For these activities to be included in the budget, WCS and Likhulo Foundation were identified as the most likely implementing partners given their related expertise and experience.

- h. **The main threats** have been identified – overfishing, unplanned, unsupervised and illegal coastal development, and pollution - but they are poorly documented, especially in what is related to coastal development and pollution, namely plastic pollution; some anecdotal information exists related to some threats, - cutting of coral reefs by the installation of offshore oil & gas pipelines, illegal diving with bottles for fishing in the proximity of corals, existence of many more fishing nets than the ones legally registered and licensed (only 26%), excessive number of seine nets and use of mosquito nets for fishing, 50% of reefs with fish biomass below the sustainable levels (450kg/ha), excess of divers or snorkelers simultaneously over certain coral reefs, affected species like whale sharks and manta rays, decreasing and avoiding the cleaning station reefs, illegal trade of seahorses and turtle meat, 88% of the coast transformed and affected by development, cutting of mangroves for aquaculture and sea salt production (8,8% of the cutting), destruction of native vegetation on coastal dunes, licensing of heavy sands mining along the coast on biodiversity valuable and sensitive areas – only on a few cases supported by proper quantitative studies;
- i. **Local and global impacts:** There are also almost no literature that addresses **the separated local and global impacts**, the interrelationship between them or the relevance of human impacts versus natural impacts. A paper on these issues calls the attention to the fact that there is no direct correlation between higher population densities on the coast and bad coral reefs conservation status as one can find isolated corals, far from the presence of population with a condition as poor as those that are closer to higher population densities; Local impacts are not necessarily dominant; It is also not necessarily the case that global impacts are synergistic with impacts locally generated in a cumulative way; they can be antagonistic and It might be that coral reefs reached by negative local impacts adapt and acquire resilience to climate change global impacts. It is however more consensual that the volume of fish biomass in coral reefs is affected by local causes and impacts. Mitigation for local causes can be effective and yet we might find coral loss and increase of marine algae due to global causes.

ASSESSMENT OF THE PRIVATE SECTOR ENVIRONMENT

An overview of the private sector environment was done to conclude that the majority of the enterprises are individual and micro (93%), most of them informal and not in any position to comply either with the requisites to be officially registered or pay taxes – their gross revenues per year need to be above 36 minimum salaries, nor to respond to any required procedures to obtain credit (even from NGOs / donors)

Jointly with the middle size enterprises, these ones a very limited number (4%), they are responsible however for more than 45% of employment. Yet around 300 000 to 400 000 youngsters get every year into the labor market without employment opportunities;

The Social enterprises / Startups landscape and ecosystem has been evolving with the youth showing more interest in green businesses (not yet blue businesses); Most enterprises are based in Maputo, they have less than 5 years and they make a revenue on average per year between **US\$ 2,000 to US\$ 30,000**.

Their major áreas of intervention have been (a) to facilitate access to critical goods and services, developing customized and affordable products and services, (b) leveraging technology and offering unique payment solutions to low income and underserved populations, providing ICT for entrepreneurship and business support and **(c) to facilitate networks and knowledge**, sharing information to develop markets.

Another relevant segment is the one of Household Enterprises, established for self-employment by members of mostly poor rural households and complementing agriculture/fisheries activities. Most owners and employees do not have **7 complete years of primary education**, they operate from home or from rural markets (30%), 25% have less than 1 year of existence, the majority being traders or producing low cost items such as bricks, furniture, beer, or charcoal, almost all selling to other households; but HEs' self-employment provides around **40% of jobs outside of agriculture**. However new jobs generated by HEs occur mainly through the establishment of new HEs as oppose to new hiring within existing HEs. Only 4% of HE hire outside the family and around 85% of them indicated they had no plans to expand their enterprise.

Studies on HE indicate that successfully having an HE is significantly correlated with higher levels of consumption and welfare and if a household is able to specialize entirely in non-farm income sources consumption is even higher. The average labor productivity is higher in the HE sector than in agriculture and micro enterprises where the owners employ labor outside the household, are the ones with an income source that has the strongest association to consumption. Also Rural households that started up a HE were much more likely to move out of poverty.

In terms of challenges faced by the entrepreneurial class, we learned that:

- For SMEs in general, collateral requirements, awareness of funding opportunities, structure of the financial sector, and small business support services are the variables with the most impact on access to finance, explaining 70.3 % of the variance in the access to finance. (Osano, H.M. and Languitone, M., 2016)
- Impediments related to
 - a. **poor banks' know-how and business information asymmetry**, shape the financial institutions reluctance to lend to MSMEs;
 - b. **requirements for loan disbursal**, such as collateral, account books, business plans and other prohibitive bureaucratic hurdles,
 - c. **high interest rates and service fees**, such as transfer of funds, account statements, banking guarantees, and letters of credit, unaffordable by SMEs and rural producers and
 - (d) **extensive documentation and paperwork** led by bureaucracy.
 - (a) **Elevadas taxas de juro e de serviços** – transferências, garantias bancárias, extratos, cartas de crédito, inacessíveis para EF/MSEs e produtores agrícolas;
- **Social Enterprises/Startups/ EF** – grow organically with their own capital or borrowing from family and friends for working and investment capital. They prefer informal financial sourcing.
- Wealth seems to be unrelated to the start-up of MSMEs (Cunguara et al, 2011) or HEs. Although households without a HE reported lack of capital to be the primary reason, those that did succeed where not significantly wealthier
- A better understanding of how households manage to save and invest in their tiny enterprises would be helpful as 20% of households report an ability to save.
- Many MSEs and HEs collapse **during the first year of start-up** due to lack of financial resources to run the business; There is scope for policies and programs to increase access to affordable financial products presently non-existent.

Another aspect that deserves attention is the fact that EF's / MEs business concerns are different than those of urban SMEs (**Mead and Lindholm, 1998; Schoar, 2009**);

- ✓ Governance aspects like crime, theft and conflict, taxes, corruption and bribes, registration, licenses and permits, commonly cited as obstacles for urban SMEs, are not reported as an issue, ranked very low and rarely referred to as reasons for not starting up or continuing a HE.
- ✓ Access, quality and reliability of service infrastructure, including roads and transportation, value added facilities and markets are barriers in expanding HEs and MSEs' businesses in rural areas, who report distance (39%), obtaining market information (24%) (Carstens, 2012), and inconsistencies in raw material supply and logistics cost as severe obstacles, translated into high transaction costs making productive sectors and MSEs uncompetitive.

Table 6 Highest ranking severe obstacle for HEs

Rank	Urban SMEs in 2007	Rural HEs in 2010
1	Informal competition	Access to financial institutions and borrowing procedures
2	Access to finance	Informal financing
3	Crime	Access to electricity
4	Tax rates	Quality of cell phone
5	Corruption	Road quality
6	Electricity	Transport costs
7	Transport	Distance to markets
8	Tax administration	Road access

Source: Investment climate survey, 2007, Rural Investment Climate survey 2010

Internally,

- ✓ **Low levels of experience of SMEs and poor managerial competencies lead to low pace of conducting business impeding the private sector's growth.**
- ✓ **Scarcity of well-trained human resources and low numbers of competent personnel are reflected** in the lack of clear financial plans and accounting documentation that impedes compliance with financing requirements; and with the **existing technical skills gap, SMEs do not adapt to innovation**, have difficulties to produce **goods of acceptable quality**, which **often leads to selling raw materials instead of adding value.**
- ✓ **An under-developed culture of business**, with the **finances** of the business often **intertwined with the household**, particularly in the case of HEs;

Low level of business information, weak networking capacity and lack of awareness about available funding opportunities, finance services and investors kept more than half of the social impact enterprises from raising funding from external sources. The majority of those who managed to raise investments, received grants either by participating in design challenges or through sector-focused programs encouraging local start-ups. The absence of business enabling stakeholders such as accountants, legal advisors, business consultants and small business support services is also a limitation (Manasseh, 2004).

In conclusion, encouraging households to create HEs is a good strategy. HE creation and HE employment are associated with higher consumption and upward mobility particularly for rural and poorly educated households. With 34% of households already relying on HEs, any improvement in income from existing HEs would likely contribute even further to poverty reduction.

All information gathered indicates that addressing the 3 main segments of enterprises – (i) Rural HEs and micro enterprises (cooperatives), (ii) semi-rural, urban youth startups, and (iii) medium to larger enterprises, require different approaches and strategies;

One of the elements in each strategy will be to find the right individuals/entities to play the role of business technical and managerial training and assistance, one of the areas that has been responsible to major failures of donor programs – training is on many occasions provided in a classroom, with a very theoretical approach by individuals with little practical experience.

Partners were identified to lead interventions in each one of the segments. While for HEs, the implementing field partners will be the responsible entities to manage the interventions of support (WCS, Ocean Revolution), Idea Lab incubator will be responsible to drive the assistance to the establishment of new start ups or the boosting of existent ones and Proazul will take responsibility for the 3rd segment, enhancing the business capacity of medium to large size commercial enterprises and will also provide advise and support to the other implementing entities interventions in the previous two segments.

LEGAL AND INSTITUTIONAL CONTEXT

Although in general one can say that the legal framework in Mozambique is very advanced and with a number of relatively recent approved pieces of legislation that will facilitate working with Marine Conservation Areas, Oceans and Coral Reefs conservation, and private sector advancement and support, there are certain areas that still require significant attention:

- a. With respect to Marine Conservation Areas - Although the legislation approves the model of delegation of powers to a partner interested in taking responsibility for the Management of a Conservation Area, there is still reluctance in advancing this model. The preferred one is the co-management model – Government and a partner. It works better than having exclusively the government managing a MCA but it still poses many obstacles to a more responsible decentralization of management decisions by the local management entity.
- b. The figure of an APA – Environmental protected area – is presently the preferred one for the designation of new conservation areas; However, the role of an APA and of the APA leader, is not clear and it creates a fertile stage for conflicts particularly in situations where a more restrictive conservation area is positioned inside an APA.
- c. The regulations that guide the establishment of Fishing conservation areas of community management makes it extremely difficult, time consuming, costly and bureaucratic to establish these areas. As it deals usually with open access resources, it is of utmost importance to promote at the level of legislation, the principles of Eleanor Ostrom for the management of these resources;

These are just a couple of examples where a review and adjustment of legal management tools would be necessary.