



INNOVATIVE FINANCE FOR EMPLOYMENT

**THE POTENTIAL
FOR WOMEN AND
URBAN YOUTH**



MUVA is a Mozambican NGO supporting women's economic empowerment through the creation, testing and adapting of innovative approaches to diminish barriers vulnerable women and youth face to thrive in the labor market.

It is funded by UK Aid and The French Development Agency (AFD), having a range of projects including with USAID, The World Bank, and private sector companies.



Social Finance is a not-for-profit organisation that partners with government, the social sector and impact investors to find better ways of tackling social problems and improving the lives of people in need.

EXECUTIVE SUMMARY

The need for female economic empowerment in Mozambique is clear; just 24% of women have access to wage employment, versus 50% of men. The situation is worse still in urban settings where 19-24-year-old women have the highest unemployment rates in the country. The national rate of formal employment is approximately 13%, and large scale formal job creation in the Oil and Gas sector is yet to materialise. Despite impressive economic growth in recent years, 50% of Mozambicans are still living in poverty and social and economic inequalities are continuing to grow. The challenges faced by disadvantaged urban youth and women (DUYW) are severe; without deliberate intervention to address the constraints facing them, this trend is set to worsen.

In light of this challenge, MUVA commissioned a scoping study to assess the potential of innovative financing models to support the economic empowerment of disadvantaged urban youth and women. Innovative finance is a broad spectrum of mechanisms that offer an alternative to traditional activity based grant funding. It can include investment capital seeking a return, but also encompasses results based financing and broader risk mitigation mechanisms. If done correctly, innovative finance can support good interventions to better tackle entrenched social issues, by sharpening incentives, creating accountability for results, addressing specific barriers in the system, shifting where risk is held and fostering adaptive management.

The study identified four innovative financing models that have the potential to enable disadvantaged urban youth and women in Mozambique to access economic opportunities. Some focus more on the supply side, working primarily with DUYW to improve their skills, employability and facilitate entry into the workforce. Others focus on the demand side, working with enterprises to enable them to scale, improve gender practices and encourage them to employ DUYW. Two of the shortlisted models sit across both demand and supply.

The Consortium Approach to Skills Training for Employment

The Palestine Skills Training Impact Bond uses a consortium approach to training, bringing together competitively selected employers and training providers to:

- Jointly identify real skills gaps, rather than simply training to meet trainers' and students' aspirations in the hope that suitable jobs will be available.
- Collaborate throughout training and initial employment to continuously improve the training and continue collaboration through apprenticeship.

We considered this approach here, since it has proved highly successful in Palestine, but as mentioned earlier we are keen that the need determines our choices, rather than the inherent attractiveness of an instrument. While it is possible such use of competitive, dynamic consortia could play a role in this model, there are unique challenges that make it unlikely:

- The model only works at a scale where forming the consortium makes sense
- Realistically it is only workable for formal sector employment
- The target group of DUYW is very hard to reach, and would likely deter the formation of these sorts of consortia.

Each model responds to a specific set of challenges, for example, addressing the visible and invisible gender specific barriers young women face when entering the workforce, the lack of ownership and limited funding for soft skills training or the culture change required at an employer level to accommodate young women. The models also respond to structural shortcomings within the funding landscape, for example the fact that many existing programmes in Mozambique focus on sectors that require a highly skilled workforce and typically male dominated, and limited access to financing prevents small to medium sized enterprises from realising their potential.

The four shortlisted models are:

- **Model #1: Female Economic Empowerment & Employment Development Impact Bond.** In this model, outcomes in the impact areas of female empowerment and employment/ economic activity are financed through a Development Impact Bond. Service provider(s) work with severely disadvantaged urban youth and women, providing them with wrap around training and support, to enable them to increase their confidence and employability, secure a job or start their own income generating activity, and increase their sense of autonomy and choice. Socially motivated investors provide the upfront programmatic funding, while outcomes funders commit to repaying the investors once outcomes are demonstrably achieved.
- **Model #2: Public Good Cash Transfer Programme.** This model leverages the National Institute for Social Action (INAS) cash transfer programme to subsidise wages of job placements that create public goods or deliver public services. Service provider(s) deliver a training intervention to support DUYW in their temporary, paid placement. The cost of training is covered by a combination of grant funding and outcomes payments linked to the creation of public goods or other attributable social outcomes. Potential areas for public good creation to explore include education, climate change resilience, green growth/ circular economy, health systems strengthening, public safety, and emergency response recovery and reconstruction.
- **Model #3: Blended Finance: rewarding larger companies that improve DUYW prospects.** This model combines grant funding and private capital to create a blended finance fund from which medium-large enterprises can borrow at lower than market rates, but only if social impact is achieved in the area of gender equality and female empowerment. Medium-large enterprises that can demonstrate progress against pre-agreed gender outcomes will benefit from a lowered cost of borrowing from the fund. Grants blended in the fund are used to incentivise investors to participate. As well as providing funding incentives, the model includes service provider(s) who provide training to employers on gender sensitivity and inclusive practices and provide soft skills training to DUYW to allow a supply of qualified labour.
- **Model #4: Early-Stage Enterprise (ESE) Catalytic Fund.** This model incubates early-stage enterprises to ensure a pipeline of investable opportunities for a catalytic investment fund, with a focus on employment opportunities for DUYW. It is broken down into three phases:
 1. An accelerator programme set up to provide business support and funding to early-stage micro-enterprises on a grant basis

2. Enterprises that show potential are recruited into the next phase of the model and receive investment from social investors through the catalytic fund. Initial seed funding is repayable once the enterprise begins to scale. The investment is de-risked through a grant funder providing a first loss guarantee.
3. Finally, the fund works with the supply side to upskill workers from the DUYW target group or support new hires in the enterprises directly. An outcomes funder pays on the achievement of specific outcomes, such as recruitment of DUYW or social value created.

All four of the shortlisted models show promise in the Mozambican context. However, a comparative analysis suggests that the models that do not include private investment (Models 1 and 2) may be quicker and easier to progress to implementation than those that do include private investment (Models 3 and 4). As next steps we recommend MUVA reaches out to potential funders and stakeholders in order to test initial interest and commitment, sense check the proposed options and narrow down the specific design choices in order to assess which model(s) to progress.

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INTRODUCTION

The objectives of the scoping study are twofold. First, to identify innovative financing models and areas of impact for Mozambique that would enable disadvantaged urban youth and women excluded from other existing interventions to access economic opportunities. Second, to determine the steps for a potential implementation of an innovative financing model.

This paper summarises the findings of the scoping study, presents the four innovative financing models that have been identified, and outlines the next steps needed to successfully implement them. The four models developed within the context of this study differ in target population, innovation and complexity. However, they all have potential to facilitate improved outcomes for each of their distinct target groups. Given that models that do not include private investment (Models 1 and 2) will be quicker and easier to progress to implementation, we recommend taking these models to design phase first, to be tested with stakeholders with a concerted effort to identify funders early in the process

INNOVATIVE FINANCE – DEFINITION

Innovative finance is a broad spectrum of mechanisms that offer an alternative to traditional activity based grant funding. The World Bank defines innovative finance as mechanisms that fulfil any of the following:

- Generate additional development funds by tapping new funding sources or by engaging new partners
- Enhance the efficiency of financial flows by reducing delivery time and/or costs; or
- Make financial flows more results oriented with better links to measurable performance

It is important to note that innovative finance does not necessarily involve investment capital (that is, financing that seeks a return). Indeed, two of the models explored in this involve only grant funding. Nor can innovative finance, by itself, provide solutions to social issues or improve people's lives; it is a funding instrument not an intervention.

Within the context of youth unemployment, a [World Bank study](#) of existing skills training programs found shortfalls in their relevance, effectiveness, and efficiency. The study identified the key problems to be:

“Difficulties in aligning skills supply and demand, which requires organisational and governance arrangements at both the systemic and institutional levels that give employers, among other stakeholders, a say in shaping pre-employment training”

Innovative finance, if done correctly, can support good interventions to better tackle entrenched social issues, by sharpening incentives, creating accountability for results, addressing specific barriers in the system, shifting where risk is held and fostering adaptive management.

SCOPING STUDY – APPROACH

Social Finance and OzMozis conducted this scoping study in close partnership with MUVA.

The MUVA programme (2014-2022) is an FCDO financed adaptive programme focused on developing innovative approaches to promote the economic empowerment of vulnerable young women in urban areas of Mozambique. After a one year inception phase exploring different approaches to FEE in Mozambique, the programme started implementing in June 2016, defining a range of interventions and pilots based on the provision of the following three components: i) skills and knowledge, ii) ‘power within’ (agency) and iii) opportunities. Since that time it has developed over sixteen different approaches to help support young women’s transition to the labour market and continued to innovate, to share learning and to seek partners to take its approaches to scale.

Social Finance’s expertise in designing and launching outcomes based and innovative finance mechanisms, combined with OzMozis’s experience and expertise in the Mozambique urban employment context, enabled international best practice to be combined with local know-how.

With regards to the methodology, this scoping study started with a **problem diagnostic**. In order to generate new feasible options to tackle the DUYW employment crisis in Mozambican urban centres, we need to understand four dimensions:

- Who the target groups are for new interventions, both on the ‘supply side’ (working with DUYW populations) and the ‘demand side’ (working with potential sources of employment and economic opportunity)
- What the constraints, barriers and other challenges are to youth and female economic empowerment and employment in urban Mozambique
- How current and past interventions and programmes have worked to address these challenges
- What the structural shortcomings are in current and past funding approaches

In order to understand these four dimensions, a series of KIIs (Key Informant Interviews) with internal MUVA staff members were held. The sections below explore these in turn.

Based on the challenges and opportunities identified in this phase, a series of innovative finance models was drawn up. These models were then iteratively tested through a second set of KIIs with potential innovative financing stakeholders, and a shortlist of four potential innovative finance models was then drawn up in response.

CONTEXT

There are four important elements of context to note upfront:

- The scoping study has focused on the potential of innovative financing models to add value in this space. But as noted above, it is important not to conflate the intervention and the innovative financing approach that supports it. Each of these models has two elements, and it is important to remain aware of the distinction between them:
 - An intervention that is a response to a particular challenge (or set of challenges) for DUYW populations, which best serves the needs of particular target groups, and for which specific and measurable outcomes can be defined.
 - An innovative financial approach that we propose as the best means of providing financial support to that intervention.
- This study is explicitly not a comprehensive strategy for improving employment prospects or economic inclusion for DUYW populations in Mozambique. This would require a more significant primary research effort. It would be best undertaken using a systems lens to understand (i) the dynamic interactions between a broader range of issues (including shortcomings of national and local level policy and regulatory frameworks, and location specific political economy aspects) and actors, and (ii) how MUVA's work is situated within those. Instead, this work is intended be 'nimble' and practically oriented, building off MUVA's own analysis of the main challenges and its evaluated results to date.
- This study focuses solely on DUYW populations in urban centres in Mozambique, not on maximizing employment and economic inclusion more generally. The challenges of employment for non-DUYW groups in Mozambique (such as high school graduates or those already equipped with technical skills and employment experience) are themselves significant. This implies that access to formal sector employment, with specific requirements and expectations relating to hard and soft skills, is that much harder for disadvantaged DUYW groups. For this reason, interventions that are likely to result in competition from non-DUYW groups are downplayed. (Note that this study does not cover issues relating to rural employment and productivity.)
- The models considered in this study are all inspired by some aspect of MUVA's own interventions and experience. This is deliberate: the models are intended to be feasible and to speak to local experience, rather than 'copy and paste' interventions from elsewhere. However, they are not intended to be recommendations solely for MUVA. Instead, they are more widely applicable to enhance economic opportunities for youth and women in Mozambique and could accommodate a range of service providers and other stakeholders.

A woman with a warm smile, wearing a green long-sleeved shirt with colorful floral embroidery and a patterned headscarf, holds a large metal tray filled with golden-brown fried food. The background shows a kitchen with light-colored tiled walls and a window. A semi-transparent teal box with white text is overlaid on the image.

PART I UNDERSTANDING THE PROBLEM

PART I:

UNDERSTANDING THE PROBLEM




TARGET GROUPS

MUVA's target groups can be split into two broad categories: individuals and enterprises. Within these categories, the target groups can be further split out according to varying levels of need that may be best addressed in different ways. For example, the individuals MUVA works with can all be described as disadvantaged urban youth and women (DUYW). However, some may experience more disadvantage than others, depending on factors such as level of education, family situation, or experience engaging in income-generating activities. Likewise, there is a large range of enterprise types that have a role to play in improving economic and social outcomes for DUYW groups, from informal, subsistence oriented entrepreneurs through to large formal sector enterprises with over 100 employees.







The four shortlisted innovative finance models are designed to serve different target groups and needs, and it is therefore important to clearly define these target groups and map them to the appropriate models. Those that work primarily with DUYW to improve their skills, employability and entry of **individuals** into the workforce can be described as **supply side** interventions. Those that work primarily with **enterprises** to encourage them to employ DUYW are **demand side** interventions. Two of the models address both the supply and demand side simultaneously.

Figure I – MUVA Target Groups (typology developed in consultation with MUVA)

INDIVIDUALS

 <p>Severely Disadvantaged Urban Youth and Women (Maputo)</p>	<p>Little or no formal education No previous experience in income generating activities Digitally excluded Little or no formal education Extensive caring responsibilities Also includes older women and NEETs</p>
 <p>Disadvantaged Urban Youth and Women (Maputo)</p>	<p>Completed primary level education Have previous experience in income generating activities Absence of social networks and access to opportunities</p>
 <p>Disadvantaged Urban Youth and Women (Northern Region)</p>	<p>Little or no formal education Little or no human capital English rarely spoken More homogenous group than Maputo</p>

ENTERPRISES

	<p>Subsistence entrepreneurs</p>	<p>Informal seller, solely concerned with surviving Income is equal to daily profits No formal registration but must pay a municipal licence fee</p>
	<p>Self-employed sole traders</p>	<p>Individual is the sole owner of the business Profits are re-invested into the business</p>
	<p>Micro enterprises</p>	<p>Not formally registered 1 – 4 employees Operating on a very small scale</p>
	<p>Small SMEs</p>	<p>Pays 3% tax 5+ employees</p>
	<p>Larger SMEs</p>	<p>Pays 32% tax (dependent on revenue) Up to 50 employees Fully registered</p>
	<p>Larger enterprises</p>	<p>100+ employees Fully registered</p>

During the KIIs, stakeholders talked at some length about the inherent tensions when selecting which target group to work with. For example, the **Village Enterprise** development impact bond was designed to target the most disadvantaged populations, leading to the creation of very small businesses – e.g. shops/kiosks employing up to three people. While this will help the target group in terms of income, it does not change the market in a structural sense. By contrast, developing an impact via SMEs at the market level is likely to take quite a long time to sufficiently grow and recruit more people.

Given that MUVA already works with a wide target group, they may wish to consider how working with other actors and stakeholders can deliver positive impacts for this group.

KEY CHALLENGES TO EMPLOYMENT FOR DUYW

An analysis of current employment related programmes in Mozambique and interviews with MUVA staff revealed seven key challenges in improving economic opportunities for DUYW, with an eighth additional burden of COVID-19 and its impact on the informal sector.

Figure 2 – Key challenges to DUYW employment



1. **A time lag in technical skills training has led to limited job creation.** Whilst the extractive industries have created new jobs, most are highly specialised and require a very advanced skill set. Incentives remain high for companies to hire internationally and by the time local training is complete, often the needs of the market have evolved. As a result, technical skills development initiatives have struggled to keep up with ever changing market demands.
2. **Female economic empowerment doesn't always result in employment.** Whilst many of MUVA's participants leave feeling empowered and have a greater sense of agency, not all will

go on to secure a job. For instance, **MUVA'titude** (a MUVA project) participants who scored highly in the participant empowerment measuring didn't necessarily go on to find stable employment, as a result of the challenging economic context in Mozambique where access to formal jobs is extremely limited. As a result, FEE and employment are best understood as two separate outcomes, and MUVA has shifted their focus to employability in addition to job placement and self-employment.

3. **High growth sectors are historically male led and male dominated.** Jobs in the mining, extractives, construction and tech sectors tend to be held by men. As a result, urban women are more likely to be self-employed or work in the informal sector, as the few jobs that exist within the formal sector appear inaccessible.
4. **A culture change at the employer level is needed to accommodate youth (and particularly young women).** Even when young women are deemed "work ready", employers are reluctant to take on the risk of employing young people without any job experience, or offer them on the job support, such as professional training, they need due to societal norms and prejudices. Within the workplace progress is needed to change attitudes and foster gender sensitivity and inclusivity.
5. **Lack of ownership of soft skills training prevents employers from hiring DUYW.** Employers expect new hires to have already developed the required set of soft skills to operate in a professional environment and are reluctant to pay for training. However, DUYW populations often don't have this specific skill set, which leaves the question open as to who should fund soft skills training. Furthermore, the government lacks resources to provide soft skills training, and the bulk of donor funds are spent on more traditional technical and vocational skills programmes.
6. **Entrepreneurship suffers from weak market dynamics.** Inability to access affordable finance and regulatory barriers limit entrepreneurial initiatives but they also suffer from concerns around scalability given the comparatively small size of the Mozambican market. This is also due to low economic growth over the last four years as a result of unstable commodity prices, delayed investment decisions in LNG projects, government debts, and now the COVID-19 pandemic. As a result, entrepreneurs and SMEs have struggled to generate the funding they need to scale.
7. **Young women face invisible and visible gender specific barriers.** Societal norms such as the expectation of motherhood and marriage as a marker of female success have limited young women's and society's expectations about what they can achieve. An absence in family circles of role models of women who selected alternative paths, and limited funding for technical or higher education for DUYW, also contribute to reduced expectations. More obvious barriers such as high incidences of sexual abuse and harassment on public transport and a digital gap can also prevent DUYW from accessing jobs.
8. **Women in the informal sector have been particularly hard hit by COVID-19.** This is not only due to the increased care responsibilities that women face with the burden of illness and school closures, but also due to the harsh economic impacts of the measures taken to control COVID-19. Government imposed restrictions, and recent enforcement of municipal legislation in urban areas to prevent traders operating outside of municipal market infrastructure means economic opportunities in the informal sector have been curtailed, leaving MUVA's target beneficiaries increasingly vulnerable.

STRUCTURAL SHORTCOMINGS OF CURRENT AND PAST FUNDING APPROACHES

In addition to the defined challenges in working for employment for DUYW, there are at least seven structural and financial barriers that have not been addressed by current and past programmes to support skills training and employment opportunities for this group.

Figure 3 – Structural and financial barriers



1. **There has been limited gender focus in most programs to date**, particularly in the extractive industries, where affirmative action may be necessary to increase the proportion of women within the workforce. Programmes that do contain a gender element tend to focus on reaching a target number of women through their existing intervention, rather than developing a more transformational approach.
2. Various programs target SME development, through business development services, health and safety training, and upskilling initiatives. However, **limited access to financing is preventing SMEs from realising this new potential.**
3. Several donors have focused their efforts on specific sectors, such as SOGA (Skills for Oil and Gas), MozTrabalha, and STEM (Skills Training for Employment in Mozambique). However, these sectors **necessitate a highly skilled workforce, and are typically male dominated.**
4. The majority of funding can be grouped into supply side or demand side interventions. However, **there are very few initiatives that have successfully improved the supply of labour, whilst also stimulating demand.**
5. **Funding for programmes that provide the wrap around training** (both soft and technical skills), as well on the job support/mentoring that disadvantaged women may require, **is very limited.**

6. Funders are reluctant to engage with the informal sector, and whilst there is a focus on the promotion of entrepreneurship and supporting early stage entrepreneurs, **there is limited available funding for the conversion or transfer of skills, moving between industries, or retraining.**
7. **Corporate Social Responsibility (CSR) funding tends to be disbursed to projects supporting the local area.** As a result, most CSR funds are concentrated in the northern provinces and are often limited to the very specific geographical areas around companies' operations.

A summary of the existing and past labour market interventions and their outcomes that were explored can be found in Appendix A, along with a list of other relevant international programmes.

REGIONAL APPROACHES: THE OPPORTUNITIES FROM MOZAMBIQUE'S OFFSHORE GAS DEVELOPMENT

We have reviewed the benefits derived from previous SME /employment linkage programmes developed for 'mega-project' developments, including in Mozambique. For example, we have summarised the benefits of the MozLink programme in Appendix A, where Mozal increased its operational spending with Mozambican SMEs from \$5 million to \$17 million a month, as a result of the programme.

However, we do not consider that equivalent opportunities currently exist in the offshore gas sector in Cabo Delgado. This is primarily because of the political situation. Our expectation is that any SME/employment linkage programmes operated by the offshore developers will be constrained, and that they will find it difficult to put in place projects that benefit local DUYW populations directly at this time.

That said, we are aware of the needs that have been created by the influx of displaced people into Pemba. Our view is that interventions that rapidly generate employment opportunities are important in the current situation. In this context, model #2 – focused on innovative cash transfer programs – could be appropriate, tailored to the specific and current regional context in Pemba.



PART 2

THE MODELS

PART 2

THE MODELS

This section presents the innovative finance models shortlisted at scoping stage. Part 3 then makes comparative recommendations on which model(s) are the best candidates for taking forward for more detailed assessment, in the specific context of the DUYW employment situation in Mozambique.

Our scoping work generated and refined a longlist of potential models. This was done by synthesizing three sources:

- Lessons learned and evaluated evidence generated from MUVA's own experience working with DUYW populations in Mozambique over many years
- Global research and evidence on employment for vulnerable populations, including programmes that Social Finance has supported
- Insights from the 13 external key informant interviews (KIIs) undertaken

It is important that these models do not 'float' as standalone theoretical approaches, but are instead anchored to the root problems and barriers facing specific DUYW target groups, as summarised above. Appendix B sets out a simple decision tree, which shows how the longlist of models are linked to a clear problem statement.

Based on feedback through various channels including the KIIs with experts in the field, potential providers, investors and donors, these have now been narrowed down to four potential models, which are assessed in more depth in this report. As set out in the introduction, each model comprises a specific employment intervention for DUYW, targeting a specific grouping of the key challenge, supported by an innovative finance structure. All four models generate additional resources by engaging new funding partners, as well as focusing on results through outcomes-based approaches.

All four shortlisted models are based on some aspect of MUVA's own interventions and experience. However, we believe these models are more widely applicable to employment support in Mozambique and could accommodate a range of service providers and interventions, beyond MUVA's own programmes. Indeed, some of the models explicitly see a role for more than one service provider.

FEEDBACK FROM THE KIIS

During the KIIs, stakeholders overwhelmingly agreed that involvement of the employer is a critical element (demand side) to create job opportunities and support and upskill disadvantaged groups into work (supply side). There is a need to build capacity on both sides. Stakeholders spoke of taking an 'ecosystem' approach to DUYW employment. They cited the [Harambee](#) programme in South Africa, which secured a sustainable 1% Governmental budget allocated

specifically to this end. Whilst Mozambique and South Africa have very different economies and governmental budgets, this programme is worth noting in that it successfully engaged employers, unions, young people and the financial sector, all involved in one goal, of supporting young people into work.

Stakeholders noted that close, strong partnerships are key with civil societies especially in particularly unstable areas. **AGF** have worked with civil youth organisations in the North of Kenya, where there is unstable situation at the border with Somalia in order to continue their youth employment programme. MUVA may similarly wish to extend their networks and engage with relevant CSOs, not least because of the opportunities and efficiency gains these partnerships with existing entities would present for some of the models.

The KIIs revealed that there are funders with interests that span across the MUVA target group. Their internal strategies and objectives determine the kinds of programmes they are willing to fund and participate in, both at a thematic and regional level. Additionally, there are several other factors that determine funder interest, including:

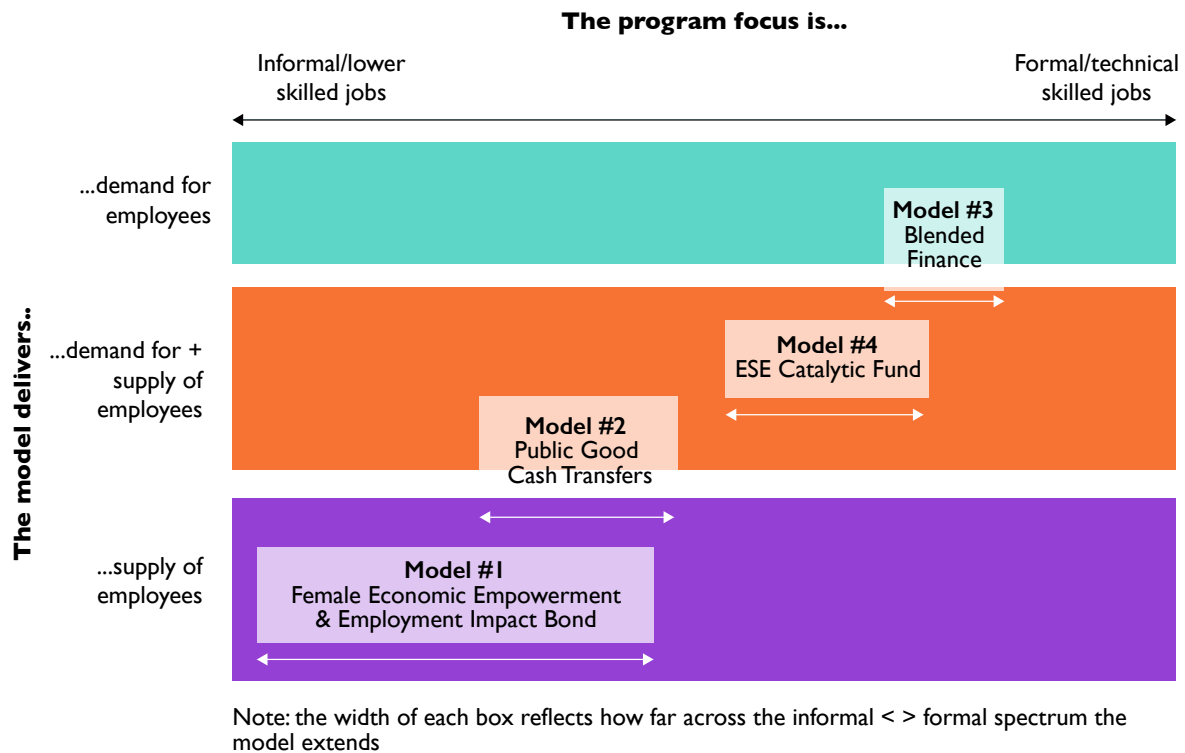
- the track record of the service provider, for example the employment outcomes of their programmes historically;
- a demonstrable value for money proposition of the intended programme.
- the scale of impact and solution presented.
- legal constraints on the role the organisation can play or how it can use / receive funds. For example, some foundations have a legal status, related to domicile, which means they cannot receive returns or have funds back on their programs. Wider social impact provisions in their statutes may also limit their ability to be involved in projects where there is an investor who would gain returns through the program.

MAPPING THE MODELS

The challenge of supporting DUYW in Mozambique into employment can be approached via at least two dimensions.

- Demand vs supply side: any intervention has to consider both the 'supply side' (the disadvantaged individuals who seek employment) and the 'demand side' (the employers), even if it does not actually intervene on both sides
- Informal / lower skilled jobs vs formal / technical / skilled jobs: DUYW populations are typically lower skilled, tending to find employment in informal settings only. This contrasts with the types of formal sector roles that non-DUYW populations seek, which tend to require technical skills and/or significant soft and inter-personal skills.

Combining these dimensions generates a simple framework to situate the four shortlisted models:

Figure 4 – Matrix of shortlisted models

In summary:

- **Model #1** focuses on enhancing the supply of appropriately-skilled and empowered employees, with an explicit orientation towards severely disadvantaged urban youth and women. As explained below, it deliberately does not attempt to integrate the demand side into the intervention, as employers offering higher skilled contracted jobs tend to work with less disadvantaged populations. Nonetheless, this model can accommodate a wide range of skill levels.
- **Model # 2** incorporates both supply and demand side elements, integrating publicly funded works programmes with outcomes funding to generate employment and the creation of public goods. The ‘demand’ for employees in this model comes from the public works programmes, so we characterise this as oriented primarily towards the supply side. The skills requirements for these jobs is likely to be higher (though with some variation depending on the focus sectors).
- **Model # 3** aims primarily at the demand side, as it supports medium-large employers to emphasise gender dimensions in their hiring practices. Given that these are formal sector roles, it will target less disadvantaged DUYW groups who already possess some significant skilling, likely within a relatively narrow band. An element of supply side interventions is included, such as targeted soft skills.
- **Model # 4** integrates supply and demand interventions to both skill up a pipeline of pioneering entrepreneurs and catalyse private investment in early-stage but viable SMEs. Reflecting the wide variation in the market focus of early-stage enterprises, this model will cover a range of skill levels, although almost entirely in the formal sector.

Model #1:

Female Economic Empowerment & Employment Development Impact Bond

BACKGROUND TO THE MODEL

The Female Economic Empowerment and Employment model is based on the MUVA'titude project, which combines soft skills training with vocational training and support into paid work experience for DUYW. This increases their employability, labour market outcomes and ultimately, the amount of agency DUYW have over their own lives. An evaluation of the programme showed that MUVA'titude participants improved their confidence and interpersonal skills and were more likely to engage in remunerated, higher skilled economic activities than the control group.

MODEL OUTLINE

In this model, outcomes in the impact areas of female empowerment and employment/ economic activity would be financed through a Development Impact Bond (DIB). In a DIB, funds need to be raised from both investor(s) and outcomes funder(s). The investor provides the upfront capital to support a service provider to deliver an intervention, targeted to the needs of a specific cohort. Once specified outcomes are achieved and verified, they trigger payments from the outcomes funder back to the investor. The target group for the model would be severely disadvantaged DUYW, who would benefit most from the intensive, wrap around employment support offered through this type of intervention.

Clearly defined outcomes that trigger payment back to the investor are core to this model. In line with the MUVA'titude theory of change, we have broadly defined the three outcomes as:

1. Increase in employability - focussing on soft skills such as confidence, communication and teamwork
2. Increase in economic activity - measured by entry into paid work, self-employment and revenue increases
3. Increase in agency - monitored through proxies such as self-reported control and choice, contribution to household expenses, etc.

KEY CHALLENGES ADDRESSED BY THIS MODEL:



Challenge #2: Female economic empowerment doesn't always result in employment outcomes for women. By splitting out these outcomes, valuing each separately, and attaching payment to their attainment, this model incentivises both empowerment and employment.



Challenge #5: Lack of ownership and limited funding for soft skills training prevents employers from hiring DUYW. Using outcomes-based rather than input driven funding sidesteps the need to find funders specifically interested in paying for soft skills training.



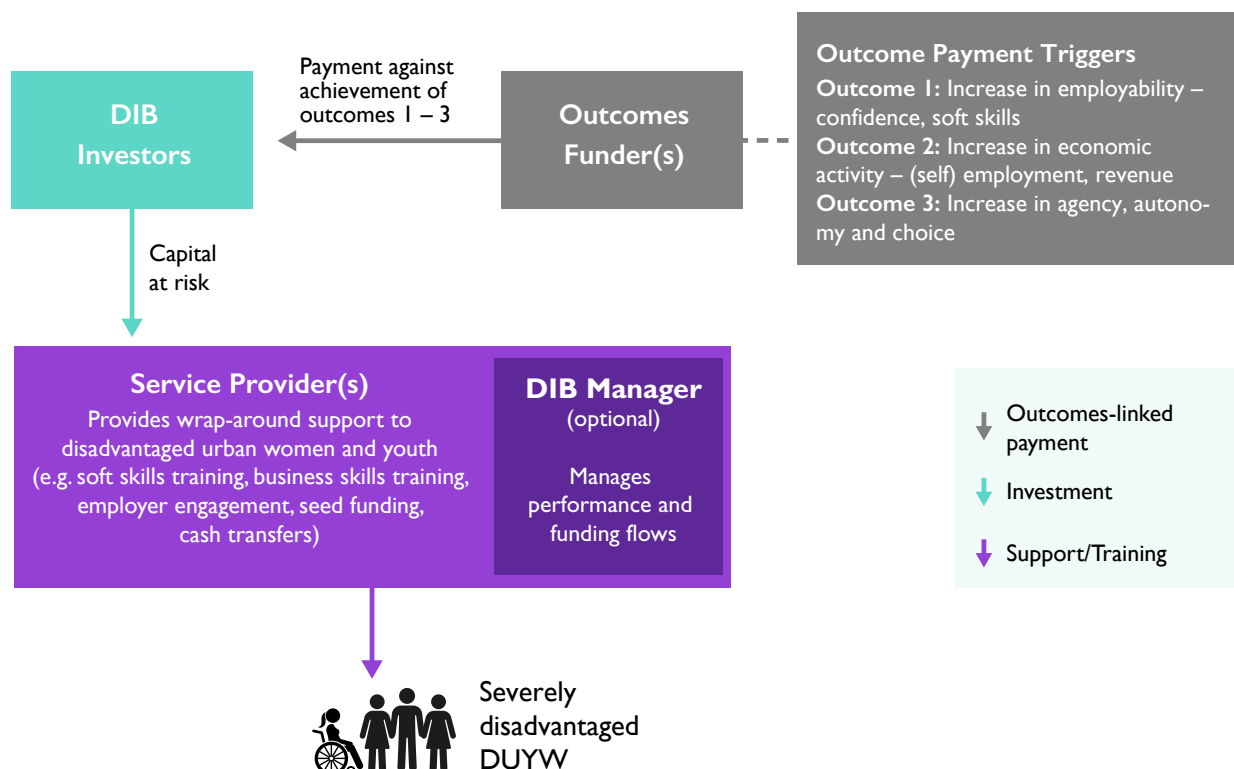
Challenge #7: Young women face invisible and visible gender specific barriers and may need additional support to join the workforce. This model centres specifically on the needs and outcomes for DUYW. Young women will make up the majority of the cohort engaged in the intervention. To further incentivise putting women at the centre, the payment mechanism could include higher outcome tariffs for outcomes achieved by women.

This model requires 3–5 stakeholders, these include:

1. **Socially motivated impact investor(s)** willing to take on the country and service implementation risk;
2. **Outcomes funder(s)** willing to provide payments against successful achievement of the defined outcomes;
3. **Service provider(s)**, MUVA could be the sole service provider or form a consortia with a group of service providers and play a central management role, like the Palestine Finance for Jobs Impact Bond. As the sole service provider, MUVA could take the central management role in-house and be responsible for managing the DIB's capital flows and

Figure 5 – Female Economic Empowerment & Employment DIB

Impact: Greater female empowerment, income and employment



various contractual agreements. However, this central management role can also be played by the investors, depending on their level of interest and capacity, especially if the DIB has a single investor. In a model with multiple investors and service providers, a performance management advisor can be recruited to manage the funding flows, coordinate the model, track outcomes and encourage adaptive management practices. This role may be played by the service provider or investor, but often a separate entity is brought in to play this role.

4. A validator, depending on the outcomes defined and the payment metrics agreed, a suitable validator may need to be recruited to validate outcomes.

FUNDING SOURCES AND MODALITIES

Based on Social Finance's and other intermediaries' experience with Impact Bonds there are several promising sources of outcome and investment financing:

A. OUTCOME FUNDING

Outcome funding can come in two modalities:

- **Government-executed grant funding from a multilateral.** In this model the Government of Mozambique (GoM) is the executing agency for a multilateral grant from e.g. the World Bank (Mozambique is a grant-only International Development Association (IDA) country due to creditworthiness concerns). The implementing agency can be the Government, or, if investors require it, a third party. Thus, in the case of the Palestine Finance for Jobs Impact Bond the borrower is the Palestinian Authority, but the Implementing Agency is the consulting firm DAI. This provides comfort to investors that outcome payments will be promptly forthcoming. This approach has the advantage of reducing perceived risks but may slow down the design and contracting.
- **Grant funding from a bilateral or Foundation.** This is the most typical form of Impact Bond funding, with funders to date including bilaterals such as the US Government (through USAID) and the UK's FCDO, and foundations such as the Dell Foundation and Nutrition International. There are also recent precedents of using corporate CSR funding to make outcome payments.

This streamlines design and contracting, but additional efforts are needed to make sure the Government has long term ownership of the approach being funded.

B. INVESTMENT

Investors are typically development finance institutions (DFIs), Foundations or social capital

- **Development Finance Institutions.** DFIs are becoming increasingly interested in investing in impact bonds, with e.g. European Bank for Reconstruction and Development (EBRD) following up on its investment in Palestine with funding to develop an Impact Bond for improved livestock productivity in Armenia. Bilateral DFIs such as the Dutch entrepreneurial development bank, FMO, are also starting to invest in Impact Bonds. The advantage of a DFI as an investor is that they are comfortable with large scale investment
-

and, for Mozambique, African Development Bank's (AfDB) private sector operations would be a potential investment source. Contract structuring can be more time consuming with a DFI than a Foundation or social capital.

- **Foundations.** Foundations can also be investors, with growing interest from a wide range of stakeholders including UBS Optimus, LGT Venture Philanthropy and Standard Bank Tutuwa Community Foundation. Foundations can bring relatively low expectations of Internal Rate of Return (IRRs) and streamlined contract negotiations, especially if they are already investors in Impact Bonds. Whilst there are relatively few foundations operating in Mozambique, foundations such as UBS Optimus that invest in outcomes-based approaches operate internationally without a specific geographic focus.
- **Social Investors.** Many double bottom line investors (investors seeking both a financial return and positive social impact) are becoming interested in Impact Bonds as a route to productive financial and social use of their funds. For example, in Palestine both a Palestinian Investment Fund and a diaspora Investment Fund based in Chile have invested in the Finance for Jobs Impact Bond, and Future-growth Asset Management has invested in an Impact Bond in South Africa. Social investors can bring a dynamic entrepreneurial perspective to investment in Impact Bonds.

COMPLEXITY AND RUNNING TIME

Of the long list of models initially drawn up and the four narrowed down, the Development Impact Bond (DIB) model is one of the simplest to test, design, implement and run due to the many precedents we can learn from. Typically impact bond programmes run from a minimum of three to five years, reflecting the usual timeline of project based funding by donors. Funding requirements directly correlate to the size of the DIB, i.e. number of beneficiaries and the cost of the intervention.

If there is appetite to have several DIBs funding different interventions across multiple areas, outcomes funding can be pooled in an Outcomes Fund and investment made into an Investment Fund. This works well where there is a developed marketplace of potential service providers, and a clear theme/impact area that the Outcomes Fund can address. It reduces administrative overhead and means each DIB rolled out after the first can be done so much more quickly using the developed frameworks.

There has been one previous attempt to develop a DIB in Mozambique. The **Mozambique Malaria Performance Bond** was developed over a number of years from 2013, supported by Nando's and other funding partners involved in the **Goodbye Malaria** initiative. Unfortunately, the DIB did not progress beyond a pilot intervention stage. Our assessment, on the basis of outreach undertaken for this study, was that the primary constraint was the inability to achieve commitments from social investors and outcomes funders, rather than any intrinsic barriers (legal, regulatory or others) within the Mozambican context. Moreover, we do not assess that the potential for a DIB in Mozambique has been undermined by this initiative; it may simply have suffered from being ahead of its time as one of the earliest DIBs to be explored. In 2013, no impact bonds had been launched in low or middle income countries. By contrast, as of July 2020, 17 have now been launched across a wide range of low and middle income countries.

In other words, the market has significantly evolved since 2013. But it does point to the importance, as underlined in Part 3 of this report, of three aspects of implementation:

- Gaining indications of support from both investor and outcomes funders before proceeding beyond the feasibility & initial design stage.
- Involving both investors and outcomes funders in the design stage, to ensure a co-creation process that incorporates their priorities and any red lines.
- Ensuring that risks are adequately assessed and addressed through a robust risk mitigation framework that can provide some assurance to both investors and outcome funders.

WHAT NEEDS TO HAPPEN FOR IT TO SUCCEED

- Outcomes need to be sufficiently easy to measure and verify. The outcomes decided on are one of the core elements of DIB design. There should be sufficient evidence that the selected outcomes are good proxies for the ultimate impact of the programme. They also are used to align the various stakeholders around a common goal, and trigger outcomes payments. Hence, outcomes need to be clearly defined and easily measurable so service providers and performance managers can track performance and make necessary adjustments to support the target groups in achieving them. They also must be verifiable so that validators can evidence their achievements to trigger payments. MUVA's robust outcome measurement practices across all its programmes should greatly facilitate outcome definition and payment mechanism design. However, the outcome payment triggers will need to be refined and simplified at feasibility stage.
- The intervention funded by the impact bond needs to be carefully specified to ensure it is aligned with the outcomes. Several programmes focus on upskilling individuals but lack alignment with the needs of the job market, so beneficiaries gain new skills but remain unemployed. One way of ensuring success of the programme is to have several outcomes. Some of these can focus on skills training and empowerment but also explicitly include employment, revenue increases or other “harder” outcomes. Payment triggers can then be varied to shape the right incentives for programme delivery. For example, smaller amounts are paid back to investors for upskilling, but higher amounts are triggered for employment outcomes.

Note: in a well-developed market where there is a wide range of potential service providers delivering different interventions, the impact bond model can be designed without a specific intervention in mind. So long as the outcomes are clearly defined, a procurement process can then be launched to find the providers able to deliver those outcomes with the highest quality intervention and at the best price point. However, in the Mozambican context where impact bonds are relatively new, it would be prudent to design an impact bond based on a specific intervention with a strong track record. This allows you to test the feasibility of the approach and pricing of outcomes in advance of awarding any contracts.

- Pricing of outcomes needs to reflect the cost and complexity of working with the specified target population. Many impact bonds fail at implementation stage by underestimating the complexity of needs within their target population. Pricing of outcomes relies to a large degree on detailed understanding of the costs of intervention, which is driven by how much support participants require to achieve outcomes. Assumptions on likely success rates and how easy it is to recruit participants will drive the financial modelling underpinning the impact bond's design. Knowing and defining the target population to a point that you are able to estimate the impact your intervention is going to have on their life chances is key.

- Investors and outcome funders with aligned focus areas need to be identified. Funders will have their own strategic goals and will likely only fund programmes that align to them. Some funders may not be willing to work with all cohorts or a programme that only focuses on a select group. Others will be interested in funding some of the outcomes (e.g. increased economic activity) but not others (e.g. employability). On top of this, the DIB payment mechanism design and outcome pricing needs to carefully balance risk so that investors are genuinely taking a risk on outcomes, but the risk/return/impact ratio is realistic and attractive (and sufficiently calculable upfront for decision making), and they are protected from events outside of their oversight and control (such as natural disasters, political upheavals or a global pandemic). Fewer funders simplify the design and management of the DIB but, if necessary, including a wider group of funders with complementary interests can help ensure a holistic set of outcomes are prioritised.

There are many precedents of Impact Bonds focused on employment of marginalised groups, including the Palestine Finance for Jobs Impact Bond developed to improve the effectiveness and efficiency of skills training for Palestinian youth, and the Mental Health Employment Partnerships (MHEP) Impact Bond in the UK which uses a place-then-train model to support people with severe mental illness or addictions into paid employment. Finance for Jobs uses a consortium approach to bring employers and training providers together within a single intervention. MHEP follows a more similar model to MUVA'titude of 1-2-1 support and personalised goal setting for participants, alongside intensive employer engagement to support people into work or self-employment. Worldwide, there are 63 impact bonds focused on employment or workforce development, as of July 2020. It is important to note, however, that the majority focus on formal sector employment, which may be of limited relevance to the largely informal Mozambican economy.

KEY TAKEAWAYS:

This model, more than any of the others, focusses directly on outcomes for the most disadvantaged urban youth and women.

It is comparatively simpler than later models involving investment in enterprises, and benefits from having many precedents of Impact Bonds focussed on employment of marginalised groups.

The intervention and outcomes would need to be tightly defined in the design phase to mitigate risk and compensate for the fact that the model does not include demand side job creation.

Unlike other models identified in this report, this model does not directly address the lack of demand within the Mozambican job market and relies on intensive engagement with employers to secure job placements for DUYW.

Model #2:

Public Good Cash Transfer Programme

BACKGROUND TO THE MODEL

This model¹ is based off MUVA's Assistentes project, MUVA's only programme to focus explicitly on the creation of public formal sector work placements for disadvantaged girls.

MUVA identified classroom assistants as a potential new field of employment in Mozambique, as the role does not exist in schools to the same extent as in many other countries. The initial project targeted adolescent girls/young women who came from deprived families, had finished 10th grade but were not in education or employment. In a year-long subsidised employment programme, girls received some training as teaching assistants, before being placed into classroom environments to work alongside primary school teachers, as well as being provided with mentoring sessions focused on soft skills (goal setting, confidence building) and receiving advice and support around gender based violence, sexual and reproductive health, etc. The theory of change (validated in an evaluation) is that one year of meaningful remunerated work experience in the formal sector would help the young women gain employability skills, greater self-esteem and increased activity and agency.

After successful testing of this model by MUVA, the Assistentes project was taken up by the National Agency for Social Action as a potential model for the national social protection programme's cash transfer public works scheme, where participants receive a modest monthly cash transfer for four hours of work per day. The national public works scheme had been struggling to attract younger participants due to the unattractive and low skilled nature of the work on offer, which was mostly menial work such as street cleaning. MUVA negotiated with the GoM National Institute of Social Action (INAS) and the World Bank to test out using public works cash transfers to fund the Assistentes project instead, where vulnerable young women would receive the same cash incentive but for more rewarding work where they would not only receive some training and new skills, but also get some formal work experience within the public education sector.

A major learning from the project was that as well as creating a more sustainable impact for the participants (who benefited from new skills and work experience, in addition to the cash transfer), Assistentes created a wider public good. Quality of education for primary school children improved as a result of having classroom assistants. This begs the question of whether there are other areas where youth job creation and public good creation go hand in hand, and whether funders would be willing to pay for that public good or delivery of a public service that delivers social or environmental outcomes.

¹ We use 'public good' in the vernacular sense of something that brings social value, broadly defined, as opposed to the technical definition of a public good in the economics literature.

MODEL OUTLINE

The Public Good Cash Transfer model would leverage the National Institute for Social Action's cash transfer programme to subsidise wages of temporary paid employment opportunities that create public goods or deliver public services. Service provider(s) would deliver a training intervention to support DUYW in their temporary paid placement. The cost of training would be covered by a combination of grant funding and outcomes payments.

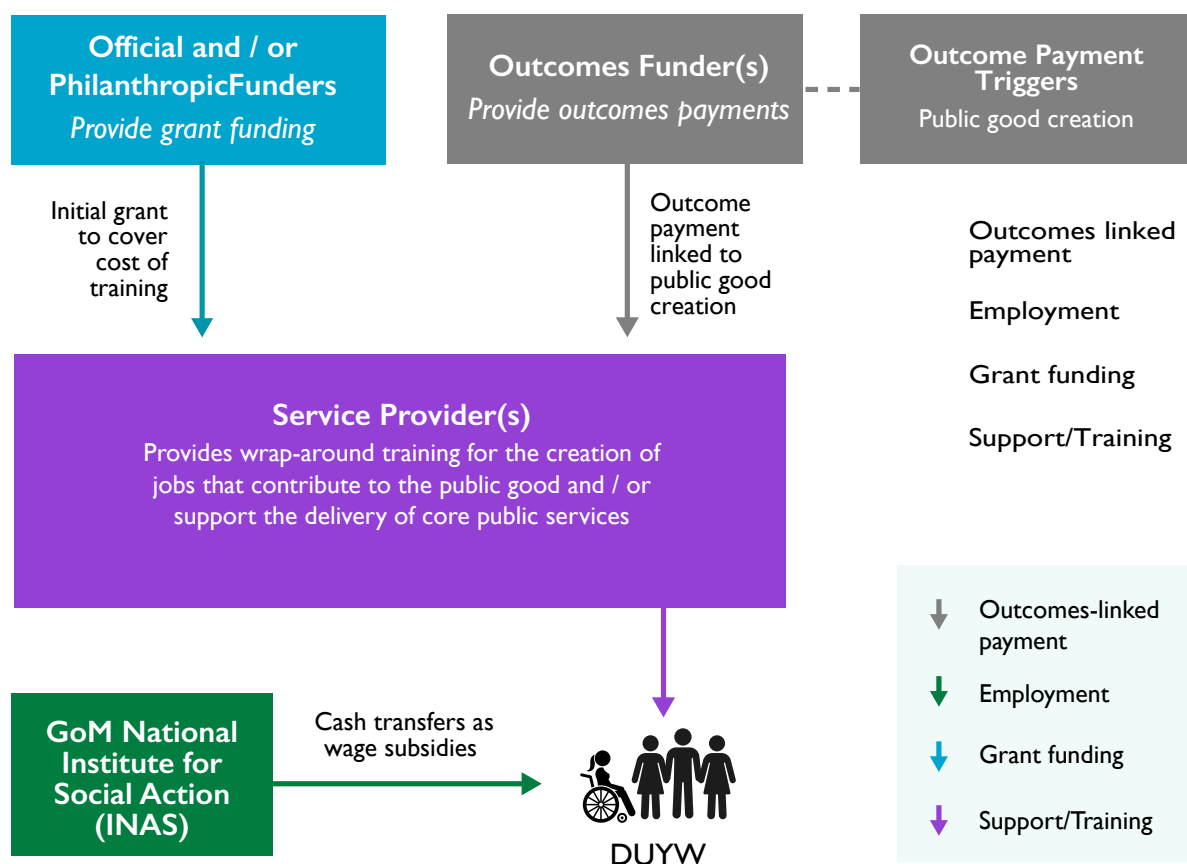
The outcome payments would be linked to cost saving from the creation of public goods, or other attributable social outcomes. For example, if this model were operating in the education space, outcome payments could be triggered by improved grades or another measure of class attainment.

In addition to education, we have explored other areas where a cash transfer programme could create public good:

- Climate change resilience. For example, the Ethiopia Productive Safety Net Programme (PSNP 4) includes a public works cash transfer programme. This includes tree planting, terracing and other watershed rehabilitation to reduce erosion, replenish water tables and enable the introduction of small scale irrigation, which in turn boosts resilience to low rains and climate shocks. Long term impact such as reduced flooding incidence are evidently hard to attribute to these programmes, but medium term outputs such as trees planted or an index-based assessment of reduced population vulnerability are useful proxies.
- Public safety. In South Africa, cash transfers were used to promote safety and prevention of Gender-based Violence (GBV) through an expanded public works programme, where participants are trained to help GBV survivors with referrals to relevant health services and to the police.
- Health system strengthening. COVID-19 has precipitated a rise in demand for public health employment, including for community health workers to carry out screening, contact tracing and health education. For example, there may be an opportunity to increase the number and remit of younger female community health workers in Mozambique's long-standing Agentes Polivalentes Elementares programme. Potential outputs could include increases in health system outreach with a number of households who receive a visit from health workers.
- Green growth and the circular economy. Relevant initiatives include the use of cash transfers to clean up Mozambique's beaches and urban solid waste management / recycling. Potential outcomes include level of waste recycled or volume of waste collected. Several of these are currently being explored in Mozambique.
- Emergency response recovery and reconstruction, such as cash for work programmes which include direct cash payments to beneficiaries for their labour on debris clearance, shelter construction, and or other community focused infrastructure projects. For example, a UNDP cash for work programme in Haiti employed over 30,000 people in the immediate aftermath of the 2010 earthquake. Potential outcomes include inhabited shelter constructions.

Figure 6 – Public Good Cash Transfer Programme

Impact: Formal employment for DUYW and public good creation



The target population for this model is disadvantaged urban youth and women (as opposed to severely disadvantaged urban youth and women) but could in theory be delivered to a mixed target group. The targeting criteria would need to be closely defined with INAS, who currently target households below a very low poverty threshold. This is because outcome payments are tied to public good and not direct outcomes for the participants.

KEY CHALLENGES ADDRESSED BY THIS MODEL:



Challenge #5: Lack of ownership and limited funding for soft skills training prevents employers from hiring DUYW. This model would source funding for soft skills training, to a greater or lesser degree depending on the sector. In health and education for example, soft skills training would be a key component. In more manual sectors such as public works and infrastructure, soft skills training would need to go hand in hand with technical skills training.



Structural issue #3: Existing funding centres on sectors that necessitate a highly skilled workforce and are typically male dominated. This intervention focusses on job creation outside of the extractives industry, in sectors where there is a public good, less variable demand and where skills are less specialised.



Structural issue #4: Few initiatives have successfully improved the supply of labour, whilst also stimulating demand. This model specifically looks to create temporary paid employment opportunities where DUYW can gain paid work experience while engaging in training.



Structural issue #5: Funding for programmes that provide the wrap around training (both soft and technical skills), as well as on the job support that DUYW may require, is very limited. This model supplements the limited funding for this type of support with funding for the public good created by the programme.

This model requires four to six stakeholders, including:

1. GoM National Institute of Social Action (INAS), the key stakeholder in this model as they would provide the conduit for cash transfers to DUYW.
2. The official and/or philanthropic funder(s), who would provide the initial grant to cover part of the up-front cost of training for DUYW, and would likely be the same sort of Government and donor entities that currently fund input based training programmes.
3. Outcomes funder(s) willing to provide grants against successful achievement of the defined outcomes. The outcomes funder in this model would depend on the sector chosen for job creation and the public good being measured. It could be a government department, donor or private company through CSR funding, and could also tap into climate finance funds (such as the Climate Investment Funds (CIF)) if the public good creation was linked to wider climate change mitigation, adaptation and resilience objectives.
4. The service provider would likely be MUVA as they have extensive experience in providing training for DUYW, potentially in partnership with another service provider specialising in sector specific training.
5. A validator, depending on the outcomes defined and the payment metrics agreed, a suitable validator may need to be recruited to validate outcomes. This role can be played by research institutions, private sector auditors (eg. one of the 'Big Four' accounting firms), or impact evaluation agencies. In this model, it could potentially be a representative of the sector in which the public good is created.
6. A performance manager may be valuable to oversee grant funding spent, programme delivery and outcomes achievements. This role could be played by the service provider or a separate entity could be brought in.

FUNDING SOURCES AND MODALITIES

The initial grant for up-front training costs would be structured like most existing training grants, paying service providers against the achievement of defined activity milestones. As such it would be a familiar approach to both GoM and donors in the sector, and should thus be relatively straightforward to identify potential funders.

The outcome funders would likely be similar to those identified above in the discussion of Impact Bonds, and with similarly varying modalities between multilaterals and other funders. In addition, the model might attract some additional funders who are particularly interested in cash transfers, including Germany and the Nordic countries, as well as funders with a thematic focus depending on the type of outcomes achieved (such as the extensive experience with **results-based climate financing**).

COMPLEXITY AND RUNNING TIME

Although this model requires three distinct funders, it is not overly complicated from a funding perspective. Each funder has a distinct role as grant funder, outcomes payer and provider of cash transfers. There is minimal need for alignment across the three funders as they are each paying for a separate aspect of the model. There is no investment in this model so the funding streams are less complicated than in some of the other models.

Depending on the availability and appetite of the GoM National Institute for Social Action, this model could be designed and implemented and could be run for two to four years, notwithstanding the likely delays due to political economy constraints. There is also scope to focus on a single sector to begin with, before expanding to others.

WHAT NEEDS TO HAPPEN FOR IT TO SUCCEED

- Development of outcome measures for public good creation. The World Bank highlighted the need for clear outcome measures for public good creation that are attributable to the intervention in this model. For outcome funders to commit to funding this, they will need to see that the outcomes align with their objectives and to be confident that the outcomes would not have occurred without the project. These may be better structured as outputs (e.g. # trees planted) rather than outcomes, depending on the sector. In taking this model forward outcome measures and a measurement methodology will need to be agreed between the service provider and potential outcome funders. The measures would likely be different to those typically tracked by MUVA in past projects, as they would be focussed on a different “public good” area of impact, and therefore would take more time to develop.
- A plan for sustainability of cash transfers. Innovative Finance experts at the International Federation of Red Cross and Red Crescent Societies (IFRC) stressed that sustainability is key to this model. The model depends heavily on the National Institute for Social Action’s cash transfer programme; if the government suddenly stops this cash transfer programme, the model would fail (as was the case in a **GiveDirectly cash transfer programme** in Uganda). Level of confidence in the ongoing provision of cash transfers is a key consideration for moving forward with the model. In developing the model it will be important to consider alternate sources of funding for cash transfers and/or develop a plan for how reliance on government funded cash transfers can be phased out over time.
- A feasibility assessment of sectors with potential for both temporary employment and public good creation. In taking this model forward, MUVA would need to conduct a more detailed assessment of the potential sectors where this model could work. One option is to replicate it in the health sector. In looking more widely one would need to consider where

there is demand for entry level/apprentice type temporary paid employment opportunities while also attractive to DUYW, offering the same structure and opportunity to experience formal employment. How the intervention would need to be adapted is important here, for example the World Bank flagged the potential need for additional capital expenditure in certain sectors (the Assistentes project did not require any equipment for classroom assistants, but opportunities in other sectors might). It is also crucial to consider whether there are potential outcome funders in the sector early on.

- Consensus on the level of risk the service provider can absorb. In determining the split of funding between upfront grants and outcomes payments, MUVA would need to assess the level of risk (if any) that the service providers are willing to take on. The upfront grant could cover 100% of the intervention costs but this might make it harder to convince other funders to pay for outcomes, as there would need to be a clear rationale for why that funding was needed. Indeed, some outcome funders might be more attracted to the model if the service provider takes some level of risk (e.g. 10%) on outcomes, as it signals confidence in the intervention by those delivering it and adds an incentive for the provider to adapt and learn in pursuit of outcomes.² However, this level of risk needs to be carefully considered as underestimating the difficulty of achieving outcomes can act as a disincentive; if outcomes are under-priced, stakeholders may decide to cut their losses early when the project hits roadblocks. In similar models, providers take some level of risk (e.g. 10%) but also receive an upside for overperformance. If no risk can be taken by the service provider, or if MUVA struggles to find a grant funder, then an investor would need to be found to cover upfront capital and the model starts to look more like an impact bond. This would increase complexity.

KEY TAKEAWAYS:

This model's attractiveness lies in that it covers both supply and demand side interventions; employment creation as well as upskilling DUYW and providing a key public good or service.

The fact that it is based on an existing MUVA intervention should speed up the design process and provide a baseline for expected success rates. However, translating it to another sector outside the education space would push back timelines.

The main risk is that it is heavily dependent on the National Institute for Social Action's cash transfer scheme and its funders.

² An alternative or complement would be to fund capital expenditure through a traditional grant, reducing the working capital burden for the service provider.

Model #3:

Blended Finance: rewarding larger companies that improve DUYW prospects

BACKGROUND TO THE MODEL

This model is inspired by MUVA's private sector work and its engagement with larger scale Mozambican enterprises, which aims to create the changes in employers' attitudes and behaviours that are needed to be able to enhance DUYW's access to and progression within the formal sector. One of the key challenges DUYW face when working in these sorts of organizations is the lack of gender sensitivity and inclusivity. The need for organizational culture change is crucial. MUVA has been working with organizations such as DP World, Absa Bank and Electricidade de Moçambique (EDM) to improve their gender strategy and hiring practices, by reviewing their HR processes and through a series of workshops. This approach can be characterized as a 'corporate behaviour change'.

This model uses blended finance to incentivise this behaviour change.³ Blended finance facilities have been used to offer enterprises an attractive source of capital at lower than market rates, in order to encourage specific behaviours or practices that deliver social impact. For example:

- In Mozambique, the IFC is providing a debt financing package of \$55 million to build a utility scale solar PV plant in Zambezia province. **The package** combines concessional funding from the **Climate Investment Funds**, with equity investments from EDM (Mozambique's electricity utility) as well as private investors.
- In the gender space, **IDB used a blended finance package** to fund Optima Energia, a Mexican energy saving light manufacturer, which structured incentive mechanisms to promote gender equality in the sector. The interest rate of capital is reduced if organisations were able to demonstrate the successful accomplishment of key gender milestones, such as obtaining gender equality corporate certification, percentage of roles to be offered or filled by female employees, percentage of senior management roles to be held by women.

MODEL OUTLINE

Building on these examples, this model adds an innovative results-base twist. It combines grant funding and private capital to create a blended finance fund from which medium-large enterprises can borrow at lower than market rates, but only if social impact is achieved. It is hence a 'contingent blended finance fund'. Incentives will be focused on gender equality and female empowerment: medium-large enterprises that can demonstrate progress against pre-agreed gender outcomes, will benefit from a lowered cost of borrowing from the fund. This

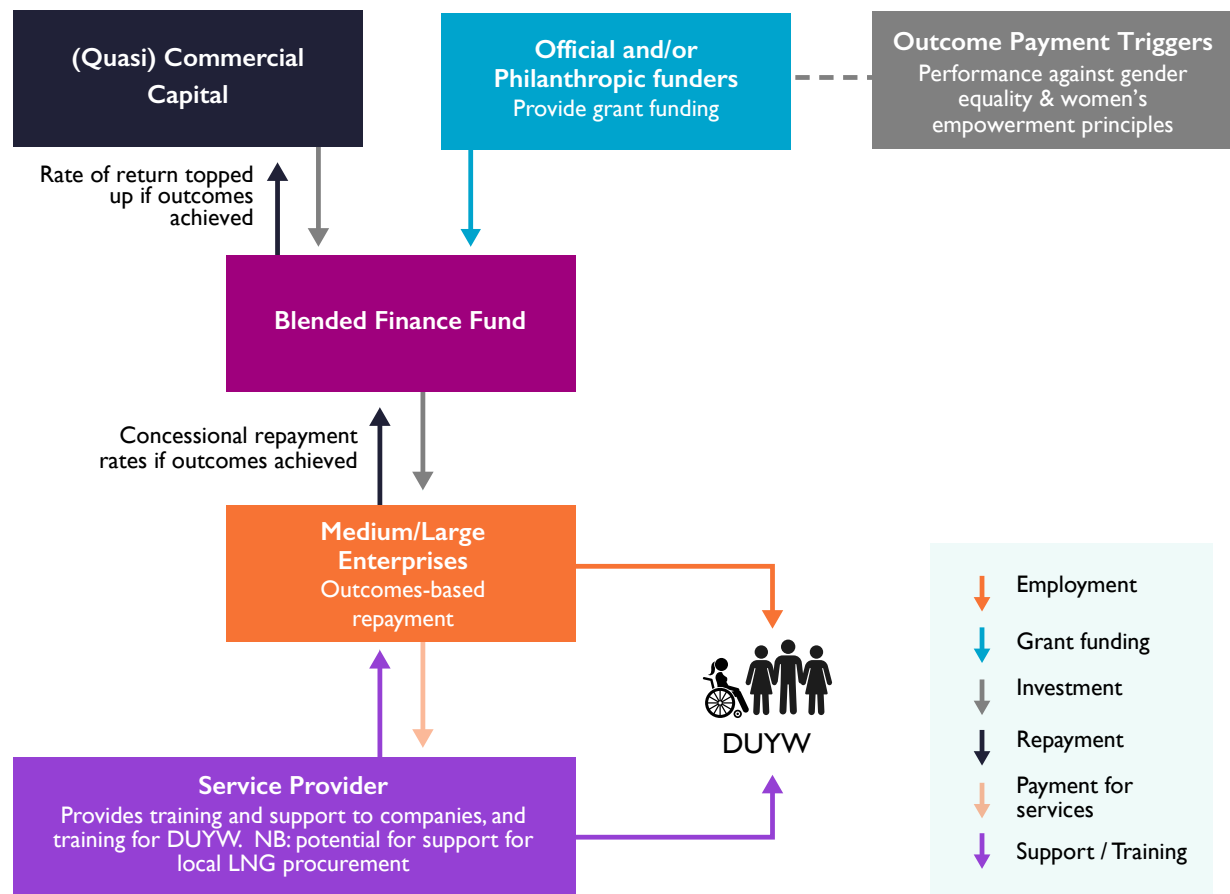
³ For clarity, note that this model is not the conventional use of blended finance to provide SMEs with lower cost capital. This conventional approach to SME financing is explored elsewhere, for example in the recent FSD Mozambique report Financing SMEs in Mozambique: mapping of alternative Blended Finance vehicles. As stated in the introduction to this report, our demand side focus is only on interventions that will directly benefit DUYW employment prospects, not on enterprise support more generally

would be an attractive source of capital and could incentivize some of the changes in employer attitudes that are necessary for women to be fully included in the workplace, for women to be properly valued in workplace policies/practices and for companies to consider their activities, operations and supply chains in terms of their impact on women. This model would work primarily with well-established medium-large companies who are fully formalised, have entry level job opportunities that could be filled by the DUYW, and have a track record in receiving and repaying investment.⁴

Similarly, grants blended in the fund are used to incentivize investors to participate in an innovative fund structure. If outcomes metrics are met at the portfolio level (with thresholds and triggers to be determined during fund design), then a grant is disbursed from the fund to top-up investors' rate of return. Again, this is an innovative twist on a traditional blended finance structure that could trigger investor interest.

Figure 7 – Blended Finance model

Impact: Increased career opportunities for DUYW, culture change and income growth of SMEs / larger enterprises



⁴ We recognise that some potential borrowers in some sub-sectors – such as property construction firms – may not be interested in this gender equity agenda.

To illustrate the model, take two scenarios (with illustrative numbers):

- In a worst case scenario, where no gender outcomes are achieved by the borrowing enterprises, then repayments to the fund would be at a pre-agreed rate of, say, 15% with the (quasi) commercial investor receiving the same 15% return on capital deployed. No grants are disbursed to create concessionality, and there is in effect, no blending.
- In a best case scenario, with all gender outcomes achieved, sufficient grants are released from the fund to reduce the enterprise's repayment interest rate to, say, 10%, with the (quasi) commercial investor also receiving an interest rate top-up grant to boost its return to, say 20%. The grant money would pay for this interest rate spread.^{5,6}

As well as providing funding incentives, the model includes service provider(s) who would provide training to employers on gender sensitivity and inclusive practices. Service providers could also provide soft skills training to DUYW to allow a supply of qualified labour for the newly created demand, making this both a supply and demand side intervention.

KEY CHALLENGES ADDRESSED BY THIS MODEL:



Challenge #4: A culture change at the employer level is needed to accommodate young women. This model engages at the employer level, incentivising enterprises to improve their internal practices and employ more DUYW.



Challenge #7: Young women face invisible and visible gender specific barriers. This model will work to address at least some of the cultural barriers within formal workplaces that prevent women from achieving their full potential.



Structural issue #1: There has been limited gender focus in most programs to date. This model is better suited to higher skilled work settings, working with less disadvantaged DUYW who may lack opportunities and social capital but have some level of education and work experience. Crucially, it brings a gender focus to a programme working with larger, established enterprises.



Structural issue #4: Few initiatives have successfully improved the supply of labour, whilst also stimulating demand. Although this model could function on the demand side only, the version presented also works directly with DUYW to deliver soft skills training and in-work support to fully integrate them into the labour market.

⁵ In practice, enterprises' effective cost of debt capital is affected by loan grace period and loan tenor, as well as the interest rate. These other variables could also be tweaked - for example, by extending the loan repayment term by 3 years - to incentivise socially impactful behaviour.

⁶ In the event that outcomes are met, then the grants in the fund will evidently deplete over time. This would eventually require top-ups by official / philanthropic contributors, reflecting the success of the financing structure.

This approach could also be used to incentivise other behaviour changes from larger enterprises that result in better outcomes. For example, this could include socio-economic targeting of recruitment efforts, local content targets in supply chains or increased use of labour intensive ancillary activities (such as local environmental improvements, e.g. tree planting), all of which could directly employ DUYW populations. However, for the sake of simplicity, we focus here on MUVA's existing experience enhancing gender sensitivity.

This model would require five stakeholders:

- I. Fund manager: a Blended Finance Fund would need to be managed by an entity that is experienced in managing debt investments in the Mozambican context. Depending on the structure, the fund manager would also select the enterprises, with input from the investors, and relevant experience in managing similar projects would be required. Due to cost and long timeframes involved in setting up a new fund,⁷ the most pragmatic options are, in order:
 - To establish an investment mechanism, subject to Banco de Moçambique regulations, that utilises fiduciary mechanisms established by an existing entity.⁸ Early conversations with Financial Sector Deepening Mozambique (**FSD**) suggest they have experience and interest in playing this kind of role. Alternatively, there are standalone debt investment funds of this type in Mozambique that could provide a template, such as the **Beira Agricultural Growth Corridor (BAGC) Catalytic Fund** managed by AgDevCo.
 - To establish the fund as a segregated portfolio of assets managed by an existing commercial bank in Mozambique.
2. Investor(s) willing to provide private capital into the fund. Depending on the risk profile of the investments, these could be:
 - Local, commercial lenders such as **Absa Mozambique**, who normally lend at market rates in local currency (meticaïs) to medium-to-large firms, but who may be prepared to participate in a novel pooled fund mechanism that would allow them to increase social impact and potentially boost their returns.⁹
 - Development finance institutions (DFIs) who invest at market rates (but in hard currency) into debt investment funds; examples include CDC, **FMO** and **DFC**. Good precedents exist here, such as CDC's investment in the **Investec Africa Credit Opportunities Fund**, sub-Saharan Africa's first corporate debt fund. Our KII with Canada's **International Assistance Innovation Program**, part of its **Feminist International Assistance Policy (FIAP)**, indicated that it could also consider investing

⁷ See the section on 'feasibility of external private investment' in Part 3 for more information on implementation options relating to external investment.

⁸ In other words, the Fund would be established as a new funding window in an existing blended finance mechanism

⁹ Commercial banks, including in Mozambique, normally operate their own loan books, rather than lending to a fund managed by others. This novel mechanism may hence require credit enhancement – e.g. a donor guarantee backing the creditworthiness of the fund – for commercial banks to lend.

in this type of facility. We describe these investors – who are publicly funded but seek market returns, albeit in risky projects – as ‘quasi-commercial’. **AFAWA**, the AfDBs Affirmative Finance for Women in Africa could also be potential investors.

- Bilateral donors, such as AFD who issue concessional loans (but in hard currency); this would reduce the level of subsidies required from the official/philanthropic funder.

A combination of all types of debt investor is feasible and indeed likely, and hence the label ‘(quasi)commercial capital’. A recent example is CDC’s recent agreement to provide \$75 million to Absa for a **risk sharing facility** to support the growth of local businesses in sub-Saharan Africa.

3. The official / philanthropic funder(s) providing the outcomes-based grant funding. Bilateral donors such Global Affairs Canada (GAC) or FCDO could play this role. Grant funding allocated to the fund would disburse – and hence be blended with the (quasi) commercial investment – dependent on outcomes achieved. In addition, as mentioned in Model 1, there are also recent precedents of corporate CSR in outcomes-based approaches, and incorporating these into a blended finance model with a strong private sector orientation could be of much interest. For the purposes of this case study, we are using improved gender equality outcomes, measured by, for example, percentage of women employed and retained beyond one year. If enterprises make no progress towards this gender indicator, then they would repay all the investment at market rates. If however, they do make progress, then the repayment terms of the financing received from the Blended Finance Fund is reduced and the difference made up by the Outcomes grant funder.
4. Service provider(s) would be organisations such as MUVA who are experienced in providing gender sensitivity training to companies and/or soft skills training for DUYW. Like the other models, MUVA could be the sole service provider or partner with others and act as a coordinator/lead service provider. This training could be provided to both the enterprises and the targeted DUYW populations. The same official / philanthropic funders providing outcomes-based grants for the fund would need to provide traditional technical assistance (TA) grants to cover at least part of these cost of training.¹⁰ TA funding would also be needed to support the fund’s operations.
5. A validator may also be needed to verify outcomes or lack thereof that trigger any repayment back to investors or donors from the fund and the rate of these repayments.

FUNDING SOURCES AND MODALITIES

Like the modalities for Impact Bonds discussed above, a blended finance package would involve a mixture of grants and commercial capital. The major difference is that the commercial capital in this sort of structure is traditionally more likely to be truly commercial, rather than double bottom line social capital. Such strictly commercial capital typically requires a higher return and more risk protection than more social capital. Absa, for example, could be a commercial investor

¹⁰ TA funds focused on addressing medium-sized enterprises’ barriers to impact – such as CDC+ – would be a good fit here. For example, CDC+’s mandate includes support for improving workforce gender diversity.

if the grant funding in the Blended Finance Fund was of an amount and structure that gave them a similar risk adjusted return to their other investments of similar size.

One platform that could provide a balanced approach to investment and grant funding is the Sustainable Development Investment Partnership (SDIP), which brings together public, private and philanthropic institutions to scale finance for the SDGs, and overcome barriers to private investment in developing countries. Banks that are members of the Partnership include DBSA, Standard Bank and FMO, the Dutch DFI that invested in the Palestine Impact Bond. Grant funders include ADF (the grant arm of ADB), AFD, FCDO, SIDA and JICA – Japanese Universities and Policy Institutes are leaders in research into the effectiveness of support for SME profitability and growth.

COMPLEXITY AND RUNNING TIME

This model is slightly more complex due to the requirement to manage investments, the number of stakeholders involved, the recruitment of appropriate companies and setting up of the fund. Partnering with existing organisations, which have the fund management expertise and local knowledge including perhaps the reputation and access to the desired beneficiaries, would add simplicity and speed.

The running time of this model would likely follow that of other funds, typically three to five years. Given funding is repayable at a higher rate if outcomes are not achieved may mean fewer “return customers” i.e. companies who have failed to perform against the gender equality principals and the fund may wind down earlier. There will be fixed costs associated with running the fund and this may not be justified with a smaller pool of investments.

WHAT NEEDS TO HAPPEN FOR IT TO SUCCEED

1. Agreement on outcome payment triggers. Similar to other models which include outcome-based payments, this model would need to establish a clear, measurable set of indicators which would trigger lower rates of return. These can be drawn from MUVA's experience of working with larger employers on gender sensitivity, as well as learnings from international frameworks. For example, GAC has a well-developed **framework** for assessing performance against gender equality standards in investees.
 2. Structuring the investment. This model requires detailed structuring work to manage risk levels, especially if it aims to attract both local and national investors. Where multiple investors are involved, the fund might also consider different classes of investment tranches as an additional de-risking mechanism. This could allow commercial capital to be blended with social capital willing to accept lower returns and/or greater risk, but looking for significant social impact. The performance based incentives would lower the interest rate paid by the enterprise through a subsidy from the outcome payor. The quasi-commercial investor would not see any change in their return; this avoids perverse incentives from investors having a higher return if gender targets are not met.
 3. Define the eligibility criteria for large enterprises. For this model to succeed in creating opportunities for the envisaged target group, enterprises ought to be selected based on their
-

capacity to increase the number of entry level jobs available with the capital made available through this model. Examples of such enterprises could be found in the manufacturing sector and the service industry (e.g. call centres or catering firms).

4. Further design work on the correct structure for incentivising training uptake. In our KIIs, one issue raised was how to incentivise the service provider (who delivers the training and TA to the enterprises). One option is for the blended finance fund to contract the service provider directly. This could be financed through grant funding and offered to the medium-large firms. A second option is to use a voucher scheme or cost sharing initiative to encourage the enterprises to contract training and support on their own, as required. When deciding which approach the model should take, MUVA would need to consider:
 - whether there is a developed market of service providers offering quality training
 - whether enterprises have broadly similar training needs, or if there is value for money in diversifying the training offered/allowing enterprises to contract according to their needs
 - Enterprises' capacity to assess, source and pay for their own training needs.

KEY TAKEAWAYS:

This model leverages investment capital (commercial and/or social) by incentivising a gender focus without changing the investors risk or return profile.

The leveraging of private capital allows medium and large enterprises to be targeted.

The main risk is getting the incentive structures right, to promote transformative change while ensuring that the discount on cost of capital remains attractive to companies relative to the investments they will need to make to improve gender practices. It will also be important to monitor whether investors will be concerned that the incentives for the enterprises to focus on gender issues will distract them from maintaining core profitability.

Model #4:

Early-Stage Enterprise (ESE) Catalytic Fund

BACKGROUND TO THE MODEL

This model is based on MUVA's PAM model, a gender focused acceleration programme that supports early-stage female entrepreneurs in Mozambique to increase the efficiency of their business, and become financially sustainable. By using a gender focused methodology, the intervention also aims to develop opportunities for other women as suppliers, workers and potential clients. Gender-centered advisors are trained in this methodology, and then work with businesses to improve their business model.

The businesses supported through PAM are generally one to five years old, with one to three employees, and have been characterised as “constrained gazelles” i.e. enterprises owned and operated by high potential informal entrepreneurs, who may lack formal education but who bring entrepreneurial spirit.¹¹ In our categorisation of enterprises illustrated in Section B above, constrained gazelles are primarily found in the micro-enterprise category (i.e. not formally registered and operating on a small scale) and would be supported to grow via this model.

A key challenge identified for this group of constrained gazelles was the limited available funding and support for micro-enterprises that have been adversely impacted by COVID-19. Further down the line, SMEs also suffer from a lack of investment due to a high level of perceived risk, and are unable to attract seed funding. To overcome these challenges, a model that addresses the entire cycle of an early stage enterprise is needed, combined with a de-risking mechanism to attract investment. Building on the research into gazelles, the model emphasises two elements:

- Financial support for the targeted enterprises that is sustained over time. Unlike loans from conventional banks – where the loan terms often require that repayment starts within the first couple of months – this model supports entrepreneurs to take risks over a longer timeframe.
- Ongoing entrepreneurship training and support that responds to the entrepreneurs' specific needs and demands, and is also sustained over time

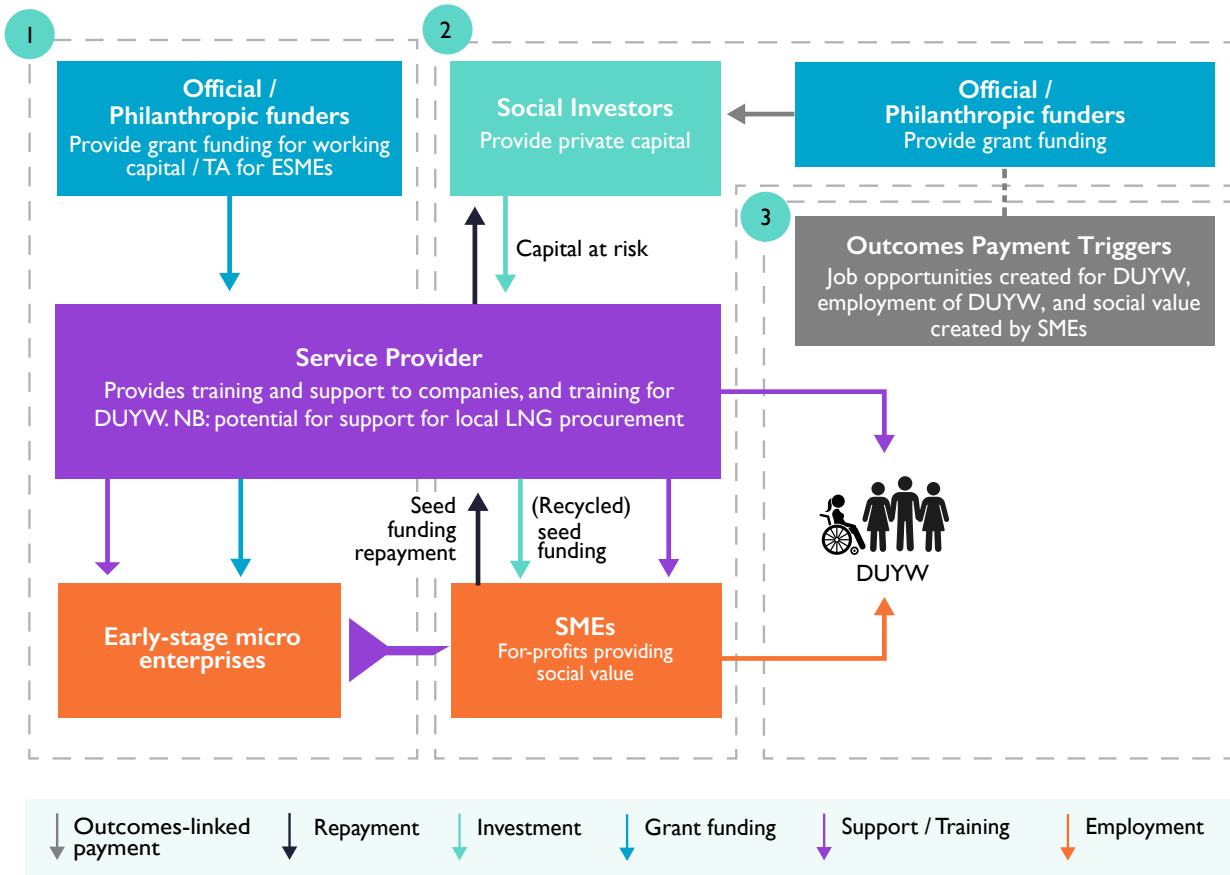
The ESE catalytic fund combines an accelerator model with concessionary loans, de-risked through a mix of guarantees and outcomes-based payments. Elements of this model have been successfully used before, for example through:

- **Social Success Notes (SSNs)**, which enable enterprises driving social change to access the affordable finances sources they need to scale. In this model, an investor provides a

¹¹ 'Constrained gazelles' were first defined in the context of research into high-potential but informal enterprises in seven countries in West Africa. Profitability was found to be quite high among this group, suggesting that there are prospects for scaling-up, if programmatic support focuses on effective upskilling and appropriately-structured access to finance for the entrepreneurs. The research estimated that up to one-third of informal micro-enterprises may be considered as gazelles.

Figure 8 – Early-Stage Enterprise Catalytic Fund

Impact: ESEs are able to scale, creating social values and opportunities for DUYW



concessionary loan to an impact orientated enterprise. When the enterprise achieves a pre-agreed social outcome, an outcome payer then makes a payment to the investor, as a way of de-risking investment.

- **The Green Outcomes Fund (GOF)** in South Africa, which uses an outcomes-based payment model to catalyse additional local investment in green SMEs. A range of outcomes metrics have been designed on a sector level, and local fund managers can use outcomes payments to cover the additional costs and mitigate risks created by investing in this emerging sector.

MODEL OUTLINE

The ESE model can be broken down into a number of options. In the basic model, an accelerator programme is set up to provide business support and funding to early stage micro-enterprises on a grant basis. The enterprises that show potential are recruited into the next phase of the model and receive investment from social investors. Initial seed funding is repayable once the enterprise begins to scale. The pipeline of high calibre enterprises recruited from the accelerator serves to de-risk the fund.

In more complex versions, the model can be further de-risked in two ways:

- A funder could provide a first loss guarantee up to a certain amount, compensating the investor if the early-stage enterprises default on their loans.
- An outcomes funder could be found to pay on the achievement of specific outcomes, such as recruitment of DUYW or social value created. This creates an additional revenue stream to investors, monetizing the social impact of the enterprise.

Depending on investor appetite, repayment of investor capital could be recycled to create a revolving fund, which would increase the longevity of the fund and over time reduce the dependency of philanthropic funding. If the fund is not too quickly depleted through overly risky investments, it is potentially a self-sustaining model in the medium to long term.

Finally, while these parts of the model stimulate demand, the fund could also work with the supply side, using TA grants to upskill workers from the DUYW target group or support new hires in the enterprises directly, filling the relevant skills gaps.

KEY CHALLENGES ADDRESSED BY THIS MODEL:



Challenge #6: Entrepreneurship suffers from weak market dynamics. This model provides early support to micro-enterprises to embed good business practice from the onset. Promising SMEs progress to a fund where they can receive easier access to affordable capital to support them to scale and prepare them to receive investment/lending on market terms in future.



Challenge #8: Women in the informal sector have been particularly hard hit as a result of COVID-19. Many female led micro-enterprises are not formally registered and operate at a small scale. By focusing on them, this model will address some of the setbacks COVID-19 has brought upon the informal sector.



Structural issue #2: Various programs support SME business development, but limited access to financing prevents small to medium sized enterprises from realising their improved potential. By combining business support with access to finance for the most promising enterprises, the model ensures that those SMEs with the potential to scale have the opportunity to do so.



Structural issue #4: Few initiatives have successfully improved the supply of labour, whilst also stimulating demand. In early stages this model would focus mainly on stimulating demand by supporting enterprise development, but in the third phase it would include training of DUYW as employees of the scaling enterprises.

Depending on the complexity of the model taken forward, several stakeholders would be required. These include:

1. The investor(s) willing to put up the investment for the revolving fund. These would need to be social investors not seeking market rate returns, such as diaspora investors, angel investors, or investors with a specific focus on gender or youth employment.

Note: although local, commercial investors would not be investors due to the high level of risk investing in early-stage enterprises, our KIIs with commercial banks suggest the sector could be involved in a hypothetical 4th phase: a 'graduation programme' where SMEs who have successfully completed the model are moved into a position where they can receive direct investment/lending. This would help with the sustainability of the model, ensuring that SMEs that scale and repay the social investors are supported to independence. Local micro-finance organisations could also become involved to support graduation at later stages.

2. The official and/or philanthropic funder(s) providing the initial grant funding for the accelerator
3. The same or separate official and/or philanthropic funder(s) acting as a first loss guarantor
4. The same or separate official and/or philanthropic funder(s) willing to provide grants to investors following successful achievement of the defined outcomes, if outcomes payments are included as part of the model
5. Service provider(s). This is unlikely to be a single organisation given the variety and scope of the role. More likely a consortium of service providers, each with expertise in providing support to different sized enterprises and individuals would work together. MUVA could decide to provide support directly to one or a number of these target groups, and act as a lead service provider in charge of coordination and performance management.
6. Fund manager(s). Careful financial management of both the grant funding to the accelerator and the revolving investment fund would be needed. This function should ideally be played by the same fund manager who selects the enterprises so that the two funds are aligned. It is unlikely that the service provider and fund manager could be the same organisation given the different expertise needed to play these roles. However, it is important that they work closely so that the right enterprises are selected from the accelerator to receive investment. Ideally an existing fund would be brought on board to avoid having to create an organisation from scratch, thus saving time and effort.
7. A validator would likely be needed to validate outcomes that trigger any repayment back to investors in the version of the model which includes outcomes payments.

COMPLEXITY AND RUNNING TIME

Of the four models, this one is the most involved and complex. The different elements would need to be rolled out in phases, starting with the accelerator, moving onto the revolving fund and then turning attention to meeting the supply side needs. This suggests that the model would need a minimum of five to seven years to fully design, recruit all relevant stakeholders, fundraise, implement, operationalise and achieve results. Depending on the investment

requirements, the revolving fund may deplete more quickly, or it may still be growing after the seven year timeframe.

FUNDING SOURCES AND MODALITIES

The considerations here are similar to those in Model C above, except that:

- There would need to be Official/Philanthropic funding for both the first-loss guarantee/subsidy to investors and for the grant funding for working capital.
- These could be the same or different funders. Having the same funder would be preferable for streamlining and alignment of incentives, but is not essential.
- In any case the funder for the outcomes-linked subsidy to investors would need to be comfortable with potentially receiving repayments, which is legally impossible or structurally difficult for some funders.

WHAT NEEDS TO HAPPEN FOR IT TO SUCCEED

- The accelerator would need to trial operations for at least a year before the revolving fund is set up. This is to test whether there is a reliable pipeline of 'gazelle' micro-enterprises that could be supported to formalize and receive investments. This is the primary challenge to this model: in our KIIs, multiple stakeholders emphasized that this gazelle pipeline is very thin in Mozambique.¹² Many impact funds fail early due to lack of pipeline, and it may be that this model has to incubate enterprises from scratch, which requires more upfront time and grant funding, before investments can start to be made. One option is for MUVA to do just that, and work with DUYW to create a pipeline of micro-enterprises. MUVA might also consider working not just with female led constrained gazelles, but also with enterprises with the potential to employ DUYW, or serving DUYW as customers, in order to widen the pool of high potential SMEs.
- More work needed to understand the investability of the model and expected loss rate of investing in small SMEs. Absa stressed the importance of having a good estimate of how many SMEs that receive investment are expected to fail, as this will affect the levels of return expected and, in a revolving fund, determine how quickly the fund is depleted. Small SMEs are likely to require small amounts of investment, which require higher returns and mean transaction costs are high relative to the size of investment. There is a risk that given these two constraints the model is not investable, and this will need to be tested during the accelerator phase.
- A range of business development training with a gender focus. Both the International Labour Organization(ILO) and FSD raised the question of what support micro-enterprises and SMEs need most at the early stages of their development. Instilling good governance practices early on, supporting SMEs with liquidity and cash flow management and digital upskilling

¹² As noted above, this does not imply that there is not a good pipeline of high-potential SMEs in general; the challenge is finding and incubating the currently informal gazelles whose subsequent growth has strong DUYW benefits.

are all key areas, while ensuring training maintains a gender focused methodology throughout.

- Staff with specific expertise, knowledge and know-how will need to be recruited to ensure full success of the model. Due to the variety of beneficiaries and challenges the model would seek to address, it is one of the more complex instruments. A fund manager or equivalent with portfolio management expertise would be needed to manage the risk of selecting and funding enterprises.
- Success will be dependent on careful management of all stakeholders. With more stakeholders comes additional challenges of aligning incentives and working in unison. In addition to a highly proficient fund manager, MUVA would likely need to work with and lead a consortium of service providers to deliver interventions tailored to the needs of each target group. The needs of a micro-enterprise will be quite different to that of a larger SME, and delivering training to DUYW requires a whole different skillset.
 - Another way of limiting stakeholder numbers would be to have the same donor and/or philanthropic funder(s) provide the grant funds for the accelerator, act as the first loss guarantor and/or become outcomes payers, financial management and disbursement rules allowing.

KEY TAKEAWAYS:

This is a combination of several models that exist already and can be implemented in its entirety or constituent parts. The ultimate design of the model will depend largely on the stakeholders involved.

This model addresses a number of the key challenges and barriers faced by individuals and smaller enterprises in Mozambique, and covers the entire lifecycle of a growing enterprise. However, the model's comprehensiveness comes with complexity.

The main risk and most of the cost, lies in finding or developing a sustainable pipeline of micro-enterprises that can be supported to scale and receive investment.

Summary

The table below summarises the key elements of the four models: the target group, the innovation that the financing structure brings and the expected results.

Figure 9 – Summary of the Models

	Supply side intervention	Demand and supply side intervention		
	Model #1 FEE & Employment DIB	Model #2 Public Good Cash Transfer	Model #3 Blended Finance	Model #4 ESE Catalytic Fund
TARGET GROUP	Severely disadvantaged urban youth and women	(Severely) Disadvantaged urban youth and women	Medium SMEs and Large Enterprises	Micro-enterprises and/or Small SMEs
INNOVATION	Outcomes-based financing that recognises economic empowerment and employability as distinct outcomes, through wrap-around training	Combines a public works cash transfer program with outcomes funding to generate employment and public good creation	Incentivises employer behaviour change by providing finance at below market rate contingent on results achieved, whilst upskilling the supply of employees	Catalyses private investment in (and ensures a pipeline of) investable opportunities by incubating early-stage enterprises
RESULTS	Greater female empowerment, income and employment	Employment for DUYW, and public good creation. <i>NB This largely depends on the sector focus and could include climate resilience outcomes for example.</i>	Increased career opportunities and support for DUYW, Employment and income growth of SMEs/larger enterprises	ESEs and SMEs have access to investment and can scale, creating social value and/or employment opportunities for DUYW



PART 3 TOWARDS IMPLEMENTATION

PART 3

TOWARDS IMPLEMENTATION

All four models differ in target population, innovation and complexity. However, there are similar steps required to move from scoping to design, feasibility and structuring stage. The roadmap below sets out these workstreams, highlighting where some models will need more work than others:

ROADMAP

Workstream	Activities	Model 1#: Female Empowerment and Employment DIB	Model #2: Public Goods Cash Transfer	Model #3: Blended Finance	Model #4: ESE Catalytic Fund (various forms)
Summary	Overall estimated development and design time required	9-15 months	9-12 months	12-18 months	18-24 months (phased launches)
	Minimum run time required	3-4 years	2-3 years	2-4 years	5-7 years
	Minimum number of stakeholders	3-5	4-6	5-6	5-7
	Funding requirements	Investment needs to cover cost of the intervention. The smallest DIBs have raised <\$500k, the largest \$27m. Our experience is that the effort to pull a new partnership together in a DIB – even as a precedent project – means that projects <\$3mn are sub-scale. Outcomes funding exceeds investment to ensure a reasonable return (>5% IRR) if outcomes are achieved.	Similar to Model 1, grant funding would need to cover the cost of intervention (potentially with the service provider taking a degree of risk on outcomes). Outcome funding would be much lower in this model as it is top-up funding only, and could be <\$1mn. The scale of cash transfers from the public sector could be significantly larger	Medium-large firms are unlikely to be interested in accessing funding with ticket sizes of less than \$1mn, even with the incentives on offer. We recommend that a blended finance fund would need to be able to fund at least 20 transactions to demonstrate impact. This suggests a fund size of at least \$20mn. However, the grant element could be as low as 20% or \$4mn in total.	This model requires significant grant funding to build a pipeline of 'gazelles'. Given the relationship intensive nature of the support, this could require total grants of up to \$1mn per year. On the investment side, ticket sizes for SMEs will be much smaller than in Model 3, averaging \$100k per transaction (though down to the level of \$50k) but at least 15 investments per year would be needed to justify transaction costs, or \$1.5mn per year.
	Target group	Severely disadvantaged urban youth and women	Disadvantaged urban youth and women (DUYW)	SMEs/Larger enterprises & DUYW	Early-stage micro-enterprises, smaller SMEs & DUYW
	Overall complexity	Low - Medium	Low - Medium	Medium - High	High

Workstream	Activities	Model 1#: Female Empowerment and Employment DIB	Model #2: Public Goods Cash Transfer	Model #3: Blended Finance	Model #4: ESE Catalytic Fund (various forms)
1. Target population	<ul style="list-style-type: none"> Clearly define the overall objective of the programme Refine definition of target population and their needs. Identify data sources on the target group Identify segments of the target population based on shared characteristics 	Severely disadvantaged urban youth and women have been identified as a target group. However, a greater understanding of the needs and the differences within this group is needed to structure the intervention and price outcomes.	DUYW have been identified as a target group. This is a relatively well-defined target group as articulated by MUVA.	SMEs and larger enterprises are the target group here, but a sector could be selected at design phase. The selection of a sector would need to be guided by the comparative attractiveness of this source of capital to enterprises, and potential impact on DUYW and gender norms.	Early-stage micro-enterprises have been identified as a target group. The selection criteria needs to be further defined – in particular whether this programme would be exclusively for female-led Constrained Gazelles.
	Estimated time required	2 months	1 month	2 months	2 months
	Difficulty	Medium	Low	Medium	Medium
2. Intervention and providers	<ul style="list-style-type: none"> Market landscaping of potential service providers Analyse existing evidence showing the needs of the target population being addressed successfully Estimate of the cost of achieving result (for later use in the analysis of the value to the outcome payer) 	Evidence of interventions that have enabled severely disadvantaged DUYW to increase their economic empowerment, employability and income needs to be costed and analysed. If replicating existing interventions then much of this information sits with MUVA.	Further analysis and mapping of employment intensive ways of creating public goods is needed, as well as a greater understanding of government priorities. This will help narrow down the sector of intervention.	Additional market landscaping and additional analysis of the existing evidence needed to test feasibility of the intervention approach. Likely requires significant outreach to potential service providers.	FSD has been identified as a potential partner, however more analysis of the potential interventions are required, specifically for pipeline generation.
	Estimated time required	1.5 months	1 month if replicating Assistentes; 3 months of intensive work if expanding to a new sector	1.5 months	3 months
	Difficulty	Low	Medium-High	Medium	High
3. Outcome measurement	<ul style="list-style-type: none"> Articulate theory of change Identify results to be measured and potential measurement methodologies Evaluate the suitability of measuring results with each of the potential measurement methodologies 	Outcome metrics have been identified, however the evaluation methodology is yet to be defined. Metrics would need to be tested and agreed with outcome funders.	Outcomes payment triggers not currently defined and would depend on the type jobs created. Identifying a sector and potential outcome funders should come first.	Outcomes payment triggers not yet clearly defined. Design a framework focussed on measurability and encompassing a range of output and outcome metrics.	Potential outcome metrics have been discussed, but require further consideration, including around their measurability. As this model would not include outcome payments in its early stages, a high-level framework would suffice.
	Estimated time required	2 months	2 months	2 months	1 month

Workstream	Activities	Model 1#: Female Empowerment and Employment DIB	Model #2: Public Goods Cash Transfer	Model #3: Blended Finance	Model #4: ESE Catalytic Fund (various forms)
	Difficulty	Medium	Medium	Medium	Low
4. Investor engagement	<ul style="list-style-type: none"> Research into potential investors Discussions/co-design process with potential investors 	There are many precedents for investments in employment programmes via a DIB mechanism. There are fewer precedents for DIBs focussed on gender outcomes so this will need to be tested further.	This model does not require investors per se, but relies on the ability of the GoM National Institute for Social Protection to commit funding.	Given this is a fund, it is likely a minimum investment will need to be raised, with potential for further rounds once the fund is launched. Engaging both Mozambique based and international investors with different risk appetites will be time consuming.	<p>Additional analysis is needed to assess investor appetite and the various de-risking mechanisms.</p> <p>The revolving fund may allow for continuous fundraising if there is appetite to do so.</p>
	Estimated time required	2 months	Ongoing	Ongoing	Ongoing
	Difficulty	Low	NA	High	High
5. Grant and/or outcome funder engagement	<ul style="list-style-type: none"> Research into potential outcome funders Discussions with potential outcome funders, ascertain willingness to pay Articulate (and quantify, where possible) the different sources of value the model will generate, and who benefits from each Estimate the costs of the model First cut of outcome pricing 	The impact of the DIB needs to be analysed and quantified, including a cost benefit analysis and ideally a full operational and financial model. Early engagement with outcome funders will be crucial but much of the model development can be completed before final commitments are made.	<p>Identifying potential outcomes funders will help narrow down the sector of intervention. GoM could be a good outcome funder if the model can be aligned with their objectives, especially as this would ensure broader government buy-in.</p> <p>Grant funders will pick up the bulk of the project funding so should be engaged in tandem.</p>	<p>A funder willing to provide outcomes funding to large SMEs and enterprises is needed to ensure the fund is an attractive source of capital.</p> <p>Tying this funding strictly to gender based outcomes will be of interest to some funders, but it may still be challenging to find a funder comfortable with their outcomes funding flowing directly to private enterprises.</p>	<p>There are several elements of this model, each will need to be costed and their benefits estimated.</p> <p>An initial grant funder to support the incubation of micro-enterprises will need to be engaged first. This is a crucial first phase of the model and is potentially very high cost, so MUVA would need to form a strong partnership with this grant funder.</p> <p>An outcomes funder may or may not be required, depending on the choice of de-risking mechanism. Alternatively, a funder willing to provide either a first-loss guarantee or a subsidy to investors would need to be identified.</p>
	Estimated time required	6 months	6 months	6-12 months	9 months minimum
	Difficulty	Medium	Medium	High	High

Workstream	Activities	Model 1#: Female Empowerment and Employment DIB	Model #2: Public Goods Cash Transfer	Model #3: Blended Finance	Model #4: ESE Catalytic Fund (various forms)
6. Legal and administrative routes	<ul style="list-style-type: none"> Investigate any restrictions that might exist for how the funds under consideration can be used Investigate the process to commit budget from those sources and possible means of contracting the model Evaluate the level of maturity of the ecosystem to understand the capacity to support different contracting mechanisms. 	The process to commit funds from these potential sources is unclear and contracting mechanisms would need to be identified. These would also need to take outcome funder and investor needs into considerations.	MUVA's Assistentes project has already tested most elements of this model. However, it will be important to explore GoM capacity to contract on an outcomes basis.	<p>This model would be classed as financial services and so would be closely regulated by the Banco de Moçambique.</p> <p>Setting up a fund has a number of legal and administrative requirements and takes a long time to register. Working with Mozambique based partners and institutions with expertise in this area can reduce costs, time and efforts significantly.</p>	<p>The full version of this model would also be classed as financial services.</p> <p>Given there are several elements to this model, the legal structures in each one would need to be explored in turn, as well as their interactions with each other.</p>
	Estimated time required	3 months	2 months	3-6 months	6-9 months
	Difficulty	Medium	Low	Medium - High	High
7. Sustainability strategy	<ul style="list-style-type: none"> Create a transition plan for the service upon closure of the model Articulate the role of this model within a broader strategy, which considers subsequent or parallel steps needed to maximise its benefits for the target population 	Measures need to be taken to ensure neither participants of the impact bond nor the service providers will be negatively affected by the scheduled closure of the impact bond, as well as a plan to ensure a positive legacy.	Embedding this model within the GoM is a viable sustainability strategy. However, a transition plan needs to be laid out in advance of launch.	A broader sustainability plan needs to be identified, perhaps working with financial institutions in country to support them to take over the model.	A graduation plan for enterprises successfully completing the model needs to be agreed ahead of launching the investment arm of this model.
	Estimated time required	Ongoing	Ongoing	Ongoing	Ongoing
	Difficulty	Medium	High	High	Medium

FEASIBILITY OF EXTERNAL PRIVATE INVESTMENT

Models #3 and #4 in this report envisage the involvement of private investment capital. For the most part – and as set out in the model details – we expect this to be sourced from outside Mozambique.¹³ Two important implementation parameters to consider are:

- What constraints are there on establishment of new legal entities or structures
- Whether there are any constraints to both inflows and outflows of investment into the fund, including the repatriation of any financial return made on investments.

On the first point, our research indicates that the decision on how to structure the legal vehicle for the investment depends on the purposes of the fund (i.e. commercial versus non-profit) and the nature of the expected cash flows. The specific choices are a commercial company,¹⁴ association, NGO and a standalone, legally established ‘fund’, as well as a commercial representation of a foreign entity.

We have assumed in models #3 and #4 that investment would be channelled via some form of standalone fund structure.¹⁵ However, timelines are an important consideration. Our understanding is that both standalone funds and national associations take both a significant time and cost to register. For this reason, and as pointed out in the models section, it would be better to ‘piggyback’ on fiduciary mechanisms established by an existing fund structure (such as the examples provided for model #3). In addition, there are other, useful precedents of pools of capital managed by banks and micro-credit institutions to lend money under concessionary terms.

On the second point, if there is a financial return (or profit/income margin) to the investors – or any repayment of the funds received by the recipient back to the investor – then the investment would be subject to financial services laws which are closely regulated by the Bank of Moçambique. Repatriation of returns is feasible for foreign domiciled investors, although not without transaction costs.

Overall, our assessment is that the legal and regulatory requirements relating to foreign investment capital – both in terms of governance of legal structures and the ability to repatriate returns – can be somewhat onerous. However, they certainly do not preclude the investment required for models #3 and #4. In practice, the likely sources of quasi-commercial or social investment required for success (as set out in the models) will have the professional capacity and patience to navigate these requirements.

¹³ Not least because the models require investment that is not fully commercial – in other words, quasi-commercial or social investment that is prepared to invest in DUYW-related interventions. The research for this report suggests that availability of this type of investment capital is very limited in Mozambique.

¹⁴ In some other jurisdictions, the regulatory framework allows for a company to be formed on a not-for-profit basis. However, in Mozambique only an association, NGO or a ‘fund’ can be not-for-profit.

¹⁵ As opposed to direct investment by an external investor in a specific enterprise. Model #3 also provides an option of an existing commercial bank establishing a separate lending window to act as the blended finance facility.

SUMMARY AND RECOMMENDATION FOR NEXT STEPS

All four of the shortlisted models show promise. They are tailored to the specific DUYW challenges in Mozambique, and are built on the significant achievements of MUVA. Our scoping demonstrates that innovative finance could facilitate improved outcomes for each of their distinct target groups. And as our mapping shows, they respond to different challenges ‘in the market’.

However, a comparative analysis of the four shortlisted models suggests that the models that do not include private investment (Models 1 and 2) may be quicker and easier to progress to implementation than those that do include private investment (Models 3 and 4). This is for two reasons:

- In Model 3, the constraint is likely to be the difficulty of persuading both enterprises (as the borrowers) and impact oriented debt investors to participate in this novel mechanism. Both sides are required for any progress.
- As emphasised for Model 4, the constraint relating to investment is not the lack of potential social / high impact investors; it is instead the thin and unreliable pipeline of investable, high potential SMEs that can deliver DUYW benefits.

Our assessment is therefore that Models 1 and 2 can be more quickly taken to a full feasibility & initial design phase, to be tested with stakeholders, with a concerted effort to identify funders early in the process. Given that the focus and sources of funding for the two models are markedly different, these conversations could happen in tandem. We recommend a dual track approach of initially pursuing models 1 and 2 simultaneously. In our experience, feasible innovative finance models are sometimes not taken forward not because the business case or theory-of-change is weak, but because they do not meet the particular interests of funders at that particular time. Pursuing both models provides a diversification effect. Depending on stakeholder interest, one or both models could subsequently be taken forward to final design and structuring.

As the likely lead provider in these two models, MUVA could feasibly progress the models and make many of the design and intervention decisions internally, which is an important risk mitigation. However, we strongly recommend that MUVA co-produces the models where possible with potential funders and participants.

Our assessment is also that there is significant value in progressing Models 3 and 4. However, as timelines are likely longer and as these models rely on as-yet unidentified key partners (and investors), it would be prudent to continue scoping them out with potential stakeholders ahead of launching a formal design phase. It may be the case that the nature of these models, which incorporate private investment, may be less of a fit for MUVA to take forward, given its focus and experience. This is a judgement call for MUVA to make.

Finally, in order to test initial commitment and sense check the proposed route forward, we recommend the formation of a steering group of potential funders. This would be a time limited exercise designed to narrow down the specific options / design choices within the models in order to assess which to progress. The steering group would also play a critical ‘check & challenge’, as well as providing independent credibility to the development process. Funders could be drawn from the pool of people we have already spoken with during KIIs, bringing in any other relevant funders

and independent experts, as well as government representatives.¹⁶ Asking people to commit in principle to three meetings, rather than a single workshop, would be a stronger indicator of interest and will allow for meaningful co-design over time. The steering group could continue into the design phase if relevant, with other parties – such as other potential service providers – brought into the dialogue.

In sum, although many of the models presented here include combinations of elements relatively untested in the Mozambican context, MUVA's expertise, rigorous approach to achieving impact and unwavering focus on the needs of DUYW mean there is potential to build momentum around one or more genuinely innovative projects.

¹⁶ We also strongly recommend that this type of steering group establishes a mechanism that allows for genuine consultation and dialogue with potential participants in the models that are chosen to progress, both in the 'individual' and 'enterprise' target groups (per Figure 1). This will reduce the risk of developing models that do not respond to the needs and lived realities of participants.

A portrait of a young woman with dark skin and hair, wearing a patterned headwrap with red, yellow, and green designs. She is wearing a white t-shirt with 'COACH' printed in large, bold, black letters with a yellow outline. Below the brand name, there is a smaller graphic of a building. She is also wearing a necklace of white and yellow beads and a large red hoop earring. The background is a textured, light brown wall.

APPENDICES

Appendix A.

Employment Programmes in Mozambique

PROJECT	FUNDERS AND STAKEHOLDERS	OBJECTIVES	ACTIVITIES	IMPACT	RESOURCES
Mainstreaming Employment Intensive Investment Strategies and Social Protection in Government Operations	Funded by the ILO (2016-2020)	Support the creation of an employment and social protection promotion unit in the GoM, which would effectively use public investment in infrastructure and social protection to improve the labour market.	Evaluation of the effectiveness of public spending (public works, employment guarantee act, universal social protection, targeted cash transfer programmes) using a Dynamic Accounting Matrix (DySAM) Capacity building of the unit staff	The Government will have a flexible and user-friendly tool at its disposal and be able to use it to make an effective decision on policy options.	ILO page
MozTrabalha	\$6.1m provided by the Swedish Government Managed by the ILO (2016-2021)	Contribute to the creation of decent work for Mozambican women and men, in particular youth and rural residents.	Support the implementation of the Mozambican National Employment Policy, by adopting a market systems approach to the promotion of employment-intensive green jobs, sustainable enterprise development and FEE. Train young entrepreneurs so that they can take part in the creation and maintenance of critical rural-urban infrastructure Rehabilitation of technical and vocational educational training (TVET) centre in the disaster-affected areas.	Increased access to employment opportunities for women, implementation of a National Employment Plan (NEP), and pro employment policymaking at Government level.	Moztrabalha overview
JOBA (Skills for Employment)	UK Aid (£17m (2015 – 2021) Implemented by Mott MacDonald Evaluated by Coffey (ongoing)	Increase the income of marginalised youth with a focus on women and girls, through improved access to quality skills training. Focus on formal or self-employment, and on non-state training provision.	Create linkages between employers and non-state training providers and to train the future managers of Mozambique's growth sectors. Create an "Association of Non-State Providers" to create linkages between government and the private sector to improve the quality of training Government capacity building to improve working with non-state TVET suppliers	20000 graduates to receive technical training and 3000 to receive vocational/ second chance/ entrepreneurship training. In January 2019, 75% of JOBA training graduates had seen an increase in income and 70% of them were engaged in more productive work.	JOBA Overview Project Overview - FCDO

PROJECT	FUNDERS AND STAKEHOLDERS	OBJECTIVES	ACTIVITIES	IMPACT	RESOURCES
SOGA (Skills for Oil and Gas)	DIFID and German Federal Ministry for economic cooperation and Development and Norway £25m from DIFID (Moz, Tanzania, Kenya and Uganda) (2015-2019)	Improve access to jobs and economic opportunities for local people in the oil and gas value chains in those countries through demand-driven and practice-oriented skills development interventions and SMW development.	Training programmes (work readiness training and wrap-around services). SME development (support in tendering, financial management and health safety training).	8000 Mozambican Jobs to be created (so far 11755 jobs have been created as a result of SOGA in all 4 countries)	SOGA Overview
STEM (Skills Training for Employment in Mozambique)	Government of Canada through Global Affairs of Canada (CAD \$18m 2014-2020) in partnership with GoM	Strengthen the quality of skills training programs in Tete and Cabo Delgado provinces and improving the delivery of extractive education through competency-based curriculum development.	Teacher training, management training and procurement of industrial training equipment	Increase economic opportunities of 4,000 qualified women and men in Tete and Cabo Delgado by improving their access to the job market	STEM Overview
Mozlink	2003-2008 Implemented by Mozal aluminium Smelter, IFC and the Mozambican Investment promotion centre (CPI).	Develop local SMEs' capacity to a level where the local company is competitive and qualifies to bid for work with Mozal as well as other large companies	Training of batches of 15-20 SMEs over a 12 month cycle to develop business and technical skills through assessments, mentoring, training and workshops to prepare them to perform adequately on large contracts.	SME performance increased by 20% and local procurement doubled. Capacity built 45 SMEs From 2002 to 2007, Mozal increased its operational spending with Mozambican companies from \$5 million to \$17 million a month	Mozalink Evaluation
Mozlink II/ Beluluane Industrial Park	Mozlink II, launched in 2007, expanded the original program to include Sasol (gas) and SABMiller and Coca Cola. In parallel, the Government launched an EPZ, the Beluluane Industrial Park.	Mozlink II and the EPZ aimed to "help SMEs in Mozambique gain the skills and technical capabilities to compete effectively, and in a sustainable way, for large contracts in a number of important industries."	With a budget of \$1 million Mozlink II organized 51 workshops/training events attended by a total of more than 550 people; 77 entities received training and 45 received mentorship.	The key outcomes of the program were: <ul style="list-style-type: none"> 36 entities implemented the recommended change \$53 million in incremental sales were generated for local SMEs. Buyers said they intended to continue funding the program after it closed. But most SMEs said they suffered because they could not access financing from commercial banks due to lack of collateral, lack of formal credit histories, and high interest rates.	Moz linkages

PROJECT	FUNDERS AND STAKEHOLDERS	OBJECTIVES	ACTIVITIES	IMPACT	RESOURCES
Tete Coal Linkage Projects	Rio Tinto Coal Mozambique (RTCM) initiated a business linkages program, and a business centre to provide information to local SMEs, support and facilities. Vale Coal mine and IFC initiated a similar program.	Both projects were similar to Mozal II above, aiming to attract local SME participation	Activities were designed to be similar to Mozlink II, but were only very partially implemented.	<p>The Vale program was readjusted to a more traditional corporate social responsibility approach with no focus on business linkages after the IFC discontinued its investment (for unconnected reasons). Rio Tinto in 2014 sold its assets to India's International Coal Venture Private Limited, which has not made any specific local development commitments.</p> <p>The proponents were said to be discouraged by the fact that only 2% of the population has completed high school, and by potential SME suppliers having difficulty accessing finance.</p>	Moz linkages
Training and Employment Programs in Extractive Sector Companies	Vale Kenmare Sasol Mozal	Improve the capacity of the former National Institute of Employment and Professional Training (INEFP) to provide training to its workers and the community.	<p>Supported the former National Institute of Employment and Professional Training (INEFP) with curricula development for civil trades, modernization of equipment and workshops, teacher training, and a stipend, meal and transport for students. Institution offers 3 –9 month courses in industrial maintenance and hospitality.</p> <p>Provided apprenticeships program for TVET students and graduates in equipment operation.</p>	<p>The Maputo INEFP has the capacity to train 900 trainees per year</p> <p>The Electronic Training Centre was internationally certified by City and Guilds Centre for Skills Development.</p>	

PROJECT	FUNDERS AND STAKEHOLDERS	OBJECTIVES	ACTIVITIES	IMPACT	RESOURCES
Skills to Build (S2B)	2017 – 2020 Funding by: SDC, Medicor Foundation, Stadt Zürich, Finanzdepartement Maputo City and Province	Improve the competitiveness of the local construction sector in terms of quality and productivity in order to provide construction workers with more stable employment conditions, and thus improve their income.	Strengthen the Employers Federation “FME” and its associations of the construction sector; provide further training of already employed construction workers; Short-term induction courses for unemployed youth interested in the employment in the construction sector	Built capacity of 431 young trainees (128 women) in masonry, plumbing, painting, electricity, health and safety, tiling, steel fixing and form working; Four construction companies actively participated in the Training of Trainer (ToT) sessions and received 21 young people for professional training in masonry; 171 employees (25 female) received short-term specialised training. All are employees in 27 different companies in Maputo City and Maputo Province.	S2B Overview
HOJE	Helvetas (2017-2019) Funded by several donors including USAID, SIDA, CARITAS and FINNIDA	Prepare young people aged 15 to 29 for work, and integrate its successful elements in other vocational training centres and national programs	Provides vocational training in Northern Mozambique, half of whom are women. Participants undertake a 3 month course geared towards meeting job market requirements	255 young people graduated; 15- employed 5 -Entrepreneurs	Helvetas Overview
ExxonMobil – Centre for Enterprise Development	\$3m 5 year program (2019-2024) Implemented by Mozambique Enterprise Solutions Lda (partnership between DAI and TPLA), in partnership with ExxonMobil, ENI, CNP, Galp, Kogas, ENH	Develop qualified, competitive local SMEs with transferable skills that can support a variety of Mozambican growth sectors, including the extractives industry.	Services include business assessments, consulting and advisory services, quality and safety certification requirements and information on accessing capital. Offices being set up in Maputo, Palma and Pemba.		CED overview
Catalisa	\$10m 5 year program (2017-2022) Part of Total's LNG Mozambique social Investment strategy. Implemented by Technoserve & Azul Consultoria	Create new opportunities for farmers and young people in (Palma district) Cabo Delgado	Increase local investment in the horticulture and poultry value chains, while the youth training component aims to prepare youth in Palma district to enter the formal workforce or become entrepreneurs.	About 100 youth have currently graduated, it aims to create 2,100 jobs impacting over 12,000 direct and indirect beneficiaries over its 5-year lifespan.	Catalisa Overview

PROJECT	FUNDERS AND STAKEHOLDERS	OBJECTIVES	ACTIVITIES	IMPACT	RESOURCES
Sovereign Wealth fund	GoM from gas revenues	To mitigate the negative impact of commodity terms of trade volatility (Dutch disease) from LNG exports, and to earmark funds for infrastructure development, poverty reduction, and economic diversification	<p>Next step is for the Fund to be set up, presumably in 2022 when the first significant revenues flow from the gas fields.</p> <p>The proposal for the framework of the fund is to be presented before the end of 2020 by Banco de Moçambique, but there are already complains from civil society that it is being excluded from the process.</p>	The IMF's assessment is that a sovereign wealth fund would "mitigate Dutch disease effects and serve as a much needed fiscal buffer."	Centro para a Democracia e Desenvolvimento

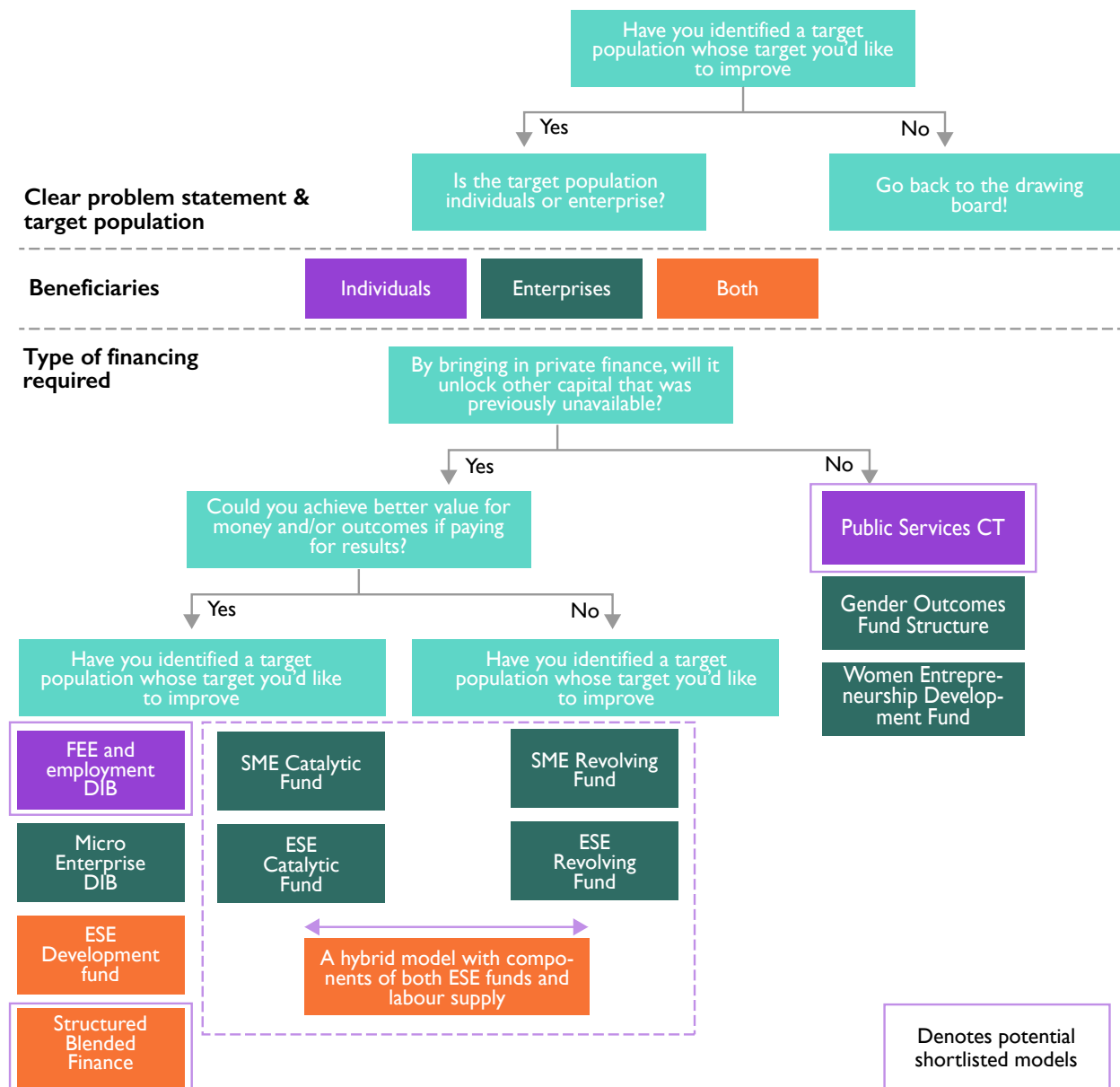
OTHER RELEVANT PROGRAMMES

PROJECT	FUNDERS AND STAKEHOLDERS	ACTIVITIES	IMPACT	MORE INFORMATION
Inclusive Youth Pay for Performance Platform	<p>Service Provider: Harambee Academy</p> <p>Outcomes funders: Yellowwoods, Orbis, Gauteng province gov and Jobs fund</p> <p>Investors: Hollard insurance company. Standard Bank. Brimstone Legacy</p>	Harambee identify growth sectors with high levels of demand for entry level human capital, and train and place 18-35 y/o from poor income backgrounds into sustainable quality employment.	<p>The DIBs main objective is to place 6000 unemployed and excluded youth into employment.</p> <p>NB: 61% of year 1 job outcomes are expected to be achieved by female participants</p> <p>Outcome payments are made when a South African youth from a poor household is placed into a job and has a minimum 12-month contract.</p>	<p>https://www.brookings.edu/blog/education-plus-development/2019/07/12/first-social-impact-bond-in-south-africa-shows-promise-for-addressing-youth-unemployment/</p> <p>http://www.ib-wg.com/pdfs/Yellow_Woods.pdf</p>
Village Enterprise Development Impact Bond (DIB)	<p>Service Provider: Village Enterprise</p> <p>Outcome funders: DFID, USAID and an anonymous philanthropic fund</p> <p>Investors: Total of nine, but not all publicly disclosed</p>	The DIBs target population receives a four month business training programme, and \$150 of seed funding. Village Enterprise also implements Business Saving Groups (BSGs) as well as a mentoring scheme.	<p>The DIBs main objective is to equip people living in poverty with the resources to create sustainable businesses, by creating 1000+ sustainable micro enterprises.</p> <p>Outcome payers pay 1\$ dollar for every increase in household income.</p>	https://golab.bsg.ox.ac.uk/knowledge-bank/case-studies/village-enterprise-dib/

PROJECT	FUNDERS AND STAKEHOLDERS	ACTIVITIES	IMPACT	MORE INFORMATION
Road to Women's Business Growth	CSR partnership between Exxon Mobil and the Cherie Blair Foundation	Participants are trained using a custom-built curriculum that combines in-class instruction and online learning on financial literacy and investment literacy training.	The main aim of the programme is to build the business management and financial literacy skills of women entrepreneurs in Nigeria. The initiative started in 2016 and has trained 500 small business owners. They have also developed a mobile learning tool called Business Women, which reached over 100,000 women in Nigeria, Indonesia and Tanzania	https://corporate.exxonmobil.com/Community-engagement/Womens-economic-opportunity/Empowering-women-business-owners-through-financial-literacy
Prospero (Previously PEPZ – Private Enterprise Programme in Zambia) (2014-2020)	£21.15m from UK Aid Implemented by the World Bank, Coffey International Development and DAI Europe	<p>The programme's original design included an Accelerator Fund, Business Linkages Programme, Business development services and a Business plan competition.</p> <p>Currently establishing an SPV that aims to facilitate investment in innovation, driving profitable and inclusive growth.</p>	The programme aims to tackle low levels of productivity and to increase the competitiveness of the private sector by strengthening the capacity of Small and Medium Enterprises (SMEs), and will help create over 26,500 jobs.	<p>https://devtracker.fcdo.gov.uk/projects/GB-1-201980</p> <p>https://prospero.co.zm/about-prospero/</p>
South African Jobs Fund	Launched in 2011 – 9 billion rand (£420 million) from the Government of SA– one of the world's largest challenge funds.	Co-finance projects by public, private and non-governmental organizations that will significantly contribute to job creation. The fund also seeks to encourage both the scale up and replication of successful models.	<p>Provides funding for 4 main areas:</p> <p>Enterprise development, Infrastructure development, Support for work seekers (i.e job search projects, training activities and support for career guidance) and Institutional capacity building</p> <p>Project are selected through a competitive process to select initiatives likely to have the most impact, and selected projects receive grant funding as well as match funding</p>	<p>Jobs Fund Overview</p> <p>OPML Evaluation</p> <p>Job Seekers projects</p>

Appendix B.

Innovative Finance Models – Decision Tree



Appendix C.

Checklist of feasibility questions

- I. What role does MUVA want to play in this model? What additional skills are needed? e.g.:
 - Fund manager
 - Portfolio manager
 - Accelerator/incubator expertise
 - TA services delivery
 - BDS delivery
 - Individual soft skills development
 - Individual hard skills development
2. What are the priority target groups?
3. What are the key challenges to address?
4. What is the appetite of investors and outcome funders in this space?
5. What specific intervention(s) will be used?
6. What are the outcomes you want to see? How will outcomes be measured and verified?
7. What are the timeframes and durations of the programme under consideration?
8. What are the risks associated with this model and intervention?
9. How complex is the model structure? How to manage this complexity?
10. Do you need to account for any legal or regulatory constraints?
11. What are the costs associated with setup, mobilisation and running the program? What are the intended benefits (both monetary and through social value generation)?
12. How sustainable is the selected project?

Appendix D.

List of organisations consulted during KIIs

1. UBS Optimus
2. UK Foreign Commonwealth and Development Office (FCDO)
3. Mastercard Foundation
4. Open Society Foundation (OSF)
5. Global Affairs Canada (GAC)
6. Bertha Centre for Social Innovation and Entrepreneurship, University of Cape Town
7. Financial Sector Deepening Mozambique (FSD)
8. International Labour Organization (ILO)
9. The World Bank
10. Danish Red Cross
11. Absa Group Ltd
12. Aga Khan Foundation

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Social Finance Ltd

Tintagel House
92 Albert Embankment
London, SE1 7TY, UK

T +44 (0) 20 3963 5151

info@socialfinance.org.uk

www.socialfinance.org.uk

Social Finance is authorised and regulated by
the Financial Conduct Authority
FCA No: 497568

MUVA

Avenida Francisco Orlando Magumbwé
998- Maputo
Mozambique

T +258 84 534 1584

info@muva.moz.co.mz

<https://muva.moz.co.mz>