FP029 SCF Capital Solutions (MSME Pilot Program, DBSA), South Africa

CSO comments on the project given as intervention during the 15th GCF Board Meeting, December 2016

- The proposal is the expansion of a pilot project, but it is not clear what lessons were learned from the pilot phase and how they have been incorporated in the scale up.
- One of the biggest shortcomings is that the proposal does not provide any clarity on which selection criteria will be used for investment decisions in MSMEs (although it does spell out an exclusion list). Which MSMEs will qualify as supporting the "green economy"? Without this clarity, the proposal reads primarily as a finance proposal, not as a climate proposal.
- For example, why is the proposal only focused on extremely short-term finance – but does not address any capacity-building challenges for MSMEs? Is the lack of such very-short term finance really the central barrier to a stronger contribution of South-African MSMEs to climate change mitigation and adaptation?
- We are re-assured by the assertion of from the Private Sector Facility yesterday during the informal meeting that the micro and (very) small enterprise segment will have equal, if not preferential access opportunities, to avoid program-dominance by medium-sized enterprises. The program should set some explicit minimum targets to this effect.
- We also have some questions on the proposed climate, primarily mitigation impacts the projects claims it will make. As discussed yesterday in the informal, we believe the attribution of climate reductions resulting from the whole RE or farming projects to the extremely short-term loans provided by the program is faulty and needs to be realistically revisited. To assess the climate impact of the programme, one would have to assess how many of the projects would have happened anyway, maybe with different suppliers and how many projects were truly made possible by a better supply chain. However, such an assessment is not presented. Instead, the proposals just assumes that all projects can be attributed to the supply of short-term supply chain financing, leading to greatly inflated numbers for avoided emissions. Similarly in the land-use sector, it cannot be assumed that every supply chain financing extended to a farmer will lead to a farmer realizing the full mitigation potential of the cropland management.
- We have some remaining concern about how the application of environmental and social safeguards will be guaranteed. The proposal doesn't look at SCF Global Solutions ability to apply them in what will be a highly automated way to do financing. So how will DBSA as implementing entity oversee the ESS application by SCF Global Solutions? What role will the GCF as member in the proposed 3-party advisory committee play in the day-to-day operation in ensuring safeguards-application? Again, further clarification is needed.
- The project provides a gender action plan which some targets whose implementation it claims DBSA will oversee. The plan suggests for example the involvement of a gender expert to ensure the plans implementation, but there is no apparent budget allocation for this purpose to ensure outreach, capacity building etc. The gender action plan provided is also missing a clear commitment to ensuring that job benefits provided are also shared equitable by men and women. And a section in the proposals which is to outline some example of women-led MSMEs supported during the pilot phase is incomplete.
- The proposal does not provide any information on engagement with NDAs, civil society organizations and other relevant stakeholders. The respective section in the proposal is left blank!!! We consider such documentation to be incomplete. This should have been picked up by both the Secretariat and ITAP assessments.
- Overall we feel that the proposal would need significant sharpening of the concept, a more realistic and coherent assessment of its impact potential, and additional information to be provided by the applicant on several aspects of the proposal.