

CSO Comments on the Programmatic Framework for MSMEs (BM13, June 2016)

- We always felt the success of the GCF's strategy for engaging the private sector is closely tied to its ability to engage MSMEs, which account for the vast share of companies in developing countries. It is also one of the best opportunities for the Fund to realize a gender-responsive approach in engaging the private sector in Fund activities, as women entrepreneurs are represented in a disproportionately large number in that segment of developing country domestic private sector activities – draft call makes no reference to this.

We have a series of concerns about the current paper that do not allow us to support the proposal in its current form.

- **The proposed competitive selection process does not offer a clear role for NDAs [as Board members mentioned] or focal points, and there is no discussion at all in the paper on how stakeholders and accredited observers could participate in the process of deciding upon the portfolio or projects selected to form part of the programme.**
- We are disappointed to see that the proposal does not clarify what, if any, space there will be for multi-stakeholder consultation, including with communities potentially affected by projects. This is not an optional add-on, but an essential part of implementing country ownership.
- The proposed competitive bidding process **seeks to address micro- and small companies by making the ability to reach "bottom of the pyramid" companies a small factor in the scorecard used to select projects. Addressing the needs of micro- and small-companies, and reaching the "bottom of the pyramid" in terms of companies and beneficiaries, is in fact a core raison d'être of this RFP and should not be reduced to a mere scorecard factor.** We would suggest instead that the programme has a **floor target** for the proportion of its funding that goes to micro- and small- enterprises.
- Indeed, **the scorecard criteria as a whole are problematic as they focus almost entirely on process factors, with hardly any consideration of whether an activity will have meaningful climate or sustainable development impact. Further, the scorecard sub-criteria for "benefits to MSME clients" and "benefits to the bottom of the pyramid" are wholly inadequate.** For example, in what country a project is based or whether it targets a micro-sized enterprise falls very short of proof that it is reaching the poorest and most vulnerable.
- We also regret **the lack of any reference to or strategy for targeting the informal sector, which accounts for the majority of MSMEs in developing countries.** Specific proposals should be brought forward to address this, including consideration of how **technical assistance and capacity building, and a small grants scheme** could be used for this purpose.
- There is **no definition of "qualified financial institutions", and what it means to draw such institutions from a pool of those "working with an entity accredited to the GCF."** The Request for Proposals should be open to all institutions capable of

implementing it, with particular priority given to direct access entities. That said, there should be a specific provision to ensure that MSME financing targets only companies based in developing countries – **and excludes the provision of finance via this programme to subsidiaries of multinational companies.**

- **Clarity should be offered that these institutions will need to become accredited entities of the Fund, and possibly that their accreditation applications will be prioritized in some way.**
- Finally, we would like to **note that the Decision is ambiguous. The usual practice of the Board is to decide upon the implementation of specific annexes. In this case, the Secretariat is simply requested to issue requests for proposals without clarity on whether that would be the document in Annex II or something else.**
- **Annex II is listed as a draft and, indeed, it needs further work. We would therefore suggest that paragraph (b) of Annex I be amended to state “*Requests the Secretariat to finalise the Request for Proposals, following consultation with accredited observers, the Private Sector Advisory Group and other stakeholders, and present this document for decision at the 14th Meeting of the Board.*”**