I. Introduction

The objective of this programme is to use supply chain finance to solve the problem of lack of access to finance for Small, Medium and Micro-sized Enterprises (SMMEs) in the green economy. Like those in other industries, SMMEs in the green economy suffer from chronic lack of access to finance. This is mostly due to lack of track record and collateral, thus traditional banking is unable to access risk and approve a credit facility for such companies. In 2015, Supply Chain Finance (SCF) Capital Solutions, a developmental finance fund management company founded by experienced trade and supply chain finance bankers, teamed with The Development Bank of Southern Africa’s (DBSA): Green Fund and the Small Enterprise Finance Agency (SEFA). The two state-owned institutions partnered to create South Africa’s first SMME green supply chain credit facility named the “SEFA Botala Facility”, whose aim was to provide working capital loan financing to small business enterprises in the green sector, who would typically not obtain financing from commercial banks. SCF Capital Solutions was appointed as administrator of the credit facility.

Supply chain finance is a set of technology-based business and financing processes that link the various parties in a transaction – the buyer, seller and financing institution – to lower financing costs, improve access to finance for SMEs who supply large institutions and improve business efficiency. Projects that will benefit from the SCF are of small scale. The following sectors have been identified as potential key priority sectors in the green economy landscape in South Africa, where the programme will play an important catalytic role:

(i) Rural energy including mini-grid and off-grid
(ii) Biogas and biofuels
(iii) Sustainable water management
(iv) Sustainable human settlements, the built environment and green buildings
(v) Industrial cleaner production and consumption
(vi) Ecosystem services
(vii) Solar water heating
(viii) Sustainable Agriculture and Agro processing
Environment and Social Legal Framework of South Africa

The key legislative instruments that govern activities that are likely to have an impact on the environment and human wellbeing in South Africa include the following, to which all projects seeking funding from the SCF will be subjected:

The National Development Plan (2030)

The National Development Plan (NDP) of South Africa provides an important blueprint for an array of interventions to support the socio-economic development of the country. Most sectors have developed strategies that support the NDP by internalizing their contributions to supporting development, deepening democracy and building a more inclusive society. The Green Fund Programme is a South African National Government catalytic financing mechanism that aims to address market weaknesses by supporting green initiatives that will contribute to South Africa’s transition to a low carbon and resource efficient economy. From a Green SMME perspective, the SA Government is seeking to achieve a 34 percent reduction in domestic Greenhouse Gas Emissions by 2020 and 42 percent by 2025.


Section 24 of the Constitution of the Republic of South Africa (1996) provides the overarching legislative foundation for environmental management in South Africa:

*Section 24 of the Constitution of the Republic of South Africa (1996): Everyone has the right to an environment that is not harmful to their health or well-being; and to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that -
  i. prevent pollution and ecological degradation;
  ii. promote conservation; and
  iii. secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.*

National Environmental Management Act (107 of 1998) (NEMA)

NEMA is the primary environmental framework Act in South Africa which provides for the following:

- Co-operative environmental governance based on the principles that everyone has the right to an environment that is not harmful to his or her health or well-being, and enabling the administration and enforcement of other environmental management laws.
- A framework within which other environmental legislation must be interpreted and within which all decision-making regarding the protection of the environment must take place.
- Lays down principles (Section 2 of NEMA) that all organs state must adhere to when making decisions affecting the environment.
Through Chapter 5, requires that the Integrated Environmental Management approach must be followed to manage the environmental impacts of activities.

Requires (Section 23(2)(c)) that the effects of activities on the environment should receive attention before actions are taken in connection with them and Section 24(1) requires that the environmental impact of any activity that needs authorization by an organ of state, must be considered, investigated, and assessed prior to the implementation of that activity.

Through Section 23(2)(c) imposes a duty of care and remediation of environmental damage on all persons whose activities may have caused, may be causing and may yet cause significant degradation of the environment to take reasonable steps (including an assessment of environmental impact) to prevent such damage from occurring or continuing to occur.

Projects which will benefit from the SCF programme will further be required to align with the following legislative instruments, the Specific Environmental Management Acts (SEMA), which were promulgated under the NEMA:

**National Environmental Management: Biodiversity Act (10 of 2004):** supports conservation of plant and animal biodiversity, including the soil and water upon which it depends.

**National Environmental Management: Protected Areas Act (57 of 2003, amended No. 31 of 2004):** supports conservation of soil, water and biodiversity.

**National Environmental Management: Integrated Coastal Management Bill (2008) (and amendments):** supports integrated coastal and estuarine management system to promote conservation of the coastal environment, maintain natural coastal landscape and seascape attributes, and ensure that development and use of natural resources within the coastal zone is socially and economically justifiable and ecologically sustainable.

**National Environmental Management: Air Quality Act (39 of 2004) Air Quality Act (39 of 2004):** replaces the Atmospheric Pollution Prevention Act (No. 45 of 1965). Aims to prevent and air pollution and regulate emissions that are made.

**National Environmental Management: Waste Act (59 of 2008):** aims to prevent pollution and ecological degradation, thus protecting the environment and our health.

Other national legislative and policy requirements which will guide projects under SCF include:

**National Water Act (36 of 1998) -** enforced by Department of Water Affairs: promotes the protection, use, development, conservation, management, and control of water resources in a sustainable and equitable manner.

**National Forests Act (84 of 1998) -** enforced by Department of Agriculture, Forestry and Fisheries: supports sustainable forest management and the restructuring of the forestry sector, as well as protection of indigenous trees in general.
Marine Living Resources Act (18 of 1998) - enforced by Department of Agriculture, Forestry and Fisheries: supports conservation of marine ecosystems.

Mineral and Petroleum Resources Development Act (28 of 2002): for equitable access to and 'sustainable development' of the nation’s mineral and petroleum resources.

II. Environmental & Social Risks and Mitigation Measures

In order to provide the necessary context in terms of the origin of the SCF Project, below please find a brief background history of the SEFA Botala Facility originally funded through the Green Fund.

The Green Fund responds to market weaknesses such as ad hoc investment in green projects currently hampering the Republic of South Africa’s transition to a green economy by:

- promoting innovative and high impact green programmes and projects;
- reinforcing climate policy objectives through green interventions;
- building an evidence base for the expansion of the green economy; and
- attracting additional resources to support the Republic of South Africa’s green economy development.

In this regard, recognizing the importance of the SME sector and the evidence that SMEs continue to be undersupplied with the financial products and services that are critical to their growth and especially with respect to SMMEs in the green economy sector.

In order to support the above strategic imperatives of the Green Fund, the SEFA Botala Facility therefore defines its client segment criteria as outlined below.

**Qualifying Criteria**

The qualifying criteria has been set to align with the South African Green Fund’s strategic imperatives. The objective of The Fund is to finance sustainable SMEs with growth potential that are involved in a supply chain transaction in the green economy.

<table>
<thead>
<tr>
<th>Enterprise Size</th>
<th>Number of employees</th>
<th>Annual turnover</th>
<th>Gross assets, excluding fixed property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium</td>
<td>Fewer than 100 to 200, depending on Industry</td>
<td>Less than R4 million to R50 million, depending upon industry</td>
<td>Less than R2 million to R18 million, depending on industry</td>
</tr>
<tr>
<td>Small</td>
<td>Fewer than 50</td>
<td>Less than R2 million to R25 million, depending on Industry</td>
<td>Less than R2 million to R4,5 million, depending on industry</td>
</tr>
<tr>
<td>Very small</td>
<td>Fewer than 10 to 20, depending on industry</td>
<td>Less than R200 000 to R500 000, depending on Industry</td>
<td>Less than R150 000 to R500 000, depending on industry</td>
</tr>
<tr>
<td>Micro</td>
<td>Fewer than 5</td>
<td>Less than R150 000</td>
<td>Less than R100 000</td>
</tr>
</tbody>
</table>

Table 1: Funding Criteria SEFA Botala Facility
SME definition in the SEFA Botala Project

Because the objective is to partner SMEs with growth potential, not every SME in the green economy can be considered. Setting a criteria for the type of SME not only supports the growth imperatives but it allows The Fund to define qualifying SMEs as going concerns and thus also acts as an important risk mitigation tool, this concept will be re-visited in the credit assessment section of the credit program.

Some of the criteria that is used to evaluate the sustainability of SMEs are:

- Demonstration of future orders: The Fund can securitize cash flows from future orders to mitigate risk. The securitized cash flows help mitigate risk for the SCF receivables finance product.

- Connectedness to large suppliers and/or buyers: An SME who is part of a Large Manufacturer/Supplier and Large Buyer supply chain ecosystem has a high probability to succeed because all parties have to a large extent vested interest in making the relationship to succeed.

- For the Manufacturer, enabling the SME to succeed will enable them to drive sales.

- For the Buyer, enabling the SME to succeed enables them to have a stable supply chain and satisfy socio economic imperatives as well as BEE requirements where he SME is BEE compliant.

- The financing from the Fund will be the last piece of the puzzle that enables the ecosystem to function. Enabling an SME to deliver on a contract to a large buyer and to help large suppliers drive sales through the SMEs create necessary conditions for an environment where all parties in the ecosystem have an incentive to make the transaction work.

- Being part of an incubation program: The incubation program includes services such as accounts and business management, whereby the incubator will have full view and a large measure of control on the business operation, thereby mitigating risk of business and funds mismanagement.

Green economy definition

- Renewable energy such as solar energy, biofuels, etc.
- Energy saving installations such as smart meters, energy saving lighting, refurbishments of HVAC systems, etc.
- Waste treatment projects such as bio-digesters,
- Water saving and water treatment projects,
- Sustainable farming systems,
- Food security and food processing
Supply chain activities

- Pure purchase and sale contracts between an SME supplier and a Buyer.
- Contracts for installations of green equipment and instruments by an SME to a Buyer. These contracts may also include a maintenance obligation by the SME.
- Where SME require to setup land or plant in order to produce what is required for a contract.

In line with background information provided above, and judging by the nature and scale of projects that will be funded through SCF, the likely impacts can be classified under Category FI of the IFC Performance Standards. This is a category of business activities involving investments in financial institutions (FIs) or through delivery mechanisms involving financial intermediation. This category is further divided into three categories with the relevant category to the SCF subprojects being FI–2: where the FI’s existing or proposed portfolio consists of, or is expected to comprise the following:

- business activities that have potential limited adverse environmental and / or social risks;
- impacts that are few in number such as generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental

Programmes and projects in this category are unlikely to have significant adverse environmental impacts and therefore, are readily appraised with limited environmental information. These projects are however subjected to a screening process, similar to that for Category 1, 2 and 3 projects, to identify potential issues requiring further investigation, as well as permits or approvals (other than environmental authorisations) that may be required. Due to the relative small scale nature and shorter timeframes of the sub-projects that will be supported, projects that do not require additional approvals and investigation will be preferred. Please refer to Appendix B for an exclusion list of projects that will not be considered for funding under SCF.

The Environmental and social risk assessment process will be implemented in line with the documented Environmental and Social Safeguard Standards (ESS) described below:

**Safeguard 1:** Environmental and Social Impact Assessment – Integrates environmental and social considerations into project decision making.

**Safeguard 2:** Protection of Natural Habitats – address adverse impacts on natural habitats arising from project siting.

**Safeguard 3:** Involuntary resettlement – measures to address impacts of involuntary

**Safeguard 4:** Community Stakeholders & vulnerable groups – free prior and informed consent procedures

**Safeguard 5:** Pest Management – imposes client’s responsibility for implementing pest /vector management

**Safeguard 6:** Physical and Cultural resources – provides procedures for preserving Heritage sites & natural resources

**Safeguard 7:** Safety of Dams

**Safeguard 8:** Labour Guidelines
The implementation of the actions necessary to meet the requirements of DBSA Safeguards is managed through the client’s Environmental and Social Management System (EMS), the elements of which are outlined in Safeguard 1. This Safeguard is an umbrella standard that establishes the importance of:

(i) integrated environmental management to identify and manage the environmental and social impacts, risks, and opportunities of programmes and projects through the programme and project life cycle;

(ii) effective community engagement through disclosure of project-related information and consultation with local communities on matters that directly affect them.

Safeguards 2 through 8 establish objectives and requirements to avoid, minimize, and where residual impacts remain, to compensate/offset for social and environmental risks and enhance sustainable development opportunities. They describe risks and impacts that require particular attention. Where environmental or social risks and impacts are identified, the client is required to manage them through its Environmental and Social Management System (ESMS) consistent with safeguard 1.

Clients/beneficiaries of the SCF will be expected to respect human rights, which means to avoid infringing on the human rights of others and address adverse human rights impacts business may cause or contribute to. Human Rights clauses are incorporated into each safeguard. The minimum Safeguards are standards that DBSA require its partners/borrowers/recipient/client to meet for the following purposes:

- To promote the principles of sustainable development by adopting en-suite of appropriate integrated approaches tools and tactics for strategy, programme and project development.
- To serve as a benchmark to ensure all actors have adopted sufficient safeguard systems for applying a mitigation hierarchy to environmental management issues (that meaning the avoidance, minimization and mitigation and compensation for potentially adverse environmental and social impacts).
- To identify and responsibly address tradeoffs as they appear in development decisions and activities.
- Minimize operational and reputational risks and increase transparency and accountability of the DBSA supported programmes and projects.
- Help clients to strengthen their own safeguard systems and develop the capacity to manage environmental and social risks.

III. Environmental & Social Risk Management Processes
The Environmental and social risk assessment process will be implemented in line with the documented Environmental and Social Safeguard Standards (ESS), the related Environmental Appraisal Framework and the Social Institutional Guidelines. Figures 1 and 2 provide a summary of the ESS appraisal process.
The client will conduct a process of Social and Environmental Assessment that will consider in an integrated manner the potential social and environmental (including labor, health, and safety) risks and impacts of the project. The Assessment process will be based on current information, including an accurate project description, and appropriate social and environmental baseline data. The Assessment will consider all relevant social and environmental risks and impacts of the project, and those who will be affected by such risks and impacts. Applicable laws and regulations of the jurisdictions in which the project operates that pertain to social and environmental matters will also be taken into account. Please see
Appendix C for a sample Terms of Reference for an Environmental and Social Management Plan.

Taking into account the relevant findings of the Social and Environmental Assessment and the result of consultation with affected communities, the client will establish and manage a program of mitigation and performance improvement measures and actions that address the identified social and environmental risks and impacts (the management program). Management programs consist of a combination of operational policies, procedures and practices. The program may apply broadly across the client’s organization, or to specific sites, facilities, or activities. The measures and actions to address identified impacts and risks will favor the avoidance and prevention of impacts over minimization, mitigation, or compensation, wherever technically and financially feasible. Where risks and impacts cannot be avoided or prevented, mitigation measures and actions will be identified so that the project operates in compliance with applicable laws and regulations. The level of detail and complexity of this program and the priority of the identified measures and actions will be commensurate with the project’s risks and impacts.

The client will also establish, maintain, and strengthen as necessary an organizational structure that defines roles, responsibilities, and authority to implement the management program, including the Action Plan. Specific personnel, including management representative(s), with clear lines of responsibility and authority should be designated. Key social and environmental responsibilities should be well defined and communicated to the relevant personnel and to the rest of the organization. Sufficient management sponsorship and human and financial resources will be provided on an ongoing basis to achieve effective and continuous social and environmental performance.

During the design, construction, operation and decommissioning of the project (the project lifecycle) the client will consider ambient conditions and apply pollution prevention and control technologies and practices (techniques) that are best suited to avoid or, where avoidance is not feasible, minimize or reduce adverse impacts on human health and the environment while remaining technically and financially feasible and cost-effective. The project-specific pollution prevention and control techniques applied during the project life-cycle will be tailored to the hazards and risks associated with project emissions and consistent with good international industry practice.

In order to avoid or minimize adverse impacts to biodiversity in the project’s area of influence, the client will assess the significance of project impacts on all levels of biodiversity as an integral part of the Social and Environmental Assessment process. The Assessment will take into account the differing values attached to biodiversity by specific stakeholders, as well as identify impacts on ecosystem services. The Assessment will focus on the major threats to biodiversity, which include habitat destruction and invasive alien species. The client will manage renewable natural resources in a sustainable manner. Where possible, the client will demonstrate the sustainable management of the resources through an appropriate system of independent certification.
IV. Institutional E&S Capacity

The client will train employees and contractors with direct responsibility for activities relevant to the project’s social and environmental performance so that they have the knowledge and skills necessary to perform their work, including current knowledge of the country’s regulatory requirements. Training will also address the specific measures and actions required under the management program, including the Action Plan, and the methods required to perform the action items in a competent and efficient manner.

Community engagement is an on-going process involving the client’s disclosure of information. When local communities may be affected by risks or adverse impacts from a project, the engagement process will include consultation with them. The purpose of community engagement is to build and maintain over time a constructive relationship with these communities. The nature and frequency of community engagement will reflect the project’s risks to and adverse impacts on the affected communities. Community engagement will be free of external manipulation, interference, or coercion, and intimidation, and conducted on the basis of timely, relevant, understandable and accessible information.

Disclosure of relevant project information helps affected communities understand the risks, impacts and opportunities of the project. Where the client has undertaken a process of Social and Environmental Assessment, the client will publicly disclose the Assessment document. If communities may be affected by risks or adverse impacts from the project, the client will provide such communities with access to information on the purpose, nature and scale of the project, the duration of proposed project activities, and any risks to and potential impacts on such communities. For projects with adverse social or environmental impacts, disclosure should occur early in the Social and Environmental Assessment process and in any event before the project construction commences, and on an ongoing basis.

Whilst indigenous people may be involved in this project the impacts are seen as positive, no displacement is anticipated and is not expected to affect the livelihood and cultural practices of communities. However, if affected communities may be subject to risks or adverse impacts from a project, the client will undertake a process of consultation in a manner that provides the affected communities with opportunities to express their views on project risks, impacts, and mitigation measures, and allows the client to consider and respond to them. Effective consultation: (i) should be based on the prior disclosure of relevant and adequate information, including draft documents and plans; (ii) should begin early in the Social and Environmental Assessment process; (iii) will focus on the social and environmental risks and adverse impacts, and the proposed measures and actions to address these; and (iv) will be carried out on an ongoing basis as risks and impacts arise. The consultation process will be undertaken in a manner that is inclusive and culturally appropriate. The client will tailor its consultation process to the language preferences of the affected communities, their decision-making process, and the needs of disadvantaged or vulnerable groups. For projects with significant adverse impacts on affected communities, the consultation process will ensure their free, prior and informed consultation and facilitate their informed participation. Informed participation involves organized and iterative consultation, leading to the client’s incorporating into their decision-making process the views of the affected communities on matters that affect them directly, such as proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues. The client will document the process, in particular
the measures taken to avoid or minimize risks to and adverse impacts on the affected communities.

The client will respond to communities’ concerns related to the project. If the client anticipates ongoing risks to or adverse impacts on affected communities, the client will establish a grievance mechanism to receive and facilitate resolution of the affected communities’ concerns and grievances about the client’s environmental and social performance. The grievance mechanism should be scaled to the risks and adverse impacts of the project. It should address concerns promptly, using an understandable and transparent process that is culturally appropriate and readily accessible to all segments of the affected communities, and at no cost and without retribution. The mechanism should not impede access to judicial or administrative remedies. The client will inform the affected communities about the mechanism in the course of its community engagement process.
V. Gender Mainstreaming Guide

Introduction

This document provides a high level framework that will guide the mainstreaming of gender related issues in the decision-making process of financing small scale projects through the SCF. It gives an overview of the gender baseline scenario in South Africa, providing a synopsis of the legal/policy framework which has been put in place to ensure indiscriminative participation of both men and women in the South African economy.

The socio-economic status of women in South Africa

South Africa achieved democracy in 1994. Central to this democracy was a commitment to equality, including gender equality and the empowerment of women. The founding principles of the Constitution of the Republic of South Africa include human rights, equality and freedom for everyone in South Africa. After 1994, the principle of gender equality influenced policy and legislation formulation in economic and development related areas such as access to employment, land, housing water health care and public works programme among others. Further, the South African government developed and implemented key domestic development programmes with an overarching focus to address the legacy of colonialism and apartheid. These included inter alia, the Reconstruction and Development Programme (RDP); Growth, Employment and Redistribution (GEAR) Shared Growth Initiative –South Africa (ASGISA) and many others. These programmes have culminated in the master development plan for the country, named the National Development Plan (NDP). Although these programmes, were meant to advance the country, they did not specifically focus on women, resulting therefore in the triple challenge of unemployment, poverty and inequality continuing to impact negatively on women in particular.

Additional programmes such as the Presidential Infrastructure Coordination Commission (PICC) and Operation Phakisa and the Green Economy have been put in place with the sole aim of providing the much-needed jobs and grow the economy South African economy. However, these programmes still do not have specific targeted performance measures for the up-liftment of women, hence there is doubt towards the realisation of the impact they can make.
The World Bank’s South Africa Economic update published in Johannesburg in 2012, revealed that South Africa remains one of the most unequal societies in the world. The share of national consumption between the richest and poorest remains stubbornly stable: 20% of the richest population accounted for over 61% in consumption in 2011 down from a high of 64% in 2006. Meanwhile, the bottom 20% have been seen remaining fairly constant at below 4.5% (Statistics South Africa2014).

<table>
<thead>
<tr>
<th>Inequality Indicators</th>
<th>2006</th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gini Coefficient (Income per capita including salaries, wages and social grants)</td>
<td>0.72</td>
<td>0.70</td>
<td>0.69</td>
</tr>
<tr>
<td>Gini Coefficient (Expenditure per capita excl. taxes)</td>
<td>0.67</td>
<td>0.65</td>
<td>0.65</td>
</tr>
<tr>
<td>% share of national consumption of the poorest 20% (Per capita)</td>
<td>4.4</td>
<td>4.4</td>
<td>4.3</td>
</tr>
<tr>
<td>% share of national consumption of the richest 20% (Per capita)</td>
<td>64.1</td>
<td>61.4</td>
<td>61.3</td>
</tr>
</tbody>
</table>

*Source: Statistics South Africa: 2014*

The last decade has further witnessed a marked increase in the number of those who are poor across the world, including South Africa, where three–quarters or 71% of the rural households were found to be poor. Over three in five (61%) of African households are poor compared to 38% of coloured households, 5% of Indian and 1% of white. Poverty has placed the greatest stress on family units but also on women, children and young people.

Inequalities still persist for example, for men and women, despite the widespread recognition that when women’s rights and the benefits accrue the whole society benefits. And women experience the deepening of a phenomenon called the feminization of poverty because of various other socio-economic factors– including the gendered division of labour in the household, the low value accorded to women’s work; the concomitant clustering of women in low-paid jobs.

In tackling the challenge of poverty and inequalities, the South African government has put in place several programmes that are aimed at development and participation of SMEs in the economy. Such programmes span across all sectors of the green economy. Programmes are particularly meant to encourage participation of previously disadvantaged (PDA) communities including women and youth organizations. The South African Green Fund is seen as one of such programmes, a financial mechanism that is aimed at transitioning South Africa to a green economy. Though the Green Fund has played a catalytic role towards the green economy, it is also unfortunate that as a Fund that is mean to encourage participation of small scale players in the broader economy, it also did not have specified targets for vulnerable groups such as women, youth and the disabled. As such, the SCF project that initially benefitted through the Green Fund also did not have such targets.

This gender guide is aimed at ensuring that this trend of lack of specific targets for participation of vulnerable groups in such programmes is curbed. Through following this guide, the participation of organisations that are owned by different vulnerable groups will be improved.

Securing women’s economic, social, and political participation in green initiatives and the overall economy will be achieved. Already, women and men are involved in climate change responses but in different ways. The Cancun Agreements acknowledge that gender equality
and the effective participation of women are important for all aspects of climate change, but especially for adaptation. Climate change hazards increase or heighten existing gender inequalities thereby contributing to the greater climate change vulnerability of many women. This is largely due to persistent gender norms and widespread gender discrimination that deny women income, legal rights, access to resources while assigning them the primary role in caring for their families and providing for their livelihoods, leading to women's marginalization in many ways.

Below are some of the key legislative instruments that the government has put in place in an effort to protect the rights of women and to ensure women participate in the mainstream of the economy.

**Legal and Policy Framework on Gender**

Several policies that govern the inclusion and indiscrimination of different groups have been put in place and all projects that seek funding from SCF will be expected to align with these legislative requirements some of which are listed below:

**Constitution of the Republic of South Africa (1996)**

Section 9 of the Constitution defines the goals towards achieving gender equality and are guided by a vision of human rights which incorporates acceptance of equal and inalienable rights of all women and men. This ideal is a fundamental tenet under the Bill of Rights of the Constitution of the Republic of South Africa (1996). It emerged from a long period of struggle for a democratic society that respects and promotes the rights of all its citizens irrespective of race, gender, age, disability etc. (Bill or Rights, Sections 9.1 to 9.4)

**The Gender Policy Framework**

This policy establishes the national goal, proposes central objectives, defines key indicators for attaining the goal and objectives, and identifies key national structures that are mandated to implement the programme. While the Gender Policy Framework is not prescriptive, it does set standards and norms for the national programme.

**The Bill of Rights**

This Bill is the cornerstone of South Africa’s democracy. It enshrines the rights of all people in South Africa and affirms the democratic values of human dignity, equality and freedom. While every person is entitled to these rights, they also have a responsibility to respect them. The Bill of Rights binds the legislature, the executive, judiciary and all organs of State. The rights contained in the Bill of Rights are subject to the limitations contained in or referred to in Section 36 of the Constitution, or elsewhere in the Bill of Rights. They apply to all laws, administrative decisions taken and acts performed during the period in which the Constitution is in force. In terms of the Constitution, every person has basic human rights such as:

- equality before the law and equal protection and benefit of the law
- freedom from unfair discrimination
- the right to life
- the right to human dignity
- the right to freedom and security of the person.
Women Empowerment and Gender Equality Bill

This Bill aims to give effect to section 9 of the Constitution of the Republic of South Africa, 1996, in so far as the empowerment of women and gender equality is concerned; to establish a legislative framework for the empowerment of women; to align all aspects of laws and implementation of laws relating to women empowerment, and the appointment and representation of women in decision making positions and structures; and to provide for matters connected therewith.

Project Gender Mainstreaming Action Plans

In screening of project proposals for SCF funding, the DBSA gender appraisal procedure shall be further applied. The SCF, in receiving project proposals, shall apply a gender mainstreaming approach in line with the DBSA gender requirements described in the Environmental and Social Safeguard Standards and Gender Policy. Each project would be expected to devise and submit its own gender mainstreaming plan. Table 3 provides a high level gender action plan for the SCF.

Table 3: Gender and Social Inclusion Action Plan: A Gender Mainstream Measuring Tool at Programme Level

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>POSSIBLE OUTCOME</th>
<th>ACTIVITY</th>
<th>INDICATOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure potential beneficiary outreach in order to inform SMEs (both men and women owned companies) of the availability of funding resources from SCF</td>
<td>Increased interest of potential SCF participants/beneficiaries (measured through the number of applications received and funded)</td>
<td>Send RFPs that will target both men and owned companies via all possible media channels, calling for suppliers of both sexes. Ensure women participation in awareness workshops. Develop information and awareness material (Info on how to access resources); (i) brochures on SCF; (ii) post information on websites (of SCF, DBSA, Green Fund &amp; Other participating stakeholders’ intranets.)</td>
<td>No. of women and men owned enterprises participating in awareness creation workshops; No of users on websites; No of new applications/funding proposals received from both men and women owned enterprises; No of enquiries received</td>
</tr>
<tr>
<td>Ensure increased participation of women owned enterprises in SCF and implementation of low-carbon and climate resilient projects</td>
<td>Increased number of women and vulnerable groups’ enterprises participating in green economy activities through funding from SCF. Increased number of women owned SME companies accessing financial resources to implement low carbon/climate resilient projects. More women participating in the green economy.</td>
<td>Review eligibility/ funding criteria of SCF to target participation of both men and women owned companies to ensure gender balance in benefits</td>
<td>Amount of ZAR/USD increase as funding is provided to women and men owned enterprises, disaggregated by sex.</td>
</tr>
<tr>
<td>Increase total climate funding resources extended to women and vulnerable groups.</td>
<td>Increased total resources in ZAR/USD provided to fund women to implement climate initiatives.</td>
<td>Set funding targets for women owned companies through SCF.</td>
<td>Amount increase in total funding provided to women owned companies.</td>
</tr>
</tbody>
</table>
VI. Grievance System

In a project cycle environment such as the SCF programme, where different players like the accredited entity (DBSA), implementing entity (SCF), clients (SCF beneficiaries and their clients), suppliers, community and even the government, there is need to establish a grievance system that will govern how stakeholders deal with each other particularly in a situation where there is conflict or some form of dissatisfaction. Grievance issues amongst the different stakeholders may vary from social, gender, environmental, access to information, etc.

In this project, the DBSA grievance procedure, an external communications mechanism, which provides a system to receive, document and respond to questions or complaints from the general public shall be applied. However, to expedite the process of addressing complaints in the SCF project, a link between the SCF external communication system (which also provides for addressing grievances) and the DBSA grievance system shall be created. In cases where there is conflict on the supremacy of one system to other, the DBSA procedure shall take precedence. Both complaints processes are not superior to the laws of South Africa which also provide for grievance mechanism. The DBSA and SCF websites both provide for lodging of complaints by different individuals that are aggrieved in anyway. Please refer to the links: www.dbsa.org (click “customer complaints”) and www.scfcap.com (click “contact us”). See Figures 3 and 4 for the web screen shots for both entities.
The Supply Chain Finance project shall be required to deal with complaints in a fair and professional manner. SCF shall address complaints and respond to the aggrieved party directly. Should the complainant be not satisfied with the response or the way in which a grievance was addressed, he/she shall have the opportunity to lodge the same complaint directly to the DBSA. SCF will also have the opportunity to refer certain complaints (after exhausting all its complaints options/process) directly to DBSA. Complainants can also direct their grievances to the DBSA without informing/involving SCF. However, DBSA and SCF will engage, where necessary in the process of addressing complaints which are received either through DBSA or SCF.
Overall, the DBSA grievance system, described in Appendix D shall be applied within the DBSA. At minimum, the grievance system should be able to assist SCF to receive complaints, record, address, respond back to the complainant and develop a register. It is not all complaints that may be in the adjudicated by either SCF and DBSA, for example, some labour related issues may eventually be referred to the national labour relations structures and addressed in line with the South African labour laws. However, if these issues are pertinent to the SCF project that will be funded through the DBSA and GCF, they will be captured in the complaints register(s) and the reason(s) for referral to the relevant structures recorded.
**APPENDIX A: ENVIRONMENTAL AND SOCIAL SAFEGUARDS CHECKLIST**

<table>
<thead>
<tr>
<th>Project Title:</th>
<th>SCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project ID Number</td>
<td>Version of checklist</td>
</tr>
<tr>
<td>Project status (preparation, implementation, MTE/MTR, TE)</td>
<td>preparation</td>
</tr>
</tbody>
</table>

**PART A: INTEGRATING OVERARCHING PRINCIPLES TO STRENGTHEN SOCIAL AND ENVIRONMENTAL SUSTAINABILITY**

**HOW DOES THE PROJECT INTEGRATE THE OVERARCHING PRINCIPLES IN ORDER TO STRENGTHEN SOCIAL AND ENVIRONMENTAL SUSTAINABILITY?**

1. Briefly describe in the space below how the Project mainstreams the human-rights based approach
2. Briefly describe in the space below how the Project is likely to improve gender equality and women empowerment
3. Briefly describe in the space below how the Project mainstreams environmental sustainability

**PART B: IDENTIFYING AND MANAGING SOCIAL AND ENVIRONMENTAL RISKS (USING SAFEGUARDS STANDARDS)**

<table>
<thead>
<tr>
<th>SAFEGUARD STANDARD 1: Environmental and Social Impact</th>
<th>YES/NO/N/A</th>
<th>COMMENT AND IMPACT ENHANCEMENT/MITIGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are the associated impacts generated irreversible and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Will the project lead to changes in land use?</td>
<td></td>
<td></td>
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<tr>
<td>Are the associated impacts generated reversible?</td>
<td></td>
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<tr>
<td>Can mitigation measures easily be prescribed?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the project unlikely to have adverse environmental impacts?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the project unlikely to significantly affect the social, physical and biophysical environments?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**OVERALL PROJECT CATEGORISATION**

**SAFEGUARD 2: Protection of Natural Habitats**

<table>
<thead>
<tr>
<th>Would the project potentially cause adverse impacts to habitats (natural, modified, threatened, and critical) and/or ecosystems and services?</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Are any of the project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas or areas proposed for protection?</td>
<td></td>
</tr>
<tr>
<td>Would the project pose a risk of introducing invasive alien species?</td>
<td></td>
</tr>
<tr>
<td>Would the project pose risk to endangered species?</td>
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<tr>
<td>Does the project involve significant extraction, diversion or containment of surface or ground water?</td>
<td></td>
</tr>
<tr>
<td>Will the value of ecosystem services impacted upon by the project, and those upon which the project depend, be assessed?</td>
<td></td>
</tr>
<tr>
<td>Will prioritized ecosystem services be protected?</td>
<td></td>
</tr>
</tbody>
</table>
**Section C: Social impacts**

If negative impact is identified or anticipated the Comment/Explanation field needs to include: Project stage for addressing the issue; Responsibility for addressing the issue; Budget implications, and other comments.

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes/No/N.A.</th>
<th>Comment/explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the project respect internationally proclaimed human rights including dignity, cultural property and uniqueness and rights of indigenous people?</td>
<td></td>
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<tr>
<td>Are property rights on resources such as land tenure recognized by the existing laws in affected countries?</td>
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</tr>
<tr>
<td>Will the project cause social problems and conflicts related to land tenure and access to resources?</td>
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<td></td>
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<tr>
<td>Does the project incorporate measures to allow affected stakeholders’ information and consultation?</td>
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</tr>
<tr>
<td>Will the project affect the state of the targeted country’s (-ies’) institutional context?</td>
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<tr>
<td>Will the project cause change to beneficial uses of land or resources? (incl. loss of downstream beneficial uses (water supply or fisheries)?</td>
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<tr>
<td>Will the project cause technology or land use modification that may change present social and economic activities?</td>
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<tr>
<td>Will the project cause dislocation or involuntary resettlement of people?</td>
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<tr>
<td>Will the project cause uncontrolled immigration (short- and long-term) with opening of roads to areas and possible overloading of social infrastructure?</td>
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<tr>
<td>Will the project cause increased local or regional unemployment?</td>
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<tr>
<td>Does the project include measures to avoid forced or child labour?</td>
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<tr>
<td>Does the project include measures to ensure a safe and healthy working environment for workers employed as part of the project?</td>
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<tr>
<td>Will the project cause impairment of recreational opportunities?</td>
<td></td>
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<tr>
<td>Will the project cause disproportionate impact to women or other disadvantaged or vulnerable groups?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the project involve and or be complicit in the alteration, damage or removal of any critical cultural heritage?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the project include measures to avoid corruption?</td>
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</table>
APPENDIX B: DBSA SCF EXCLUSION LIST

PROJECTS THAT WILL NOT BE CONSIDERED FOR SCF FUNDING

The following types of projects will not be financed:

- Category 1 Projects – Projects with the potential for diverse, unique, irreversible or otherwise significant adverse environmental or social impacts.
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements.
- Production or trade in ozone depleting substances subject to international phase out.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale use of hazardous chemicals.
- Projects that require extensive multi-stakeholder participation in design and implementation.
- Projects that require fundamental changes in social arrangements in order for benefits to be realized.
- Projects that negatively affect specific socio-economic groups such as ethnic groups, women, minorities, etc., their basic needs (e.g. reducing income and food supply) and strategic needs (e.g. limiting agency and decision-making power).
- Projects that lead to the dislocation or resettlement of households or economic activities.
- Projects that are likely to intensify discriminatory practices particularly against women, including gender-based violence.
- Projects that involve harmful or exploitive forms of forced and/or child labour.
- All projects not free from liens and encumbrances, no displacement of vulnerable population may occur.

APPENDIX C: TERMS OF REFERENCE FOR AN ESMP

For all SCF projects, an Environmental and Social Management Plan (ESMP) will be required. The ESMP should be easy to use. References within the plan should be clearly and readily
identifiable. The main text of the ESMP needs to be kept as clear as possible, with detailed information relegated to annexes. The ESMP should identify linkages to other relevant plans relating to the project, such as plans dealing with waste management.

The following aspects should typically be addressed within ESMPs:

1. **Summary of Impacts**: The predicted adverse environmental and social impacts for which mitigation is required should be identified and briefly summarized. Cross referencing to the Environmental and Social Impact Assessment (ESIA) report or other documentation is recommended so that additional details can be readily referenced.

2. **Description of mitigation measures**: The ESMP identifies feasible and cost-effective measures to reduce potentially significant adverse environmental and social impacts to acceptable levels. Each mitigation measure should be briefly described with reference to the impact to which it relates and conditions under which it is required (e.g., continuously or in the event of contingencies). These should be accompanied by, or referenced to, designs, equipment descriptions, and operating procedures that elaborate on the technical aspects of implementing the various measures. Where mitigation measures may result in secondary impacts, their significance should be evaluated.

3. **Description of monitoring program**: Environmental performance monitoring should be designed to ensure mitigation measures are implemented and have the intended results, and that remedial measures are undertaken if mitigation measures are inadequate or the impacts were underestimated within the ESIA report. It should also assess compliance with national standards and DBSA requirements or guidelines.

   The monitoring program should clearly indicate linkages between impacts identified in the ESIA report, indicators to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that will signal the need for corrective actions.

4. **Institutional Arrangements**: Responsibilities for mitigation and monitoring should be clearly defined. The ESMP should identify arrangements for coordination between the various actors responsible for mitigation.

**APPENDIX D: DBSA GRIEVANCE PROCESS**