



Institutional development as a tool to facilitate economic access for South Africa's SMEs: the case of the Development Bank of Southern Africa



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ABSTRACT

The lack of economic access is one of the main challenges facing small and medium enterprises (SMEs). It contributes to the elevated levels of unemployment and slows the resolution of high inequality and poverty in South Africa. Economic access is the ability of historically disadvantaged individuals and entities to participate in the economy. This study aimed to explore how institutional development can support economic access for SMEs. The study explored how setting up new or improving existing socio-economic structures or legal entities could support economic access for SMEs. The support received by SMEs in South Africa from three institutions, the Independent Power Producer Office (IPPO), the Infrastructure Delivery Division (IDD) and the Development Laboratories (DLabs), set up by the Development Bank of Southern Africa (DBSA) was assessed. Quantitative data from the DBSA and IPPO, as well as qualitative views from informants, were used to assess the economic access of SMEs. The study shows that the IPPO, IDD and DLabs added value by achieving the objectives for which they were created. Furthermore, the results show that institutional development supports economic access for SMEs, and that this support is scalable. The study showed that institutional development could be a tool to support SMEs to participate in the economy. This study contributes to the body of knowledge on ways to support SMEs to grow and contribute to reducing unemployment, inequality and poverty.

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Introduction

The term economic access has been used since the 1980s by the Food and Agriculture Organization (FAO) of the United Nations in the context of food security to refer to availability and affordability of food (FAO, 1983:14). The key components of access in this context include factors such as price, income, markets, infrastructure, distribution and gender issues (Azizi, Kumar, Van den Akker, Irmiler and Herold, 2016). Other researchers have used the term in a similar manner or expanded it to mean the ease of enjoying opportunities and participation (USAID, 1995:7-8; Liu and Zhang, 2018:25-40; Ambler, Jones and O'Sullivan, 2021:1-13). Wachs and Kumagai (1973:437-456) further showed that, in the context of Los Angeles in the United States, accessibility, especially to employment and public services, is an important measure of standard of living.

In the case of South Africa, economic access is defined in terms of participation (Republic of South Africa, 1994). Given that the economic system was driven to enforce racial divisions prior to 1994, there was widespread non-representativity and non-participation in economic activities by a large segment of the population. Post-1994, this situation triggered the concept of empowerment, which required that historically disadvantaged population groups had to be given the ability to make strategic economic choices. This ability had to be given to both individuals and companies. Disadvantaged companies are largely small, micro or medium-sized, given that they did not have the opportunity to grow under the prior divisive economic regime. About 66 percent

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of registered businesses in this category are less than ten years old and roughly 73 percent of them are owned by Black people (SEDA, 2021:23-29). Institutions provide a powerful tool and lens for setting up and assessing a nation's progress towards prosperity as they tend to have very long lifespans (Hodgson, 1998). In fact, in a study of long-run performance of nations, Lloyd and Lee (2018) highlight the reality that, if used correctly, institutions could determine the direction of economic growth and development. Institutions and institutional development are dealt with in detail later.

This study sought to explore how institutional development can support economic access for small and medium enterprises (SMEs). It assessed the support received by SMEs in South Africa from institutions set up by the Development Bank of Southern Africa (DBSA). Small businesses are broadly defined as having up to 50 employees and making no more than R80 million in annual turnover, while medium-sized businesses have up to 250 employees and make no more than R220 million in annual turnover (Republic of South Africa, 2019:110-111).

The DBSA is a state-owned development finance institution that is mandated to: promote economic development and growth, human resources development and institutional capacity building as well as support development projects and programmes on the African continent (Republic of South Africa, 1997). One important tactic used by the DBSA in pursuit of its mandate is to set up institutions that focus on specific elements of its mandate to support economic development, e.g., the Independent Power Producer Office (IPPO), the Infrastructure Delivery Division (IDD) of the DBSA and the Development Laboratories (DLabs) of the DBSA. These institutions were considered in this study.

Economic access is one of the main challenges facing SMEs and it is contributing to the high unemployment rate and the slow resolution of high inequality and poverty levels in South Africa. Several factors can fast-track SME growth, and by extension, affect economic access (Nhleko, unpublished), including: attracting and keeping good employees, improving business and management skills, keeping accurate financial records, diversifying the product offering, establishing a credit system to monitor debt sales, understanding the trading location and ensuring adequate infrastructure and information and technology. The question that arises is: Can institutional development be used to facilitate economic access for SMEs? A case study of DBSA institutions was used to address this question. The problem investigated was, therefore, how and to what extent can institutional development be used as a tool to facilitate economic access for SMEs. This was done by showing applied results from the IPPO, IDD and DLabs. It is hoped that the findings can be of general use in South Africa.

The study that led to this paper highlights the process of developing institutions to advance economic development, and by definition, SMEs growth as one of the key interventions by the public sector, and thus paving a way to assess the extent to which such institutions facilitate economic access for SMEs while highlighting the possible general use of the process in this paper. The study contributes to the body of knowledge on ways to support SMEs to grow and contribute to reducing unemployment, inequality and poverty

The rest of the paper is organised as follows: following the introduction, a literature review on institutional development is undertaken. This is followed by a description of the research methodology utilised. The findings and discussion section follows with an analysis of the experiential findings, a summary of the gaps and institutional contributions, the interview results, and the overall discussion of the findings. The paper concludes by answering the problem statement questions.

Literature Review

Conceptual Background, Empirical Review and Hypotheses Development

Institutional development

In the early 20th century, Veblen (1912:1-21;23-26) introduced the concept of institutional economics along social class lines. He asserted that as society evolved from primitive to modern, institutions were created to accommodate and shape the behaviour of different classes. For example, the shift from a peaceful to a predatory phase in man's evolution led to the creation of ownership-marriage and slavery. Ownership-marriage is considered one of the early forms of ownership in the barbarian culture, as men treated women seized from enemy groups as their property. The drive for ownership of people and goods ultimately shaped how asset acquisition, conspicuous leisure and consumption take place in society. These aspects – ownership, acquisition, leisure and consumption – are therefore early forms of institutions that supported economic development.

The evolution of institutional economics has generally followed four broad paths of emphasis: first, a focus on legal institutions; then a focus on political institutions; followed by a focus on culture; and, finally, a focus on the role of colonial institutions and the role of power in politics (Lloyd and Lee, 2018:1-16). North (1991:97) defines institutions as controls devised by humans to structure their political, economic and social interaction. This process of structuring interaction is believed to create order and certainty. Hodgson (2006:2,18) views institutions in a similar manner, i.e., as systems developed to structure social interactions. These systems are defined broadly, not only confined to formal and informal classifications, e.g., property rights and the moral code in society, respectively.

A review of the institutional development concept shows that there is no standard definition for this concept (McGill, 1995:63-70; McGill, 1996:3-23). However, there is no doubt that institutions do not have to be organisations or legal entities in order to enhance or hinder development, that is, uplifting the standard of living.

Institutions as development tools

Hoff (2003:205-226) used research outcomes in Latin America to show that institutions are a key factor in creating wealth and fighting poverty for many nations. Sari and Prasetyani (2021:19-28) summarised the literature that emphasizes that economic growth is influenced by institutional factors. Using panel data from members of the Association of Southeast Asian Nations and key institutional indicators from the World Bank, it was shown that institutional factors had a significant influence on the economic growth of these nations (Sari and Prasetyani, 2021). The indicators used to show this were political stability, voice and accountability, government effectiveness, regulatory quality, rule of law and control of corruption, and exports and imports.

While the activity of institutional development is in most instances treated as a learning opportunity, it needs to align with the operational environment and the objectives of those who create the institutions. The ECDPM (2017:7) reflects the same view in its assertion that institutional development is both complex and experimental in nature, which is why it is useful to assess its results over time. Institutional development must therefore be viewed as a process. In their classification of institutions, Rodrik and Subramanian (2003:31-34) state that the quality of institutions is extremely important for development. They distinguish between market regulating, market stabilizing, market legitimizing and market creating institutions. Market creating institutions protect property rights and facilitate the enforcement of contracts while supporting investment and entrepreneurship. It is these types of institutions that were of interest in this study, as the process of supporting SMEs is regarded as a market creating activity.

Using various assessment dimensions, Churampi-Cangalaya *et al.* (2023), demonstrated in the case of Peru that institutional development would lead to efficient and responsible provision of services. Similarly, sectoral studies such as organic farming, cultural heritage tourism, human development and foreign capital flows, have concluded that institutional development is a critical pre-condition for the success of economic development (Githaiga and Kilong'i, 2023; Mzembe, Koens and Calvi, 2023; Simin *et al.*, 2023). There does not seem to be a scholarly problem with using institutional development to refer to both building institutions from scratch and improving existing institutions (Moore, Stewart and Hudock, 1995:10). Therefore, institutions were considered to be both socio-economic structures and legal entities in this study, while their development refers to both setting up new institutions and improving existing institutions. The above discussion supports the study hypothesis shown below.

H1: Institutional development can support economic access for SMEs.

Research and Methodology

This study used a qualitative research approach to gain in-depth information on the effectiveness of institutional development as a tool to ensure economic access for SMEs in South Africa (Busetto, Wick and Gumbinger, 2020). The DBSA has used the approach of setting up institutions nationally to execute its mandate, which includes economic development, capacity building, and supporting development projects and programmes. Three of these institutions (IPPO, IDD and DLabs) were explored in this study, with the aim of assessing their roles in facilitating SMEs access to the economy. The three institutions were selected because they are operational, have data and were accessible within the available research time. This selection could be regarded as a limitation to the methodology. Furthermore, it was difficult to obtain detailed data from beneficiary SMEs. This presented an additional limitation to the study.

Three senior DBSA officials who participated in setting up the institutions or are currently involved in managing them, were purposely selected as informants, and requested to provide information on these institutions in a semi-structured interview format. Internal founding documents at the DBSA that outline the rationale and processes for establishing the institutions investigated were also reviewed. Desktop research data were used to define the theoretical aspects of the topic.

Findings and Discussions

Experiential findings

This section provides the results of the analysis of institutions developed by the DBSA, in terms of their performance in facilitating economic access for SMEs in South Africa. These institutions are the IPPO, IDD and DLabs.

Independent Power Producer Office

The IPPO was established in 2010 through a three-way memorandum of agreement (MOA) between the DBSA, the Department of Mineral Resources and Energy (DMRE, formerly Department of Energy) and National Treasury (DBSA, 2010). The primary mandate of the IPPO is to secure electrical energy from the private sector or independent power producers (IPPs), and mainly from renewable energy sources. Additionally, the energy procurement programme is designed to facilitate job creation and economic development, and to broaden economic ownership. The MOA has thus far been renewed three times, i.e., in 2016 for three years, in 2019 for one year and in 2020 for three years (DBSA, 2016; DBSA, 2019, DBSA, 2020).

The parties agreed that the key objectives of the MOA are to:

- i. Identify and implement interventions that will advance the introduction of IPP projects into the South African energy market.
- ii. Commit to the interventions process and successful implementation of IPP projects.
- iii. Jointly formulate terms of reference to appoint transaction advisors, evaluate bids submitted and provide advisory services to other service providers.
- iv. Monitor the procurement and development of each IPP project.
- v. Formulate standard documents and protocols to support the implementation of IPP projects.
- vi. Avail senior executives to address critical matters that require unblocking.
- vii. Review all documents produced during the implementation of the MOA.

The DBSA provided a total of R80 million to fund the establishment of the IPPO during its initial years of set up and this amount has since been recovered through project development fees, project management fees and market development fees. The specific role of the DBSA in setting up the IPPO was outlined in the MOA as being to:

- i. Appoint and pay the costs of a suitably qualified project manager as and when required, and to recover such portion of these costs as contemplated in the MOA.
- ii. Be responsible for the day-to-day management of the project manager, including ensuring compliance with DBSA's internal policies and procedures.
- iii. Establish, manage and maintain a fully functioning project office dedicated to IPP projects.
- iv. Procure transaction advisors where relevant, while complying with internal procurement policies, and manage the service delivery and quality of service of these transaction advisors.
- v. Serve on the joint implementation committee and provide relevant expertise to the funding structure of the project.
- vi. Provide support in respect of contract management, from financial close to technical and financial completion.

The IPPO will eventually be institutionalised as a stand-alone entity (IPPO, 2022). This process is quite advanced, with a mandate, business model, functions and institutionalisation options already completed. A draft business case has been finalised, and the draft legislation and the implementation plan have also been completed. Over the past decade or so, the energy procurement process run by the IPPO has been regarded as competitive, transparent, fair and well managed (Eberhard and Naude, 2012:1-2,22). In pursuing broader economic ownership, the request for proposals that invite bids require bidders to respond to several elements, including economic development qualification criteria. A minimum 40 percent local entity participation and a level 5 broad-based black economic empowerment (B-BBEE) level are set as bidding hurdles (IPPO, 2015).

As indicated in Table 1 below, after eight bid windows (BW) have been opened (BW1, BW2, BW3, BW3.5, BW4, BW4-additional, BW5 and the risk mitigation window), 125 renewable energy projects have been awarded since 2012 (IPPO, 2022). A total of R342 billion has been raised in investments for the bid windows indicated above (IPPO, 2022). On average, it takes just over a year for a project to reach financial close and the finance allocated to the project becomes available.

Table 1: IPP Bid windows

	BW# 1	BW 2	BW 3	BW3.5	BW 4	BW 4 (add)	BW 5	Risk Mitigt.	BW 6
Bid closing date	Nov 2011	Mar 2012	Aug 2013	Mar 2014	Aug 2014	Aug 2014	Aug 2021	Dec 2020	Aug 2022
Bid financial close	Nov 2012	May 2013	Jul 2014	Jul 2019	Apr 2018	Dec 2018	Sep 2022	Sep 2021	May 2023
Number of bids received	53	79	93	3	74	-	102	28	56
Number of projects awarded	25	19	17	2	13	13	25	11	5^
Capacity requested (MW)	3 625	1 275	1 473	300	1 105	1 170	2 600	2 000	2 600
Capacity awarded (MW)	1 425	1 040	1 457	200	1 121	1 084	2 583	1 995	860
Value of investment (R billion)	49	33	48	23	55	24	50	60	12
Economic development criteria % set	1	1	1	1	1	1	1.8	1.5	1.5*
Outcome achieved	1.8	1.1	4	14	7.2	7.2*	2.1	1.7	-
B-BBEE minimum % level set	12	12	12	12	12	12	30	30	30*
Outcome achieved	14	16	18	18	30	30*	35	43	-

Source: IPPO (2022); Own calculations. #BW = Bid window, ^Sixth under consideration, *Assumed previous levels

Despite possible potential revisions to BW5, the total energy capacity awarded over the eight bid rounds (BW1 to risk mitigation window) is 10 905 megawatts (MW), of which 5 826MW from bid windows 1 to 4 have been added to the national grid. Entities are expected to comply with the minimum empowerment thresholds for job creation, local content, ownership, and enterprise and supplier development.

The IPPO (2022) states that the IPP programme has facilitated 64 590 jobs to date, which could be held for at least a year for bid windows 1 to 4. A total R1,8 billion has been spent on supporting the socio-economic needs of local communities. The programme has also supported 1 388 SMEs with R307 billion provided for equipment, finance, transport, and training and development for BW1 to BW4. Small empowerment businesses that participate in the IPP programme typically take out loans or receive an equity injection from various investors to facilitate their participation. Initially, there was lack of policy clarity on how to support SMEs and difficulties with national grid access persist.

The minimum level of broad-based empowerment support, which targets Black-owned SMEs, was set at 12 percent of the project value in BW1; it was gradually increased to 30 percent for later bid windows. On average, the renewable energy projects have reached 25% in terms of Black empowerment. In this way, the programme has succeeded in creating economic access opportunities for SMEs.

Infrastructure Delivery Division

The DBSA operates across the full infrastructure development value chain, i.e., planning, preparation, financing, building and maintenance of infrastructure projects and programmes (DBSA, 2022). At its 2012/2013 organisational review session, the DBSA resolved to accelerate the roll-out of infrastructure building and maintenance (DBSA, 2013). This came on the back of the unabated infrastructure development gap in the country, including inappropriate school infrastructure, poor housing conditions, unmaintained roads and poor health facilities.

The IDD was re-purposed to respond to government institutional and structural challenges at all levels of government. Specifically, the IDD was designed to enhance government’s capacity to plan, design, construct, maintain and manage social and economic infrastructure. Some of the specific challenges identified were:

- i. inadequate infrastructure planning and budgeting
- ii. lack of innovation
- iii. slow and poor execution of procurement processes
- iv. inability to spend infrastructure grants allocated
- v. poor project execution
- vi. poor infrastructure maintenance
- vii. weak management and operational capacity to implement projects.

As shown in Figure 1, from inception to 2022, the IDD has delivered infrastructure worth R25,3 billion (IDD, 2022).

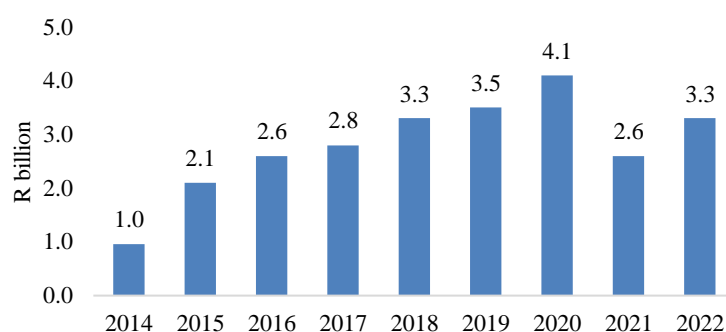


Figure 1: IDD - infrastructure delivered; *Source:* IDD (2022)

The contribution made by the IDD is shown using a selection of indicators in Table 2 below. A notable outcome is the number of small businesses that benefitted from its efforts, i.e., more than 7 500 small business in the nine-year period from 2014 to 2022. A total of R4,1 billion was transferred to small businesses during this period (IDD, 2022), which confirms IDD supporting SMEs to gain economic access. For this work, the IDD often contends with building sites invasions which often set contracted SMEs behind schedule and cause employee protests.

Table 2: IDD contribution to the economy

IDD Numbers	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of projects completed	918	1 266	1 539	364	196	183	186	641	369
Number of employment opportunities created	5 768	7 144	6 462	9 077	8 492	8 344	9 758	8 190	9 230
Education facilities built/refurbished	49	14	34	89	136	115	114	62	105
Health facilities built/refurbished	109	87	117	26	11	46	2	5	1
Human settlement facilities built/refurbished	760	1 128	1 382	342	112	-	200	-	-
Municipal projects completed	-	-	-	25	16	14	43	13	3
SMME and sub-contractors that have benefitted	80	734	665	500	717	1 087	1 219	1 031	1 543
<i>Of which total value earned (R million)</i>	-	170	710	493	364	536	948	611	914

Source: IDD (2022)

Development Laboratories

DLabs were conceptualised as one of the strategic moonshot¹ projects of the DBSA. The DLabs precinct model was activated in 2020. The aim is to create economic development spaces in local economies to allow connectivity and a digital presence for participants (DBSA, 2021). Infrastructure and development investment are purposely linked to advance local economic development and a community-based ecosystem. DLabs have the following main objectives:

- i. Create an environment for locals to participate.
- ii. Partner with stakeholders to co-produce sustainable platforms that yield impactful development solutions.

The effort made by the National Party government to develop Black enterprises separately and outside the mainstream economy prior to 1994 yielded very limited results (The Presidency, 2020). Thereafter, despite the various efforts made by the democratic government to arrest high unemployment and unbearable poverty and inequality levels, these socio-economic challenges remain. There is consensus that township and rural economies are still under-served, and a task team created within the deputy president's office points out that certain deep-seated challenges remain unresolved (The Presidency, 2020), including:

- i. Continued gains by the beneficiaries of colonialism and apartheid.
- ii. Continued benefiting by the rich from the little growth in townships and rural areas due to sector concentration.

¹ Ambitious and innovative projects that explore and break new ground.

- iii. Unfair technological advantage of incumbents.
- iv. Big business mentality, which undermines the growth of small businesses.
- v. Perpetual victimhood syndrome from the colonial and apartheid psychological impact.
- vi. Escalating unemployment and persistent poverty.

The DLabs precinct model was designed to address some of these challenges faced by township and rural economies (DBSA, 2021). The model articulates the challenges addressed as shown below, most of which have been exacerbated by the COVID-19 pandemic:

- i. *Socio-economic challenges* – elevated unemployment, poverty and inequality levels trap citizens, especially young people, in a vicious cycle that prevents them from participating meaningfully in the economy. Even if they break out of this cycle, the skills mismatch between academic qualifications and industry demands makes it difficult for them to reach ideal levels of economic participation.
- ii. *Inadequate healthcare* - many people still do not have access to primary health care, and in rare cases where they do, the services are provided by overcrowded and inefficient health facilities.
- iii. *Poor spatial planning* – inadequate spatial planning has sustained the unfair spatial layout in the country, with adverse results for townships and rural areas.

DLabs provide communities with future skills learning programmes and youth employment opportunities. They also drive entrepreneurship, create safe spaces for sport and other recreational activities, through technology and sustainable solutions. The DBSA provides seeding capital and operational support over a three-to-five-year period to set the precincts up and nurture them into self-sustaining entities (DBSA, 2021). This is a novel approach which comes with market leading challenges and massive coordination requirements, as partners, especially SMEs, are not always organised. As at February 2022, there were five DLabs pilot sites supported by the DBSA in South Africa and some R47 million had been disbursed. The sites are in Jabulani in Gauteng, Westridge in the Western Cape, Alexandra in Gauteng, Louwsburg in KwaZulu-Natal, and Waterberg in Limpopo. The impact results that have been recorded are provided in Table 3 (DBSA, 2022a).

Table 3: Development results for DLabs precincts

	2021	2022
Capital disbursed (R million)	26	24
Number of beneficiaries of future skills training	1 031	775
Number of jobs created	41	54
Number of SME supported through training and finance	51	182

Source: DBSA (2022a)

In just two years, the programme has demonstrated its potential usefulness in terms of providing an operational platform, and equipping locals with skills, creating jobs, and providing economic access to local small businesses. Providing support to SMEs in terms of economic access has clearly been demonstrated.

Summary of gaps and institutional contributions

The individual institutional gaps identified, challenges with support, contributions to economic access and successes achieved, especially for SMEs, are outlined in Table 4 below.

Table 4: Institutional gaps and contributions

	IPPO	IDD	DLabs	
Gaps and challenges	Gaps identified	Lack of competitive and transparent IPPs procurement process Need to add power to the national grid Need to increase Black equity participation Need to improve socio-economic benefits such as creating jobs	Need to increase public sector capacity for infrastructure delivery Challenges experienced with infrastructure delivery, e.g., planning, budgeting and under-spending	Lack of access to opportunities experienced by youth in disadvantaged urban and rural environments Lack of basic business skills training for entrepreneurs Need to improve social returns
	Challenges with support	Initially lack of policy clarity on how to support SMEs and currently, difficulties accessing grid	Navigating site invasions to avoid protests by SMEs employees	Challenge to organise partners, including SMEs
Contributions and success	Contribution to economic access	Increased Black ownership Created advisory panels for emerging firms Increased spend on socio-economic development of communities and SMEs	Delivery logic provided access to SMEs Procurement strategy mainstreamed for SMEs and local economy empowerment Mobilisation of working capital for SMEs	Increased skills Increased employment More participation by local service providers and business support Investment allocated
	Successes from support	5 826MW added to the national grid 64 590 jobs facilitated R1,8 billion spent on supporting the socio-economic needs of local communities 1 388 SMEs supported for a total of R307 billion for equipment, finance, transport, and training and development 25% achieved per deal on average for Black empowerment (equity and loans)	R25,3 billion of infrastructure delivered 7 500+ SMEs supported for a total of R4,1 billion through contracts and cashflow	R50 million spent on infrastructure and operations 1 806 individuals received skills 95 jobs created 233 SMEs supported through finance and training

Source: Authors' own summary

Interview results

The summary of the interview results is shown in Table 5.

Table 5: Summary of interview results

Outcome of survey	IPPO	IDD	DLabs
Key goals of entity	Capacity to design, structure, procure and oversee the implementation of IPP programmes Increase megawatts onto the grid, given the load shedding that started in 2008 Meet the country's green climate commitments Economic transformation	To augment the capacity of the state to deliver and maintain infrastructure Embrace the building of institutional capacity Build a capable state that is able to plan infrastructure projects, manage the design, construction, upgrades, refurbishment and maintenance using innovative, turnkey solutions Provide programme management services and mobilise specialist expertise	To drive development through targeted, community-based investment in human capacity Provide access to skills of the future for youth and women Attract and retain capital in local micro economies
Challenges being resolved	Competitive, transparent IPPs procurement Power added to the grid Black equity participation Socio-economic benefits	Public sector infrastructure delivery Challenges experienced with infrastructure delivery (e.g., planning, budgeting, innovative delivery models, under-spending, infrastructure maintenance)	Access to opportunities for communities, especially women and youth, in disadvantaged environments Lack of basic business skills training for micro entrepreneurs Social returns
Input required to make entity setup work	Clear definition of the objective(s) to be achieved in order of importance Political and administrative stewardship Clear roles and responsibilities of the parties to a programme Funded mandates	Corporate mandate alignment and organisation support system Working capital Setting up management and board governance structures	Board vision and executive support Financial commitment Clear governance structures Approved operating policies/processes Suitable implementation partners
Supporting economic access for SMEs	Black ownership Advisory panels for emerging firms Socio-economic development spend on SMEs	Delivery logic provides access to SMEs Procurement strategy mainstreams SME empowerment and local Mobilisation of SME working capital	Employment Local service providers and business support
Requirements for scaling up performance	Increase SME ownership and advisory role. Increase revenues to SMEs	Improve technical, business and financial skills of SMEs. Broaden partnerships. Institutionalise SME performance evaluation system	Set up capital and human capacity. Functional governance structures. Development performance measures and reporting. Conflict management mechanisms and adequate convening capacity. A broader pool of implementing partners

Source: Authors' own summary

As summarised in Table 5, the purposive survey results showed that the key goals for establishing the entities were developmental in nature, and incorporated transformation and capacity building. The overarching challenge being resolved is economic access by local communities to both infrastructure and livelihood activities. The survey showed that the main input required to make these types of institutional setups work is clarity of goals and an appropriate governance structure for the institution. In this regard, all three institutions were set up to support SMEs, and the survey results confirmed the positive contributory outcomes observed from data analysis. Lastly, the survey also showed that SME support and meaningful partnerships are key to scaling up the performance of institutions.

Discussion

Prior to 2010, the participation of SMEs in the energy sector was limited by their historical experience, capacity and available opportunities. The IPPO identified and responded to the gaps in the sector and SME participation was enabled. Many factors have subsequently contributed to the slow in the participation of SMEs in the energy sector, with the lack of relevant infrastructure being one of them. Overall, the results show that the IPPO was successful in reducing the gaps identified for SMEs and enabled them to increase their economic participation, while also capacitating them. The key achievements for the IPPO with regards to SMEs include increasing Black ownership in the energy sector, creating advisory panels to guide emerging firms, increasing spend on socio-economic development of communities and SMEs and creating jobs.

The IDD exists to enhance government's capacity to plan, design, construct, maintain and manage infrastructure. Central to this activity and as part of the DBSA's developmental role is to support the development of SMEs as players in the development of infrastructure. The study results show that the IDD succeeded in making a massive contribution to infrastructure development needed by SMEs, while also supporting these entities participate in the infrastructure development value chain. The key achievements for IDD in terms of supporting SMEs include the delivery of infrastructure that can be used by SMEs and their members, as well as the direct support to SMEs by allocating infrastructure development contracts to them and working capital facilities.

Modern businesses can only compete in the market if they have effective connectivity and the skills to ensure effective use of digital platforms. Most SMEs do not. DLabs have a mandate to contribute to easing these challenges for SMEs. The DLabs have succeeded in contributing to the connectivity and digital needs of SMEs, especially in townships and rural places, where the precincts have been set up, while also creating a conducive environment for local economic development in which SMEs can participate in business opportunities. The major achievements of the DLabs programme include investment in infrastructure, facilitating an increase in skills, employment and the participation of local businesses.

Despite the gaps and challenges encountered (as outlined in Table 4), the formation of the IPPO, IDD and DLabs was the DBSA's institutional development that succeeded in facilitating economic access for SMEs in South Africa. There have been clear successes recorded across all three institutions. These findings validate the hypothesis that institutional development can support economic access for SMEs. This is an avenue that could be considered by the government as part of the toolkit to support SMEs. The findings can therefore be used as a building block for a public sector policy position and regulatory support to advance institutional development with the specific aim of facilitating SMEs economic access. However, scaling up institutional development has potential limits in that for it to succeed it must be implemented in a deliberate and targeted manner. A key strategy to mitigate this shortcoming is to ensure that the institutions developed are well capacitated and operate within the relevant functional sectors.

Conclusions

This study explored how institutional development can support economic access for SMEs. It focused on the support received by SMEs in South Africa from institutions set up by DBSA. The key findings of the study are that SMEs received support through increased Black ownership, advisory support, infrastructure development contracts, working capital support, increased skills and increased employment.

The overall results indicate that the IPPO, IDD and DLabs succeeded in supporting SMEs to participate in the South African economy. This was confirmed by the purposive survey undertaken to supplement the performance analysis. The survey also showed that the performance of these institutions can be scaled up, thus indicating that replication is possible. The hypothesis that institutional development can support economic access for SMEs was validated.

The study has three key limitations. The first is the limited selection of institutions analysed, as informed by the chosen institutions being operational, data availability and accessibility within the available research time. The second is the unavailability of detailed data from beneficiary SMEs to further outline successes. The third relates to challenges with scaling the process up, such as having the right capacity to drive the setting up of institutions.

The public sector should consider these outcomes with a clear aim of adopting a policy and regulatory positions that can facilitate institutional development to support SMEs economic access. Such a position, and in line with the third study limitation, should be accompanied by a clear capacity development plan to ensure that institutional development is effective. Future research can respond to the first and second limitations by broadening the sample of institutions selected for analysis and attempting to find detailed beneficiary SMEs data to strengthen findings.

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