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Financing development or developing finance? A review of development impact evaluation systems used by development finance institutions in South Africa

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by

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ABSTRACT

The landscape of South African National Development Finance Institutions (DFIs) is comprised of twelve entities. Their institutional objectives range from supporting farmers, financing industrialisation, infrastructural development, and promoting financial inclusion. These DFI objectives fall under the umbrella of Private Sector Development (PSD) interventions. Literature established that the success of PSD is contingent on effective impact evaluation. Consequently, the main research question explored in this dissertation is: In what ways, and using what tools and systems, do South African DFIs measure the development impact of their investments? In support of the main question, two sub-questions were also investigated. Firstly, whether impact evaluation systems provide credible, timely and relevant information. Secondly, whether impact evaluation systems support evidence-based decision making and learning. In response to these questions, a qualitative case study of six National DFIs was carried out. Semi-structured interviews were conducted with DFI staff members involved in impact evaluation. This was supported by secondary data from annual reports and organisational websites. It was established that, firstly, DFIs use non-uniform impact evaluation systems and tools to measure the impact of their investments. Secondly, the systems lack qualitative detail and focus on measuring outputs instead of outcomes. Thus, much emphasis is placed on monitoring instead of impact evaluation. This renders the impact evaluation systems and tools highly ineffective. Finally, whilst the avowed objective of DFIs is development, financial viability takes precedence when selecting projects. Therefore, an emerging conclusion was that systems in place do not support development impact evidence-based decision-making. These findings generated recommendations for changing the development impact evaluation tools and systems used by South African National DFIs. It is expected that recommended changes will maximise DFI socio-economic benefits.

KEYWORDS

Development finance institution, development impact, impact evaluation, political economy

LIST OF ABBREVIATIONS

ANC - African National Congress

DFI - Development Finance Institution

sefa - Small Enterprise Finance Agency

IDC - Industrial Development Corporation

DBSA - Development Bank of Southern Africa

NEF - National Empowerment Fund

NHFC - National Housing Finance Corporation

DOTS - Development Outcome Tracking System

PSD - Private Sector Development

DERa© - Development Effectiveness Rating

TIMS - Transition Impact Monitoring System

EBRD - European Bank for Reconstruction and Development

CDC - CDC Group plc

EIB - European Investment Bank

FMO - Netherlands Development Finance Company

GEAR - Growth, Employment and Redistribution

B-BBEE - Broad-Based Black Economic Empowerment

KfW - German Development Bank

LIC - Low Income Country

BNDES - Brazilian Development Bank

SMME - Small Medium and Micro Enterprise

SADC – Southern Africa Development Community

1 Introduction

The concept of development dates back to the end of World War II. Whilst the Marshall Plan sought to rebuild Europe it soon transformed into a global movement. Besides, early ideas of development were fixated on economic growth through finance and capital investment (Sagasti, Bezanson, & Prada, 2005). Fast forward to the 21st century, there is an increasing awareness that finance is a necessary but not sufficient condition for economic development (Levere, Schweke, & Woo, 2006). Most tellingly, the global financial crisis of 2008 brought to the fore the pernicious effects of unrestrained finance (Ashman, Mohamed, & Newman, 2013). Nonetheless, development finance remains an important developmental factor.

In recognition of the developmental effects of finance, an institutional architecture to provide development finance has sprouted over the years. From multi-lateral institutions to private philanthropy, the global landscape of DFIs has undergone massive disjointed and accretive growth (Sagasti et al., 2005). Unsurprisingly, the institutions, instruments and practices of organisations making up the global development finance system exhibit significant heterogeneity. Because of this, a conception of DFIs for this dissertation is apposite.

This dissertation adopts Mudaliar, Moynihan, Bass, Roberts, and DeMarsh's (2016) definition of DFIs. According to them, a DFI is a government-supported financial institution which provides finance to the private sector for investments that promote positive social, economic and environmental impacts. Similarly, Gumede, Govender, and Motshidi (2011) define DFIs as government policy tools for forging developmental objectives by addressing market imperfections through providing finance and investment capital. To them, developmental objectives are economic growth and contributions to the public good. Because the aim of DFIs is to provide finance, the role of finance in development must be explored further.

Finance can be defined as money in all its forms, including credit. The notion of whether more financial resources equate to more development has dominated discourse amongst scholars for many years (De Gregorio & Guidotti, 1995) (Bruck, 1998). Mainstream economists consider it a critical element for development. In contrast, heterodox economists like Raworth

(2017) argue that far from being infallible, finance immanently generates instability. For South Africa, racial access to finance was one of the undesirable legacies of apartheid. However, unequal access to finance together with white monopoly capital was not radically transformed at the time of political settlement in 1994 (Ashman, Fine, & Newman, 2011).

Additionally, Ashman et al.,(2011) posit that at the dawn of democracy in 1994, the ANC discarded its original 'interventionist' policies to address the structural weaknesses of apartheid in favour of neoliberalism—especially the belief in private-sector development. Accordingly, this policy stance maintained and sustained exclusionary, state dependent and highly extractive apartheid-style economic development. This economic policy has been central to reproducing income and wealth inequality (Ashman et al., 2011). To date, the South African economy is deeply entrenched with exclusionary characteristics (Cornish-Jenkins, 2015). Therefore, South African DFIs operate in an economic environment of unequal power. Furthermore, historical reasons have conjured disparate institutions emblematic of political conditions prevailing at each epoch.

South African National DFIs (all of which are government owned) are the subject of this dissertation. The landscape of South African National DFIs comprises twelve institutions (Julies, 2017). A historically intuitive way of classifying them is to delineate between apartheid-established and post-apartheid established institutions. The three largest DFIs (Development Bank of South Africa (DBSA), Land Bank and the Industrial Development Corporation (IDC)) control up to 90% of DFI assets and were established during the apartheid era (Julies, 2017). For this reason, they were included in the study sample. The remaining nine institutions from which three more DFIs were selected for study based on their Public Finance Management Act (PFMA) listing were established post-apartheid. In their totality, the selected institutions are at the core of providing development finance in South Africa. Suffice it to say, however, that the provision of state funds for development has exacerbated the financialisation of the South African economy (Ashman et al., 2011).

At a policy level, the expansion of the DFI system in South Africa has been in response to the conundrum of establishing a black capitalist class in the face of constrained property rights.

As a result, a black state-sponsored financialised elite has emerged (Ashman et al., 2011) (Alami, 2018). For instance, the NEF has funded billion Rand black economic empowerment deals over the years (National Empowerment Fund, 2016). Because of this, the financial sector has expanded rapidly in the post-apartheid era. DFIs have contributed to this expansion. In part because finance influences the speed and spatial relations of accumulation, and hence its use as a policy tool (Powell, 2013). Consequently, a scheme of finance-led development has been on the rise. For DFIs, finance-led development takes the form of Private Sector Development (PSD) (Bracking & Ganho, 2011).

Private Sector Development (PSD) is defined by Bracking (2009, p. 140) as, “policies and resources aimed at developing and expanding the private sector”. Two broad categories of PSD objectives can be identified: firm or sector level interventions on the one hand and economy-wide interventions on the other (Bracking & Ganho, 2011). The former objective seeks to leverage entrepreneurial skills and considers the pursuance of profit synonymous with development. The latter considers PSD as capable of correcting market failures and positively impacting on poverty and social well-being (Bracking & Ganho, 2011). It is this view of PSD as a policy measure which renders its impact evaluation fundamental.

Impact evaluation is a deliberate attempt at promoting evidence-based policy making. It promotes accountability, transparency and learning (Gertler, Martinez, Premand, Rawlings, & Vermeersch, 2016). DFIs are established to bring about social change. A key question is whether DFI investments actually bring about improved outcomes. To determine this, impact evaluations must be undertaken. Accordingly, Gertler et al., (2016) define impact evaluation as an assessment of changes in the well-being of individuals attributable to a particular project, programme or policy. Thus, impact evaluation systems are the tools and systems used by DFIs for outcome assessment (Lemma, 2015).

Established DFIs in the Global North have developed sophisticated systems such as the Development Effectiveness Rating (DEra©), the Development Outcome Tracking System (DOTS) and the Transition Impact Monitoring System (TIMS) for this purpose. However, in the Global South in general and South Africa in particular, local DFIs have underdeveloped

impact evaluation systems (Qobo & Motsamai, 2014) (Julies, 2017). There are a myriad of reasons for this, chief of which is inadequate resources and limited political pressure to implement such systems despite their immense value.

Impact evaluation systems are critical for teaching DFIs what works as well as what doesn't, with the result that firm behaviour can be changed (McKenzie, 2010). Whilst research on the (DOTS), Dera© and TIMS highlight some of the effects of these systems on present and future investment decisions there is no clarity from a South African perspective. However, these systems and many others in general focus on similar indicators or outcomes.

Indicators or outcomes embody the evaluation question of an impact evaluation system (Gertler et al., 2016). In the context of DFIs, the questions are framed to interrogate the impact or causal effect of an investment on outcomes of interest. Therefore, the unambiguous definition of indicators is very important (Gertler et al., 2016). Likewise, it must be possible to estimate the counterfactual or what the outcome would have been in the absence of the DFI investment. The main outcomes explored by DFIs are: employment generation, government/tax revenues, investment outcomes, environmental outcomes and catalytic effects (Runde, 2016).

Whilst development indicators, mandates and historical accounts of South African DFIs are well laid out, it is unclear what impact evaluation systems are used to measure development impact (Qobo & Motsamai, 2014). Moreover, the effect of DFI decisions on key stakeholders is unclear, particularly how DFIs evaluate the harmful and beneficial effects of their investments. For this reason, causality and attribution of DFI interventions to certain outcomes is hard to establish (Qobo & Motsamai, 2014). Therefore, this research will add to this field of knowledge. It is expected that a theory on how South African National DFIs measure the impact of their investments will emerge. The aim is to establish the nature of the systems in place and how they affect key decisions and promote the well-being of South Africans. To this end, this dissertation seeks to explore the tools and systems used by South African DFIs to measure the development impact of their investments.

1.1 Problem Statement

The contributions of DFIs to economic development must be measured to inform policy and influence their behaviour. This is achievable if impact data is collected at certain intervals during the investment cycle (Bracking & Ganho, 2011). Prior to this, an evaluation of the development impact assessment systems and tools is essential. Such systems and tools collect and analyse the development impact data. From a review of literature, there are no systematic studies of this nature in South Africa, a finding supported by Abrahams (2015). Prior studies have focused on impact evaluation systems used by European DFIs. Other studies have looked at the economic contribution of a DFI in South Africa (Abrahams, 2015). Moreover, studies of the internal operations of South African DFIs remain largely unresearched. Therefore, this dissertation addresses this problematic gap in literature.

1.2 Research Questions

Based on the problem statement, the open and overarching research question in the literature adapted from Bracking and Ganho (2011) is: In what ways, and using what tools and systems, do South African DFIs measure the development impact of their investments? Additionally, two sub-questions are explored: Firstly, do impact evaluation systems adopted by South African National DFIs provide credible, timely and relevant information? Secondly, do impact evaluation systems adopted by South African DFIs support evidence-based decision making and learning?

1.3 Justification of the Study

It is intellectually worthwhile to evaluate the development impact assessment tools used by South African DFIs because such tools contribute to their efficiency and effectiveness. This view is supported by Ferraz and Coutinho (2017). According to them, if DFIs are to serve public interests they ought to undertake ex-post and ex-ante impact evaluation. Moreover, other studies in South Africa have identified some limitations of the tools in use and recommended it as an area for further study (Abrahams, 2015).

At a policy level, DFIs provide a mechanism for the South African Government to intervene for social and economic development (ActionAid South Africa, 2013). What is more, the

successful implementation of the country's latest economic blueprint dubbed as the New Growth Plan (NGP) hinges on leveraging DFIs (Economic Development Department Republic of South Africa, 2011). Finally, DFIs are in a unique position of power from which they can influence the impact investing market. For these reasons, their development impact assessments are a useful tool for directing capital to strategic sectors of the economy (Bracking & Ganho, 2011). This makes the systematic study of impact evaluation theoretically significant towards DFI government regulation policies not least because evidence based policies are effective at reducing poverty, inequality and improving well-being (Gertler et al., 2016).

In terms of redistribution, DFIs are considered a fundamental vehicle for channelling South African Government financial resources to needy communities. This they achieve by providing funds in support of job creation, affordable housing, agricultural development, small-, micro- and medium- enterprise development, industrial development and infrastructural development (ActionAid South Africa, 2013).

However, as alluded to Bracking and Ganho (2011) more investments do not necessarily equate to improved quality of life. In fact, sub-optimal results often persist, manifesting themselves in debt accumulation, environmental damage, tax evasion, corruption, poor selection of projects and emaciation of democratic governance (Bracking & Ganho, 2011). To safeguard against such risks, DFIs must undertake impact evaluations of their investments. Due to this, this study offers critical insights to help improve developmental outcomes, accountability and operational effectiveness of DFIs. Finally, this study contributes towards advocating for standardised impact evaluation systems for use by South African DFIs. This will allow for comparability and improved accountability amongst DFIs.

2 Literature review

2.1 Introduction

This chapter is arranged in thirteen sections which review key themes in the literature on DFI impact evaluation systems clustered around three topics. The point of departure is a background of development and development finance institutions in general. This is covered in sections 2.2 to 2.4. Following this, the dissertation looks at the literature of finance and development and maps out the landscape of South African National DFIs in a political economy context. These themes are covered in sections 2.5 to 2.8. This paves the way for a discussion of Private Sector Development (PSD) and sets up a detailed review of development impact evaluation systems. Sections 2.9 to 2.11 cover those aspects. Finally, section 12 provides a conclusion and section 13 articulates the conceptual framework before looking at detailed case descriptions in chapter 3.

2.2 A Historical Background of Development and Development Finance

Initial ideas of development in the Global North during the 1940s and 1950s were fixated on economic growth. Development was perceived as tantamount to economic growth (Sagasti et al., 2005). Thus, economic models of the time viewed the dearth of investment as a major constraint to economic growth and development. More so, given the abundance of labour in developing countries. Subsequently, the 1950s and 1960s engendered some sort of fundamentalism under which finance was considered a sufficient condition for economic development (Sagasti et al., 2005). In contrast, the 1960s and 1970s saw a transformation in developmental thinking from merely finance and investment towards the interaction of numerous factors. For instance, the importance of labour quality, technological skills and government policies (Sagasti et al., 2005) (Leveré et al., 2006).

Contemporary economists recognise the limitations of growth and finance. To exemplify, Raworth (2017) propounds that a twenty-first-century goal of economics should be to create a world in which people can live a life of dignity, opportunity and community within planetary confinements. This sentiment is supported by the findings of the Stiglitz-Sen-Fitoussi (2009) Commission. What is more, far from being infallible, finance has proven to be an immanent

generator of instability (Raworth, 2017). Indeed, the 2008 global financial crisis is a case in point. As a result, a key theme that has emerged is of finance being a necessary but not sufficient condition for economic development.

2.3 The Global Landscape of Development Finance Institutions

The rapid growth in the developmental sector has brought together the state, the private sector and civil society in relationships that are both antagonistic and collaborative (Sagasti et al., 2005). The global development finance system comprises nine types of institutions. These are: multilateral development banks, sub-regional banks, bilateral institutions, national development banks, private/ commercial sector banks, microfinance institutions, global funds, NGOs and private philanthropy (Kabinga, 2017). Figure 1 illustrates the typology of entities involved in development finance.

The dominance of Northern firms and ideologies in the system of development finance highlights its immanently capitalist and imperialist nature. Thus as Bracking (2009, p. 2) puts it, 'development is intimately connected and implicated in capitalist process and imperialist logic'. Because of this, an initial argument is that the institutional systems of DFIs are inherently meant to benefit the rich. Therefore, an analysis of their impact evaluation systems is of scholarly significance as it can illuminate weaknesses and propose policy changes which can benefit subaltern groups.

The Global Development Finance System

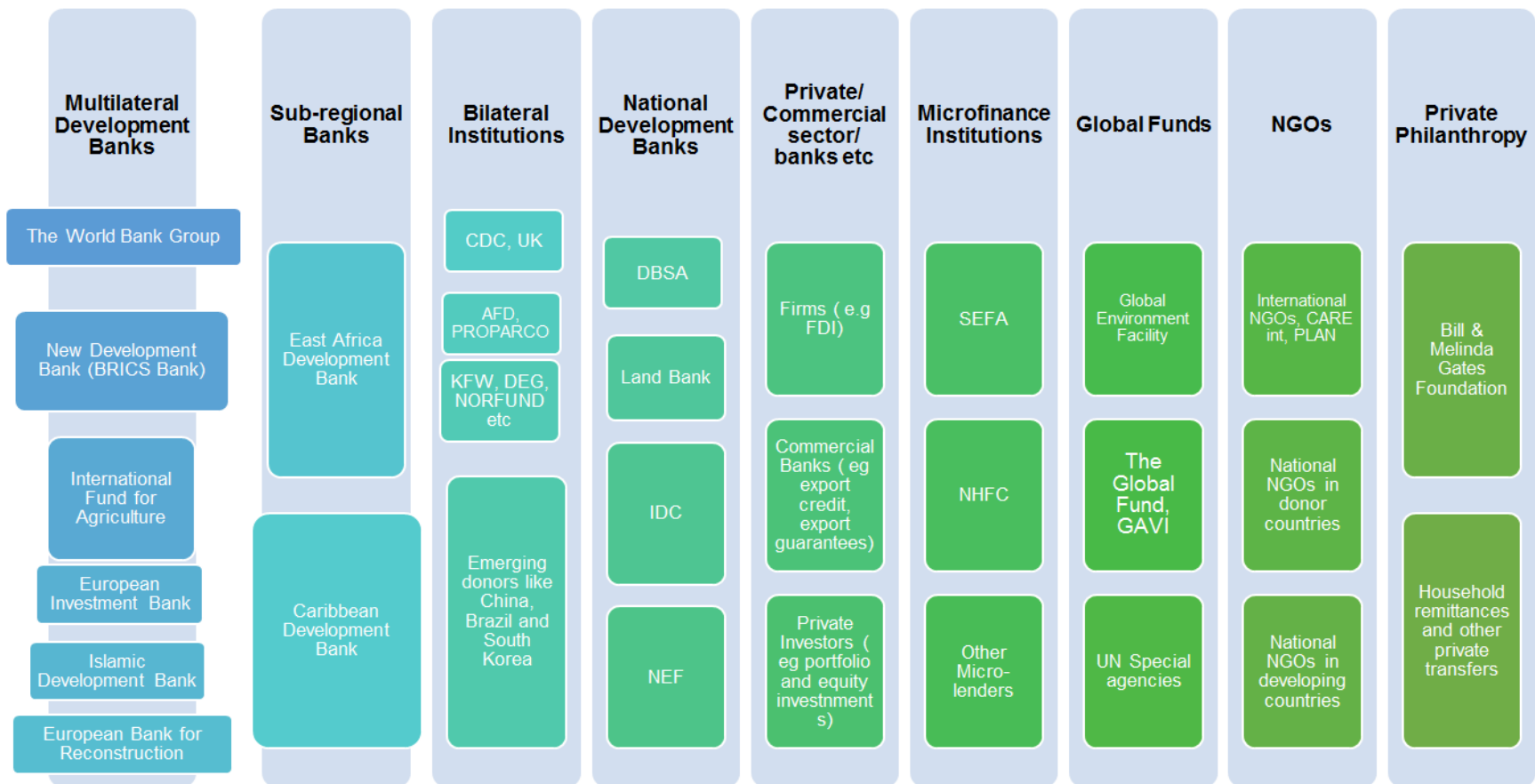


Figure 1: The Global Development Finance System

Source: (Kabinga, 2017)

This dissertation will focus on National Development Banks as illustrated in the fourth column of Figure 1.

2.4 An Outline of Development Finance Institutions

Three characteristic features of DFIs are that they are state owned, engage in private sector development and aim to catalyse other forms of development finance. According to Runde (2016), DFIs are government-backed institutions that invest in private-sector projects in low-income and middle-income countries. A similar characterisation of DFIs is made by Kingombe, Massa and Willem (2011) who depict DFIs as donor country owned entities which provide finance to the public or private sector from callable capital or endowments, and also leverage other sources of finance such as private capital. A more benevolent characterisation of DFIs is painted by Levere, Schweke and Woo (2006) who see DFIs as advisors between financial market capitalists and low income entrepreneurs. Similarly, Ngozo (2017) and Baloyi, Manyathi, and Mpangase (2011) recognise DFIs as intermediaries between public aid and private investment. These varying definitions demonstrate the evolution of DFI objectives and the variegated nature of their areas of influence. What is conspicuous in the definitions is their influence on the private sector.

Beyond economic growth, serving marginalised communities and catalysing other forms of development finance, DFIs are also considered as market “makers”. Market making is the ability of facilitating the inclusion of individuals, firms and communities which would otherwise have been excluded in economic transactions into the mainstream economy (Levere et al., 2006). This view of DFIs is reinforced by Bracking (2009) who states that development finance is responsible for making and expanding markets.

Because of their market-making ability, in weak and incomplete markets where elites have large arbitrary powers, DFIs enter the market with two seemingly conflicting objectives. On the one hand is the objective of making profit which is measurable and material whilst on the other is the desire to portray a notion of benevolent development assistance. Reconciling these two is problematic because measures of development are predominantly normative (Bracking, 2009). Resultantly, DFIs end up promoting the social positions of elites and reproducing poverty and inequality. For this reason, the development impact evaluation systems used by DFIs are important since they enable assessments to be made of whose interests DFIs promote.

2.5 The Role of Finance in Development

Another view of DFIs is that they aim to address financial market imperfections. This view is premised on the assumption that challenges in developing countries stifle financial market development and consequently economic growth (Kabinga, 2017). Runde (2016) has echoed similar sentiments by noting that in developing countries, capital markets are predominantly shallow and thus result in high interest rates for borrowers and circumscribed interest in providing funding to small enterprises. Consequently, these challenges give rise to high transaction costs.

The argument then goes that development finance – and finance in general – reduces transaction costs. This is achievable through the mobilisation of financial resources from savers to users of funds, intermediation by matching users of funds and suppliers of loanable funds, maturity transfer through transformation of short-term financial instruments into long-term financial instruments and through risk transfer. Therefore, it is through this process that economic growth is engendered. Such a traditional view of finance has been dispelled by other writers and is dealt with in more detail in the next section.

Raworth (2017) makes three convincing arguments supported by the experiences of the 2008 financial crisis. Firstly, she recognises that far from acting as intermediaries between savers and borrowers, banks create money out of thin air by merely recording a liability of the loan withdrawn and a debit of the expected repayment. Secondly, deepened financial markets are not supportive of economic stability but rather heighten the risk of financial instability. Lastly, instead of promoting productivity and growth, finance has turned out to be predatory to the wide-economy. Far from creating any value, finance extracts value from the economy. Furthermore, in financialised economies, financial institutions are regulators of firm and individual behaviour as opposed to intermediaries between savers and productive sectors of the economy (Ashman et al., 2013).

Therefore, finance, in a profound way, reinforces income and wealth inequality, a position succinctly summed up by Parker (2018). He argues that the underlying assumptions of finance reinforce income and wealth inequality by pre-supposing that some members of society have money or capital and others don't. Furthermore, returns on finance are higher if inequality is high. That said, such views on finance run in stark contrast to what is expected of

DFIs, for instance Ngozo (2017) posits that DFIs play a salient role in catalysing industrial development, positively influencing the implementation of developmental policies, human resources development and economic growth. As a result, a study of the development impact evaluation systems used by DFIs can provide insights into the role of finance in the development process and whether DFIs finance development or develop finance.

For instance, one of the most erudite writers on DFIs, Bracking (2012), notes that numerous countries in the world have DFIs whose objective is to stimulate the growth of the private sector in developing countries by placing investments in equity and debt. However, in her earlier work, Bracking (2009) argues that development banks and generic banks are similar because they all seek to make profitable investments. But then, development banks have the additional advantage of the charitable label. This often masks their role in reproducing poverty and inequality or in developing finance. Therefore, DFIs are active participants in capitalist development. Their favoured instrument of PSD is nothing more than a deliberate effort to extend the influence of capitalism (Bracking, 2009). For this reason, DFI developmental impact needs to be critiqued. A starting point is reviewing the tools and methods used to measure impact.

2.6 The Political Economy of South African Development

The relationship between the development finance system, capitalism and imperialism has been briefly explored. South Africa, however, introduces an additional dimension to this relationship owing to its history of apartheid. Modern day South Africa was wrought out of the exclusionary system of apartheid. The new power formed following the defeat of apartheid conforms to what Bracking (2009) characterises as an assemblage of a group to manage the common affairs of an enlarged elite. This is evidenced by the significant number of South Africans on the Forbes billionaires list. The list shows that up to 20% of the 24 African billionaires are South African (Nsehe, 2017). But why does this matter?

In this dissertation, DFIs are characterised as crucial institutions representing the power and interests of the rich and privileged. DFIs have the capacity to tip the balance of power in favour of elites who then manage to collect sovereign asset rents (Bracking, 2009). That

South African institutions generally serve the interests of the rich is evidenced by the report of Sulla and Zikhali (2018) which shows that South Africa is one of the most unequal countries in the world. Moreover, consumption, wealth and wage inequality has been on the rise since 1994. Bracking (2009) sums up contemporary South Africa as: de-industrialising, inept at service delivery to the majority, lacking corporate and state accountability, susceptible to periodic currency crashes and hell-bent on inflation targeting whilst accruing significant levels of foreign debt. These ingredients are a perfect combination for economic and social underdevelopment for the majority.

Suffice it to say that the rich in South Africa have been the former beneficiaries of apartheid who have allied with the ruling black elites. Elitism should be viewed from the lens espoused by Bracking (2009). In her treatise, it is argued that the political economy of development is two-pronged, on the one hand is the 'crisis but salvation narrative' and on the other is the 'resistance but subordination'. The former argues for external intervention in the solution of problems bedeviling people in the Global South whereas the latter – which has been popularised by liberation movements – posits that populations in the Global South are fiercely against capitalism in its current form but then are powerless to be independent of it. However, what is missing from the second narrative is the contribution by African liberation movements to the current crisis.

Thus, as the ANC fiercely fought apartheid, in contemporary times it has become a formidable player in the capitalist system through its participation in the process of power which has trapped the South African population into a vicious cycle of widespread poverty, inequality and massive levels of unemployment (Bracking, 2009). As argued by Gumede et al., (2011), debates on the effectiveness of DFIs in helping achieve developmental goals are about the interaction of the state, markets and private actors. Bracking (2009) concurs with this argument by recognising that the value of money only ever exists because of state guarantees and the role the state plays as intermediary of class power in society. It is within this political-economy context that DFIs operate in South Africa—arguably the right conditions for developing finance as opposed to financing development; a matter to be explored further in this dissertation.

2.7 The Landscape of South African National DFIs

The landscape of South African National DFIs which forms the population of this study comprises three major institutions reported on separately by National Treasury. These are the Industrial Development Corporation (IDC), the Land Bank and the Development Bank of South Africa (DBSA) (National Treasury, 2017). In addition to this, there are up to ten relatively small National DFIs. The number of South African DFIs has increased over the years in tandem with the broader neoliberal economic order pursued by the South African Government. Neoliberalism is a class project which has seen the balance of power shift from labour to capital (Ashman et al., 2011). As a result, the South African Government has had to establish more DFIs to provide finance for development. Moreover, DFIs have increasingly been viewed as the conduit for development finance to needy communities (Baloyi et al., 2011). Table 1 provides a summary of South African National DFIs and their mandates.

South African National DFIs

#	DFI Name	Date established	Mandate	PFMA Listing ¹
1	Industrial Development Corporation (IDC)	October 1, 1940	Promoting economic growth and industrialisation in South Africa and the rest of the continent (Industrial Development Corporation, 2017).	Schedule 2 Major public entity
2	Land and Agricultural Development Bank of South Africa	1912	Providing financial services to the commercial farming sector and to agri-business and to make available new, appropriately designed financial products that would facilitate access to finance by new entrants to agriculture from historically disadvantaged backgrounds (Land Bank, 2018).	Schedule 2 Major public entity
3	Development Bank of Southern Africa	June 30, 1983	Delivering developmental infrastructure in South Africa and the rest of the African continent (Development Bank of Southern Africa, 2017).	Schedule 2 Major public entity
4	National Housing Finance Corporation (NHFC)	1996	Make housing finance affordable and accessible to individuals and households with monthly incomes between R1500 and R15 000 per month (National Housing Finance Corporation Soc LTD, 2017).	Schedule 3A National public entity
5	Small Enterprise Finance Agency (sefa)	1 April, 2012	To foster the establishment, survival and growth of SMMEs and Co-operatives, and thereby contributing towards poverty alleviation and job	Schedule 2 Major public entity ²

1 Refers to classification according to the Public Finance Management Act (PFMA)

2 Subsidiary of the IDC but under the executive authority of the Department of Small Business Development

#	DFI Name	Date established	Mandate	PFMA Listing
			creation (Small Enterprise Finance Agency, 2017).	
6	National Empowerment Fund (NEF)	1998	Promoting and facilitating black economic participation through the provision of financial and non-financial support to black empowered businesses, as well as by promoting a culture of savings and investment among black people (National Empowerment Fund, 2016).	Schedule 3A National public entity
7	Independent Development Trust (IDT)	1990	A social infrastructure programme and project management implementing agency that works with all spheres of government through client-specific service level agreements on a management fee basis (Independent Development Trust, 2017).	Schedule 2 Programme Implementation Agency
8	National Youth Development Agency (NYDA)	16 June, 2009	Development of an Integrated Youth Development Strategy (IYDS) for South Africa and initiating, designing, coordinating, evaluating and monitoring all programmes that aim to integrate the youth into the economy and society (National Youth Development Agency, 2017).	Act of parliament, Act no 54 of 2008

#	DFI Name	Date established	Mandate	PFMA Listing
9	National Urban Reconstruction and Housing Agency (NURCHA).	1995	NURCHA initiates programmes and takes considered risks to ensure a sustainable flow of low-income and affordable housing, community facilities and infrastructure (NURCHA, 2017).	Schedule 3A National public entity ³
10	Rural Housing Loan Fund (RHLF)	1996	To facilitate access to housing finance for low income earners in rural areas to improve their living and housing conditions (RHLF, 2017).	Schedule 3A National public entity
11	Micro Agriculture Finance Scheme of South Africa (Mafisa)	2004	To provide financial services for empowering the smallholder/micro level producers, processors, working poor, micro entrepreneurs and producers in the agriculture, forestry and fisheries sectors.	Fund no longer in operation
12	Human Settlements Development Bank	Upcoming		

Table 1: South African National DFIs

³ Partnership between the South African Government and the Soros Economic Development Fund (SEDF). SEDF withdrew from the partnership in 2017.

2.8 The Financialisation of South Africa's Development

Hitherto, the overarching theme of South African DFIs is that the provision of finance by the state positively influences development or at least that it influences economic outcomes. What form of development does finance foster within the political economy context of South Africa and how is this measured? Suffice it to say that the use of finance as a tool for effecting economic development is consistent with neoliberal economic policy (Ashman et al., 2011).

The influential economist, Joseph Schumpeter (1934), is quoted in Storm (2018, p. 304) as describing the banker as “the ephor of the exchange economy”. Such a view was rooted in the intuitive idea that credit creation is central to financing new investments and innovative ideas. Thus, Schumpeter further argued that the banker “makes possible the carrying out of new combinations, authorises people, in the name of society as it were, to form them.” Moreover, the same banker has “either replaced private capitalists or become their agent; he has himself become the capitalist par excellence. He stands between those who wish to form new combinations and the possessors of productive means”. In sum, Schumpeter viewed banks as engines of economic growth and technological progression.

Whilst Schumpeter's views were premised on the centrality of banks in bringing up development (the so-called bank-based financial system), other scholars such as Von Hayek (1937) strongly argued that a market-based financial system was superior (Storm, 2018). The same author quotes Metcalf (2017, para. 23) who summed up Von Hayek's views on markets as follows:

the market constitutes the only legitimate form of knowledge, next to which all other modes of reflection are partial, in both senses of the word: they comprehend only a fragment of a whole and they plead on behalf of a special interest. Individually, our values are personal ones, or mere opinions; collectively, the market converts them into prices, or objective facts

In view of this, the financialisation of ‘everything in everyday life’ ensued. Financialisation is defined as the growing influence of the owners of money, financial institutions and actors in the management of economic affairs (Bracking, 2016).

Financialisation sustained and continues to sustain the neoliberal agenda through the promotion of narratives of self-interested individuality and risk-taking (Storm, 2018). Ashman et al., (2011), come to a similar conclusion about neoliberalism and its effect on politics and identity. The authors argue that neoliberalism in South Africa has resulted in an ideological shift from participatory democracy and more towards finance and market-led decision making resulting in citizens becoming mass consumers. Because wages have generally stagnated over the years, such consumption has been financed by debt. Figure 2 shows the trends in domestic debt which has been increasing since 2007.

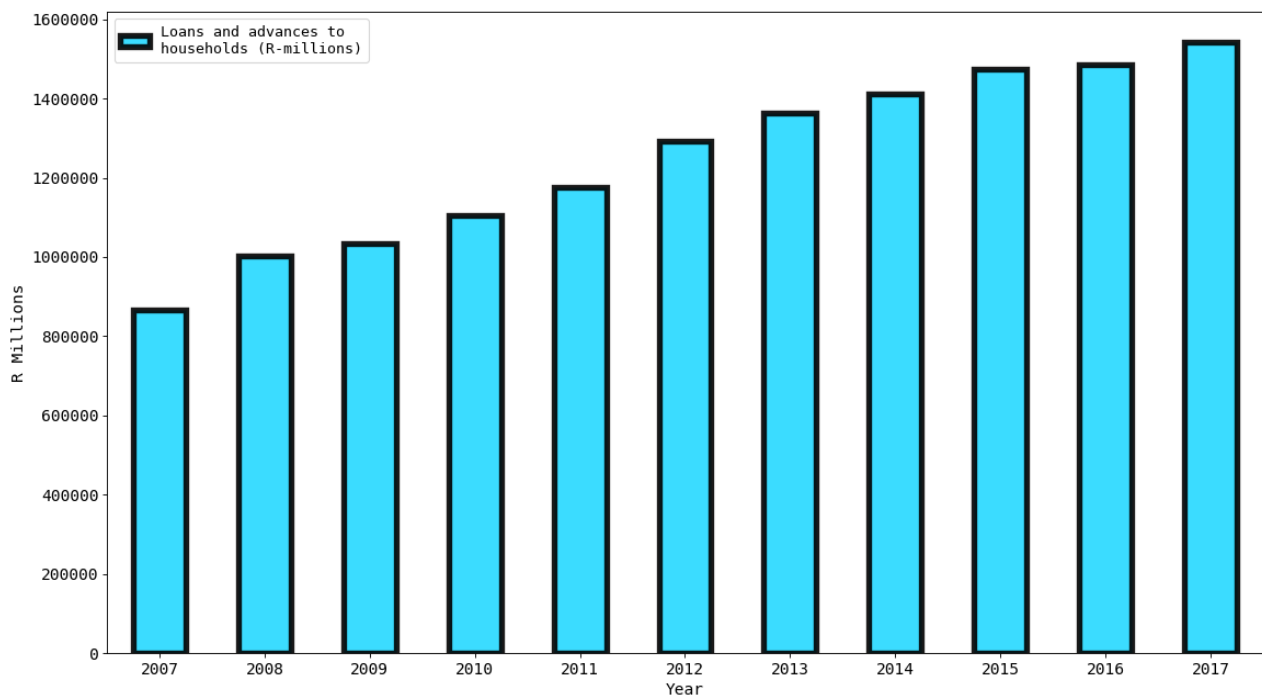


Figure 2: Trends in Household Debt

Data Source: SARB

Financialisation is therefore a product of market fundamentalism. But more importantly, the growth of finance is a key pillar in support of neoliberal economic policy. The pernicious effect of financialisation has been its metamorphosis into an instrument of power, often hindering

social transformation (Storm, 2018). This power is exerted through finance's ability to 'define the value of the future' as well as controlling human-ecology relations in the present. Further evidence of financialisation is illustrated in the relative share of finance to total GDP in Figure 3.

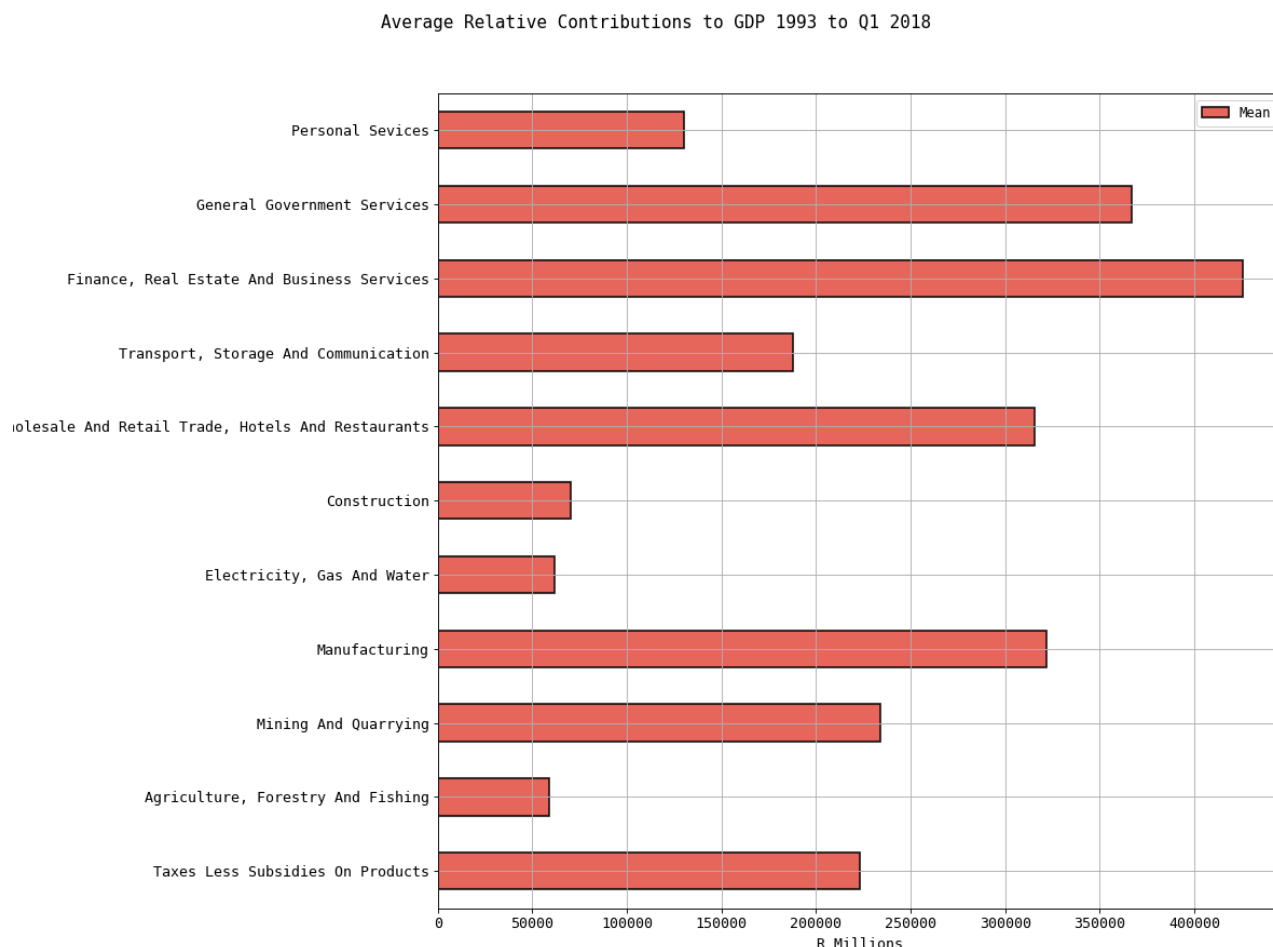


Figure 3: Finance Contribution to GDP relative to other Sectors

Data Source: Stats SA

Indeed, as illustrated in Figure 3, finance, real estate and business services occupy a lion's share of total GDP. The question is whether more finance as provided by DFIs is good or bad for the economy and society. This dissertation considers this question by reviewing DFI development impact evaluation systems. Most empirical evidence points towards more finance being bad for the economy. For instance, Bracking (2016) noted that rising inequality and the formation of a 1% elite class in Africa is attributed to financialisation. Storm (2018)

concur that there is a strong nexus between income and wealth inequality and financialisation. South Africa's economic growth under conditions of heightened financialisation has not been exciting either, averaging 2.95% since the year 2000 according to Stats SA (See Figure 4). Moreover, working class South Africans have been exposed to debt-peonage. This has degenerated into chaos, for instance the Marikana massacre of August 2012 (Bond, 2013).

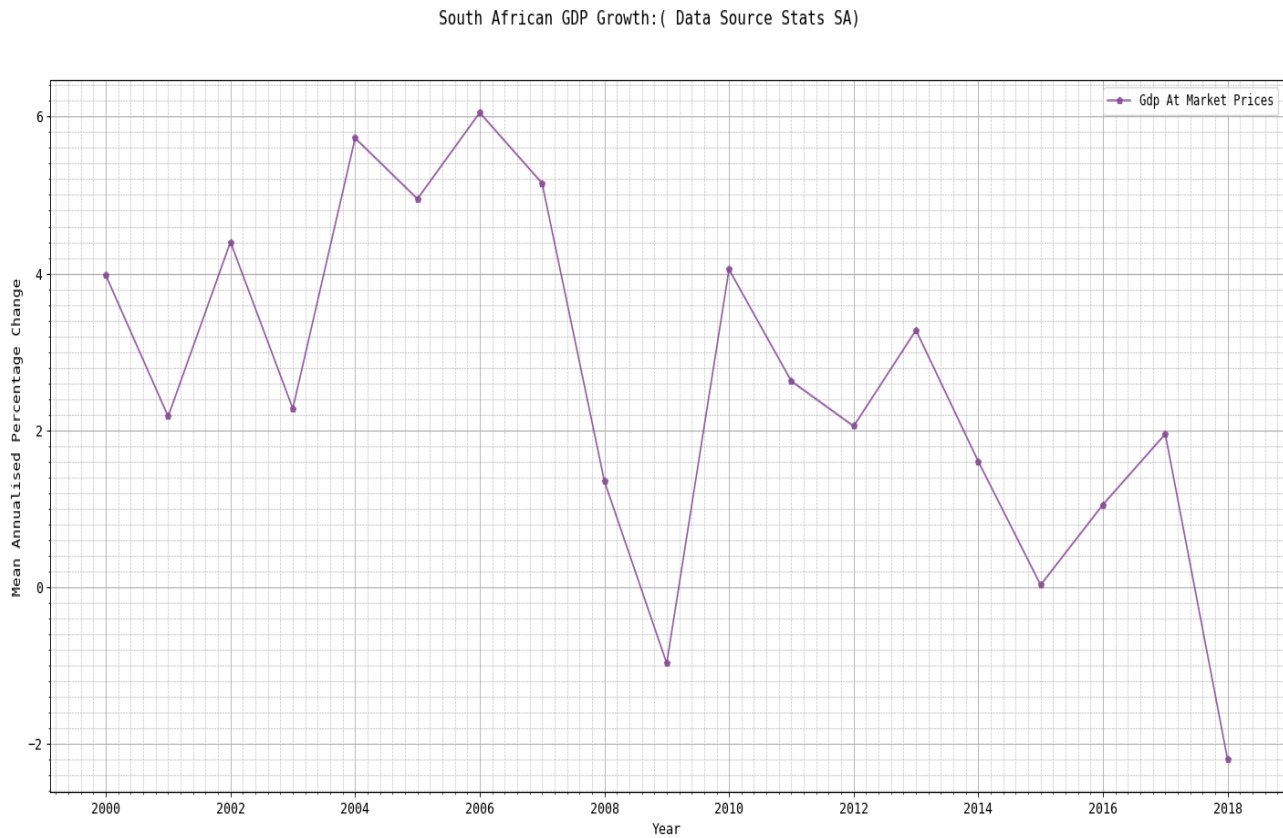


Figure 4: South Africa GDP Growth 2008 to 2018

Data Source: Stats SA

Ashman et al., (2011) raised five key points outlining the pernicious effects of financialisation, firstly, finance curtails the level and effectiveness of real investment in favour of financial instruments. Figure 5 illustrates annual percentage growth in manufacturing value added in South Africa. The general trend is that its either been negative or declining. Secondly, finance subordinates social and economic values to shareholder wealth and financial worth. Thirdly,

finance results in public policies being shifted more towards commercialisation and in the fourth place it is argued that finance extends its influence over economic and social policies. Lastly, finance puts at risk aspects of economic and social life from financial flux. Most importantly, finance has been notorious for exacerbating combined and uneven development in South Africa and globally (Ashman & Fine, 2013). Given these theoretical propositions on the negative effects of finance, measuring developmental impact of DFIs is important as more finance is likely to be harmful. For if the developmental measurement metrics are flawed then DFIs are likely to develop finance as opposed to financing development.

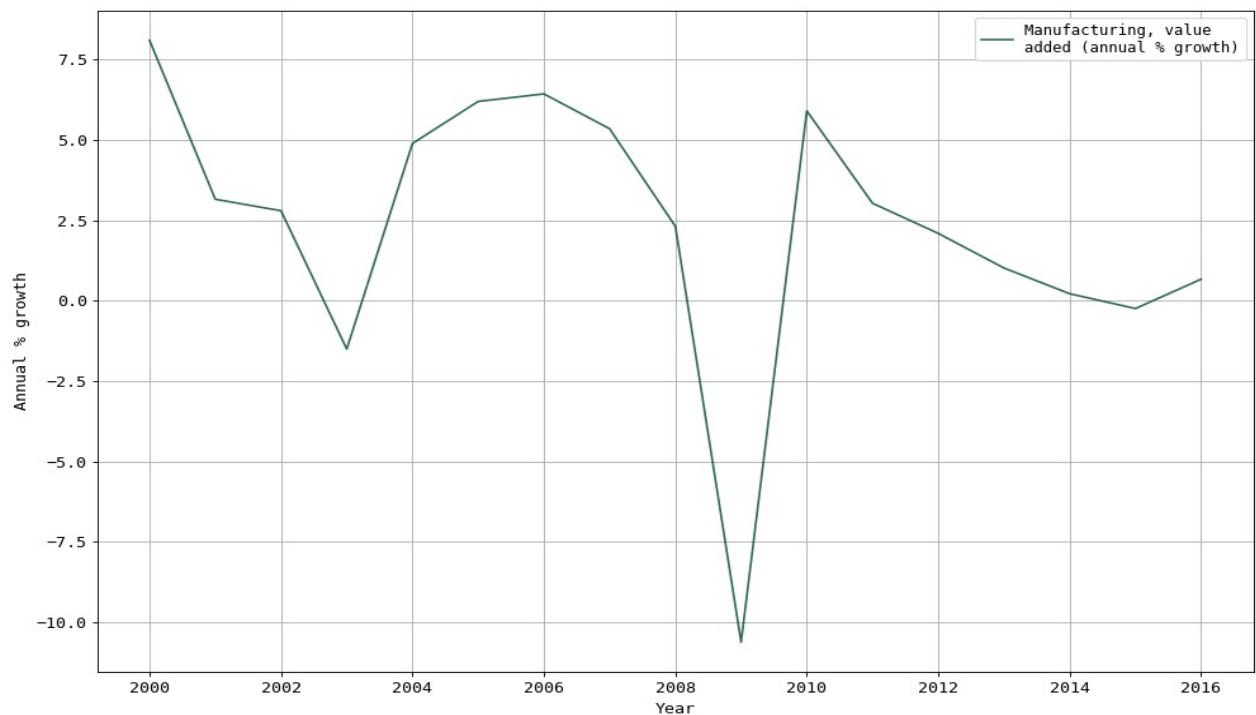


Figure 5: Manufacturing Value Added Annual Percentage Growth

Data Source: World Bank Development Indicators

Any present-day study of finance ought to recognise globalisation. DFIs manage their funds and make decisions following market practices (Bracking & Ganho, 2011). Because of this, the current era of global finance has seen the traditional intermediary role of banks being shifted to self-regulating financial markets. Moreover, a majority of people have become ‘financially included’ through various schemes such as microfinance and micro-insurance (Storm, 2018). South Africa is no exception.

The state has been actively involved in this process through the establishment of DFIs mandated to provide micro-credit or to support small enterprises. Up to half of the 12 South African DFIs are mandated to provide micro-finance (NHFC, **sefa**, NYDA, NURCHA, RHLF and MAFISA). The efficacy of inclusive finance in development has been hotly contested. Consequently, there are no conclusive results on the effectiveness of this approach despite it being instrumental in catalysing other development funds (Bertha Centre for Social Innovation and Entrepreneurship, 2009).

The genesis of micro-finance has its roots in a model propounded by Dr Muhammad Yunus in the early 1970s. Its central dissertation is that poverty could be alleviated through self-employment (perhaps echoing Von Hayek's principles explored earlier). To promote this idea, tiny micro-enterprises had to be supported by providing them with small loans. (Bateman & Chang, 2012). This idea was embraced by mainstream economists and international organisations like the World Bank. They agreed with the ethos of the model which focused on 'self-help and the individual entrepreneur', much in concurrence with the principles of market fundamentalism discussed earlier. Kvangraven and dos Santos (2018) support views of how financial inclusion was popularised, particularly the role played by the World Bank.

Proponents of micro-finance argue that if funding is provided to the poor then they can help themselves out of poverty. However, this is rejected by Bateman and Chang (2012) who contend that whilst such a model has limited short-term benefits, in the long run the disadvantages far outweigh the benefits. A principal one being its disregard of economies of scale. Moreover, micro-finance accelerates the de-industrialisation of local economies. Radical views by Nobel peace prize laureate economist Stiglitz (2013, p. 46) posit that financial inclusion is a tool 'for the 1%' to further their profits and interests, thus, "each poor person might have only a little, but there are so many poor people that a little from each amounts to a great deal".

Recent literature has also supported this view, for instance, Kvangraven and dos Santos (2018) have argued that financial inclusion has failed to deliver on its promises since it is based on the misplaced assumption that financial development is positively correlated to

positive economic development. On this basis, when the state engages in providing micro-finance as the South African Government is doing through its DFIs, it must be asked whether it is financing development or developing financing. Thus, as concluded by Bateman and Chang (2012) microfinance in some way creates an impediment towards inclusive sustainable social and economic development, a position which will be evaluated in this dissertation by looking at how the impact of South African DFIs providing micro-finance is measured. This explains the inclusion of three post-apartheid DFIs (involved in micro-finance and financial inclusion) in the population under study. Closely linked to micro-finance is a concept at the heart of all DFIs known as Private Sector Development (PSD).

2.9 Private Sector Development

According to Bracking (2009), PSD refers to policies and resources aimed at developing the private sector. The African Development Bank Group (2013) argues that a strong private sector is critical for job creation, policy reform, good governance and inclusive economic growth. Runde (2016) posits that economic growth and job creation are critical to ending extreme poverty. Accordingly, the private sector is a key stakeholder in providing jobs. Statistics show that the private sector is responsible for providing 9 out of 10 jobs in the developing world. Perry (2011) has also noted that private sector-led development has dominated development theory. Furthermore, assistance to the private sector in overcoming financial constraints and market failures has the potential to spur economic growth and reduce poverty.

Bracking and Ganho (2011) have identified two policy interventions related to PSD. Firstly, firm- or sector-level interventions and secondly macro-level interventions. In the first instance the assumption is that profit and development can be achieved at the same time thus chasing a triple bottom line and in the second instance PSD is aimed at correcting market failures through investments with unambiguous development and social impact.

The arguments for PSD are directly related to DFI objectives and mandates. In fact, Runde (2016) argues that DFIs contribute directly to job creation, economic growth and increased taxes through the provision of finance to the private sector. Therefore, as summarised in Table

2 we see objectives centred around market making and correcting market failures. This dissertation argues that the main objectives of South African DFIs are in support of PSD because most of their interventions are aimed at promoting private ownership, private initiative and risk taking. Table 2 shows all the concepts in PSD interventions (Bracking, 2009, p. 143).

DFI objective/ principle	Explanation	Instrument
Demonstration effect	A successful project encourages imitation by other firms	<ul style="list-style-type: none"> • Setting up a unique commercial venture • Providing equity, loans and management (E, L & M) • 'Infant industry' investment
Augmenting capital flows	Public funds can provide critical weight to other investors' efforts	<ul style="list-style-type: none"> • Moderating investment risks • Improving capital market efficiency • Being the owner-operator of managed companies • E, L & M
Enhanced development effect	DFIs have singular interest in project, not a trading interest	<ul style="list-style-type: none"> • Leadership • Provision of hard infrastructure • Technical assistance, E, L & M
Moderating investment risk	Expertise and standing in relation to domestic government and the capital markets provide insurance against investment and political risk	<ul style="list-style-type: none"> • Providing a 'seal of approval' • Providing an 'umbrella role' • Negotiating with government and partners • Designing and planning projects • Raising funds in capital markets
Adding value	Providing capital which would otherwise not be available or suitable	<ul style="list-style-type: none"> • Modifying the risk-reward relationship • Design, experience, expertise • Raising capital
Catalytic principle	Providing minority stake to catalyse others' crowding in	<ul style="list-style-type: none"> • Leveraging equity by providing core stake • Providing direct management function • Securing political 'go-ahead'
The business principle	Funds are transferred under market disciplines to ensure profitability	<ul style="list-style-type: none"> • Making up acceptable rates of return
The principle of special contribution	To supplement, complement but not displace market operators	<ul style="list-style-type: none"> • Declaring that others are not willing to participate without DFIs

Table 2: Summary of Concepts in Private Sector Development Interventions

A central issue is how to situate PSD within the broad sense of financing development or developing finance? A similar dichotomy was explored by Bracking (2009, p. 142) when she investigated whether PSD was instrumental in 'assisting accumulation - but development?' It is arguably true that the ballooning DFIs in South African history belie the commonality of their intervention which has been predominantly equity and development finance purchases that are discriminatory and in support of combined and unequal development (Bracking, 2009).

Furthermore, PSD as a neoliberal economic policy instrument reinforces past injustices and amplifies inequality. This argument is supported by Miraftab (2004) who observed that public-private pacts and consequently private sector development is at the core of the neoliberal agenda and its ideology of abdicating the responsibility of providing public goods from the government. Hence, PSD supports accumulation or develops finance. This results in the creation of a powerful state-subsidised constituency. For instance, beneficiaries of the Black Economic Empowerment (BEE) scheme who have been described by Bracking (2009, p. 156) as the 'relatively honest ruling elite'.

Another counterargument to the role played by DFIs in PSD by providing resources, deploying expertise and employing innovative techniques is that it results in the 'windfall-waste problem' (Bracking, 2009, p. 146). This phenomenon relates to a situation whereby viable projects which could otherwise have been financed by traditional banks are funded by public resources through DFIs. In contradistinction, the lack of private appetite in some projects might be because they are not economically viable and unprofitable in the first place. Consequently, the participation of DFIs in PSD is problematic because DFIs end up either picking market losers or distorting markets. This makes impact evaluation even more critical.

Given the contrasting views on the developmental effects of the major interventions employed by DFIs its apposite to question DFI choices and their effect on environmental, social and economic outcomes. In the same vein, the use of public funds to support profit-making firms is a contentious matter whose developmental impact is more challenging to demonstrate conceptually and empirically (Perry, 2011). Thus, as argued by Miraftab (2004) public-private partnerships as engendered by DFIs through PSD schemes can best be described as "Trojan

Horses” of development. This is so because community interests are often subordinated to those of the powerful private sector firms. But critically, as argued by Bracking (2009), PSD does not improve the well-being of Africans in general owing to the oligopolistic nature of their economies. From a South African perspective, there is conglomerate domination and as such there are no avenues for the benefits to ‘trickle down’ to ordinary citizens. Given these diverse views, it is vital to explore development finance impact evaluation systems in detail.

2.10 Development Impact Evaluation Systems

According to Gertler et al., (2016), impact evaluation is an approach to evidence-based policy making. It is distinct from monitoring and other evaluations. The emphasis is on the causal effect of a programme or intervention on an outcome of interest. Of importance is the differentiation between monitoring and evaluation. Khandker, Koolwal and Samad (2010, p. 8), define monitoring as the process of evaluating set goals, indicators and targets of an intervention whereas an evaluation is ‘a systematic and objective assessment’ of programme results.

The gist of this dissertation is undergirded by the philosophy propounded by Bracking and Ganho (2011). In their treatise, the choice of DFI measurement indicators is of utmost importance for developmental purposes. This is because it influences investment decisions. Moreover, evaluation results are a source of critical intelligence for future investments. This theme of past intelligence informing the future is a view held by McKenzie (2010) who has posited that impact evaluations that compare programme outcomes in the presence of an intervention against conditions in the absence of the intervention help inform “what works”. It is important to assess development evaluation tools and their design assumptions to determine whether what they measure can be attributed to DFI interventions in a scientific way.

In sum, the two key arguments put forward by Bracking and Ganho (2011) are that: effective PSD is dependent on effective measurement tools. Secondly, effective measurement is contingent upon the quality of underlying research and assumptions shaping the evaluation tools. For instance, whilst the DBSA might publish in its annual report that it has disbursed

and catalysed billions of Rands, the general assumption is that well-being has been improved. Such an assumption, however, would be weak if there is no subsequent inquiry into the effect of these disbursements on the most marginalised in society.

The saliency of impact evaluation is amplified further by the fact that DFIs are funded and guaranteed by public money. Therefore, the use of public money to leverage the private sector either through subsidies or technical assistance does not generate any measurable returns for the state whereas the private sector tends to enjoy long term wealth and benefits from it (Bracking, 2009). Moreover, measuring development impact improves accountability and transparency (Runde, 2016). Most of all, what matters to the public is not the popularised mantra of economic growth and an improved private sector environment but how DFIs impact environmental, social and economic results (Bracking & Ganho, 2011).

Despite their importance, finance and private sector interventions (hereafter FPD) impact evaluations were not popular until the 2008 financial crisis (McKenzie, 2010). Counter-arguments dissuading against them were based on the nature of FPD policies and projects. These policies are often affected by macro-economic factors which are beyond their influence. Thus, understanding attribution and additionality is a major challenge in development economics (Runde, 2016). The next question to ask is what development impact evaluation systems exist for DFIs in general and what assumptions do they make?

The current development finance architecture is dominated by institutions from the North such as the International Finance Corporation, World Bank Group (IFC) and the CDC Group plc. Emerging economies like South Africa are increasingly providing development finance (Runde, 2016). Owing to this, documented DFI impact evaluation tools are mainly those designed by Northern DFIs. According to Bracking and Ganho (2011), two types of development impact evaluation tools can be identified in general, and in the first instance are ex-ante tools. Ex-ante tools are used for screening projects based on their desirability in meeting the DFIs' financial and developmental targets. Secondly, ex-post tools provide feedback and lessons learnt from investments that were made. Lemma (2015) also concurs

with the view that there are two types of evaluation. DFIs use these tools in varying forms and ways to inform their decisions.

At a global level, there are three types of assessment systems used by DFIs: International Finance Corporation (IFC)'s Development Outcome Tracking System (DOTS), Deutsche Investitions und Entwicklungsgesellschaft (DEG)'s Development Effectiveness Rating (DERa)© and the European Bank for Reconstruction and Development (EBRD)'s Transition Impact Monitoring System (TIMS) (Kingombe et al., 2011). These three broad systems will be discussed in detail in the following sections. The CDC, EIB and FMO have their own impact evaluation variants. Bracking and Ganho (2011) also identified three systems, albeit excluding the TIMS but including the UN Global Compact Self-Assessment tool.

International Finance Corporation's Development Outcome Tracking System (DOTS)

The International Finance Corporation (IFC) is a subsidiary of the World Bank Group. It is the largest DFI in the world with the exclusive mandate of PSD in developing countries (*About IFC*, 2018). The DOTS is IFC's monitoring and evaluation (M & E) system for investments. According to IFC (2018) the DOTS is lauded as the leading impact evaluation system amongst international financial institutions. The popularity of the DOTS is also substantiated by Bracking and Ganho (2011) who noted that the DOTS and GPR are widely supported by DFIs. Not surprisingly, the Independent Evaluation Group (2013) has identified the IFC as the leader in monitoring, evaluating and disclosing developmental results.

The DOTS is used to monitor investments from the time of screening and appraisal up until closure (Independent Evaluation Group, 2013). However, the commencement time of monitoring seems ambivalent. According to Bracking and Ganho (2011) one of the major weaknesses of the DOTS is that it commences after the IFC's provision of funds. This view is supported by IFC (2018) which notes that the DOTS commences at the outset of the project meaning the decision to invest will have already been made.

The DOTS has four main performance categories on the investment portfolio: financial performance, economic performance, environmental and social performance, and PSD impact (IFC, 2018). Investment staff fill in baseline, target, and timeline information from a

pool of more than 300 indicators in conjunction with the client. The indicators are updated on an annual basis and compared across regions and industries. Projects are positively rated based on their performance across the four categories. Similarly, development effectiveness on the advisory services portfolio within the IFC is evaluated by aggregating strategic relevance, effectiveness and efficiency of the services. Table 5 summarises the development outcomes and development effectiveness categories, general indicators and benchmarks as well as examples of specific indicators assessed against targets (IFC, 2018, p. 1).

DEVELOPMENT OUTCOMES: INVESTMENTS		
Performance Category	General Indicators and Benchmarks	Examples of Specific Indicators Assessed Against Targets
Financial performance	Returns to financiers	Return on invested capital, return on equity, project implemented on time and on budget
Economic performance	Returns to society	Economic return on invested capital. Numbers of connections to basic services, loans to small enterprises, people employed, tax payments
Environmental and social performance	Project meets IFC's performance standards	Improvements in environmental and social management, effluent or emission levels, community development programmes
Private sector development impact	Project contributes to improvement for the private sector beyond the project company	Demonstration effects, linkages, improvements in legal/regulatory framework
DEVELOPMENT EFFECTIVENESS: ADVISORY SERVICES		
Strategic relevance	Potential impact on local, regional, national economy	Client contributions, alignment with country strategy
Efficiency	Returns on investment in advisory operations	Cost-benefit ratios, project implemented on time and budget
Outputs, outcomes, and impacts	Project contributes to improvement for clients, beneficiaries, and the broader private sector	Improvements in operations, investment enabled, jobs created, increase in revenues for beneficiaries, cost savings from policy reforms

Table 3: IFC's DOTS Performance Indicators

The DOTS is a strong results measurement system because it is based on timely and relevant data. The data is obtained from IFC's clients and in some instances from audited financial statements (Independent Evaluation Group, 2013). In addition, the IFC undertakes an annual data quality review which focuses on internal data integrity and quality control processes. On the advisory front, the M&E system is incorporated in the project cycle from inception to completion. On completion, a self-evaluation Project Completion Report (PCR) is prepared.

According to an evaluation undertaken by the Independent Evaluation Group (2013), the quality of the PCR has been improving and contains appropriate data plus useful lessons for the future. Furthermore, the M&E system incorporates "reach indicators". Reach indicators measure the number of people reached by IFC clients or their dollar benefits irrespective of IFC's investment size. Finally, IFC's M&E system influences better design and effective implementation of future projects using lessons learnt through clear objectives and better corrective action instruments.

On the downside, the M&E system has been criticised for having gaps in the use of indicators for PSD; this despite PSD being a significant mandate of the IFC. Subsequently, there are instances of mandatory indicators for DOTS being insufficient to represent the project's expected development impact. Moreover, the use of proxy figures from the firm's portfolio means that it has limited knowledge on the underlying results to its beneficiaries making attribution difficult. Regarding the PCR, there is an immanent weakness that judging project outcomes at the time of completion as well as their medium-to long-term effects is premature.

Bracking and Ganho (2011) have also criticised the DOTS for its main focus on outcomes and outputs relative to factors relating to financed recipients and mode of supply. Therefore, data on who receives funds (fund, banks, SME) and how they receive it (equity or loan) is thus not collected. This might have a bearing on development impact. By the same token, the DOTS has attributes that are not unambiguously positive thus the indicators cannot be aggregated. This ambiguity means one of two things, either there is inconclusive evidence on the development effect of the attribute being measured or the development effect is context

dependent. That is, caused by something else or might only work in the absence of some other factor.

DEG's Development Effectiveness Rating (DERa)©

DEG is a German DFI which is a subsidiary of KfW. It has been in operation for the past 55 years (*What we do*, 2018). The DERa© is a result of the refinement of DEG's Corporate Policy Project Rating (GPR)©. The (GPR)©, was a multi-dimensional index-based development assessment tool (KfW DEG, 2018). DERa© is based on the theory of change methodology. Under this methodology, causal linkages from DEG and its clients' initial activities are used to explain the process towards desired change. Therefore, DEG's theory of change spells out what it intends to achieve. This is summed up as provision of more and better jobs, increasing local income and acting in a sustainable manner to create benefits for local communities (KfW DEG, 2018). DERa© is applied throughout the project life cycle including prior to approval.

The DERa© has five key outcome categories which are: decent jobs, local income, market and sector development, environmental stewardship and community benefits. These outcomes define the design of the DERa©. Each category has a set of mostly quantitative indicators which capture a client's contribution to a specific category. In addition, some indicators are qualitative and require expert judgement (KfW DEG, 2018). As a result, the DERa© produces a cumulative score with a maximum of 150 points. The score is linked to a qualitative category to aid interpretation as shown on Table 7. Owing to the multidimensional nature of the DERa©, no investment can score 150. In terms of weighting, decent jobs, local income and market and sector development make up 75% of the weighting with the remaining 25% occupied by environmental stewardship (KfW DEG, 2018). Table 8 summaries DERa© assessment fields and the impulses for DEG's business.

Categorisation key

Qualitative Categorisation	
≥ 100 points	Exceptional
85-99 points	Very good
70-84 points	Good
50-69 points	Satisfactory
≤ 49 points	Unsatisfactory

Table 4: KfW DEG Categorisation Key

DERa assessment and impulses table

DERa assessment fields	Impulses for DEGs business
Decent jobs <ul style="list-style-type: none"> • # of jobs • % job growth • Indirect job potential 	Decent jobs <ul style="list-style-type: none"> • Select clients with job potential • Support clients' social performance
Local income <ul style="list-style-type: none"> • Sum of local income • Annual growth of local income 	Local income <ul style="list-style-type: none"> • Improve financial sustainability • Focus on local sourcing
Market and sector development <ul style="list-style-type: none"> • Country and sector focus • Promoting innovation 	Market and sector development <ul style="list-style-type: none"> • Select clients in LICs and/or enabling sectors that innovate
Environmental stewardship <ul style="list-style-type: none"> • Environmental responsible practice • Avoidance and savings 	Environmental stewardship <ul style="list-style-type: none"> • Select climate-focused clients • Supports clients' environmental performance
Community benefits <ul style="list-style-type: none"> • Manage community risks • Proactive community development 	Community benefits <ul style="list-style-type: none"> • Support clients' mitigating and proactive local development strategies

Table 5: DERa Assessment and Impulses Table

European Bank for Reconstruction and Development's Transition Impact Monitoring System (TIMS)

The EBRD was founded on the 15th of April 1991. Its founding objective was to assist in building a new post-Cold-War era in central and eastern Europe (*History of the EBRD*, 2018). For this reason, the mandate of the bank is to facilitate transition to a market economy by financing certain private sector individual projects (Besley, Dewatripont, & Guriev, 2010). To achieve this, the DFI developed a monitoring and measurement system known as the TIMS. Accordingly, and like all other DFIs, the EBRD is a demand-driven institution which makes the measurement of development impact even more crucial because selected projects must be (and be seen to be) supporting its mandate.

The EBRD evaluates projects based on three set of criteria: 1) sound banking, 2) additionality, and 3) transition impact. Sound banking is assessed by measuring the risk-adjusted project rate of return relative to market rates (Besley et al., 2010). By the same token, additionality is assessed by evaluating whether the Bank's funding does not crowd out private capital but rather increases the stock of capital to finance projects in client countries. Finally, transition impact is measured by a separate transition impact measurement system which tips the balance of project selection in favor of those with high transition impact.

The TIMS has three main elements: firstly, it measures the transition impact of individual projects. This is done by the bank's Office of the Chief Economist (OCE) which employs the Stern-Lankes methodology, deemed so because of the seminal paper by Nicholas Stern and Hans Peter Lankes in 1997. The paper spelt out the way in which the bank would monitor progress and measure impact (Besley et al., 2010). Transition impact is measured based on three dimensions: contributions to competitive market structures, contributions to institutions and policies that support markets and contributions to market-based conduct, skills and innovation. On this basis, projects are ranked excellent/ good/ satisfactory/ negative. The bank can occasionally accept projects ranked as satisfactory however this is limited to 20% of its portfolio (Besley et al., 2010).

Secondly, project evaluation is undertaken by the Evaluation Department within the EBRD which selects projects on a sample basis and measures progress against set ex-ante targets. The ex-ante benchmarks which are related to transition impact are set by project economists (Besley et al., 2010). Furthermore, project evaluations are undertaken both ex-post and during the project life cycle. Finally, the OCE compiles country-wide Transition Indicators on an annual basis and publishes them in a Transition Report.

The Transition Report comprises nine indicators across four areas: privatisation and restructuring (3 indicators), markets and trade (3 indicators), financial institutions (2 indicators) and infrastructure (one indicator) (Besley et al., 2010). Each area is assessed on a scale of 1 to 4+ with 1 indicating transition which has not yet commenced and 4+ complete transition. Whilst transition indicators are widely used externally they do not have any operational link within the bank, and this is a significant weakness. That said, it has been argued by Besley et al., (2010) that the dissonance between transition indicators and project related transition indicators is strong counterargument for establishing the bank. This argument points towards the healthy debate elicited by development impact measuring leading to better results and more accountability. In light of this, a review of the broad outcomes measured by DFIs follows:

2.11 A Review of The Generic Outcomes Measured by DFIs

Employment generation

Runde (2016) notes that most DFIs report on direct and indirect jobs which are supported by their investments. This is because employment creation is considered important as a contributor towards poverty alleviation (Bracking & Ganho, 2011). Consequently, this metric is universal amongst DFIs. Stimulating economic development through job provision lies at the heart of PSD (Lemma, 2015). Measuring employment generated is relatively easy provided DFI clients are compelled to disclose the information. However, critics of this metric argue that it often fails to measure displacement effects (Lemma, 2015). Furthermore, the metric is based on the weak assumption that increases in employment can be attributed to investments made whereas this could be a result of other factors (Bracking & Ganho, 2011).

Government/ tax revenues

Under this metric, government revenue from DFI funded clients or projects is measured (Runde, 2016). The argument is that increases in government revenue have a positive effect on economic development. With more revenues, increased spending can then go towards infrastructure, healthcare and education. This metric has been criticised for being an absolute number as opposed to being a relative measure—gross tax paid does not indicate whether the tax paid is a fair share (Bracking & Ganho, 2011). Additionally, this measure attributes taxes paid to investments which might not be the case.

Investment outcomes

This metric is concerned with the rate of return from a project including for other enterprises supported by the DFI (Runde, 2016). DFIs seek a financial return on their investments to ensure sustainability. However, measuring investment outcomes has been criticised for crowding out other equally important non-financial measures. Moreover, it is insensitive to environmental harm (Bracking, 2012).

Environmental and social outcomes

The focus of this metric is on improvements to the environment against set targets. In some instances it considers the availability of an environmental management system (Bracking, 2012). It has been criticised for failing to incorporate international standards on environmental care. Furthermore, it has been argued by Bracking (2012) that environmental factors are subordinate to financial factors when DFIs make investment decisions.

Catalysing and mobilisation

This metric assesses the amount of funds injected by other investors as a result of the initial DFI investment (Runde, 2016). DFIs mobilise resources through demonstration effects even though this is hard to measure. Thus, proving causality of additional resources from demonstration is complicated.

2.12 Conclusion

This dissertation's literature review has commenced from a general overview of development finance and DFIs. The distinguishing feature of development finance is its emphasis on creating positive developmental impact (Lemma, 2015). Subsequently, a review of DFIs in general was undertaken. Key themes on what DFIs strive to achieve were deciphered from literature including the theoretical assumptions that have motivated their growth and popularity. In sum, the assumption has been that provision of finance results in economic development. Counterarguments against this claim were reviewed. Distilling further, the review focused on DFIs in South Africa. The close relationship between the involvement of the state and DFI architecture was explored commencing from a political economy perspective. The overbearing theme is a positive relationship between DFI mandates and politics.

The financialisation of the South African economy was reviewed briefly for two reasons: firstly, finance plays a significant role in the economy and the role played by DFIs in providing finance capital. The review then explored in detail PSD in South Africa—a concept which lies at the core of DFI activities. Key arguments in favour of and against this intervention were explored. The PSD discussion set the scene for an exploration of development impact evaluation systems beyond which the most popular systems were evaluated. An analysis of the main metrics used to measure development impact then followed. Overall, the literature review has illuminated a theoretical gap which exists in development impact evaluation systems in South Africa. Evidently, there are no formal studies incorporating South African nuances. Northern firms have made great strides in this area. Perhaps this study will contribute towards making this subject more mainstream in South Africa. Therefore, the stage has been set for a qualitative inductive study to answer the research questions.

2.13 Conceptual Framework

The issue of South African DFI development impact has been problematised by various authors. Qobo and Motsamai (2014) illuminated the lack of objective criteria by DFIs to evaluate developmental outcomes. A review of DFIs by the National Treasury made two major findings. Firstly, the lack of a consistent and standardised framework for assessing performance. Such framework the review argued, must consider economic efficiency,

development effectiveness and financial sustainability. Secondly, the strong inability of DFIs to effectively measure the impact of their activities. This was attributed to performance monitoring systems (Julies, 2017). The purpose of this dissertation is to contribute to the debate on DFI effectiveness by studying development impact evaluation systems.

At a broad theoretical level, this dissertation is situated in the literature on the political economy of development finance. Bracking (2009) offers a counter-narrative to mainstream understanding of government aid through development finance, usually portrayed as a benevolent act of charity. Rather, development finance can be viewed as 'a profitable industry fixed in its own political economy' (Bracking, 2009, p. xiii). Furthermore, it is argued that the financialisation of the South African economy underpins DFI interventions and the subsequent selection of impact evaluation methodologies and indicators. Therefore, an emerging argument is that DFIs do not necessarily finance development but rather develop finance.

This study is based on two theoretical constructs established in literature. The first theme is that all DFIs can be classified into one of two groups. These are, apartheid-era established DFIs and post-apartheid-era established DFIs. Subsequently, they can be grouped further according to their PFMA listing. Figure 6 depicts the DFIs according to this classification. Such classification is necessary given the absence of testable theory on South African DFI impact evaluation systems. The intention is to gain an understanding of how South African DFIs measure the impact of their investments. Mapping them is essential for theory building.

The relationship depicted in Figure 6 represents the political economy and regulatory environment under which DFIs must establish their impact evaluation systems. On the vertical axis is the political environment. The political environment sets the mandates of the DFI. The mandate determines outcomes of interests. In addition, the horizontal axis outlines the PFMA classification of the DFI. For this study, two extremes have been selected, namely, Schedule 3A - National public entities and Schedule 2 - Major public entities. Because Schedule 2 - Major public entities command more assets, it is expected that they will have matured impact evaluation systems relative to Schedule 3A - National public entities. The PFMA classification has a bearing on regulatory reporting requirements including impact evaluation. Stemming

from this, the dissertation seeks to gain an understanding of the factors that influence DFI decision making as well as the assumptions they make on development impact evaluation systems.

Selected cases fall into different quadrants on the plot. The Land Bank, IDC and DBSA were established in the apartheid era and are also listed as Schedule 2 - Major public entities. For this reason they occupy the same quadrant. **sefa**, a subsidiary of the IDC, was established post-apartheid thus it occupies its own quadrant. Finally, the NEF and NHFC were established post-apartheid and listed as Schedule 3A - National public entities.

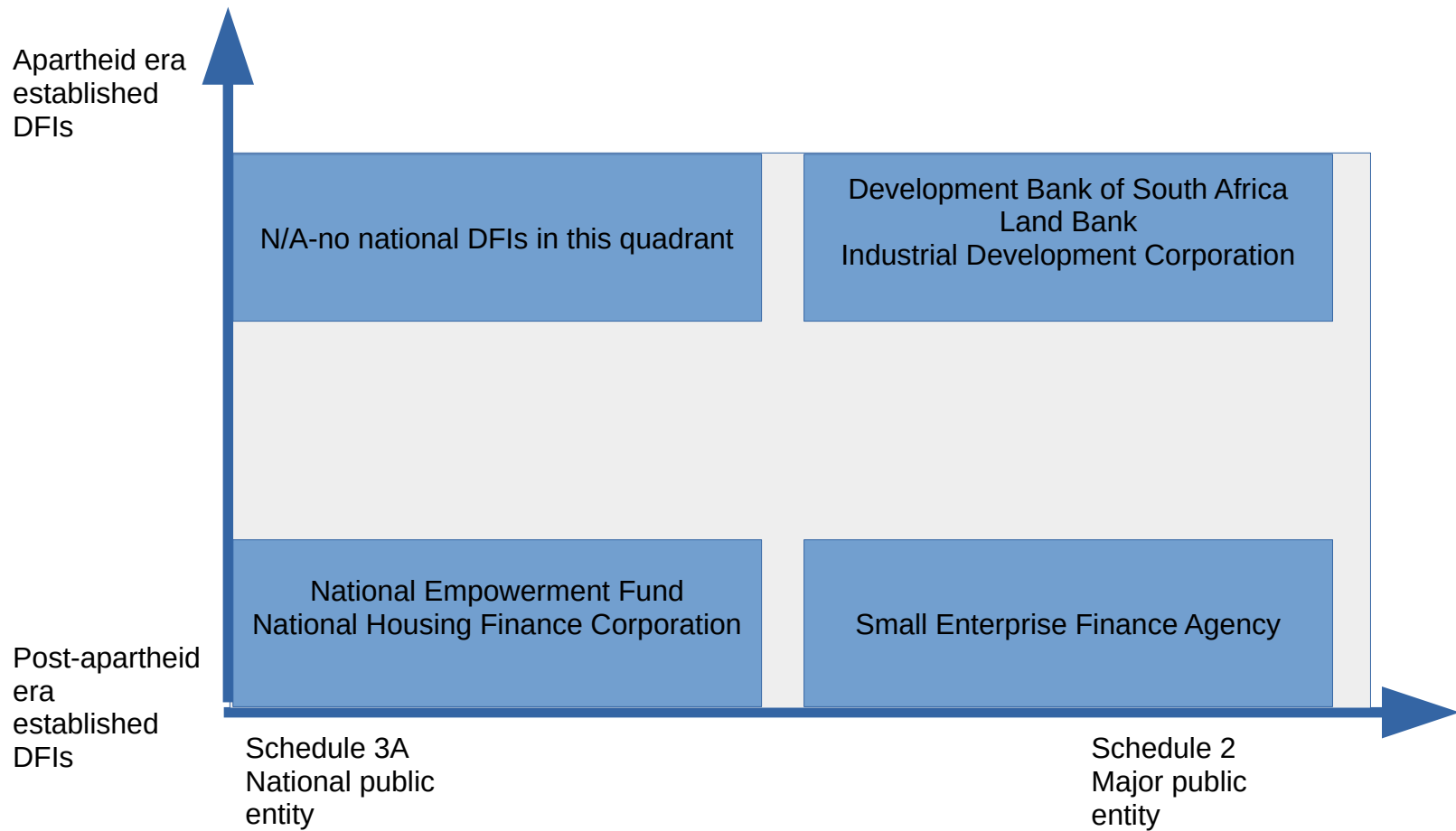


Figure 6: Cases Classified by Establishment Era and PFMA Listing

3 Background Context of Each Case

The Land Bank, the IDC and the DBSA are South Africa's largest DFIs, holding up to 90% of DFI assets (Julies, 2017). These three major DFIs were established during South Africa's pre-democracy era. In contemporary post-colonial and post-apartheid times, the South African Government established up to nine DFIs. These DFIs, like their pre-democracy predecessors were set out in line with the politics of the era; this time to confront a distinct set of problems chief of which were the participation of the majority blacks in the economy, access to decent housing, job creation and financial inclusion. These objectives have been translated into mandates of the DFIs as summarised in Table 1.

Figure 2 shows that the objectives of South African DFIs are closely related to the country's historical epochs. Because of this, DFI objectives have mutated and been transformed in line with the political forces at play during an era. Such mutation and transformation is consistent with Bracking's (2009) characterisation of post-colonialism. Like post-colonialism, post-apartheid involves a state-sponsored development system which is constantly reinvented to attain political goals. Such system has produced black elites who are highly financialised and dependent upon the state (Ashman et al., 2011).

Therefore, the nature and form of economic development produced by DFIs is closely related to political realities of the day. To exemplify, colonial and apartheid governments of South Africa used DFIs to promote racially segregated development whereas the democratic government has attempted to use DFIs for redistribution and inclusion (Qobo & Motsamai, 2014). In view of this, the evaluation of development impact evaluation systems is salient because DFI activities are often subjected to political interference. To what extent does politics influence measurement metrics and perceptions of success and failure? This question is explored by reviewing the Land Bank, the IDC and the DBSA in detail in the following sections. After this, a brief background of the post-apartheid DFIs namely, **sefa**, the NEF and the NHFC follows.

The Land Bank

During the period preceding South Africa's democracy in 1994, economic affairs were organised along racial lines, especially to benefit whites. As a result, the agricultural sector was structured in a way that benefited white commercial farmers (Ducastel & Anseeuw, 2018). One of the state-controlled institutional architectures to achieve this was the Land Bank. The Land Bank was set up in 1912 to provide loans to white farmers and their cooperatives. Such arrangement was necessary because whites were the main actors in the commercial farming sector. Blacks had been relegated to the provision of cheap labour in the bustling mining sector (Ducastel & Anseeuw, 2018). Thus, the Land Bank played an integral part in developing both the agricultural and economic sector of South Africa. To achieve this, the bank provided – amongst other services – government subsidies to white commercial farmers and consolidated their debts during the economic turmoil of the 1930s.

When the National Party came into power in 1948, this institutional arrangement of channeling funds to white commercial farmers through the Land Bank was retained and bolstered (Ducastel & Anseeuw, 2018). By the 1980s, three distinct objectives of the South African Government centred around the Land Bank had emerged, namely: achievement of agricultural self-sufficiency, maintenance of low food prices—especially for the mines and the maintenance of the domination of white commercial farmers in the agricultural sector.

A series of significant events occurred in the late 1980s and early 1990s, particularly, the deregulation of financial markets and abolishment of apartheid. Following this, the Land Bank was stripped of its fiscal and financial privileges and forced to compete with other financial institutions (Ducastel & Anseeuw, 2018). This change confirms a mutation of objectives inspired by the political forces of the day. Similarly, in the 1990s, the mandate of the bank took a radical shift from the past towards supporting and funding emerging black farmers. This was in support of the country's land reform policy. Again, this reflected the politics of the democratic era which sought to redress past injustices. However, the bank was implicated in corruption scandals. In addition, the land reform programme was generally a failure engendering another restructuring exercise towards more profitable activities (Ducastel & Anseeuw, 2018). A similar trend can be observed in the industrial sector.

The IDC

The IDC is South Africa's DFI responsible for industrial promotion. It was established in 1940 by two Afrikaner intellectuals to address the 'poor white' problem through industrialisation, not least through the exploitation of cheap black labour (Mondi & Bardien, n.d.). The argument at the time was that industrialisation would entail import substitution and consequent reduction of unemployment. The establishment of the IDC coincided with the commencement of the Second World War. South Africa was implicated immediately in the war since it was under British dominion (Mondi & Bardien, n.d.). In order to support the war efforts, the IDC's mandate was changed in 1942 to enable it to establish any business. Henceforth, the South African Government had used the corporation to finance large-scale developmental projects in areas such as textiles, petrochemicals and mineral beneficiation. These industries supported its developmental and political aspirations.

Other IDC-established industries were the South African Coal, Oil and Gas Corporation (SASOL) and the Phosphate Development Corporation (Foskor). SASOL produced oil and Foskor, fertiliser. Both commodities were at risk of supply disruptions because of international outrage over the National Party Government policy of apartheid (Mondi & Bardien, n.d.). Once again, the use of a DFI to achieve political goals is evident.

During the 1980s, political and economic events had deteriorated in South Africa. There was significant internal and external pressure on the South African government to abolish apartheid. Despite this, the IDC's operations increased which evidenced the state's hand in influencing economic activity through the corporation (Mondi & Bardien, n.d.). Following the demise of apartheid in 1994, the IDC's mandate metamorphosed once more. This time in tandem with the democratic government's neoliberal Growth, Employment and Redistribution (GEAR) policy. At this stage, the IDC was called upon to support industrial development to improve the competitiveness of exports and attract foreign investment (Mondi & Bardien, n.d.).

Mondi and Bardien (n.d.) further argue that the IDC has been and continues to be an instrument of the state to effect industrial financing and the development of strategic national

projects. Furthermore, they argue that the IDC remains deeply implicated in political economy as determined by the state. To exemplify, there was a shift in the mandate of the IDC from establishing light manufacturing industries capable of exploiting cheap black labour towards capital-intensive industries following the transition from apartheid to democracy (Mondi & Bardien, n.d.).

The DBSA

The DBSA owes its existence to South Africa's apartheid era Prime Minister, PW Botha. The idea then was to achieve two objectives: on the one hand the bank would fund development in the homelands and on the other it was a basis for the establishment of an apartheid style union of Southern African states (DBSA, 2010). At the time of its establishment, in 1983, the DBSA comprised South Africa and the four ostensibly independent homelands, Transkei, Venda, Bophuthatswana and Ciskei (ActionAid South Africa, 2013).

Given this background, and according to DBSA (2010, p. 13) the institution "was set up as part of a political strategy aimed at strengthening the 'homelands', which the apartheid regime created under its separate development policies". Therefore, the DBSA has not been immune to transformation and mutation like the other DFIs discussed earlier in this dissertation. This reflects the nexus between politics and economics consonant with Stiglitz's (2013) argument that politics and economics are related and have a reinforcing relationship.

Following democratic elections in 1994, the bank was considered a key partner in supporting government interventions and priorities under the Reconstruction and Development Programme (RDP) and later the IMF and World Bank prescribed GEAR (ActionAid South Africa, 2013). To support these interventions, a transformation team was appointed by the Minister of Finance at the end of 1994 to work with relevant stakeholders in crafting an appropriate role for the bank consistent with the new political era. By 1997, through an act of parliament the bank's mandate was changed to focus on funding public infrastructure (ActionAid South Africa, 2013).

The bank's 20th anniversary came in 2003, at which point the bank's role had changed to become a financier, advisor and partner with a vision to promote regional integration, eliminate poverty, inequality and dependency. Today, according to DBSA (2017, p. 6), the bank has a vision to promote 'a prosperous and integrated resource-efficient region, progressively free of poverty and dependency'. Despite being generally autonomous, the bank remains deeply entrenched into the political, social and economic priorities of the government of the day (ActionAid South Africa, 2013). What follows is a brief outline of the post-apartheid DFIs forming part of this study.

The NHFC

The NHFC is a state-owned DFI whose mandate is to make housing finance affordable and accessible to individuals and households with monthly incomes between R1500 and R5000 (National Housing Finance Corporation Soc LTD, 2017). In other words, it seeks the inclusion of lower income groups in the property finance market. To achieve its mandate the company undertakes five main initiatives: Social housing, privately owned rental housing, home ownership, incremental housing and strategic partnerships to leverage private-sector and development finance to create affordable housing.

The sefa

According to Small Enterprise Finance Agency (2017), **sefa** is a wholly owned subsidiary of the IDC mandated to foster the establishment, survival and growth of SMMEs and co-operatives. Through this mandate, **sefa** contributes towards job creation and poverty alleviation.

The NEF

The NEF is South Africa's National DFI mandated to grow B-BBEE through the provision of funding and other support services. Key market failures which the DFI seeks to address are: access to finance, access to markets and increasing the management depth of black business people (National Empowerment Fund, 2016).

4 Methodology

Research Approach, Paradigm and Strategy

A qualitative research approach was adopted because the objective of the study was to build theory on how South African DFIs measure the impact of their investments. This had been identified as an area for further study in the literature review. From an epistemological point, this dissertation assumed that how South African DFIs measure their impact and the tools they use are subjective, contextual and most importantly, shaped by politics. Because of this, a qualitative research design was appropriate (Leacock, Rose, & Warrican, 2009).

The nature of the research questions in the dissertation also warranted a qualitative study. The research questions are focused on the “how” and “why” of development impact evaluation (Maxwell, 2008). Moreover, the aim of the study was to gain an insight into the characteristics and phenomena of development impact evaluation systems in their current state. Such an approach is consistent with qualitative research methodology as propounded by Jonker and Pennink (2010).

A qualitative study has the benefit of availing a diverse range of procedural, methodical and instrumental possibilities which makes it easier to relate the approach to the phenomena in the subject of study (Jonker & Pennink, 2010). That said, qualitative research has been criticised for commencing with open questions thus making the researcher work with uncertainty. Before looking at the research strategy it is important to spell out the research paradigm of the dissertation.

A research paradigm, ‘refers to a set of very general philosophical assumptions about the nature of the world (ontology) and how we can understand it (epistemology)’ (Maxwell, 2008, p. 224). A qualitative research approach comprises different paradigms such as interpretivism, critical theory, feminism, postmodernism, grounded theory and phenomenology. In light of the researcher’s assumptions about the world, choice of research topic and the research questions, a grounded theory paradigmatic stance was undertaken. This leads to the research strategy.

The research strategy used was the comparative case study approach. According to Yin (2003), case studies are an appropriate strategy when the research questions seek to answer questions on the “how” and the “why” of current events. Accordingly, the main research question of this dissertation was concerned with how DFIs measure the impact of their investments. Additionally, the sub-questions were concerned with how impact evaluation systems influence current and future decisions. This made the case study approach fit for purpose.

Multiple cases were used to develop theory on South African DFI impact evaluation systems inductively. An advantage of multiple cases is that they provide replication logic in support of the emerging theory (Eisenhardt & Graebner, 2007). Furthermore, theory building from cases is akin to mathematical analysis because of its disciplinary effect on researchers. It forces researchers to adhere to data in their analytical models. For this reason, the case study approach was appropriate. (Eisenhardt & Graebner, 2007) Finally, Eisenhardt and Graeber (2007, p 25) argue that case studies are the best ‘bridges from rich qualitative evidence to mainstream deductive research’. However, a challenge that is often experienced when applying the case study approach for theory building is sample selection.

Sampling Approach

When choosing which cases to focus on in answering the three research questions, a theoretical sampling approach was followed. This is because the purpose of the study was to build theory and not to test it. Theoretical sampling refers to an approach of selecting cases based on their richness in theoretical insight (Eisenhardt & Graebner, 2007). Consequently, the landscape of South African DFIs was delineated into two broad categories to inform the selection of cases. These categories were explored in detail in the conceptual framework section of this dissertation. On the one extreme are the DFIs established during the apartheid era and on the other are those established in the post-apartheid era. Based on this, this research selected the IDC, Land Bank, DBSA, NEF, NHFC and **sefa** as indicated in Figure 6. These multiple cases were used for data collection because they provided a robust basis for theory building. Furthermore, they enabled a broader exploration of the research questions

(Eisenhardt & Graebner, 2007). Finally, generalisation, comparability and accuracy of theory was enhanced by the multiple cases. This improved validity of the research.

The apartheid era DFIs (IDC, Land Bank and DBSA) were explored in detail in section 2.13 of this study. These DFIs hold approximately 90% of all the assets held by DFIs (Julies, 2017). Because of their size and historical background, they form important bastions of information on DFI development impact evaluation systems. Therefore, theoretically they contained relevant information related to this study and resulted in deepened theory emerging. Though coverage was irrelevant in this study, it is noteworthy that selected cases covered much of the landscape of South African DFIs. Moreover, these cases were augmented by 3 more cases comprising of two Schedule 3A National public entities (NHFC and NEF) and one major public entity (**sefa**). These entities were established in the post-apartheid era. Thus, once data had been collected from these organisations an argument for generalisation was made.

Interview respondents from the selected cases were chosen based on one of three criteria: whether they worked in the monitoring and evaluation department, whether they were in middle-level to senior-level management and whether they were involved in loan origination and monitoring. Table 6 lists the interview respondents of the study.

Respondent Reference	Organisation	RQDA File Code	Position
DBSA Respondent 2	DBSA	G	Head: Operations and Evaluation Unit
DBSA Respondent 1	DBSA	I	Credit Analyst- Project Finance
Land Bank Respondent 1	Land Bank	C	GM: Research and Intelligence
IDC Respondent 1	IDC	D	Senior Regional Officer
IDC Respondent 2	IDC	F	Senior Manager: Corporate Strategy
sefa Respondent 1	sefa	H	Investment Analyst
sefa Respondent 2	sefa	J	Investment Analyst
NEF Respondent 1	NEF	A	Post-Investment Manager
NHFC Respondent 1	NHFC	E	Business Development Manager
NHFC Respondent 2	NHFC	B	General Manager: Lending Division

Table 6: Interview Respondents

The objective was to gain accurate data on how the selected DFI measures the impact of its investments, how impact evaluation results affect current and future decisions and the relevancy of the system in affecting DFI behaviour. The credentials of respondents were heterogeneous because selected DFIs operate differently. Some DFIs have dedicated impact evaluation departments whilst others incorporate the function into other business units. Overall, a respondent was only selected if they had been with the DFI for at least one year.

Data collection

Case studies embrace data collection using a variety of methods such as interviews, questionnaires, observations, survey data and ethnographies (Yin, 2003). This study used both primary and secondary data. Primary data was collected through a semi-structured interview guide (See Appendix 1). Interviews have the benefit of providing key insights into a phenomenon under the study as well as pointing towards other sources of data. Despite this,

they suffer from poor recall and inaccurate or poor articulation (Yin, 2003). A semi-structured interviewing approach safeguarded against the weaknesses of standardised interviews (Prevos, 2016).

Therefore, to answer the main research question, respondents were asked questions on who does impact evaluation, when impact evaluation is done and how impact evaluation is done. A prime question was the meaning ascribed to development impact in the DFI. This was relevant because development impact means different things to different people. Following this, an investigation of the development impact evaluation systems in use was undertaken. Key questions in this pillar were focused on the elements of environmental, social and governance factors measured. On the timing of evaluation, questions probed ex-ante and ex-post evaluations. Furthermore, it was asked what formal impact evaluation role the DFI owner had before and after investments are made. The intention was to establish the relationship between the tools and their effect on decision-making. The result was a narrative account of the various systems in use, their similarities and differences with global standards as well as their supposed strengths and weaknesses.

The first research sub-question probed the credibility and relevancy of the information provided by the system in use. To do this, questions focused on the frequency of evaluations, frequency of development impact reporting, development verification processes, timing of reports and the publication of reports. This led to the second sub-question.

Research sub-question 2 focused on whether the impact evaluation systems support evidence-based decision making and learning. To answer it, questions were asked whether there had been instances of investments being rejected on account of development impact weakness, whether post-investment impact assessments affected future decisions and whether there was a systematic way of managing post-investment impact evaluation feedback.

Interviews were face to face, telephonically and using telecommunications application software such as Skype, Zoom and WhatsApp. Interviews were recorded electronically with consent from the respondents. After this, they were transcribed by a third party and checked

for accuracy by the researcher. Interview transcripts (textual) were uploaded into RQDA software for further analysis and storage.

Because of the weaknesses of interviews articulated earlier, secondary data to corroborate interviews was also collected. This was done by examining publicly available information such as published Annual Reports, policy documents and reviewing organisational websites. This helped in achieving triangulation and safeguarding against research validity threats. In examining secondary sources, emphasis was placed on the quality of the publicly available development impact information (Bracking & Ganho, 2011).

Data analysis

Approach to analysing interview data

A Grounded Theory approach was used for analysing interview transcripts similar to what Prevos (2016) adopted in his study. Grounded Theory applies a general method of comparative analysis. It is a qualitative research paradigm popularised by Glaser and Strauss (1967) in their seminal work. According to the authors, Grounded Theory refers to the process of discovering theory from data systematically obtained from social research. From their work, emerged two schools of thought on Grounded Theory: the positivist Glaserian approach and the interpretive Straussian approach (Prevos, 2016). The two approaches will be discussed in turn.

Glaser's version of Grounded Theory is mainly positivist; it emphasises the neutrality of data from which theory emerges, researcher objectivity and variable analysis (Charmaz & Henwood, 2011). In contrast, the Straussian approach is constructivist—this implies that “theories are not found ready made in reality, but must be constructed” (Strauss & Corbin) as cited by (Prevos, 2016, p. 59) . A constructivist grounded theory is circumstantial, temporal and spatial. What follows from this, is *a priori* coding to process interview data by referring to reviewed literature and existing theory (Prevos, 2016).

This dissertation follows the constructivist approach to data analysis. Such an approach entails a three-phased coding technique (open, theoretical and selective coding) as illustrated in Figure 7. A constructivist approach was selected because it is not possible to study DFI development impact evaluation systems objectively. This stems from their historical background and their changing landscape. Additionally, in entering the field, the researcher's ideas were shaped by applicable literature and other publicly available information.

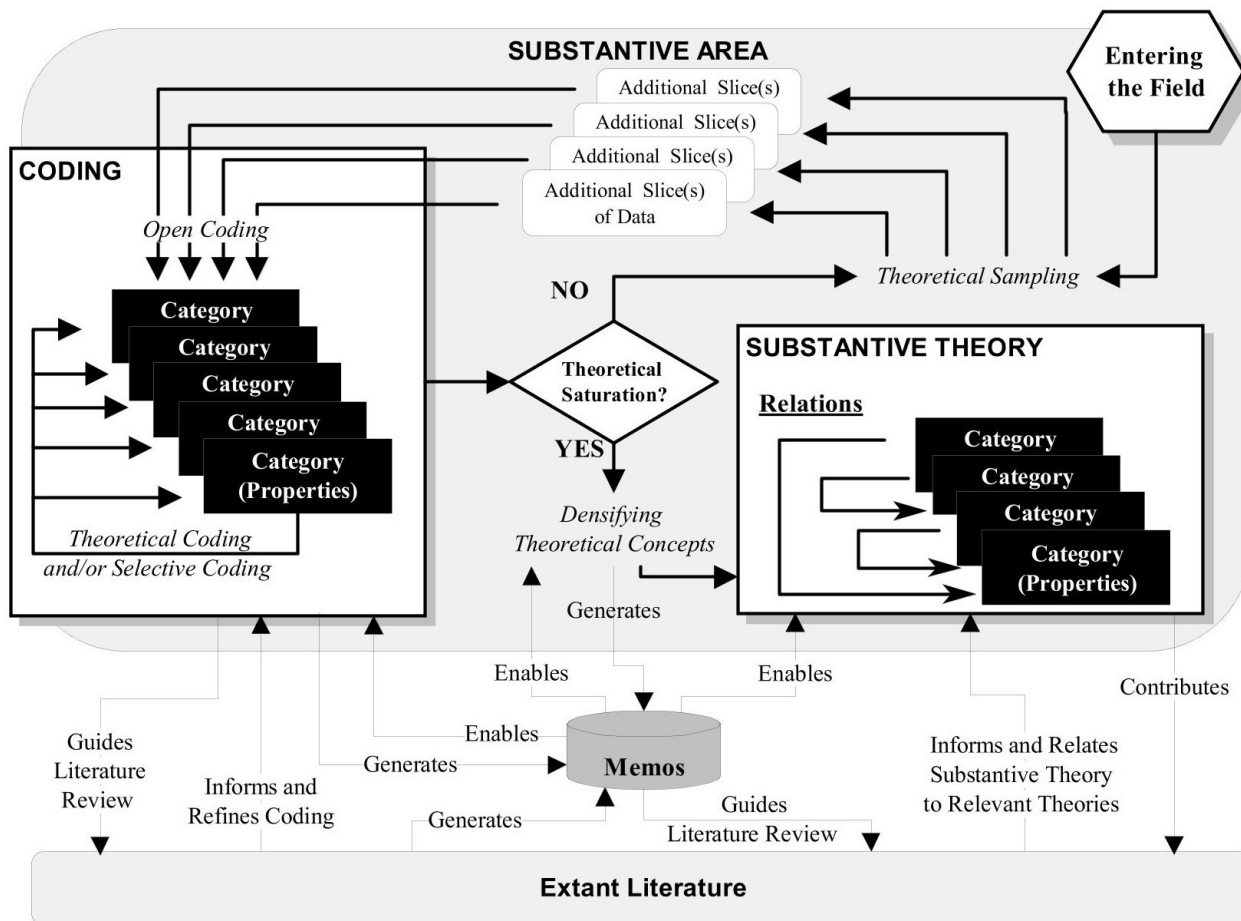


Figure 7: Grounded Theory Research Process

Source: (Fernández, 2004)

The mechanics of Qualitative Data Analysis

In analysing interview transcripts, the researcher used the RQDA software package. RQDA is an R package for Qualitative Data Analysis which provides tools for textual data analysis

(Huang, 2016). R is a freely available computer programming language which is mainly used for statistical and graphical research techniques (R Core Team, 2018). The work by Prevos (2016) is seminal in the field of qualitative data science. His approach for analysing interview data using RQDA which follows the process propounded by Fernández (2004) in Figure 7 was followed in this study.

As discussed earlier, what follows from this process is a three-phase coding process. Firstly, open coding of the transcripts was carried out by referring to literature, interview questions and emerging constructs. At this stage, focus was on individual cases. After this, transcripts were reviewed to check whether codes had been correctly assigned in addition to checking the data for theoretical saturation. Secondly, at the theoretical coding level, codes were summarised into a thematic plot highlighting the occurrence of themes across the various interviews (See fig 11 Appendix 2). This plot does not necessarily show the logical relationships between the identified topics (Prevos, 2016). What follows from the plot is an assessment of causal mechanisms emerging from the cases.

Finally, selective coding was done, which entails the identification of core categories and the development of a theory based on the categories. The core categories of this study were the basis of the thematic areas of the interview guide. The emergent theory looked at the outcomes of the study in relation to international DFIs as explored in literature. Figure 8 shows the main topics explored during the interviews.



Figure 8: Interview Topics Word Cloud

Once interview data and secondary data had been analysed, the study classified the broad research findings as follows: In the first part, case descriptions of the main development impact evaluation systems used by firms in the sample was done. Secondly, an argument following theoretical propositions was built from the cases to answer the main research question. Lastly, the argument was that the two sub-questions are mainly concerned about the effectiveness of the tools used by South African DFIs. Accordingly, an evaluation of impact measurement indicators in use was undertaken.

5 Research Findings, Analysis and Discussion

5.1 Research Findings

To answer the research questions, the researcher interviewed 10 staff members from 6 DFIs. In addition, the researcher reviewed published annual reports of the selected DFIs. In Appendix 1 is the interview guide which was used during the discussions. Appendix 6 summarises the themes and supporting quotes from the interviews. The following section is a discussion of the findings related to the overarching research question.

The point of departure was how South African DFIs measure the impact of their investments. As a precursor, the researcher noted that development impact means different things to each of the DFIs. A distinguishing feature being the DFI mandate. Nonetheless, common motifs of development impact were identified in both pre- and post-apartheid-established DFIs. From this, a definition of development impact unique to South African DFIs emerged. Thus, development impact refers to the positive effect of finance capital investments by DFIs on social transformation, job creation and well-being. Social transformation is characterised by women's participation in the economy, decent housing, black economic empowerment, rural economic emancipation and youth empowerment. Impact evaluation systems in place are purposed to measure changes to social transformation, employment levels and well-being.

Distinct impact evaluation systems are used by each of the 6 DFIs that participated in this research. An exception is the NHFC which does not necessarily have a development impact evaluation system. This was confirmed by one of the interview respondents who had this to say:

I tried to explain that in my e-mail that our research unit was responsible for that, and that research unit was closed down the last time we did restructuring, which was like about five years ago (NHFC, Respondent 1).

What follows in Figure 9 is a schematic view of the systems in place identified from transcribed interviews. The diagram was generated by RQDA.

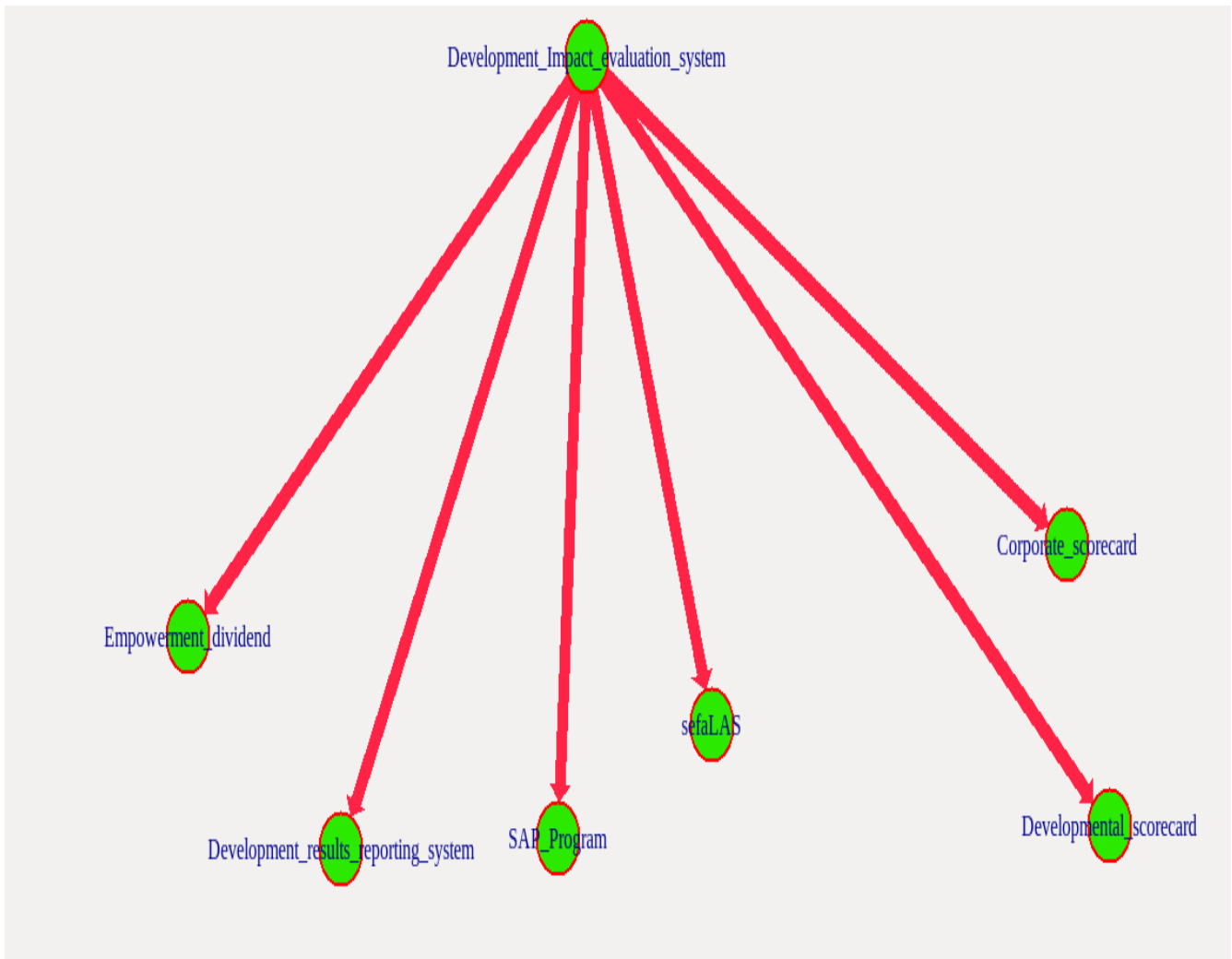


Figure 9: Development Impact Evaluation Systems

The individual systems are discussed in detail in the following sections:

Empowerment Dividend

The NEF uses the Empowerment Dividend to measure the impact of its investments. In addition to investment return, this measure evaluates women empowerment, geographic spread of the portfolio, jobs created/ supported and investment in priority growth sectors. NEF then reports on how it maximised the empowerment dividend in its annual report. Targets are set and reported on for investments in black empowered businesses, employment creation, support for black women’s economic participation and investments across all South African provinces.

Development Results Reporting System

The Development Results Reporting System is a DBSA designed system for measuring developmental results. The system has a set of indicators and templates for measuring development results. DBSA focuses on development results instead of development impact. According to the interview respondents, such focus gives them a much broader aspect to look at and report on. Likewise, the DFI's annual report presents data on outputs and development outcomes. The outputs are split into project preparation and infrastructure financing. Output indicators focus on total projects approved for funding, total funding mobilised for project preparation cost, total approvals, total disbursements, total commitments, total disbursements to the rest of SADC and disbursements to municipalities in South Africa (Development Bank of Southern Africa, 2017).

However, it is from the infrastructure financing that development outcomes are expected and reported on. Outcomes of infrastructural financing are split and reported on in two clusters, namely, anticipated development impact and actual development impact. The following examples of outcome indicators are reported on: Energy-total number of households impacted, Rehabilitation of roads-total households impacted, Water-total households impacted, and temporary job opportunities created (Development Bank of Southern Africa, 2017).

SAP Program/ Developmental Scorecard

The IDC uses the SAP Program, an enterprise software package customised to meet its needs. IDC personnel capture all the data about the project into the system. This includes, personal information of the project sponsors, racial status, geographical area of investment, shareholders and the directors of the investee. SAP then calculates a development impact score. The highest development impact score is 5 and the lowest is 1. Although a lot of investee data is collected, the only elements which contribute to development impact scoring are black industrialist, the number of jobs expected, and the geographical area of investment. In its annual report, the IDC reports development impact on the following indicators: value of funding disbursed, total value of funding approved, funding to black industrialists, funding to women-empowered businesses, funding to youth-empowered businesses, funding in support

of government localisation initiatives and expected direct jobs created and saved (Industrial Development Corporation, 2017).

sefaLAS

The Small Enterprise Finance Agency uses a system called **sefaLAS** for development impact evaluation. **sefaLAS** collects data on the number of jobs that would be created, investee ownership details: youth ownership, black ownership, geographic location of investment. After this, it calculates the development impact. As a result, the DFI's annual report outlines the following indicators: jobs facilitated, funds disbursed to priority rural areas, funds disbursed to youth-owned businesses, funds disbursed to women-owned businesses and the total number of businesses financed (Small Enterprise Finance Agency, 2017).

Corporate Scorecard

The Land Bank uses the Corporate Scorecard to measure its development impact. The scorecard defines a specific Key Performance Area (KPA) related to development impact. This informs what is measured during a reporting period. The scorecard spells the weighting, target, measures and quarterly performance (Land Bank, 2018). This was corroborated by the Land Bank interview respondent. Development impact measures the transformation component of disbursed funds, that is, to what extent funds have been allocated towards black farmers, or emerging farmers, or new black farmers, or existing black farmers, or black workers that want to be part of an employee farm ownership scheme .

Beyond systems, it is important to evaluate who does the impact evaluations. This matters because it ascertains the value assigned to the process. Impact evaluations undertaken by an independent department provide useful managerial information. The same is true of evaluations by the apex decision making body in the DFI. The question to ask is whether impact evaluations are perfunctory or binding. The research identified three groups of evaluators across the six cases which are discussed below:

Investment Analysts

A recurring theme across the cases is that impact evaluations are done by Investment Analysts. They do this as part of deal appraisal. Because all the DFIs under study are demand driven, they assess client proposals based on a number of factors. One of the factors is development impact. Investment Analysts are mainly concerned with the potential development impact of the project as part of the overall viability of the project. In some cases, the investment analysts work with a team of social, environmental and technical experts for this evaluation.

Credit Committee

The researcher noted that the Credit Committee reviews the work of Investment Analysts. In all cases, the Credit Committee signs off a deal as worth investing based on financial and developmental viability. There was no evidence of separate development impact sign-offs prior to investment. Even in cases with separate monitoring departments, the investment decision lies with the Credit Committee.

Post-investment Monitoring

All the DFIs under study said that they have a process of post-investment portfolio monitoring. The main objective being to ensure compliance with loan covenants including those related to development impact. To increase development impact, the NEF has other interventions in place such as a mentorship programme, technical assistance and other non-financial support. Similarly, the NHFC runs an incubation programme to support black women and the youth to participate in the property market.

A key determinant of the effectiveness of impact evaluations is their timing. All the interviewees in this study indicated that there is an ex-ante assessment or appraisal. Thus, prior to making any investment the potential developmental benefits and targets of the project are assessed as part of the screening process. In addition, ex-post evaluations are done to check performance against set targets and goals. Furthermore, a well-grounded principle of effective impact evaluation is that policy makers must take an active role in the process (Gertler et al., 2016). Because of this, interviewees were also asked about the development

impact role assumed by DFI owners either before or after investments have been made. The following observation was made:

South African National DFIs are owned by five main government departments: the National Treasury, the Economic Development Department, the Department of Trade and Industry, the Department of Small Business Development and the Department of Human Settlements. Each DFI has a board of directors which is appointed by the minister of the relevant department. The role of shareholding departments is to set targets including for development impact. The DFIs in turn report on the targets on a periodic basis. Therefore, the owners have no formal role in monitoring development impact. This duty is subordinated to the board of directors. In the next section the outcomes of interest measured by the DFIs under study are examined in detail.

South African DFIs dwell on a number of outcomes of interest or indicators. Table 9 summarises the indicators which were identified from the cases under study.

DFI Name	Development Impact Indicators/ Outcomes of interest
Land Bank (Case 1)	<ol style="list-style-type: none"> 1. Disbursement of lending funds to support transformation through direct support of emerging farmers 2. Support to emerging farmers via intermediary lenders 3. Lending support to black-owned corporate agricultural businesses 4. Direct investments in transformational businesses
IDC (Case 2)	<ol style="list-style-type: none"> 1. Value of funding disbursed (R' bn) 2. Total value of funding approved - with agreement signed (R' bn) 3. Funding to Black Industrialists - value of funding with an agreement signed (R' bn) 4. Funding to women-empowered businesses - value of funding with an agreement signed (R' bn) 5. Funding to youth empowered businesses - value of funding with an agreement signed (R' bn) 6. Funding in support of government localisation initiatives - value of funding with an agreement signed (R' bn) 7. Expected direct jobs created and saved - at signature of agreement (number)
DBSA (Case 3)	<ol style="list-style-type: none"> 1. Value of funds under management 2. Value of infrastructure delivered 3. Schools completed 4. Schools in construction 5. Storm-damaged schools refurbished 6. Houses built 7. Health facilities completed 8. Storm-damaged clinics refurbished 9. Rural access roads completed 10. Municipal projects completed

DFI Name	Development Impact Indicators/ Outcomes of interest
sefa (Case 4)	<ol style="list-style-type: none"> 1. Approvals 2. Disbursements 3. Businesses financed 4. Jobs facilitated (jobs created and maintained)
NEF (Case 5)	<ol style="list-style-type: none"> 1. Number of jobs expected to be supported or created 2. Percentage of portfolio owned by black women 3. Maintain/ increase percentage of portfolio by value invested in the eight provinces outside Gauteng 4. Investment in priority growth sectors as identified by New Growth Path (NGP) and the National Industrial Policy Framework (NIPF) and Industrial Policy Action Plan (IPAP)
NHFC (Case 6)	<ol style="list-style-type: none"> 1. Expand housing finance activities through the effective provision of housing finance opportunities (disbursements) 2. Facilitate increased and sustained lending by financial institutions 3. Number of jobs facilitated 4. Value of disbursements targeted towards women, youth and emerging B-BBEE entrepreneurs

Table 7: South African DFI Development Impact Measurement Indicators

A schematic view of the indicators from the coded interviews which corroborates the information in the table is shown in Figure 10.

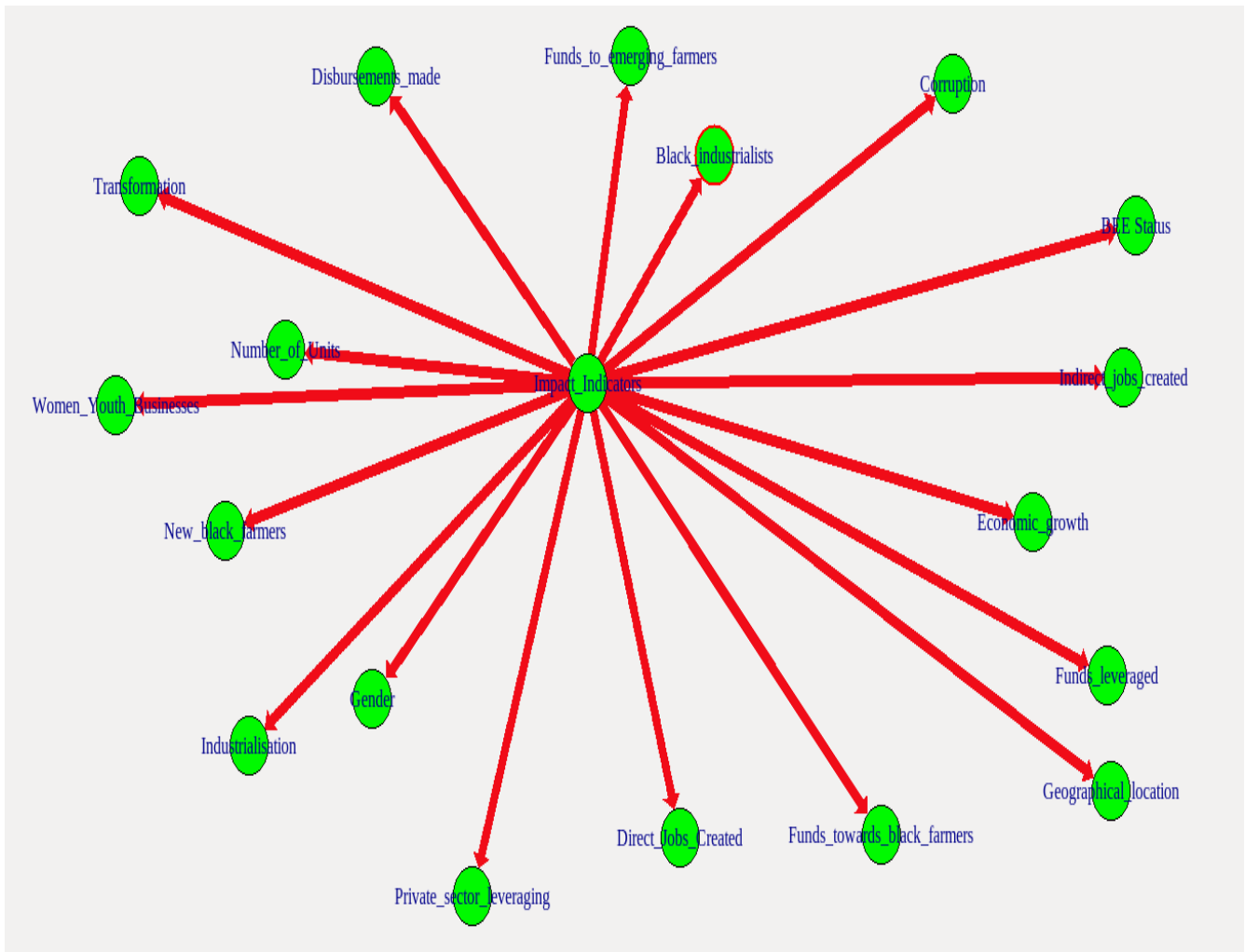


Figure 10: Development Impact Indicators from Interviews

Prior to exploring the first sub-question, inquiry was made into the relationship between ex-ante and ex-post assessment tools. It was found that across all the DFIs under study with the exception of the NHFC there are pre-investment and post-investment impact evaluation processes. At the pre-investment stage, targets are set, potential impact is scored, and the investment appraised. After this, as part of the monitoring process, there is comparison of actual impact against targets. This paved the way to the first sub-question.

Therefore, with reference to sub-question one on the provision of credible and timely information, the researcher found that evaluations are done at least twice for each investment. That is, pre-investment and post-investment. For the Land Bank, other ad hoc

evaluations are done as part of World Bank funding requirements. This was confirmed by the interview respondent as below:

I was telling you that on the one hand you have the World Bank that comes to basically assess the development impact of the funding (Land Bank, Respondent 1).

Public development impact reporting is done annually as part of the integrated annual report. The IDC, DBSA, Land Bank and NHFC prepare their annual reports in line with the International Integrated Reporting Framework (IR) and the Global Reporting Initiative (GRI). Both frameworks are global standards on sustainability reporting; though they offer limited assurance. It was also noted that the DFIs under study report progress on targets on a quarterly basis to the shareholder.

None of the DFIs interviewed in this research are signatories of the Principles for Responsible Investing (PRI). The PRI is the leading global advocate of responsible investing. It supports investors in incorporating environmental, social and governance factors in investment and ownership decisions (*What is the PRI?*, 2019). All DFIs take development impact into consideration when evaluating investment decisions. Furthermore, development impact is scored in some way by combining a number of developmental factors related to an investment. However, development impact is not necessarily at the centre of the investment decision-making process. In all cases, financial viability takes precedence as shown in Figure 11.

In relation to sub-question two on whether impact evaluation systems adopted by South African DFIs support evidence-based decision making and learning, the following findings emerged: Firstly, South African National DFIs do not reject projects based on development impact weakness. If a project is financially viable but weak on development impact it will be approved. In such instances, DFIs negotiate with their clients to 'raise the development impact of the proposed project'. This sometimes takes adjustments to the financial model so that it is developmentally attractive. This is also supported by the prominence of financial viability during the interviews as shown in Figure 11. Secondly, the research ascertained that

post-investment assessments have a bearing on future decisions. But this is limited to lending decisions and not development impact. There was no evidence of investments with weak impact influencing future lending decisions. Credit Committees take into consideration past information when approving loans in order to manage non-performing loans.

Finally, although interviewees noted the existence of post-investment monitoring departments, there was no explicit indication of how data from this department feeds into the lending cycle. A recurring theme was that they focus on loan repayment. It appeared that pre-investment and post-investment were focused on their own departmental goals with no reinforcing development impact goal.

5.2 Research Analysis and Discussion

5.2.1 A Critique of Development Impact Measurement Indicators

Table 7 and Figure 10 establish a number of consistent South African DFI indicators, namely, funds disbursed, black ownership of investee entity, jobs created/ facilitated, gender, age group, number of beneficiaries and value of infrastructure delivered. These indicators have a close relationship with what is measured at the global level. However, South African peculiarities exist. For instance racial development indicators are specific to South Africa given its historical account. What follows is a critical discussion of consistent indicators amongst the DFIs under study.

Funds disbursed

All the DFIs under this study report on funds disbursed as part of their development impact. The causal influence for adopting this indicator is mandate fit. Every DFI is given funds by the shareholder to meet its mandate. Moreover, all interviewees identified 'mandate fit' as the first check during deal assessment. The emergent argument is that if funds are disbursed then the DFI is meeting its mandate. As explored in literature, this indicator is based on the "financial development" paradigm propounded by King and Levine 1993; Levine 1997 cited in Bonizzi (2013). However with the negative consequences of heightened finance as discussed in literature, South African DFIs must rethink this indicator.

It is important to not only know more about the recipients but also whether the specific needs of the recipients are being met. If development finance is to be effective, it must target specific needy beneficiaries and industries in line with the national policy as opposed to making disbursements to the most commercially viable opportunities. Additionally, there is a need to recognise that excessive finance is not necessarily good for the economy (Bezemer & Hudson, 2018). BNDES managed to achieve positive impacts by following such an approach of targeted funding (Ferraz & Coutinho, 2017). Furthermore, in a country with numerous commercial banks it is unclear if the funds supplied by DFIs crowd in private sector investments. This is because no counterfactual for this indicator is defined by South African DFIs.

Black ownership of investee entities

In support of the transformation agenda all the DFIs under study measure the volume of investments made to black people. The democratic ANC government which owns all National DFIs has been and continues to be seized with the transformation question as part of redressing past injustices. In a country where racial segregation precluded the development of black capitalism this indicator is of paramount importance. The downside is that focusing on black economic empowerment has resulted in the formation of a state-sponsored small financialised black elite (Ashman et al., 2011). Furthermore, empowerment transactions have tended to involve the same people repeatedly.

Thus, it is insufficient to track investments in black companies without looking at qualitative factors such as the role of black people in the business. Ashman et al., (2011) have noted that blacks are sometimes used as fronts in B-BBEE deals that mostly benefit whites. This indicator should rather refer to investments into black-owned productive businesses. Productive businesses might be defined as entities promoting economic structural change. This means moving away from narrow equity-based measures of economic empowerment when evaluating development impact.

Jobs created/ facilitated

All the cases under this study measure their impact on job creation. This indicator is consistently measured by all DFIs globally and in South Africa. High quality jobs with good pay reduce poverty, inequality and improve well-being. Arguments for this indicator are twofold, on the one hand is the role finance plays in expanding business operations resulting in more people being hired. On the other, providing funds will help people generate their own employment through entrepreneurship.

However, across all the DFIs under this study it is ambivalent how employment creation is measured. Furthermore, qualitative aspects of job creation such as jobs benefiting the poor and the displacement effects of new jobs are not measured or reported on. Moreover, this indicator ignores a probable lack of causality between employment and poverty reduction. This is significant because up to 35% of those employed in South Africa are living below the poverty line (Sulla & Zikhali, 2018).

Gender

It is heuristically and academically sound that South African DFIs distinctly measure gender effects of their investments. Gender alongside race and education is considered as one of the key drivers of inequality in South Africa. According to Sulla and Zikhali (2018) female-headed households have a 10% chance of slipping into poverty and a 2% less chance to escape poverty than male-headed households. Furthermore, women fare badly on employment prospects- 37% of working age females are employed compared to 50% of men. Therefore, targeting women for funding can increase development impact. Measuring gender effects of investments is peculiar to South African DFIs. This indicator was recommended for European DFIs by Bracking and Ganho (2011) in their study. A major weakness of this indicator is that it does not account for elements of transformation.

Age Group

South African DFIs under this study measure the value of their funding to youth-empowered businesses. South African youths suffer most from unemployment. In a report by Sulla and Zikhali (2018), the rate of youth unemployment has been hovering around 50%. Furthermore,

this age group has inadequate resources to undertake a job search and is often unable to relocate for distant jobs. Therefore, measuring investments to youth-owned enterprises is supportive of development impact. However, the transformative impact of such a measure is constrained if financial viability takes precedence over development impact. For instance, it is unlikely that youths from poor backgrounds will have resources to put together a financially viable proposal. Therefore, the indicator must be broadened to include more background information such as funded youths whose parents have no university education.

Number of Beneficiaries

The NEF, DBSA and NHFC measure the number of beneficiaries under their initiatives. This indicator assumes a positive correlation between an increase in DFI beneficiaries and development impact. For instance, the NHFC assumes that if more units are built then more people will benefit because they measure the number of beneficiaries per unit. As one of the respondents said:

So we may define development impact in terms of, because another thing that we look at – sorry, I did not mention this one – is not just the units we build but the housing beneficiaries who benefit. How many beneficiaries have benefited from the units that have been built is one of our performance indicators as well, and sometimes different organisations define the factors that calculate the beneficiaries differently (NHFC, Respondent 2).

This indicator is problematic because an increase in the number of beneficiaries does not necessarily translate into transformation, particularly in a highly unequal society like South Africa. Furthermore, such an indicator gives information on outputs as opposed to impact. Moreover, there is an inconsistent process of calculating the number of beneficiaries across DFIs as the NHFC respondent said:

We currently use the latest per-capita provided to us by Stats SA that there are 3.3 beneficiaries of every household. So, to say for every unit that is built 3.3 beneficiaries benefit from that. Another organisation or another institution could define it slightly differently which then poses a bit of a problem (NHFC, Respondent 2).

Value of infrastructure delivered

The DBSA is South Africa's DFI charged with the mandate of delivering developmental infrastructure in South Africa and the rest of the African continent. The DBSA's model is predominantly project finance in the form of Public Private Partnerships (PPPs). The developmental effects of infrastructure financing have been criticised. Part of the title of this dissertation is based on the work by Hildyard (2016) who argues that development bank financing of infrastructure projects is much about developing finance and not financing development.

Thus, measuring 'value of infrastructure delivered' as a development impact indicator must be critically interrogated. Highly valued infrastructure might be delivered. However, this might only be accessible to an elite minority much to the detriment of the marginalised (Hildyard, 2016). Under conditions of heightened financialisation, infrastructure represents an asset class generating returns for finance and less as a service to communities. As a result, qualitative aspects of infrastructure financing must be considered as part of impact evaluation. For instance, affordability of infrastructure, provisioning and improved service delivery. All these factors are missing in the DBSA measure.

5.2.2 Impact Evaluation Systems or Monitoring?

The findings from this research reveal that all South African DFIs have a stipulated mandate from their shareholder. DFIs are expected to deliver on wide-ranging developmental effects. These include black economic empowerment, SMME development, affordable housing and industrialisation. To ensure mandate compliance, the government sets some performance targets. These targets are communicated through annual performance plans and shareholder compacts. DFIs collect data on these targets and report to the shareholder. Therefore, South African development impact evaluation systems encompass self-reporting and self-assessment. As a result, the systems have data integrity issues. Not surprisingly, all the interview respondents questioned the integrity of the impact data.

A fundamental question is whether the tools and methodologies used by South African DFIs to measure the impact of their investments can be described as impact evaluation systems or monitoring? To answer this question, regard needs to be made first of the cardinal elements

of an impact evaluation system. According to White (2009), an impact evaluation system should be designed in such a way that there will be analytical rigour of the causal chain from inputs to impacts. The author identifies six key principles of a theoretically sound impact evaluation system: the ability to map out the causal chain, the ability to understand context, the ability to anticipate heterogeneity, the ability for rigorous evaluation of impact using a credible counter-factual, the ability for rigorous factual analysis and that the system should use mixed methods. Thus, the key to an evaluation is objective assessment of outcomes of interest (Gertler et al., 2016).

Turning back to the question of whether there are systems, or it is only monitoring, it is evident from the data collected in this dissertation that the former prevails not least because there is weak complementarity between pre- and post-investment assessment tools. Moreover, no evidence of conformance with the principles espoused by White (2009) was identified. As one respondent said:

Maybe just to clarify, in my experience, anyway, there is a difference between what is being measured and what is being asked for as information. The stuff which I mentioned to you is mostly being asked for, for information purposes. (IDC, Respondent 1)

In sum, across all the cases, data is being collected for information and annual reporting. There is no rigorous factual analysis or subjecting the data to comprehensive evaluation using a credible counter-factual. Because of this, there is no systematic and objective assessment of the development impact of investments. An emerging conclusion is that South African systems are ineffective. This is exacerbated by the self-reporting nature of the tools in use. Another important finding is the absence of independent impact evaluation departments.

5.2.3 Impact Evaluation Business Units

This study revealed that in most cases development impact evaluation is not the prerogative of separate independent business units. In their study, Bortes, Sinha, and Grettve (2011) identified independent evaluation departments as critical in the evaluation of DFI investments. Thus, the lack of such departments in South African DFIs points towards weak impact

evaluation systems. The evaluation of project proposals for investment is within the ambit of credit committees.

Credit committees assess development impact as part of the investment decision. Prior to investment, no specific sign-off for development impact is done. In some cases (**sefa** and IDC), development impact scores are used to determine the cost of finance. However, setting interest rates in relation to development impact might be an incentive for inflating developmental results at the time of performance reporting by investees. Suffice it to say that credit committees are unlikely to be qualified to assess the development impact of projects because their expertise is on loan repayment ability.

5.2.4 Owner Active Participation in Development Impact Evaluation

The South African Government, as DFI shareholder, subordinates the duty of impact monitoring and evaluation to governance structures. The researcher noted that in all cases DFIs complied with the King III principles of good governance. The minister responsible for the relevant DFI appoints a board of directors. The boards are structured along private sector standards—in line with the neoliberal ideas of New Public Management. The board in turn appoints an executive team which monitors development impact amongst other strategic responsibilities.

A major weakness of this approach to impact evaluation is that it relegates the role of the owner to a distant interested party. Furthermore, it assumes that private-sector governance structures produce optimum developmental results. In reality this might not be the case, as one respondent put it:

And then if obviously like all other boards and executives, self-interest and self-preservation kick in and you would want to, if you are not forced to report on something and then not giving you specifics in terms of what they want your report to contain, so you would tend to report on the positive stuff (IDC, Respondent 1).

For this reason, it is imperative to recognise that private-sector-like governance structures are not necessarily fit for development impact evaluation and monitoring. As explored in literature, this is a structural and political economy issue which affects how DFIs can contribute towards real transformation. Active shareholder participation is fundamental to organisational success.

DFIs must thrive to provide rigorous and transparent information on development impact including publications of independent external reviews of their operations (Bortes et al., 2011). This is only achievable if shareholders demand it. Hence, the active participation of the government as owner in impact evaluation is very important.

5.2.5 Focusing on Outputs and not Impact

Most DFI literature on impact evaluations recognises that a key weakness of the measurement of development impact in DFIs is that there is greater focus on outputs as opposed to outcomes and impact (Bortes et al., 2011). Lemma (2015) makes the same point and argues that DFIs struggle to articulate their impact on poverty reduction. The findings of this study support these views particularly because from a South African perspective, no measures on poverty reduction and inequality are being looked at. One respondent confirmed this view and said:

We do not always look at impact specifically because of the differences and the detail that one needs to go into to start looking at an impact, and impacts are much further down the line than output (DBSA Respondent 2).

This study argues that if DFIs are to be transformational then outcomes and impacts must be at the centre of their operations.

5.2.6 Financing Development or Developing Finance?

At the Open Coding stage of data analysis, 57 individual codes were identified. These were based on literature review and the examination of publicly available information. There was a significant variance of codes between the various respondents as shown in Appendix 3. However, it is clear that financial viability is considered as the most common issue in the impact evaluation tools and systems. An emerging conclusion is that the impact evaluation systems in place tend to be performative technologies. Accordingly, DFIs occupy the role of developers of finance instead of financiers of development. According to Bracking (2012), DFI development impact evaluations are performative because they are marginally related to the material world which they seek to influence and measure. Performativity is defined as,

the process whereby socio-technical arrangements are enacted, to constitute so many ecological niches within and between which statements and models circulate and are true or at least enjoy a high degree of verisimilitude (Callon, 2006, p. 25).

The author identifies key techniques used in the process of performance as: expression, self-fulfilling prophecies, prescription and performance.

In this study, such examples abound. For instance, as part of his presentation to parliament the Chief Financial Officer of NHFC, Mr Zola Lupondwana, intimated a self-fulfilling prophecy about the DFI as follows:

Mr Zola Lupondwana, Chief Financial Officer (CFO), NHFC, said that since the NHFC was a funding institution, a key aspect to consider when looking at its performance would be the growth in the loan book, the pricing of the loan book and its quality (NHFC & NURCHA & RHLF & SHRA 2018/19 Annual Performance Plan, 2018).

Another instance is what the respondent from **sefa** had to say about the harmony between financial viability and development impact:

*Not necessarily, because I would think for us that is the main important thing that we actually make sure that the applicant can afford the loan. As much as they would create a lot of jobs, but if they do not afford the loan then those jobs would not really matter, meaning that the development impact is not something that as an institution we really look at, but more look on whether the applicant can repay the loan (**sefa, Respondent 2**).*

Furthermore, across all the cases it was evident that there is subordination of development impact to financial viability with virtually no instances of projects rejected on account of development impact weaknesses.

5.2.7 Policy Implications

This study has confirmed much of what is known globally about the measurement of development impact by DFIs. As far as the researcher knows, there is no literature from a South African perspective. This study is therefore seminal and should provoke more debate and brings to the fore key policy issues for consideration which are discussed below:

Rethinking Impact Evaluation in South African DFIs

It is critical for South African DFIs to relook at what they call impact evaluation systems and consider a radical shift from measuring outputs towards measuring outcomes and impacts. For the most part, DFIs' main priority is developmental therefore their impact evaluation systems should be premised around this objective. The systems should be unambiguous with a balance struck between the cost of its implementation and anticipated benefits. Most importantly, whilst most of the existing systems collect some developmental impact data, the best system is one that collects enough data and not too much data. Impact indicators must be re-defined and be based on robust research and a credible counterfactual.

Participatory Evaluation

Whilst some evidence of collaboration with investees was identified during the study, there remains limited input from stakeholders during evaluations. Communities which the DFIs seek to impact should be involved in impact evaluation; of course this should be assessed against the relevant costs and benefits. In this regard, Chambers (2009, p. 246) is instructive with these remarks:

Many tools can be and should be used for impact assessment. Whatever they are, they must always recognise that it is those who live in poverty, those who are vulnerable, those who are marginalised, who are the best judges and the prime authorities on their lives and livelihoods and how they have been affected.

The government as owner of these DFIs should actively participate in major decisions to safeguard the rights and needs of the most vulnerable in society. Due regard should be given to the fact that more finance does not necessarily translate into more development.

DFI Performance Reporting Framework

To safeguard against variations in the meaning of terminologies, data collection, analysis and impact evaluation categories, the South African Government must come up with a DFI performance reporting framework. Such framework, will define sectoral indicators and prescribe measurement methodologies to allow for comparisons across DFIs where necessary. Additionally it will allow for more active involvement of the government in

monitoring DFI activities and ensure that development is not relegated to the periphery. This framework might take the form of an act of parliament to facilitate broad and transparent dialogue on DFI activities.

5.3 Limitations

There were certain limitations which this research was exposed to. Firstly, most of the interviews were done virtually using Skype, WhatsApp and Telephonically. This constrained the interviewer's ability to probe further based on emotions that could have been read from a face-to-face interview. Nevertheless, interviewees were allowed to follow their trains of thought to obtain uncontaminated data. In some cases, as planned, the researcher could not interview more than one participant at a DFI owing to non-responses. The risk of bias arising out of this was mitigated by extensive review of secondary data to corroborate the single interviewee's responses.

Furthermore, not all the relevant DFI departments were interviewed. The researcher focused on those people involved in either loan origination, post-investment and development impact evaluation. However, DFI impact evaluation spans beyond these departments. For instance, the views of the strategy departments were not solicited except from one interviewee at the IDC. As noted by Lloyd (2015), such an approach can result in biased results by limiting findings to those who participated in the study. This limitation was mitigated by interviewing members in middle- and senior-management positions. Such employees are expected to have a deeper understanding of organisational operations. In addition, secondary data was used to augment interview data.

At a broader level, the research questions explored in this dissertation were extensive such that a Master's dissertation would not do justice to their coverage. That said, the questions are of immense importance and pave the way for future detailed studies. Finally, only the supply side of DFI impact evaluation was considered owing to the scope of the study. There was no explicit solicitation of DFI clients views on the systems and tools in use.

5.4 Research Conclusions

This minor dissertation set out to explore how South African DFIs measure the impact of their investments. The main research question sought to understand the tools and systems used by South African DFIs to measure the development impact of their investments. Closely related to this was inquiry into whether the impact evaluation systems adopted by South African National DFIs provide credible, timely and relevant information. Finally, inquiry was made into whether impact evaluation systems adopted by South African DFIs support evidence-based decision making and learning.

The objective was to make policy recommendations on these tools and systems to ensure that DFI funding maximised social and economic benefits. This was significant because as far as the researcher is aware, there is no literature covering developmental impact evaluation systems used by South African DFIs. The results of this study are consistent with the work of Bracking and Ganho (2011) on indicator weaknesses. The study also confirms the performative nature of development impact evaluation science as espoused by Bracking (2012). At a broader level, the theoretical concepts on how DFIs measure development results in (Bortes et al., 2011) are consistent with this study.

Furthermore, this study confirms most of the findings on how DFIs measure their impacts as per the findings of Lemma (2015). The findings of this study contribute a new understanding of the landscape for DFIs in South Africa. The study provides a first step in understanding the impacts of South African DFIs. It is expected that with more in-depth understanding of the impact evaluation tools used by South African DFIs, understanding the macro-impacts of DFIs will be enhanced. Furthermore, the research contributes towards DFI policy in South Africa and proposes a standardised performance evaluation framework.

How do we understand development impact evaluation in the context of South Africa and resource constrained environments in general? A significant observation in this study is the effect of political economy on impact evaluation. DFI decisions, including impact evaluation, are subordinate to political whims. An initial step to impact evaluation should be an assessment of the political settlement. This should be leveraged for the democratic governance of DFIs and inclusive access to finance. Political settlement is defined as 'a

description of the distribution of power across organizations that are relevant for analysing a specific institutional or policy problem' (Khan, 2017, p. 5). Current frameworks are weak on this requirement. However, this is an important factor that allows policies to be tweaked for different contexts.

5.5 Future Research Directions

The theory emerging from this research will need to be tested at individual project level across South African National DFIs. This would entail tracking a number of DFI projects from inception to completion. This will help solidify the theory, enable some nuances to be teased out and allow for robust generalisation. Undoubtedly, the internal workings of DFIs remain a key area for future study especially impact evaluation. Whilst there exists a growing body of literature on the developmental impact of projects and investments, gaps still remain on macro and micro effects of DFI investments (Biekpe, 2018).

There remains a number of open questions such as the factors that influence the choices of the various impact evaluation tools in use. There is also a need to expand the research further by understanding what the shareholder perspective on development impact is. Much could also be investigated on the nature of governance structures and the impact evaluation systems in place. Does this impose more restrictions on what can be reported on? Finally studies can also look at how impact evaluation might be harmonised across the various DFIs.

Appendix 1: Interview Discussion Guide



Informed Consent

This research has been approved by the Commerce Faculty Ethics in Research Committee.

Your participation in this research is voluntary. You can choose to withdraw from the research at any time.

The questionnaire will take approximately 60 minutes to complete. You will not be requested to supply any identifiable information, ensuring anonymity of your responses.

Due to the nature of the study you will need to provide the researchers with some form of identifiable information however, all responses will be confidential and used for the purposes of this research only.

Should you have any questions regarding the research please feel free to contact the researcher (Francis Garikayi, Cell: +264818577104; Email: fran.garikayi@gmail.com).

Signature:

Date and place:

Introduction

Hello and thank you for agreeing to this interview. My name is Francis Garikayi; I am an MCOMM Candidate at the UCT GSB researching development impact evaluation systems used by development finance institutions (DFIs) in South Africa. The results of my study will help academics, DFIs and government to better understand the development finance model for maximum socio-economic impact.

This interview will be recorded, and transcriptions will be made available to you for revision if you so wish. The various interviews will be analysed, and the results will be put into a dissertation report which will also be made available. You are free to withdraw your participation in this interview at any time. I am going to start recording if you do not mind.

Preamble

- i. Participant name:.....
- ii. Date of interview:.....
- iii. Participant’s organisation:.....
- iv. Currently working for a DFI or have worked for a DFI in the past 6 months.....
- v. Participant position
-Probe on what the role entails.

1. What is the understanding of the meaning of development impact?

- a. What is your understanding of development impact?
- b. What is your understanding of a development impact evaluation system?

2. What development impact systems are used?

- a. What are the key elements of an investment that you measure or focus on?
- b. What tools or systems do you use to measure development impact of investments?
- c. From the list below, select the environmental, social and governance pillars/elements that you measure:

Environmental		Social		Governance	
Climate Change		Human rights and labour standards		Tax avoidance	
Water		Employee relations		Executive pay	
				Corruption	
				Director nominations	

- d. What other pillars/elements of development impact not listed above do you measure?

.....
.....
.....
.....

- e. The Principles for Responsible Investment (“PRI”) is the world’s leading proponent of responsible investment.
 - i. Are you aware of PRI?.....
 - ii. Is your DFI a signatory of the PRI?.....

3. What development impact evaluation methodologies are used?

- a. Does the owner (in this case ‘the owner’ refers to the government authority responsible for monitoring the DFI for instance the line Ministry) have a formal role in monitoring development impact either before investments are made, or after?
-Probe on the process followed.
- b. Are there additional evaluation and review activities in place which oversee the investments undertaken by your institution - other than formal systems - which contribute to raising development impact, such as assigned and permanent advisors, expert visits, training?
-Probe how often these reviews are done.
- c. What are the categories or types of external service providers who provide development impact assessment services to your organisation?
-Probe more on the external consultants doing the impact evaluation
-Big or small consulting firms
-Former employees
- d. How is development impact scored in your organisation?

4. What are the development impact pillars/elements measured by the DFIs?

- a. Is the development impact assessment done before an investment is made as part of the pre-investment decision-making process?
-Probe on who does this pre-investment development assessment.

- b. What are the most important pillars/elements that are assessed pre-investment decision-making?

- c. Of the pillars/elements identified in 4.2. above, allocate 10 points to indicate importance of the pillar/element with 1 indicating low importance and 10 indicating high importance.
- d. Is the development impact assessment done after an investment is made and who does this assessment?
- e. What are the most important pillars/elements that are assessed post-investment decision-making?

- f. Of the pillars/elements identified in 4.4. above, allocate 10 points to indicate importance of the pillar/element with 1 indicating low importance and 10 indicating high importance.

5. Is there a relationship between the different development impact assessment tools used?

- a. How do the pre- and post-investment development impact tools interact?

- b. In your opinion, is there harmony between investment financial viability and development impact?

6. What is the credibility and relevance of information provided by development impact evaluation systems?

- a. Do you use bespoke development indicators by industrial sector?
- b. Who 'signs off' investments as worth making against expected developmental impact?
- c. Do you enter into investment agreements with third parties?
- d. After an investment agreement has been reached between your institution and a third party, which makes the manager promise to invest within certain limits, what subsequent checks does your organisation make, and how often?
- e. Does the investment agreement with third parties mandate the use of a specific development impact assessment tool?
- f. Do third party entities present a development impact case on behalf of all their underlying investee companies as a group, or individually to your institution?
- g. Do you consider information provided by your development impact assessment tool useful and why/ why not?

7. Do Impact Evaluation Systems adopted by DFIs support evidence-based decision making and learning?

- a. How is the assessment of a bankable or doable investment assessed in your organisation?
- b. Have there been any instances in which investments were not made based on development impact weaknesses?
- c. Does post-investment development impact evaluation lead to changes in similar projects in the following or subsequent investments made and if so, is there a systematic way in which this feedback is managed?

8. Are development impact assessment reporting mechanisms effective?

- a. In your estimation, what percentage of total development impact evaluation assessments or reports does your organisation publish in a public domain?

- b. What would you say are the strengths and weaknesses of the development impact assessment that you use?
- c. What recommendations would you make to improve development impact assessment tools used by DFIs?
- d. If possible, can you share a copy of a recent development impact evaluation document/ report?

Thank you very much for your time. Who else would you recommend that I interview in your organisation?

6 Appendix 2: Theme Frequency across Interviews

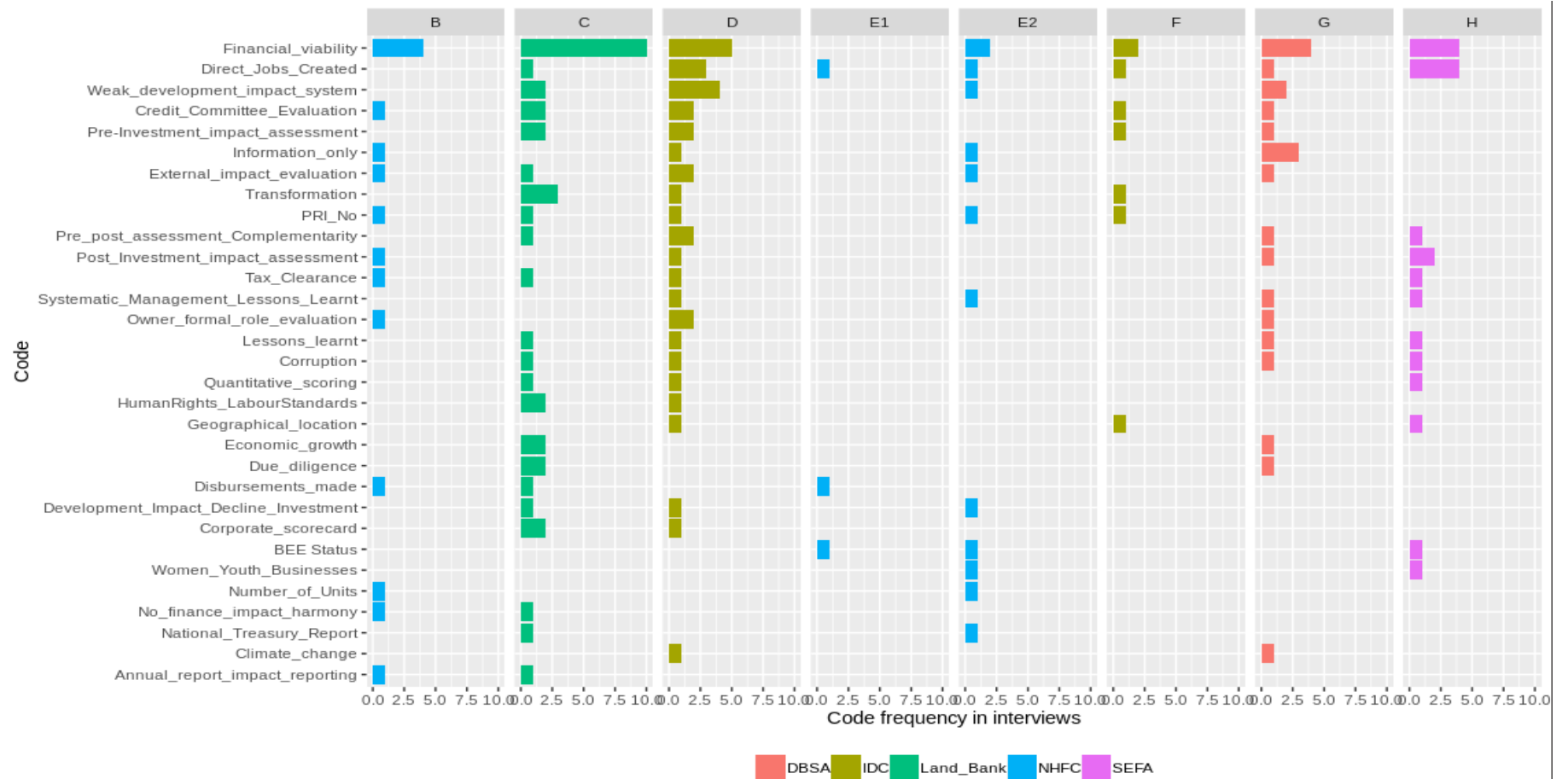


Figure 11: Code Frequency in Interviews

7 Appendix 3 Key Quotes from Interviews

Topics related to tools and systems used to measure development impact.

Core Category	Causal influences	Representative quotes
Development impact is defined	Shareholder mandate	<p><i>We define development according to South African circumstances, which focuses on transformation of the agricultural sector. So, bringing in new emerging farmers – specifically black farmers – into the sector. We define development around economic growth, so whatever we do we match economic growth (Land Bank, Respondent 1).</i></p> <p><i>For us development impact is directly related to the sort of measurable impact that we make within the sector, which are different things for us. One of the things, it is directly as a result of units that have been built directly as a result of leveraging, so we also look at that (NHFC, Respondent 2).</i></p>
Existence of a development impact evaluation system	Organisational operating procedures	<p><i>Yes, it is part of the financial model and also the system that we use, which is called sefaLAS (Small Enterprise Finance Agency- Loan Administration System), so we use that to calculate the number of jobs that would be created. And also the ownership of it Is it by youth or a black person or a woman? So, we use two tools which are the financial model and the sefaLAS system (sefa, Respondent 2).</i></p> <p><i>We use SAP, the programme, which is custom built to meet our organisation's objectives (IDC, Respondent 1).</i></p>

Core Category	Causal influences	Representative quotes
Development impact evaluation personnel/ Business units/ Departments	Organisational operating procedures	<p><i>We have developed a scorecard from our side, but the scorecard is completed by the bankers that have first-line interface with clients, and that is reviewed by the credit committee. So even though the banker does it, it is verified by the credit committee (Land Bank, Respondent 1).</i></p> <p><i>The person working on the transaction, whether it is the analyst or the account manager or the senior account manager (IDC, Respondent 1).</i></p>
Timing of development impact evaluation	Reporting requirements Organisational procedures	<p><i>We do not do an entire development impact assessment before. We have an appraisal system that the project would go through prior to funding, and then once the project is finished, I mean, the assessment does not specifically speak to development impact (DBSA, Respondent 2).</i></p> <p><i>Yes, absolutely, as we put together the proposal to take to our credit committees we also look at the impact that we will be getting from that development and utilise some of it as motivating factors. Particularly projects that have maybe certain challenges, we utilise the impact that we will get as part of the motivation of some of our projects. So we definitely do look at it pre-investment. (NHFC, Respondent 2).</i></p>

Core Category	Causal influences	Representative quotes
Owner participation in impact evaluation	Governance requirements Shareholder compact	<p><i>Yes, we provide them with quarterly information about the performance of the DFI (NEF, Respondent 1).</i></p> <p><i>So, they sort of monitor to make sure that we achieve our mandate in that regard by putting in these targets on a rolling five-year term. And they also do it post-investment by checking against our targets. So, we send an update on our performance targets on a quarterly basis to the shareholder (NHFC, Respondent 2).</i></p> <p><i>Before the financial year commences, by the end of February every year in terms of the Public Finance Management Act the minister and the board need to enter into a shareholder compact. And part of that shareholder compact is basically a performance agreement between the minister and the board to say this is what the company is going to achieve in this financial year (IDC, Respondent 1).</i></p>

Core Category		Causal influences	Representative quotes
Outcomes of Interest/ Indicators	Shareholder mandate		<p><i>So, one of the first things in our scorecard is the transformation component, so, to what extent are we allocating funds towards black farmers, or emerging farmers, or new black farmers, or existing black farmers, or black workers that want to be part of an employee farm ownership scheme? So it is defined in terms of race, gender and geographical location. That would be the things that we would measure as our first thing. The second thing on our scorecard is the environmental and social sustainability. So we would report and measure which transactions are high risk, low risk, medium risk, and basically what are the consequences or what are the risks we are exposed to</i></p> <p>(Land Bank, Respondent 1).</p>
Outcomes of Interest/ Indicators	Shareholder mandate		<p><i>I think the main one is that the business is sustainable, so when we do the assessment of the business we need to be sure that even after we have given them funding they are able to sustain themselves. The jobs that they will be creating will be sustainable in the long run, and also the impact that they will have on the economy is an impact that is sustainable. So that is the key thing to look at. And also the affordability, that the business can actually afford the loan that we are giving them</i></p> <p>(sefa, Respondent 2).</p>

Core Category	Causal influences	Representative quotes
Outcomes of Interest/ Indicators	Shareholder mandate	<p><i>It obviously depends on each project, but generally we measure, it depends on the project. If it is a road project, the output is the kilometres of road; your outcomes would be a reduction in travel time. It depends on the project, but your outputs are pretty easy to measure depending on what project you are doing. Your outcomes would speak to what the output result is. So yes, depending on the project. We look at jobs, obviously; we look at impact on gender; sustainability, environmental, if it is an energy project, impact on biodiversity, that sort of thing (DBSA, Respondent 2).</i></p>
Complementarity of ex-ante and ex-post tools	Organisational procedures	<p><i>At the moment there is a limited kind of interaction and I think our monitoring and evaluation person that we have just employed, they are actually trying to find a way of making sure that the pre and post do interact. So we do not have good harmony at the moment, but we are working towards that (Land Bank, Respondent 1).</i></p> <p><i>In my opinion there is not a relationship at all, because of the way that our performance management systems are structured. They are at the core of what drives this short-term (indistinct) in the organisation. So, we basically live from year to year. We live to meet the performance targets which have been set. So, there is little to no value for us in assessing the developmental impact, at least not in the short to medium term (IDC, Respondent 1).</i></p>

Table 8: Tools and Systems used to Measure Development Impact

Topics related to credibility, timeliness and relevancy of development impact information.

Core Category	Causal influences	Representative quotes
<p>There is a balance between investment financial viability and development impact</p>	<p>Organisational operational procedures</p>	<p><i>No, I would not say there is. Because sometimes you might find that if there is an opportunity to automate in the business that you are funding, which would have a negative impact on jobs, commercial viability might say automate and reduce overheads, but the developmental impact obligations will say create as many jobs as you can. So there is not, in my opinion, any harmony between the two (IDC, Respondent 1).</i></p> <p><i>There can be a bit of disjuncture sometimes but, I mean, they are playing equal roles. For the business to have a full developmental impact it must be financially viable because you do not want to have a business that is there, that is, what is called—a business that is what we call a white elephant in South Africa, that is just there. The building is there or, the plant is there but it is of no use. So, both of them should have an alliance. A beautiful property or plant and is not financially viable and there will not be developmental impact because people will not be employed. If it was an export or manufacturing facility there won't be anything like that (NEF, Respondent 1).</i></p>
<p>Publication of development impact information</p>	<p>Reporting requirements Shareholder mandate</p>	<p><i>We do not actually put anything in the public domain. What if our clients do not want the information made public? So we attempt not to put all the impact information out there (DBSA, Respondent 2).</i></p> <p><i>I would say we publish 100% of it, because as a government-owned institution we need</i></p>

Core Category	Causal influences	Representative quotes
	Organisational operational procedures	<i>to have annual financial statements that are released to the public on an annual basis, so development impact is reported in there (NHFC, Respondent 2).</i>
Overall scoring of development impact	Organisational operating procedures	<p><i>Through a Developmental Scorecard that is primarily used in giving subsidies and developmental discounts on pricing. The score is a weighted composite of all the developmental indicators we consider (IDC, Respondent 2).</i></p> <p><i>There is a development impact scorecard, and there are a number of indicators where it is rated, and the rating is given a percentage. It is like a 1-2-3-4, but 1 means 10%, 2 means 20%, that kind of thing (Land Bank, Respondent 1).</i></p>

Core Category	Causal influences	Representative quotes
<p>Development impact affects the Investment Decision (Who 'signs off' investments as worth making against expected developmental impact?)</p>	<p>Organisational operating procedures</p>	<p><i>The Credit Committee (Transaction evaluating Committee) (IDC, Respondent 1).</i></p> <p><i>The executive signs off the projects. It is not just necessarily always done against an output, development output, it is done considering information that is being provided. So we would not sign off something against an output. But you do look at the project documentation, which include the environmental and social and development and institutional and governance issues, and then the whole document is signed off, not specific to the development results of the project that it is signed off. Obviously there is an understanding that if you do the project you will gain the following development results. But it is not only signed off if, you know, there is a much broader way you have to look at things (DBSA, Respondent 2).</i></p> <p><i>Our credit committees, so to speak, would sign off on that because all proposals are taken to our credit committees and the prerogative of the investment committee is to approve on either financial or an impact basis. So they would sign off on that (NHFC, Respondent 2).</i></p>

Table 9: Credibility, Timeliness and Relevancy of Development Impact Information

Topics related to impact evaluation supporting evidence-based decision making and learning.

Core category	Causal influences	Representative quotes
Development impact weakness can result in projects being rejected	Organisational operating procedures	<p><i>It is not that they would not have been made, what would happen is that you would have to negotiate or discuss with the client to raise the development impact of the proposed project. So, it does not mean that you stop a transaction (Land Bank, Respondent 1).</i></p> <p><i>No, not in my experience. Because, like I said, if an investment is commercially viable then the only thing standing between me meeting my target and not meeting my target is the development impact score. Then you can manipulate the number. I am being honest, it is like up to people; if you have people who are dishonest then people can change and say no, actually this model can carry 50 more people (IDC, Respondent 1).</i></p>
Post-investment assessments affects future decisions	Organisational operating procedures	<p><i>For all the deals that we do we provide lessons learned as to what was the lesson we have learnt there. So that when a new deal is done the committee is using lessons learned by us (NEF, Respondent 1).</i></p> <p><i>No, we are prompted. I think it is more based on our credit submissions that there is a section where they would ask: have we actually received a PIM report, which is post-investment monitoring report, which would tell us more about the industry and the clients that we deal with? (sefa, Respondent 2).</i></p>
Systematic way of managing post-investment	Organisational operating procedures	<p><i>Yes, we have a data management system and then internally within the unit we have a place where we put all our information and evaluations and everything (DBSA, Respondent 2).</i></p>

Core category	Causal influences	Representative quotes
<p>impact evaluation feedback.</p>		<p><i>No, I would not say so. I think a lot of what happens post-investment, the lessons learned and stuff, they are kept in pockets within the organisation. So there is not a system where you share learnings and reflect as a collective. It is more the particular people who were involved in that transaction who will know, or the head of the unit, or the credit committee which was involved in that transaction might say 'but this did not work' (IDC, Respondent 1).</i></p> <p><i>It does lead to different outcomes because you have a credit committee that looks at all the transactions. So, if it is identified that there are similarities in transactions where there could be improvements in development impact, they would recommend that the project is reviewed to take account of the lessons learned from the other projects (Land Bank, Respondent 1).</i></p>

Table 10: Evidence-based Decision Making and Learning

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