

Prospects for streamlining and repositioning DFI's in South Africa

Abstract

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The biggest problem in South Africa is not just limited resources to meet the ever-growing needs of the economy but the way in which Development Finance Institutions are structured and lack of niches (broad focus with minimal impact). Most DFI's in South Africa were developed and structured during the apartheid era and designed for a specific purpose. The fact that 91 percent of the total DFI assets in South Africa are concentrated at the national level (centralized) and owned by eight National Development Finance Institutions (NDFI's) becomes an anti-thesis of the post-apartheid development agenda which emphasizes the implementation of policies at a local and provincial level (decentralization) and promote the increase access of resources, equal participation and transparency. Contrary to this, is that, DFI's at a provincial and local level only boast 4.5 percent. It is this anti-thesis of DFI structure that perpetuates poverty and unemployment in the underserved provinces and regions, hence repositioning will increase equal access. This further poses a serious challenge on the broader national agenda of radical economic transformation since resources are located at a national level; and very little at the provincial and local level (implementation level).

Furthermore, it has been difficult to quantify the impact of DFI's, especially at a national level **since processes, programs and policies are not integrated**. On the other hand, there is lack of alignment between the National and Provincial DFI's, hence the problem of double-dipping amongst SMME's has become endemic. This anomaly, further deprives SMME's with potential in accessing business support and exacerbates the high inequality levels. This structural paralysis contradicts South Africa's development agenda (National Development Plan) which emphasizes change, especially where people live (local level). Centralization of NDFI's (91 percent) implies that resources are becoming more inaccessible whilst lending measures and policies differ, hence the need to streamline and decentralize NDFI's.