



Management Response

Mid-term Review of the Technical Assistance Programme for Small and Medium Enterprises in South Africa

By DNA Economics

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1) Background

The State Secretariat for Economic Affairs SECO has contracted DNA Economics to carry out an external evaluation of the Technical Assistance Programme for SMEs in South Africa.

The evaluation was contracted from 26 August 2024 to 29 May 2025.

The mid-term review assessed the relevance, effectiveness and sustainability of the Technical Assistance Programme for SMEs in South Africa. It covered the programme's implementation from its start in 2017 through 2023, examining how well it met its objectives and delivered lasting results. In particular, the evaluation focused on whether the programme had succeeded in strengthening SME competitiveness, improving access to finance, enhancing management capacity and contributing to job creation in South Africa. While it is labelled a mid-term review given it was taking place at the medium term of the initial contract, it should be rather looked at as end-term evaluation, given that due to the nature of interest free TA loans under the program, the evaluation took place at the end of the TA loan commitment period (no further loans will be done anymore but the rest of the time is focused on the repayment of the loans).

2) Appreciation of the Report: Structure, Methodology & Process

Formally, the report meets the requirements of the contract and the terms of reference. Although unforeseen challenges (e.g. beneficiary contacts) led to several deadline shifts, these did not impact the budget but extended the evaluation period by approximately six months. Throughout the process, collaboration and communication between the evaluator and SECO remained open and constructive, enabling the evaluation to conclude successfully.

The report is concise, easy to read and has a reflective approach: one can understand the evaluator's reflections. It shows a good understanding of the South African SME landscape. The report is written in a very direct and comprehensive language.

The findings and recommendations of the evaluation are based on a combination of inductive, deductive and contribution analyses. A mixed-methods approach was used based on an

extensive document review, stakeholder interviews, focus groups, and surveys. The evaluator undertook field missions to 9 SME sites visits to Johannesburg, Cape Town, and Durban, which were done in person with a member of the evaluation team travelling to the SMEs to conduct these interviews. Semi-structured interviews were also held with 8 internal programme stakeholders to help deepen the understanding of the objectives, design, content, and delivery of the TA Programme.

The mid-term review of the TA Programme encountered several methodological limitations that impacted the research process and data collection strategy. These included sampling process challenges, which reduced the initial sampling population, thereby resulting in potential sampling bias; survey distribution complexities which relied on established communication channels between BPL and SMEs; reliance on area managers which required BPL introduction; and the absence of certain data points such as lack of access to a database that tracks repayment or default rates for individual SMEs, which hindered a more in-depth analysis of repayment trends and default behaviors.

3) Key Findings and Lessons Learnt

Relevance (satisfactory): The TA Programme demonstrates alignment with South African SME development priorities and policy frameworks while addressing critical market gaps in technical assistance provision.

Coherence (highly satisfactory): The TA Programme demonstrates coherence within South Africa's SME ecosystem by offering an innovative financing model that combines zero-interest technical assistance loans with comprehensive support. It is well-aligned with national development frameworks like the NDP 2030 and B-BBEE Act.

Effectiveness and Impact (satisfactory): The TA programme delivered 500 annual trainings totalling R58.7 million. Early implementation phases exhibited notable economic outcome achievement, with participating SMEs experiencing turnover growth ranging from 129% to 169%, moderating to 47% by June 2023. The programme successfully supported 11,835 job positions and demonstrated exceptional demographic targeting, surpassing objectives for women-owned (44% vs. 35% target) and black-owned (50% vs. 40% target) business participation. There is an opportunity though for more comprehensive spatial deployment to include other provinces outside of the three primary ones.

Efficiency (satisfactory): The TA Programme demonstrated mixed efficiency in resource utilisation, characterised by strategic co-financing and a revolving fund mechanism, but constrained by implementation challenges. External factors like COVID-19 and slower-than-anticipated uptake necessitated timeline extensions, while operational constraints including staff turnover and limited data analysis initially impeded optimal deployment. Despite these challenges, the programme maintained functional systems, leveraged BPL's SME sector expertise, and demonstrated adaptability in implementation, though its effectiveness was partially compromised by non-performing TA loans totaling R2.6 million, representing 11% of the outstanding balance.

Sustainability (satisfactory): Despite establishing a revolving fund mechanism and demonstrating institutional commitment, the programme's impact remained constrained by insufficient post-intervention monitoring and abbreviated support durations. Survey data indicated less than half of beneficiaries perceived enhanced economic shock preparedness underscoring gaps in sustainable enterprise development. While sustainability is ultimately satisfactory as it is providing the bare minimum at the programme-level, broader systemic sustainability is not evident based on how the programme existed in isolation, with one private company. This approach was intentional, as the programme was specifically designed to benefit SMEs directly rather than create broader systemic change and is currently in existence at a pilot stage.

Lessons learnt proposed by the evaluator:

The programme's design and subsequent SME feedback demonstrated the value that lay in pairing the zero-interest loan with technical assistance and mentorship. To ensure meaningful support, it was essential to clearly communicate the full scope of the TA offering. BPL as an implementing partner was instrumental to the programme due to their deep understanding of the SME landscape, and their trustworthiness as a funding source. The adaptability of the programme was a strength, allowing quick response to crisis-related needs of SMEs. The zero-interest TA loan model demonstrates potential for replication, particularly given BPL's commitment to continue the programme independently. For this to happen, simplified and standardised operating procedures are required – including clear guidelines for assessing business needs and tracking results. In monitoring this replication, it will also be important to account for metrics beyond financial growth, such as operational readiness. The evaluation revealed a need to differentiate between strategic outcome indicators and operational metrics (i.e. day to day management operations). This could involve metrics tied directly to each TA intervention type, allowing for more precise attribution of impacts and better identification of which technical assistance approaches deliver the greatest long-term value for different business profiles and needs.

4) Other Important Considerations

The mid-term review of the TA Programme encountered a few methodological limitations that impacted the research process and data collection strategy.

Some design limitations of the programme include overlooking the non-linear relationship between technical assistance (TA) support and business outcomes, as well as a post-intervention gap that did not evaluate the overall impact and long-term sustainability of the intervention. The delineation between TA loans and main loans was also not accounted for properly enough: when an SME failed to repay the main BPL investment loan, they were automatically also classified as legal cases.

The evaluation was based on the Programme's Theory of Change (ToC) that links the provision of TA to desired outcomes and impacts on SMEs. These metrics align broadly with the intended outcomes but lack granularity in measuring specific impacts (e.g., skills improvement, compliance benefits). As such, the ToC was revised and expanded to better define causal linkages, integrate qualitative dimensions of success, and establish more robust metrics for

assessing long-term impacts. Activities such as monitoring, evaluation, and managing loan disbursement are highlighted in more detail, helping to establish a more transparent overview of activities and inputs. Furthermore, inputs like financial resources, human expertise, and partnerships have been elaborated upon to better illustrate the foundational resources that drive the program. This revision is welcomed, as it provides a more coherent and evidence-based framework for tracking progress and demonstrating value.

Overall, the programme's integration with existing BPL financing relationships emerged as both a strength and a potential weakness. While it streamlined the initial process, some SMEs struggled to distinguish between the main loan and the TA component. This integration sometimes made it difficult for businesses to track the specific impact of the technical assistance.



5) Recommendations

RECOMMENDATIONS	MANAGEMENT RESPONSE			RESPONSIBILITY	TIMING ¹
Recommendation 1 Future SME support programmes should prioritise a comprehensive and clear communication strategy that goes beyond transactional information. This means that entrepreneurs are fully aware of the programme’s intention and requirements, as well as how it fits into their broader financial support.	<u>Fully agree</u>	Partially agree	Not agree		
	<u>Response</u> Communication of the programmes should be a continuous effort throughout the programme with a delineation between the main loan and the TA component.				
	<u>Measures</u> Consider this important aspect in the future for interest-free TA loans that are combined with a loan.			SECO for running new or similar programs	Medium term
Recommendation 2 Data collection and analysis represent another area for enhancement. The current approach, while comprehensive, lacks strategic depth. Developing more sophisticated data interpretation mechanisms could transform TA from a reactive support model to a predictive, proactive ecosystem development tool.	Fully agree	<u>Partially agree</u>	Not agree		
	<u>Response</u> As the programme continues, it might be worthwhile investing in diagnostic tools, using a cost-benefit analysis to ensure prudent investment. This can be influenced by the scale of the programme going forward. It should be noted that BPL was considering leveraging internal technology platforms to create a secure automated				

¹ Short term= 1 to 6 months / Medium term = 6 to 18 months / Long term = More than 18 months

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This could include AI-driven diagnostic tools, digital mentorship platforms, and more sophisticated tracking of SME development journeys.	process to collect data. These can be integrated into predictive data interpretation tools. For new programs, this is certainly a relevant finding and should be considered for future SECO programs and be discussed with implementers.				
	<u>Measures</u> For new programs, this is certainly a relevant finding and should be considered for future SECO programs and be discussed with implementers. At the time of the launch of the program and during the first years of implementation, AI has not been there yet.			SECO	Medium-term
Recommendation 3 Sustainability emerges as a core strategic imperative. While BPL actively engages in post-investment monitoring and support, enhancing outcome tracking could further strengthen the programme. Building upon the existing client support framework, implementing a more structured approach to measuring specific TA intervention outcomes over time would provide valuable insights into which interventions yield the most sustainable benefits. This could involve metrics tied directly to each TA intervention type, allowing for more precise attribution of impacts and better identification of which technical assistance approaches deliver the	Fully agree	<u>Partially agree</u>	Not agree		
	<u>Response</u> At the start of the program and as other interventions reveal, data collection is only possible if provided by the clients. If this is not the case the nicest framework will not be able to provide this information. This has been signalled by BPL at the beginning of the program and is also known from other interventions. However, it is agreed that the post-intervention follow-up could be staggered. Since SME progress varies, this follow-up could also be informed by the automated tools proposed by BPL to collect impact information post-investment.				
	<u>Measures</u> BPL can continue to explore their automation design plans for collecting information to allow portfolio companies to			SECO: discuss internally and	Medium-term

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greatest long-term value for different business profiles and needs.	engage with their internal systems directly to upload impact information. It might also be considered to make provision of data a precondition for getting a TA loan. It should be considered which measures provide the possibility for this broad-based data collection.			consider under running and new similar initiatives.	
Recommendation 4 Building on BPL’s existing networks with local business chambers, strengthen outreach in underrepresented provinces to achieve more balanced national coverage . While BPL has successfully exceeded its targets for businesses outside main economic nodes, expanding these established community connections specifically in provinces with lower current participation would help achieve more equitable geographic distribution across South Africa.	<u>Fully agree</u>	Partially agree	Not agree	-	
	<u>Response</u> Evidence indicates strong potential for programme continuation beyond SECO's involvement. BPL has demonstrated commitment to sustaining the TA Programme through plans to continue independently using their portion of repaid funds and attracting new partners. The results achieved by BPL were indeed successful in this regard and would benefit from further sharing with other actors in South Africa.				
	<u>Measures</u> Share the experience and lessons from the program with other actors, such as the government, business chambers or other relevant actors – and for SECO, also in other countries/under new programs.			SECO	Medium-term
Recommendation 5 The programme design should evolve to incorporate more nuanced support mechanisms that acknowledge and respond to the non-linear nature of business growth . This could include the development of systematic assessment	Fully agree	<u>Partially agree</u>	Not agree		
	<u>Response</u> - It is agreed that support mechanisms must become more nuanced to reflect the inherently non-linear growth paths of SMEs. The creation of a diagnostic tool that can pinpoint each SME’s unique scaling				

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protocols to identify potential scaling requirements early in the TA intervention process, alongside flexible, rapid-response TA mechanisms that can be activated when SMEs encounter growth-related operational challenges. Furthermore, the incorporation of pre-emptive capacity building components that prepare SMEs for managing rapid growth scenarios would enhance the programme's effectiveness in supporting sustainable business development.	requirements and guide the provision of tailored assistance is supported. - However, it is important to note that as SMEs progress from the technical-assistance phase into more advanced scaling stages, the nature and scale of funding requirements shift significantly. This could mean building a “graduation” from the TA programme to transitioning firms into complementary programmes better suited to their evolving needs.				
	<u>Measures</u> Discuss the issue of more nuanced business growth and how to incorporate such considerations in ongoing or new programs.			SECO	Medium-term
Recommendation 6 Future SME support programmes should create two distinct measurement frameworks: one for tracking strategic outcomes and another for monitoring day-to-day operations. Programme documentation should clearly label which indicators measure broader impact (like market transformation or business growth) versus operational efficiency (like loan disbursement rates or administrative targets).	Fully agree	<u>Partially agree</u>	Not agree		
	<u>Response</u> - Clearly outlined inclusion targets are required at the start of the programme. It can be agreed that a flexible approach would allow for the inclusion in targets once a certain percentage of the initial target has been reached. It is questionable whether two distinct measurement frameworks are needed or whether a more granular approach to measurement could help distinguish between the two.				

RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING ¹
	<u>Measures</u> BPL can explore suitable measurement frameworks and define the metrics that will highlight SME performance without duplicating current processes and too widely broadening indicators. SECO should discuss and consider this aspect for ongoing and new programs and discuss with implementing partners.	SECO	Medium-term



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