

Client Report: 20023

D+E

Commissioned by the CMIP and LEDF.

## CMIP and LEDF:

### Monitoring and Evaluation

Doreen Atkinson

#### A. Background

The purpose of Monitoring and Evaluation is: If we do not monitor and evaluate our activities, we do not know where we make mistakes, so we cannot rectify them. We also cannot learn from our best practice. This principle forms the starting point of this analysis, and the CMIP M&E system will be assessed in terms of its ability to identify mistakes and learn from best practice.

Monitoring and evaluation should be regarded as two distinct activities, but which may overlap and influence each other. Monitoring and evaluation have very different functions.

**Monitoring** allows managers to determine project costs, the outputs of a programme, and the efficiency of the projects (ratios between inputs and outputs). A data gathering system is an essential component of monitoring. Monitoring is an integral part of the day-to-day management of projects and programmes (true for departmental managers and those in implementing agencies). In the context of this project it can be defined as the collection and analysis of data to equip management in government departments and their programmes, as well as stakeholders and the public, with accurate data about progress and performance.

**Evaluation** refers to the periodic assessments of issues such as the efficiency, effectiveness, impact, relevance and sustainability of the programme in relation to the stated objectives. Traditionally this involves the running of baseline surveys, with assessment studies being conducted to measure change. A wide range of methods - qualitative and quantitative - are available.

This paper will first analyse monitoring and evaluation practices with regard to CMIP, and then with regards to the LEDF. Subsequently, general recommendations are made.

#### B. Methodology

Interviews were conducted with CMIP and LEDF programme managers in Pretoria. Thereafter, an interview was conducted with the Northern Cape and Free State M&E Managers for LEDF and CMIP, for illustrative purposes.

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The report relies heavily on the provincial fieldwork conducted for the MXA study. This fieldwork includes (1) Documentary research, (2) Stakeholder interviews, and (3) Site visits.

Secondary literature was consulted, especially for the final section (recommendations).

### **C. Legal requirements for monitoring**

The CMIP and LEDF National Programme Managers are clearly obliged to undertake regular monitoring and evaluation, and report to the MEC for Provincial and Local Government, and to Cabinet. A detailed system of monitoring has been evolved for both programmes. The key institutions in this monitoring process are provincial Departments of Local Government.

In addition, municipalities are required by law to undertake M&E:

- Section 5 of the Municipal Systems Act requires municipalities to regularly *disclose information* regarding the affairs of the municipality, to the public.
- Section 11 of the Municipal Systems Act obliges municipalities to exercise legislative authority by *drafting by-laws*, and by *monitoring the impact* and effectiveness of its policies, programmes and plans. Bylaws must be contained in a "Municipal Code".
- Chapter 6 of the Municipal Systems Act requires municipalities to establish a system of *performance management*, which includes the setting of targets and the creation of Key Performance Indicators (KPIs) to measure performance, including outcomes and impacts (Section 41). Section 41 also requires that municipalities take steps to improve performance where performance targets are not met.
- Section 51 of the Municipal Systems Act *holds the municipal manager accountable* for the overall performance of the municipal administration.

Nevertheless, in practice, municipalities have not developed the same standards of M&E as the national CMIP or LEDF Programme Manager. At municipal level, M&E is a very new function, and most municipalities have not developed any capacity to undertake this.

### **D. Monitoring CMIP**

#### *1. Indicators: Financial flows*

The CMIP programme is monitored by means of the Per-form Monitoring system.

This system records the following information, per municipality, per province and nationally:

- Monthly expenditure (projects, capacity-building and provincial programme management expenses)
- Number of project business plans submitted
- Number of projects approved: New projects, upgrade projects, rehabilitation projects, and special case and new innovation projects
- Number of project business plans in the approval process
- Number of projects withdrawn by provinces
- Projects suspended by province after approval by the national CMIP manager
- Number of approved projects not yet in the design/tender phase
- Number of projects in the design/tender phase
- Number of projects in the construction phase
- Number of projects completed
- Financial allocations: Disbursed to municipalities or not yet disbursed.

In this way, the National CMIP programme manager can report, on a monthly basis, the cumulative number of projects approved and implemented, and the amount of funding allocated since the beginning of the programme and the beginning of the financial year.<sup>1</sup>

The programme manager also monitors the following figures:

- Expenditure on urban projects (and also urban renewal projects)
- Expenditure on rural projects (and rural node projects).

## 2. *Indicators: Social impacts*

The following impact indicators are used:<sup>2</sup>

- Number of projects receiving counterfunding
- Number of women employed on CMIP projects (there is a national target of 30%)
- Number of youth employed on CMIP projects
- Number of people involved in training programmes
- Number of SMMEs involved in CMIP projects
- Number of projects in support of housing developments.

There are monthly, quarterly, biannual and annual monitoring reports. Data on these indicators should be provided by the consultants to the project implementing agencies (the municipalities) on a monthly basis. Each province then prepares a monthly consolidated report of all projects. The data-base nationally is electronically linked to

<sup>1</sup> See CMIP Monthly Reports, <http://www.cmip.co.za>.

<sup>2</sup> See Quarterly Reports, [www.cmip.co.za](http://www.cmip.co.za).

those in the provinces, enabling immediate incorporation of data and an ability to analyse the information nationally. The IT programme Perform Developer was specifically designed for CMIP.

Reporting by the national Programme Manager in terms of Key Performance Indicators occurs quarterly, while impact assessments are done every 6 months. External reviews take place every 3 years.

National CMIP officials travel to provinces regularly to keep checks on progress and to verify and clarify data received. External consultants are used to prepare evaluation reports.

On the face of it, this system provides for thorough monitoring procedures, and therefore CMIP can produce statistics on a monthly basis. Compared to many other programmes in government, the monitoring system is impressive. Provincial research shows nonetheless that CMIP is, from a monitoring point of view, one of the relatively more effective programmes among those managed by provinces.

However, there are some significant problems in the collecting of information at the front-end of project implementation, i.e. by the consultants and the municipalities. Because of provincial capacity constraints though, the national officials adopt quite a hands-on approach to ensure that funds flow, that monitoring takes place and that the programme is being implemented. The rest of this section will outline some of these difficulties.

### 3. *The quality of reporting*

Problem 1: Incomplete financial tracking: Financial tracking data in the progress reports is generally incomplete. A concern has been expressed that inaccurate or incomplete statistics are often contained in the project reports and provincial reports. Such statistical errors are never "cleaned up", despite the fact that provincial M&E officers alert DPLG to these problems. It appears, therefore, that once statistics are recorded in the data-base, they remain uncorrected.<sup>3</sup>

Problem 2: Design of the monitoring format: The Free State indicated minimum information on progress of projects, but provided no comments about problems, and the progress report does not make provision to report back on issues such as community involvement. Limited information is provided about milestones that were actually achieved. None of the progress reports in KZN called for or provided information on the quality of life impacts of projects.

To remedy this problem, the WC/EC report recommended more detailed milestones that are directly linked to project expenditure and future disbursements. A second proposal is

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<sup>3</sup> MXA study: Mpumalanga/Limpopo review of CMIP documentation.

that peer review (by other engineering consultants) should be built into the monitoring system, so that problems can be detected at an early stage.

**Problem 3: Incomplete reporting on development indicators:**

On an individual project level, the appointed consultant is responsible for monitoring the execution of the project. Monthly progress reports have to be submitted and any discrepancy between the business plans and progress reports should be identified and tracked by provincial controllers. Consultant engineers are supposed to do site inspections, but the feedback received from them is often poor.

This system does not work satisfactorily. Regular progress reports are not submitted. Progress reports are often not really reflections of current progress, but are rather requests for further payments.

No guidelines for specific assessment of projects have been provided. In Mpumalanga, no indications of money spent on material and consultant fees have been provided. No information was provided in the progress report on number of women and youth trained.

Municipalities are also supposed to do monitoring. In some cases, this does not happen, especially if projects are located far from municipal head offices. Hence problems are never recorded, and therefore not acted on. There is a great need to teach municipalities monitoring skills, so that they can undertake effective site visits.

The following table gives some indications of incomplete reporting:

**Table 1: Incomplete reporting in CMIP programme**

Name of project	Province	Examples of incomplete reporting
CMIP 006: Humansdorp- Kwanonzamo Sewer, Kouga	EC	Not clear whether the project was ever completed! No financial or physical indications of progress are provided after the CMIP funds, accounting for 21.8% of the total grant, had been disbursed.
CMIP 016: Ravinia – Access road and storm water drainage	EC	Reports poorly completed and many fields left blank
CMMIP 101: Greater Healdtown water supply	EC	Several fields in report left blank in reporting format Internal inconsistencies in report (e.g. no. of villages).
CMIP 148: Nkonkobe: Middledrift – Solid Waste Disposal Site	EC	No explanation for delays of 18 months Several fields left blank in reporting format
CMIP 205: Lukanji: Mlungisi/Rathwick water supply	EC	No information about SMMEs which was anticipated in business plan
CMIP 930:	MP	Progress reports and business plans are not fully completed

Sterkfontein: Bulk Water Supply		
CMIP 1014: Sewer Treatment Plants, Vhembe	Lim	Progress reports and business plans are not fully completed

These examples show how poorly project managers do project monitoring. However, it is not always clear whether it is their monitoring practices which are poorly done, or whether they are simply not meeting any of the programme requirements (e.g. promoting SMMEs), and therefore leave the spaces blank. The significance of blank spaces on reporting forms needs to be investigated on a case-by-case basis.

Poor reporting is associated with the provincial governments' inability to enforce monitoring requirements. The provinces do not have the authority to enforce the requirements due to the fact that the provinces do not have control over disbursements of funds. Currently there are virtually sanctions against non-performance. Even if progress reports are not submitted, the municipality will still receive the next payment. However, in the Northern Cape, a system was implemented where money to consultants were withheld until progress reports were submitted.

The reluctance to hold back tranches of money is also due to the fact that it creates stop-start conditions on projects. If money is held back, projects grind to a halt. All participants on a project are then owed money, and it is often felt that money cannot be held back even more due to non-compliance with the reporting system.

At a national level, there also seem to be limited sanctions for non-performance. This can be ascribed to the notion of "pushing numbers" and being forced by Treasury to disburse money as soon as possible. As one provincial official noted, "Currently, the system is about chasing money, and about achieving impacts and sustainability".

- **Problem 1: A lack of qualitative explanations:** A further problem, as noted in the KZN documentary review, is that several projects have encountered delays, and yet no problems are recorded in the progress reports.
- **Problem 2: Duplicate information:** In Mpumalanga, some projects had 11 progress reports, each with a different date (some more than a year apart), but with duplicate information.
- **Problem 3: Inadequate site visits:** Provinces vary with regards to the frequency of site visits. In the Northern Cape, the M&E officer tries to visit each project at least twice every year. In the past, she used to warn municipalities of her arrival. But she now undertakes surprise visits, to ensure that she gets an accurate perspective on progress. These surprise visits have uncovered huge problems.

In the Free State, however, no site visits were conducted between March – November 2002. The CMIP National Programme Manager is aware of this problem, and the

January 2003 monthly report recorded that no site visits were conducted in the Eastern Cape, Free State, KwaZulu-Natal, Mpumalanga, Northern Cape, and Limpopo.<sup>4</sup>

#### 4. *Management issues with regards to monitoring of CMIP*

The provinces are responsible for monitoring and evaluation of projects, but this is not always very effective. There seems to be various reasons for this:

- Provincial M&E officers do not have sufficient staff or time to verify information provided by municipalities. Some of the information is totally inadequate, verging on falsehoods.
- People responsible for monitoring and evaluation need to be familiar with CMIP guidelines.
- Currently the provinces have limited capacity to fulfil the monitoring and evaluation role. A Provincial Programme Management Grant is available that could be used for this purpose. For the 2002/2003 year R45 million was budgeted for the Provincial Programme Management Grant. However, it seems that some provincial governments are not spending this money to bolster their M&E function.

#### **E. Evaluation of CMIP**

Evaluation is a much more complex endeavour than monitoring. Whereas monitoring simply tracks progress with regard to specific measurable indicators, evaluation is intended to compare pre-implementation conditions with the impacts caused by a project or programme. Evaluation therefore requires (1) an understanding of baseline conditions, (2) an understanding of project implementation and dynamics, and (3) an understanding of post-implementation impacts. The causal sequence between (2) and (3) is particularly complex to measure.

The CMIP Programme Managers has increasingly supported evaluation, based on guidelines issued in 2001, and some noteworthy attempts have been made to evaluate the programme.

The evaluation of CMIP should be seen in the light of its ambitious socio-economic goals. The programme is not only aimed at providing infrastructure, but also to meet objectives such as:

- The eradication of poverty
- Economic empowerment of previously disadvantaged groups and SMMEs

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<sup>4</sup> Monthly Report, January 2003, p. 70. See <http://www.cmip.co.za>.

- The creation of employment opportunities, especially amongst the youth, women and the disabled, and
- Capacity-building and sustained economic development
- Community participation in project identification, project implementation and in sustaining the project after completion.

In this section, some concerns will be raised about evaluation practices in the CMIP programme.

### 1. *Unclear goals and targets*

For evaluation to be meaningful, a programme has to have clear goals and targets.

Apart from actual delivery targets, the CMIP programme's key objectives are the use of small entrepreneurs, the use of local labour, providing services to the poorest people, and empowerment of women. This raises several issues:

- **Problem 1: Terminology:** The terminology used within the criteria is often ambiguous. For example, the term "SMME's" creates room for misunderstanding, because it may well refer to well-established medium-sized companies. If the goal is to promote new black-owned companies, then this should be stated explicitly. Another example is "training", which may refer to on-the-job guidance or to formal SETA-approved training.
- **Problem 2: Primary and secondary goals:** It is not always clear whether the primary purpose of CMIP is simply to provide infrastructure, or whether it is intended to provide for human development in a broader sense. As the MXA Western Cape/Eastern Cape study reported, "being an infrastructure driven programme it does sit slightly uncomfortable within the development milieu." At one level, the CMIP programme is strongly aimed at promoting broader human development (e.g. training and promotion of SMMEs); in the field, however, municipalities and consultants are often more concerned with simply delivering infrastructure.
- **Problem 3: Evaluating infrastructure:** There seems to be insufficient focus on the success of the actual infrastructure itself, e.g. its design, the appropriateness of the type of technology, and its long-term sustainability. The impression is created that the municipalities and consultants are so busy meeting financial expenditure targets, and to a lesser extent, human development targets, that the longer-term successful performance of the infrastructure itself almost disappears from sight.

Furthermore, even though projects appear to score well on specific indicators (e.g. training and labour-days), there are no indicators assessing the success of the actual infrastructure provided! It is quite possible for a project to score well on the current indicators, and yet the infrastructure never actually works properly. In some ways, the current indicators can be regarded as "red herring indicators",



because they detract from the actual rationale for the infrastructure in the first place.

- **Problem 4: Changing indicators:** A provincial M&E officer has expressed concern that new indicators are added as time goes on: "The goalposts are constantly being moved". There has indeed been a distinct shift in emphasis in the CMIP programme, from an exclusive focus on physical infrastructure to more "soft" issues of human development. The national M&E official confirmed that there is an increasing need to concentrate on the human development of the CMIP projects (such as community participation) and not only on infrastructure.

This is a good thing. However, it is difficult to monitor projects in a systematic way, if the criteria are frequently being changed. There seems to be some discrepancy between the guidelines for the prioritisation of projects, the funding criteria, and the KPIs which are used to monitor the programme. For example, different programme documents lay different degrees of emphasis on factors such as local capacity-building, conformity with IDPs, local employment, contribution to economic growth, and sustainability of infrastructure. While all these factors are surely desirable in principle, a question can be raised regarding the compatibility of these factors in practice.

Where such factors are in tension with one another, it should be incumbent on the project proposer to show why certain issues are regarded as important from a developmental point of view, in a specific locality.

- **Problem 5: Indicators in theory and practice:** In practice, as the KZN documentary review report indicates, none of these desirable indicators really matter in practice, since only financial management (i.e. disbursement of funds) is taken as a basis for assessment of projects' performance.

## 2. *Insufficient baseline information requested on application forms*

Monitoring and evaluation requires sufficient information about baseline conditions (so that impacts can be measured) and about project goals and methods (so that outputs can be measured).

The regional documentation review revealed that CMIP project descriptions were of poor quality. The format for applications does not require in-depth information or justifications. Business plans often do not clearly indicate the feasibility of projects and how municipalities intend to determine the impact of projects.<sup>5</sup> Due to the restrictive nature of the format, municipalities either indicate "yes" or simply do not answer the question.

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<sup>5</sup> See MXA Documentary reports on Northern Cape, Gauteng and Mpumalanga.

- **Problem 1: Lack of attention to local specificity:** Specific regional needs and how these would be addressed were not reflected in business plans. As the KZN report shows, there is no indication in the business plans of how the projects will address current backlogs or promote economic development. There is no information on whether the projects are urgent interventions, or whether they will have minimal impacts on reducing regional backlogs.
- **Problem 2: Lack of attention to physical features:** No reference is made to the physical setting, or to relevant geographic information<sup>6</sup>, such as the distance to the nearest business centre or other suburbs or villages, or salient topographical features, or rationales for the chosen project location.]
- **Problem 3: Lack of baseline data requested:** No baseline data is required, to be able to assess impact with regard to availability and quality of skills prior to training, of labour within local community and infrastructure and services. Given the absence of baseline information, it is absolutely impossible to determine whether the projects had any impact on the communities. The business form requires information on the potential impact on beneficiaries, through the categories "Total value to the community" and "Special employment details" (number of disabled and single-headed households). However, in many cases these fields are not filled in. It should be noted, though, that the analysis of relevant baseline information and the estimation of impacts on the community is not an easy task, and more guidance should be offered to municipalities in this regard.
- **Problem 4: Lack of information on beneficiaries:** No information is required on the proposed beneficiaries, other than their income levels (less than R3 500 per month). There is no description of age, gender, livelihoods strategies, community dynamics, or institutional arrangements. Information about the income of beneficiaries and unemployment rate is insufficient, as well as information regarding beneficiaries' age, gender, livelihood strategies, community dynamics. Very little information is required about the beneficiary group, detail of involvement, and capacity in terms of affordability and development objectives. As the KZN report states, "Beneficiaries are not envisaged as active subjects, but rather as passive objects". This has significant consequences for the sustainability of projects after completion, because no thought is given to affordability factors.

There is no description required of the process of identification of beneficiaries, or of current community dynamics which will impact on the project.

### 3. *Insufficient information about project goals requested on application forms*

<sup>6</sup> In this regard, the LED "Project Concept" condition which includes the submission of a "locality map" giving a spatial representation of locality and relevant regional and local land usage and linkages could be applied.

Very often, the business plans do not give any sense of the developmental impacts of the proposed projects. Such proposed impacts require substantial qualitative elaboration. Most business plans do not provide any qualitative information at all, and simply provide ("thumb-suck"?) numbers to fill in the blank spaces.

- **Problem 1: Lack of qualitative information:** Information in business plans is limited to quantitative information (for example target dates, cash flow, human resources labour days, training and project specific indicators) and no qualitative information is required. For example, no qualitative information on the proposed impact of beneficiaries is requested on the form, or the current community dynamics, or the livelihoods which may be improved by means of infrastructure.
- **Problem 2: Lack of specificity about outputs and outcomes:** The format of the business plan resulted in generic information being provided with no reference to expected outputs and outcomes of the specific projects. There is little elaboration provided about the specific impacts of different kinds of infrastructure projects (e.g. the impact of a road is surely very different from that of a sanitation project!)
- **Problem 3: Lack of information on environmental issues:** There is no reference to environmental goals or possible impact, and it is unclear whether EIA's have been conducted or do they still need to be conducted and what are implications of not conducted.
- **Problem 4: Lack of cost-benefit ratios:** It is often not possible to determine whether any of the projects are cost effective, and whether they provide value for money. Consultants typically do not provide comparative costings of similar projects elsewhere.
- **Problem 5: Lack of attention to economic spin-offs:** There is no indication whether projects would stimulate economic growth or attract investment or promote livelihoods or increase trade.
- **Problem 6: Lack of synergies with other programmes:** With the exception of housing schemes (in some cases), there is also no mention of other related projects which may impact on this project. No information is required on the form about links to adjacent projects or related initiatives, and ways in which related projects can maximise their mutual impacts.
- **Problem 6: Lack of synergies with economic stakeholders:** There is no indication of local business community involvement. There is no detailed information on the crowding in of private sector investment.

- **Problem 7: Lack of focus on community involvement:** No information or description is required how communities will be involved in project. There is no indication of the social infrastructure or the general skills level of the community
- **Problem 8: Lack of attention to equity issues:** There is no indication provided on how the project will contribute to a more equitable distribution of local resources. For example, will the project benefit the poorest of the poor, or a selected income group, or the local elite?
- **Problem 9: Lack of consideration of O&M impacts:** There is no disclosure of source of budget for operations and maintenance. The sustainability of projects is not adequately addressed – no information is required on exit strategies, explicit maintenance and financing implications and responsibilities. As the KZN report points out, there is no indication in any of the business plan whether the municipality's revenue base can support the projects – even though many IDPs indicate that municipalities are in dire financial straits and are unlikely to fund future O&M.
- **Problem 10: No risk analysis:** No discussion is required about threats to the project, as well as anticipated weaknesses or contingencies and variations. Consequently, it is likely that projects may confront unexpected problems, which could have been obviated if a proper risk analysis had been done.
- **Problem 11: Lack of institutional analysis:** Limited information is required on institutions' roles, responsibilities and authority, including those of municipal departments and consultants. This is a particularly important issue, since participatory styles of management are very important aspects of human development.
- **Problem 12: Lack of information on project rationale:** No information is provided on the selection criteria on which decisions were based.
- **Problem 13: Inadequate requirements for technical proposals:** While specific information is requested in the business plans, there are no set information requirements in the technical proposals. Consequently, there it is difficult to assess whether there are technological alternatives to the methods proposed.

What is urgently needed is a peer review system of business plans. Not all CMIP staff have the engineering skills to assess business plans properly, or know what materials should cost. Hence Terms of Reference are often written poorly, which leads to poor performance and poor monitoring later in the project cycle. One possible solution will be to require engineering consultants to bring social or community development experts onto their project teams, *from the time of writing the business plan.*

A provincial M&E officer in the Northern Cape noted that the municipalities are in far too great a hurry to get the business plans in, and the provincial officials are then under tight time-constraints to get the business plans approved. Ideally, site visits and local interviews should be undertaken by the project selection committee.

The Business plan requirements need to be adjusted to elaborate on the human development aspect. The qualitative aspects of development need to be further explored.

#### *4. Inadequate information provided by applicants*

In addition to the problems of poorly designed business plan formats, the municipalities provide limited information on the motivation for projects. Very often, business plans are incomplete and poorly compiled. Minimal details are given on broader developmental outcomes and the project motivation is reduced to a statement of practical intentions. As the KZN documentary review report states, "While the CMIP Business Plan form insists that all questions are completed, there was no adherence to this instruction, and clearly this implies that much of the information requested by the form is not a serious prerequisite for funding approval at the national level".

This problem was identified by the Western Cape CMIP Monthly progress report (DPLG September 2002) that quantifies the declining compliance with conditions. In 2000/1, approved projects complied with 99% of associated conditions. This had dropped to 96% in 2001/02 and to only 66% of conditions in 2002/03.

The inadequate information in the business plans has serious consequences for subsequent M&E, since it provides little guidance of baseline conditions, or of realistic goals and targets.

Some of the inadequacies are the following:

- The nature and outcomes of projects were not disclosed. For example, it could not always be established if projects addressed backlogs or were new projects. The Free State report showed that only three out of seven projects had any motivation for the project at all: "It becomes clear from the documentation that the municipalities went to the least effort possible to motivate their projects and to describe how they were going to achieve the KPIs as set out in the CMIP guidelines".
- Business plans provided no reason or explanation why a specific project or design and technology was chosen. For example, there is typically no cost-benefit analysis provided.<sup>7</sup>

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<sup>7</sup> It should be noted that there are exceptional cases, where project applications provide some justifications in detail. For example, the business plan for the Paul Roux Oxidation Ponds (Free State) provided detailed information about the environmental problems caused by the inadequate sewerage facilities.

- On many occasions, no information is provided about the cost of implementation and management support, including for beneficiaries. In one of the projects in KwaZulu-Natal, the municipality admits in the business plan that there is insufficient capacity to plan, design, construct and commission the project, but there but no discussion how this would be solved. Nevertheless, the project was approved.
- The linkage between CMIP and LED is often not addressed adequately.
- Generally, no information, or inadequate or unrealistic information is provided on training and capacity building or level of training. The regional documentation review for KwaZulu-Natal revealed no discussion attempting to reconcile actual progress and intended targets.
- Information on the number of people to be employed is not always completed and in some cases no feasibility studies are included. In many cases, no substantive information on the use of local labour is provided. One provincial M&E officer noted that the information provided is usually simply “guesses and thumbsucks”.
- Insufficient information is provided on complementary sources of funding.

**Table 2: Incomplete information in business plans**

Name of project	Province	Incomplete information in business plan
CMIP 006: Humansdorp- Kwanonzamo Sewer, Kouga	EC	No indication of how the project will be managed No O&M plan No indication of how local labour will be used No indication of role of consultant No indication of training
CMIP 016: Ravinia – Access road and storm water drainage	EC	Composition and functions of project committee not specified No O&M budget Labour of women and youth unclear
CMMIP 101: Greater Healdtown water supply	EC	Not clear who is responsible for the development, and roles of consultant, municipality or community
CMIP 148: Nkonkobe: Middledrift – Solid Waste Disposal Site	EC	No information on local labour market conditions, or criteria for labour placements No indication of women or youth employment Not clear how the project was selected No details about constitution or functioning of community committee No O&M plan or costing No indication of required counter-funding
CMIP 1460: New community lights in Wimbledon Road	WC	Clear role allocation and O&M plan
Mantsopa: Upgrading	FS	No information on the aim, outcomes and motivation for the

of Excelsior water pressure tower		project
Setso: Ficksburg main water pipeline	FS	No information on the aim, outcomes and motivation for the project. No information on municipal capacity. No information on proposed community involvement.
Masilonyana: Winburg new raw water storage dam	FS	Business plan provides for 270 people to be trained, but no number of training days are allocated.

It is not at all clear how projects can be approved based on the information available. A much greater emphasis is needed on proper project planning, including the identification of projects, the selection of technologies, and the identification of beneficiaries.

The root of the problem may well be that most project proposals are written by consulting engineers. As the national M&E officer admits, projects written by engineers tend to only focus on infrastructure, but are not competent to speak about the "soft" issues as these refer to complex social issues. There is a need for a tougher standard of proposal-writing, with more qualitative and social information.

It appears that the CMIP evaluation process is now being tightened up. According to the national M&E officer, incomplete business plans are referred back to the municipalities. All business plans need proper motivation and descriptions. However, little concrete benefit has yet been achieved in this regard.

There have been some attempts recently to improve municipalities' understanding of the requirements of business plans. At national level, a CMIP video has been made, and road shows have been held at municipalities, so that they are better informed about the requirements of CMIP. In the Northern Cape, workshops are held with engineering consultants to sensitise them to the human and social development aspects of infrastructure projects.

#### **F. Evaluating the CMIP evaluations**

The CMIP programme is noteworthy because it has commissioned its own internal evaluations, conducted by provincial departments. In 2001, the CMIP programme has issued guidelines regarding Impact Monitoring, and these form the basis of the bi-annual project evaluations. Three evaluations were made available for this study: Western Cape, Eastern Cape and Gauteng. It appears that evaluations have not yet been completed for the other provinces.

The CMIP evaluations seem to be an "*improvement-orientated form of evaluation*", which is aimed at using evaluation results to improve programmes.<sup>8</sup> In contrast with *judgement*

<sup>8</sup> This contrasts with *Judgement-orientated evaluations*, which are aimed at deciding if a programme has been effective enough to be continued or replicated. This usually takes place at the end of a programme cycle. This type of evaluation would answer the following types of questions:

*orientated evaluation* (see footnote), inductive approaches are used in which the criteria are less formal in gathering information about strengths and weaknesses with the expectation of informing an on-going cycle of reflection and innovation. Intended users of findings in improvement-orientated evaluations would tend to ask the following types of questions:

- What are the programme's strengths and weaknesses?
- To what extent are the participants progressing towards the desired outcomes?
- What kind of implementation problems has emerged and how are they being addressed?
- What is happening that was not expected?
- What are staff and beneficiaries' perceptions of the programme?
- What do they like? Dislike? What do they want to change?
- How are funds being used compared to initial expectations?
- How is the programme's external environment affecting internal operations?
- What new ideas are emerging which could be tried and tested?

Information generated in response to these types of questions can be used in decision-making about how to *improve a programme*. Such decisions are usually made in incremental steps based on specific evaluation findings aimed at instrumental use of evaluation findings. In the next section, more pertinent issues will be raised about improving CMIP on the basis of the evaluations which have been conducted. In this section, the thoroughness and depth of CMIP's own evaluations will be assessed.

A few points can be made about the three provincial evaluations that were conducted in 2003:

- **Dependence on monitoring statistics:** The evaluations depend on the statistics provided by consulting engineers or contractors (e.g. number of training-days). As the Western Cape report notes, "The estimates have been based on the limited information provided and extrapolations thereof, rather than being based on detailed research and/or verification". The reports function primarily as summaries of existing information which had been logged in the monitoring system, rather than actual impact assessments.

Evaluations that aim at determining overall merit, worth, or value of something are judgement oriented. Judgement-orientated evaluations, such as programme *auditing* and

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- Did the programme work?
  - Did it attain its goals?
  - Should the programme be continued?
  - Was the implementation in compliance with the original funding objectives?
  - Were the funds used appropriately?
  - Were the desired outcomes for beneficiaries achieved?

The kind of data that these questions generate supports mainly major decision-making about programmes concerning issues of termination, enlargement and scaling-up.



*summative* evaluations, are aimed at deciding if a programme has been effective enough to be continued or replicated. This usually takes place at the end of a programme cycle. This type of evaluation would answer the following types of questions:

- Did the programme work?
- Did it attain its goals?
- Should the programme be continued?
- Was the implementation in compliance with the original funding objectives?
- Were the funds used appropriately?
- Were the desired outcomes for beneficiaries achieved?

The kind of data that these questions generate supports mainly major decision-making about programmes concerning issues of termination, enlargement and scaling-up.

- **Lack of baseline information:** This problem is caused by the inadequacy of business plans in the first place. Consequently, the CMIP evaluations cannot make real substantive evaluations, other than the obvious generalisations such as “x amount of money spent on wages is beneficial for a community”, or “community access to clean water is obviously a good thing”.
- **Lack of complementary research:** The evaluations are often limited by the absence of complementary research in the localities under review. For example, there is no attempt to assess the impact of the funding paid as wages for labourers on the broader economy, due to the fact that no relevant information exists on spending patterns. Another example is the absence of statistics on transport usage. This implies that proper CMIP impact evaluations, in underdeveloped and under-researched localities, will require research undertaken *de novo*.

However, in many cases, such statistics can be found (e.g. water-borne diseases reported at clinics, school attendance rates), and it appears that the evaluators have not investigated such impacts.

- **Lack of serious institutional analysis:** A proper evaluation would require an in-depth analysis of municipal decision-making (project identification, out-sourcing, project management, and the dynamics of monitoring), as well as a historical study of community participation in the project. In this endeavour, the notion of the “community” would have to be “unpacked” into various components of leadership (c.g. political parties, opinion-makers, and representatives). Furthermore, it would require an analysis of project meetings and minutes, to assess the dynamics of the project (e.g. conflicts between the municipality, consultants, and/or the community representatives; or tendering procedures; or decisions taken with regard to technology, labour, wages and equipment).
- **Operations and maintenance:** The analysis of municipalities’ O&M capacity is extremely limited. Such an analysis should entail: (1) service payment rates and

cash flows; (2) current budgeting and costing procedures for O&M; (3) technical skills within the municipality; (4) the existence and adequacy of an O&M plan; (5) the adequacy of staffing levels; (6) the appropriateness of the municipality's organogram, particularly with reference to the spatial placement of staff in outlying offices; and (7) community participation in maintenance practices.

- **Livelihoods and quality of life:** Much more detailed research should be done on the impact on livelihoods and quality of life of residents. This would include: (1) Extent to which the infrastructure satisfied residents' expectations; (2) Actual benefits which the infrastructure holds for residents (e.g. improved transport or access to water); (3) Residents' willingness to pay for maintenance or services; (4) Residents' willingness and ability to repair and maintain infrastructure.

The evaluations are generally shallow and simply collage existing (and dubious) statistics captured in the monitoring system.

## **G. Monitoring of LEDF**

### *1. Monitoring procedures*

According to DPLG's Project Management Guideline (2002/3)<sup>9</sup>, the role of the provincial governments is to "assist in the implementation of LED projects". This role includes monitoring of LEDF projects, according KPIs and the inception report of each project. The guidelines note that provincial departments have to:

- Ensure project objectives are achieved
- Provide advice, guidance and assistance to municipalities in reaching their objectives
- Undertake frequent site visits
- Report any concerns to DPLG
- Submit monthly provincial progress reports to provincial co-ordinating committees and DPLG
- Intervene in municipalities where delivery is slow or problematic
- Provide technical assistance to municipalities.

The remarkable aspect of these requirements is that the provincial departments do not disburse funding. They are required to secure municipal co-operation without having any means to compel co-operation. Real decisions are taken at national level. This makes it very difficult for provincial monitors to do their job. There is a major incompatibility between the tasks required of provincial monitors and their status in programme management. In effect, DPLG has "passed the buck" by assigning the unpleasant and

<sup>9</sup> DPLG, *Implementing Local Economic Development Fund Projects: Project Management Guideline 2002/3*, p. 3-2.

coercive aspects of monitoring to the provinces, while keeping the power of the purse-strings for itself. This is clearly unviable and ineffective.

The provincial monitors have to receive monthly reports by the 5<sup>th</sup> of the month from municipalities, and by the 20<sup>th</sup> of the month, they need to submit reports to DPLG on issues or problems. However, local government reporting is often poor, and this leaves the provincial monitors helpless in securing the necessary information so that they can report to DPLG.

## 2. *Indicators*

DPLG has created a list of "general" KPIs. These are included in the format for the monthly reports which are required to be submitted by municipalities.

In addition, according to the 2002/3 LEDF Guidelines, each project business plan is supposed to select its own technical and output indicators. Such indicators should include *technical* indicators (e.g. number of jobs created during construction, or number of affirmative business enterprises contracted). Each project should also identify its *output indicators*, such as the number of long-term jobs created, what products are produced, turnover, and profits.

It should be noted that this description, contained in the LEDF Guidelines, confuses *output* and *impact* indicators. "Outputs" are achievements of a project during implementation; "impacts" are longer-term, usually post-implementation, consequences for the beneficiaries. Longer-term jobs, production and profits are impact indicators, not output indicators.

Nevertheless, it appears that the LEDF system of monitoring has some intuitive understanding of the distinction between outputs and impacts. Outputs (during project implementation) are measured by municipal monthly reports; after projects are completed, quarterly reports are supposed to be submitted on project impacts. (As will be noted below, very few of these impact reports have ever been submitted).

The monthly report requires statistics on:

- Person-days of employment for temporary workers (listed by labourers, semi-skilled, skilled, supervisor, clerical, managerial and professional)
- Total remuneration, % wages paid to women
- Number of permanent jobs created.

The monthly reports are highly quantitative, with little substantive information to determine project progress.

There are specific design problems with regard to the monthly reporting format:

**Table 3: Comments on the monthly reporting format**

Information required	Comments
<p>Information on type of training, by type: Literacy and numeracy, life skills, instructors, vocational and task related, leadership, and business skills.</p>	<ul style="list-style-type: none"> <li>• These categories are not defined, leaving it up to the unverified skills of project managers and municipal managers to classify training into these categories.</li> <li>• By measuring training as an indicator of success, it encourages the expenditure (wastage?) of project money on training. The indicator builds (potentially inappropriate) incentives into the project.</li> <li>• The monitoring system requires no qualitative justification of the appropriateness and relevance of the training</li> <li>• The monitoring system requires no qualitative justification of the effectiveness of the training – did the trainer do his/her job well? Did the trainees actually learn anything?</li> </ul>
<p>The monthly report then requires information on the types of infrastructure/assets created. A long and arbitrary list follows, including: equipment and tools, vehicles, roads, bridges, stream crossings, water (taps), water (boreholes), water (pipes), water (pumps), water (dams), water (irrigation canals), water (drinking troughs), water (storage tanks), fences, tourism (specify), sanitation (specify), buildings (specify), other (specify). For each of these items, only a single line is allocated, which hardly encourages detailed qualitative justifications for the relevance of these items.</p>	<p>Once again, the inclusion of assets and infrastructure as an indicator, tends to create potentially inappropriate incentives. There are LED projects that wasted most of their money on unnecessary buildings or hardware. There are no requirements for qualitative reporting, showing the relevance of these expenditures to the purpose of the project, or to wise management (or husbanding) of resources.</p>
<p>Information is required on “support for small and medium enterprises”. A list is provided (one line each): Retail, agriculture, manufacturing, construction, tourism, services (specify), and other (specify).</p>	<p>There is no requirement to show why these SMMEs were supported, and in what ways, and what the relevance to the project are. This creates huge scope for misappropriation of funds.</p>
<p>Information on short-term and jobs created</p>	<ul style="list-style-type: none"> <li>• It creates the impression that the short-term creation of jobs is the most important (by far the greatest amount of space is allocated to temporary workers). By measuring employment creation as an indicator of success, it encourages the expenditure (wastage?) of project money on employment – the indicator builds (inappropriate?) incentives into the project.</li> <li>• There is no qualitative assessment of the relevance of the employment created to the actual goals of the project.</li> </ul>

The information required in the monthly reports do not bear much relevance to the ultimate success or failure of the LEDF projects, *as aspirant or emergent enterprises*. This problem is related to the fundamental confusion regarding the goals of the LEDF, and its schizophrenia between welfarist and entrepreneurial goals (an issue which will be addressed in more detail below).

For every project, a monthly form (Conditional Grants Municipalities: Monthly Report by Transferring National Department)<sup>10</sup> has to be filled in. This form requires the following financial information:

- Funding transferred
- Expenditure
- Total Scheduled for transfer
- Total transferred to date
- Total expenditure
- Annual budget
- Current forecast.

The last item, "current forecast", appears to be the most significant monitoring tool. The document requests the following information:

- "If current forecast differs from annual allocation, then include an explanation on variance, and identify any measures to be taken to rectify this" (3 lines provided)
- "If expenditure date [*sic* – presumably "to-date"] differs from amounts transferred, then include here an explanation. Identify any measures to be taken to rectify this". (3 lines provided)
- "Compliance information: Indicate how the municipality has complied with the conditions of the grant" (3 lines provided)
- "General comments on transfers and expenditure of the grant".

These requirements are totally inadequate for effective qualitative monitoring. Firstly, the three lines provided per question do not reflect the complexity of the issues which need to be described. Secondly, the expenditures may be perfectly on target (according to the business plan), but the project may actually be a failure. Many of the expenses may simply be "going through the motions", and this apparent progress conceals huge underlying problems (such as patronage payments, unwarranted salaries paid to beneficiaries, and unwise outsourcing to subcontractors).

Thirdly, and most significantly, the veracity or adequacy of the information provided about the past performance of the project does not affect future payment of tranches!

### 3. *Data collection*

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<sup>10</sup> Drawn up in terms of DORA 2002, Section 7(8).

The result of these paltry reporting requirements is that municipalities either do not fill in their monthly reports, or provide very shallow (often meaningless) information.

Interviews indicate that Provincial officials believe that their monitoring requirements are not taken very seriously by municipalities, who are expected to submit progress reports to the Provincial Office. Since the actual disbursements are made by National level, regardless of whether progress reports are submitted, or regardless of whether progress reports are satisfactory or not, the Provincial Office cannot do effective monitoring.

Finally, even if municipalities do not fill in progress reports, they can still claim the next tranche! We were informed by DPLG interviewees, that where progress reports are not submitted or the quality information is inadequate this will be followed up by national by way of telephonic conversations and site visits. Given the limited resources of the programme office in DPLG, it is unlikely that this can be done for all potential problem projects. Even in cases of non-performance by municipalities they cannot be sanctioned, as this will have a direct impact on spending in relation to budget and could have an impact on future allocations.

The figures entered by municipalities are problematic because verification procedures are very limited (see below).

#### 4. *Verification procedures*

Provincial officials are required to undertake periodic site visits.

In the Free State, about two projects are visited per week, i.e. about 8 per month. This is an important verification method – at least it shows whether there is some action on site.

In the Free State and Northern Cape, provincial monitoring officials try to visit the projects regularly, but with the inadequate financing for travel, this becomes a difficult task. Nevertheless, some provincial officials have been innovative in getting a true glimpse of project performance. This includes surprise site visits. The Northern Cape Monitoring Manager has drafted a comprehensive site visit report format, for regional officials to use. The main problem remains the lack of business experience of monitoring officials.

Some attempts at public participation in monitoring have been taken. In the Northern Cape, for example, monitoring officials do their best to meet with project committees. However, this is not always successful, and it is likely that more in-depth participatory methodologies would be very useful.

#### 5. *Post-implementation reporting*

*Very few projects have submitted quarterly reports after completion.* In Limpopo, the documentation review indicated there appear to be no close-out report or final progress

report to indicate achievement against targets for employment creation. According to the Free State office, not a single quarterly progress report has been received after completion! Many municipalities do not bother to fill in monthly progress.

#### 6. *Financial resources for monitoring*

In the LED Programme, R3 million is set aside for monitoring the LED Fund nationally (i.e. 3% of the Fund). R600 000 of this has been used to pay staff (consultants contracted in for 1 year). R180 000 is for administrative staff. R50 000 has been spent on hardware. Travel and subsistence has consumed R1 million.

Programme managers feel that the amount of funding is insufficient, and that too few staff can be employed to conduct M&E effectively.

The total staff compliment for managing the LED programme at a national level is four, of which two are permanent. The total budget at national level is R3 million, which includes the salaries of contract people, consultants, training and programme administration costs. No budget is provided to provinces for the management of the LED programme.

Resources at provincial level for monitoring and evaluation are limited with staff compliments of 1 in Mpumalanga, 2 in Western Cape and 9 in the Eastern Cape. Provinces are currently doing DPLG a favour to monitor and evaluate LED projects. The mandate for monitoring and evaluation is unfunded. A designated person for monitoring and evaluation at national level does not exist. In the Free State, there is no budget for LED monitoring, because there is no approved institutional structure for the programme. All expenses are covered by the Spatial Planning Directorate of the Department of Local Government. Actual resources are used from other directorates, e.g. the CMIP camera, and the Spatial Planning vehicle for site visits.

An investigation should be performed on the cost of the design and implementation of a monitoring and evaluation system. The Provincial Governments are supposed to budget for LED.

#### H. **Evaluation of LEDF**

##### 1. *Policy goals*

The monitoring process should take the lead from the policy and normative underpinnings of a programme. This indicates precisely *what* should be monitored, and *why*. Only if the monitoring exercise keeps within the policy framework will the monitoring exercise be taken seriously by policy-makers, in subsequent rounds of decision-making.

As will be shown below, the fundamental rationale of the LED Fund is unclear. It hovers uneasily between at least five goals: (1) a welfarist approach, (2) the promotion of SMMEs as entrepreneurial entities, (3) the promotion of economic activities in selected localities (to address spatial imbalances), (4) capacity-building of municipalities, and (5) the creation of infrastructure. The linkages between these five goals remain unclear in practice.

The ambiguities of the policy are reflected in the M&E system, as shown by the selection of monitoring indicators (see below). Since the policy goals of the LED Fund attempt to straddle business-oriented and welfarist goals, it is not surprising that the monitoring system has not been useful.

The changing emphasis of the programme is clearly visible. Firstly, the LED program was formed for poverty alleviation, and subsequently became a programme to promote economic development, with greater emphasis on SMMEs. These two orientations have been conflated into the term “developmental LED” (a curious term, since it implies that LED can be “non-developmental”, which is surely a contradiction in terms).

The emphasis with regard to “developmental LED” appears to be “pro-poor” (women, the disabled, people living with HIV/AIDS etc). Given the high levels of poverty in South Africa, this normative emphasis is understandable, but it implicitly contains at least three dubious assumptions:

- That the poor can best be assisted by LED initiatives (as opposed to social grants or labour-intensive public works)
- That the poor have suitable entrepreneurial skills (whereas, in fact, the poor and the marginalised are typically the sectors of the population who have had no exposure whatsoever to entrepreneurial settings and resources)
- That the interests of the poor are in tension with the interests of real entrepreneurs with a proven track record (who are typically not the poor). In fact, promoting the business capabilities of proven entrepreneurs may well be the most effective way of creating jobs and livelihoods for the poor.

Given the confusions between welfarist and entrepreneurial imperatives, it is not surprising that there is a constant confusion about :

- Is the project primarily a welfare project, i.e. immediate livelihoods for needy people (e.g. unemployed, disabled, youth, women etc)?
- Is the project primarily an emergent business, i.e. meant to be sustainable (profitable) in the long run?
- Is the project primarily aimed at creating a favourable LED climate in the community generally?

In general, the goals of the programme still remain primarily welfarist. Currently too much is being done to measure and report on the use of SMME's (although the actual definition of SMMEs is never clarified), job training, and employment of youth and women. These indicators are required by National Treasury, and this seems to detract



from the core issues of promoting sustainability and profitability. The importance of impacts such as making a profit or being financially sustainable does not seem to feature as a criterion, although this is an extremely important component of economic development. It is not clear whether the projects are intended as job-creation projects which will, in perpetuity, be managed by the municipality, as a welfare project; or whether the projects are intended to become viable business enterprises.

From the point of view of the profitability or sustainability of enterprises, the current indicators in the monthly reports can be described as “red herring” indicators. Project managers are encouraged to chase outputs such as temporary employment, building new buildings, or making wage payments, without any indication of whether these outputs actually contribute to the sustainability of enterprise. Many projects have failed, precisely because the project money was spent on unnecessary construction or on paying wages, without there being any prospect of the project actually generating any revenue.

The inappropriate selection of indicators (“red herring indicators”) is reflected in the Free State LED Office’s LED Fund Scoring Sheet, which allocates points to project proposals, in the following way:

- Number of long-term jobs created (15 points)
  - Project sustainability (15 points)
  - Role of the municipality in the project (10 points) – this refers to management; who will cover O&M costs; how will the project generate profit; where are the markets: It is significant that the Free State has introduced the word “profit”, which never seems to appear in national documentation;
  - Link to local and provincial planning processes and social plan study (15 points)
  - Targeting of disadvantaged, specially women (11 points)<sup>11</sup> –
  - Cost efficiency (10 points)
  - Clear outputs (12 points)
  - Delivery time-frame (12 points)
- TOTAL points allocated: 100.

The problem with these indicators/criteria is that a project may very well score quite well on almost all of them, without the requisite “tough questions” being asked, e.g.:

- What does “sustainable” mean?
- Will the project really raise revenue or make profit?
- Is the project really strategic, in the sense that a key gap/need in the local economy is addressed?
- Will it have real multiplier effects? What? How? What is the underlying economic **analysis** which accompanies this proposal?

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<sup>11</sup> It should be noted that the emphasis on women needs to be reconsidered, in the light of double work of women (household management, child rearing, and involvement in projects); severe disempowerment of men; and subsequent domestic violence, alcoholism and anomic

Significantly, the criteria of a desirable output being the making of a profit or to be financially sustainable does not seem to feature as a criterion although this is an extremely important component of economic development. No guidelines in this regard have been issued. This makes a mockery of the idea of "local economic development".

The ambiguity of the goals of the LED projects ("projects that will impact on poverty") is reflected in the information required on the LEDF application form.

Furthermore, the format of the business plan was evidently designed from an engineering basis. For example, based on the outputs of the business plan, there would be no difference between a CMIP project and a LED project. The initial design of the LED programme was infrastructure-based instead of focusing on economic development. From a national point of view there is a difference between CMIP and LED, but at a local level, there is often little difference, because many LED projects are primarily infrastructure-oriented. For example LEDF093 a project (stalls for hawkers) could arguable be more accurately assessed as a CMIP project.

A fundamental problem is that the business plan format is focused on providing statistics, and limited qualitative information is reported. Economic projects are notoriously complex, and require substantial qualitative information on economic conditions, opportunities and constraints.

In the table below, the information requirements of the application form are considered, as well as inadequacies in the way the application form has been constructed.

**Table 4: Comments on the LED application form**

Question/Requirement	Comments
"How will the project improve beneficiaries' access to the local economy?"	This is quite an abstract question. A proper answer would require a very good understanding of how the local economy works, and what the local markets and skills are. It is not clear whether the projects are intended to be welfarist (i.e. the beneficiaries' "access to the local economy" would consist of the fact that they now have wages to spend), or whether the projects are intended to be real businesses (i.e. the beneficiaries will "access the local economy" by means of selling or trading or investing).
"How many short and long term jobs will be directly created through the project?" [Put numbers in boxes].	The answer to this question depends on a serious analysis of short- and medium-term investment and operating strategies. In many cases, applicants simply put down figures, without any explanation of their calculations.
"What percentage of the project beneficiaries are: Women, youth, disabled, other vulnerable". [Put numbers in boxes].	Again, this creates the impression of a welfarist programme. There is little reference to the beneficiaries' real skills and experience and suitability for managing a business.
"What markets have been secured for the project?"	This is one of the few really important questions. It is highly recommended that the LED Programme Managers requests telephone numbers of supposed markets, to verify whether those markets have actually been contacted by the project

	designers.
“What percentage of the proposed budget will be spent on SMMEs”?	<p>The meaning of this question is unclear. Does it mean that the project beneficiaries are expected to become an SMME? Or that the beneficiary group must outsource certain functions to other SMMEs?</p> <p>This may be a useful question, but it may also be a red herring. Just because a project spends a lot of money on an SMME, and thereby “spreads the loot around”, does not make it a viable or sustainable project. In addition, it should remember that “SMME” stands for “Small, Micro and Medium Enterprise” – a Medium Enterprise could be quite large (e.g. up to 50 employees). In the context of most small towns and rural areas, virtually all existing businesses are SMMEs. So what is the point of the question?</p>
“Please demonstrate the linkage between the LED project and the municipal IDP”.	<p>Most IDPs are so vague that any linkages can potentially be illustrated. Furthermore, it is not clear that this is a relevant requirement. If the proposed project is a small agricultural project or a bakery, why should it really be linked to the IDP?</p>
“What is the municipality’s procurement policy when it comes to the awarding of project contracts?”	<p>It is not clear what the relevance of this is. If the municipality favours emergent enterprises or established enterprises, how does this affect the project at hand? Presumably this question is inserted to “test” the municipality’s progressiveness regarding LED, but this is a very poor indicator. A municipality may have a policy which is very progressive and pro-emergent business, but which has negative consequences (e.g. patronage, inadequate delivery standards, etc). This question provides little understanding of the value of the project under review.</p>
“Does the project involve local partners?” [Tick box Y or N], and asks for the name of the local partners and evidence of their commitment.	<p>This may be useful, to create local linkages. However, a project may conceivably be more profitable if it uses better partners who may not be located locally.</p>
Provide information required about: “Which of the following strategies will be used to achieve the goals and objectives of the project?” [Tick appropriate box: Industrial Recruitment, Place Marketing, Business Retention and Expansion, SMME promotion and support, Export Promotion, Community Economic Development].	<p>It is not clear what the LED Managers hope to learn from this. The options are so vague that it is conceivable that almost all of them can be ticked. It is also not clear WHO should employ these strategies – the municipality itself? The beneficiary group? The Smart Partner?</p>
The form requires the project to be classified, into (1) Income generating / SMMEs; (2) New infrastructure; (3) Rehabilitation; (4) Services; and (5) Training.	<p>The creation of businesses only fall into one category of these; the others can presumably be non-profit-making. There are huge differences in assessing the merit of profit-oriented and non-profit-oriented activities. It is not clear whether the programme designers have thought through these differences.</p>
The form asks several questions about sustainability. The form asks about (1) who is responsible for	<p>Curiously, the word “profitability” is never used. “Operations and maintenance” is a singularly unbusinesslike term, and is much more suited to infrastructure projects.</p>

<p>operations and maintenance of the project for the next 3-5 years, (2) What role will the municipality undertake during this time, (3) What institutional structures will be in place to "facilitate the project during the next 3-5 years?" (4) Would the project require further finance either to be completed or to expand? (5) What marketing mechanisms are in place ... to ensure that there is an increasing demand for the products or services from the project?</p>	<p>"Facilitate" is a curious term – does it refer to mentoring and support institutions? Or to the management of the project itself? It is unclear whether these marketing mechanisms will be drawn from the funding itself, or whether it is presumed that such mechanisms already exist within the municipality or the community.</p>
<p>Provide Information about "planned employment generation" and the involvement of direct project "beneficiaries", including number of labourers, semi-skilled workers, skilled workers, supervisors, clerical, managerial and professional. Also information about the remuneration (per hour or per day).</p>	<p>In an SMME project, it is extremely dangerous to use project funding for salaries.</p>
<p>Provide information about the number of person-days (women/youth/disabled),</p>	<p>This gives rise to a "welfarist" understanding of the programme.</p>
<p>Provide information about the percentage of the direct project "beneficiaries" who are unemployed, retrenched or women.</p>	<p>This creates the impression that the project is aimed at providing short-term livelihoods, rather than necessarily making an impact on LED in the community more broadly.</p>
<p>Provide information about the planned training, including details about number of trainees, listed according to accredited training, not accredited training, women, youth, disabled, or "other". Furthermore, the form asks about the types of training, including literacy, numeracy, life-skills, instructors, vocational and task-related, leadership, and "other</p>	<p>Notably, business skills or entrepreneurship or management or financial management do not feature on this list!</p>
<p>The form creates a budget table, where the amount and percentage of funding allocated to consultants, overheads, capacity building (training), labour and capital costs (equipment and construction) are recorded.</p>	<p>There appears to be no budget item for "raw materials" or "production costs".</p>
<p>The support of small and medium enterprises: type of business, total value of support, description of support.</p>	<p>From the form, it is unclear whether this refers to the <b>direct</b> support which SMMEs will receive from the project (presumably in terms of goods or services purchased from the SMMEs), or the <b>indirect</b> support which SMMEs will receive from the project (e.g. access to services or facilities in the</p>

	community).
"Is the municipality (1) receiving the equitable share grant directly [tick yes/no] and (2) able to enter into legal contracts?" [tick yes/no].	The relevance of these questions are unclear – why ask about the equitable share? And surely all municipalities are able to enter into legal contracts?

Certain types of information is simply not requested in the application formats. For example:

- There are no questions on management and decision-making structures (who will make the tough decisions on products, work schedules, allocation of resources, and workplace discipline?)
- There is no discussion of the environmental impacts of proposed projects;
- There is no information regarding threats and weaknesses of the projects, and how such problems will be addressed;
- Applicants provide insufficient information to justify project design and chosen technology (Gauteng and Mpumalanga).

Not only is the application form poorly designed, but the applications were often poorly filled in. In general, the lack of documentation by way of a business plan and progress reports was identified as a problem by the provincial reviews. (There are exceptions - in the FS in the Thusanang and Welkom projects, for example, the quality of the business plans were very high).

## 2. *A lack of baseline information*

Evaluation requires information about baseline conditions. Monitoring can only be done meaningfully if accurate and useful information is collected at the project design stage. This becomes the benchmark against which future information can be compared. As yet, there has been no attempt to collect baseline information.

## 3. *Previous LEDF Evaluations*

An annual survey was done by provincial consultants in 2002, and revealed some valuable insights, although the provincial studies varied significantly in quality. With the possible exception of the Free State evaluation, some doubts arise about the competence of the consultants to undertake LED evaluations.

For example, the North West Province report simply repeats (without verification) the figures on job creation and SMME development obtained from official LEDF documentation. Given the poor reporting by municipalities, the truth of the statistics must be doubted. The "Marketing Analysis" in the North West report is extremely superficial, and notes blandly that "the size of the markets for the products of the (22) projects has not been established" – a fact which should condemn the entire North-West

LEDF programme management! The report continues to note, in detail, all the equipment acquired by the various projects, without any inquiry about their relevance to project sustainability.

A separate consultants' firm compiled a national overview evaluation.<sup>12</sup> This national evaluation overview came up with information of very dubious standing. There are severe doubts about the veracity of the figures in the national evaluation, which frequently misrepresents the provincial evaluations. For example, figures for temporary jobs have been transfigured to become permanent jobs; and employment figures for the Free State (95 jobs) and the Northern Cape (150 jobs) have been mysteriously inflated (613 for the Free State and 378 for the Northern Cape). Remarkably, while the national evaluation report admits that no clear information about short and long-term employment is available from the provincial reports, the national report has no qualms with regard to creating tables representing employment figures! Figures for youth employment bear no resemblance to the findings of the provincial reports.

The national report should be revisited, and the competence of the consultants reviewed.

## **I. Recommendations**

### *1. Finding appropriate indicators*

In the place of "red herring indicators" (indicators which measure "nice-to-haves", instead of the fundamental rationale of projects), more appropriate indicators need to be drawn up.

In the case of CMIP, there are several issues which have to be urgently incorporated into the M&E system:

- The technical sustainability of infrastructure (actual O&M capacity of municipalities, and remedial organisational issues which need to be addressed)
- Primary and secondary impacts on livelihoods and economic development
- Primary and secondary impacts on quality of life
- Institutional dynamics (municipal level and community level)
- Environmental impacts.

In the case of LEDF, indicators should include:

- Business/entrepreneurial skills of beneficiaries
- Marketability of products
- Appropriate management and decision-making structures
- Appropriate and business-like financial systems.

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<sup>12</sup> "National Consolidation and Assessment of the LED Programme and Fund for the Department of Provincial and Local Government", 8 November 2002.

## 2. *Evaluation as a learning process*

Traditionally, evaluation has primarily been about providing accountability and assessing the achievement of project outcomes. However, evaluation can, and should make a further contribution to the development process by building capacity for ongoing *learning* beyond the life of a specific project as well as producing findings that provide *useful* input into current and future planning, policy making and other resource allocation decisions. In order to do this the emphasis or evaluation focus must shift from producing 'knowledge products' (reports of progress and output indicators), to a goal of strengthening the 'learning process'.

The round of LEDF evaluations undertaken in 2002 are a case in point. It is not clear that any of the numerous problems identified in the reports were acted upon (although it appears that LEDF national managers are now concerned about the viability of the programme).

There is a growing literature on the preconditions for governments (and other agencies, such as donors) to learn from evaluations. In donor circles, this is known as "EFELA" ("Evaluation Feedback for Effective Learning and Accountability").<sup>13</sup>

An important distinction is often drawn between "single-loop" and "double-loop" learning. "Single-loop" learning occurs when an organisation addresses operational problems identified during evaluations; "double-loop" learning is more profound, and involves the questioning of the assumptions of a policy or a programme.<sup>14</sup>

Typical organisational factors affecting the utilisation of evaluation findings are<sup>15</sup>:

- Organisational location of the evaluation group (e.g. internal vs external evaluators)
- The general organisational acceptance of the notion of evaluation
- Sufficient staff and resources in the evaluation unit
- The evaluation unit is seen as objective and independent
- Office politics
- The specific individuals involved in an evaluation study (and their skills and credibility)
- Organisational leadership by senior officials

<sup>13</sup> See, for example, "Efela: Evaluation Feedback for Effective Learning and Accountability: Synthesis Report", Institute of Development Studies (University of Sussex), July 2002 (Paper prepared for the Tokyo Workshop of the DAC Working Party on Aid Evaluation, 26-8 September, 2000).

<sup>14</sup> See F.L. Leeuw *et al*, *Can Governments Learn? Comparative Perspectives on Evaluation and Organisational Learning*, Transaction Publishers, New Jersey, 2002; p. 3.

<sup>15</sup> John Mayne, "Utilising evaluation in organisations: The balancing act", in F.L. Leeuw *et al*, *Can Governments Learn? Comparative Perspectives on Evaluation and Organisational Learning*, Transaction Publishers, New Jersey, 2002; p. 30-31.

- The involvement of line managers in designing the evaluation
- A surprise-free process (involving implementation staff in the process of evaluation)
- The timeliness of the findings in relation to organisational decision-making cycles
- The involvement of beneficiaries.

Typical obstacles to learning are:

- A shortage of resources for effective evaluation
- A shortage of resources to implement the programme changes
- Information overload for senior managers
- The general difficulty to change the status quo in an organisation
- Failure to get the timing right, due to unanticipated ministerial decisions, the legislative cycle, and the length of time required to complete studies
- Too much control of the evaluation process by programme managers who do not want change to occur.

Studies have indicated that evaluations should be accompanied by regular “marketing” the idea of evaluations within the organisation, to secure the buy-in of all relevant organisational stakeholders.

There is a need for Departments in South Africa to investigate the impacts of their M&E systems, in terms of decision-making. In the case of CMIP and LEDF, it does not appear that the programme monitors are sufficiently resourced or have sufficient status to influence the programme. The use of provincial monitors, who lack organisational resources or a meaningful role in implementation, complicates the process of M&E.

Furthermore, the use of outside consultants for evaluation is not a panacea. Both programmes should concentrate on building their own evaluation capacity, by employing experienced evaluators. In the United States, there is a trend away from external, contracted evaluations, to internal evaluation units, with sufficient rank in the organisation to secure the co-operation of field implementing officers.<sup>16</sup>

### 3. *Researching and evaluating institutional dynamics*

Many of the problems experienced with both the CMIP and LEDF programmes are due to poor institutional design. Regular evaluations need to be conducted to identify such problems, and assess the effectiveness of measures undertaken to address these problems.

For example, in the CMIP programme, the stakeholder reports undertaken for the MXA study refer repeatedly to problems such as understaffed and/or inexperienced provincial

<sup>16</sup> Richard C. Sonnichsen, “Effective Internal Evaluation: An approach to organisational learning”, in F.L. Leeuw *et al*, *Can Governments Learn? Comparative Perspectives on Evaluation and Organisational Learning*, Transaction Publishers, New Jersey, 2002; p. 127.



and national programme offices; poor or confusing relationships between provincial, district and local governments; the fact that there is a split between municipalities as project implementers and provincial officials as project monitors; and poor consultant management or contract management. There are institutional strengths too (such as the regular visits by national CMIP managers in the provinces), and these strengths may be reinforced.

A study of CMIP's organisational dynamics should form the basis of re-designing the evaluation system, so that the emphasis is placed on "lesson-learning". How can CMIP's procedures be adapted so that (1) baseline studies are undertaken effectively, (2) project proposals contain sufficient depth about qualitative issues, (3) project monitoring is made more effective and accurate, (4) municipalities can adapt their procedures in the light of ongoing project monitoring and evaluation, (5) provincial managers can identify project problems and address them in good time, and (6) national programme managers can assess the real problems and impacts of the programme, and adjust their procedures to promote beneficial impacts.

#### *4. Strengthening community participation in pre-implementation and post-implementation evaluation*

User-oriented evaluation is inherently participatory and collaborative in actively involving primary intended users in all aspects of the evaluation. Participation and collaboration can lead to an ongoing, longer-term commitment to using evaluation logic and building a culture of learning in a programme or organisation.

Evaluation is not just about using the findings. The actual process of engaging in evaluation can have as much or even more impact than the findings generated. The processes of participation and collaboration have an impact on participants in the evaluation that go quite beyond whatever they accomplish by working together. In the process of participating, residents and officials have the opportunity to learn the logic of evaluation and the discipline of evaluation reasoning. Skills are acquired in problem identification, criteria specification and data collection, analysis and interpretation. Acquisition of such skills can have a longer-term impact in terms of capacity building than the use of findings from a particular evaluation study.

Furthermore, active participation in evaluation leads to increased ownership of the findings and, therefore, increases their utility level. In any performance measurement system for services, it is essential to obtain the views of the users of the service.

Encouraging public participation in M&E activities is important, for several reasons:

- Public participation in M&E is important to generate a sense of ownership among different groups in society, thus increasing the acceptance and use of findings.

- Participation can help to build consensus on what outcomes to monitor, and what impacts to evaluate.
- Participation enables the incorporation of individuals' perception of their well-being as a critical outcome to be monitored.
- Participation fosters a strong feedback process.
- Participation can provide a lot of relevant background information about the community. This could be crucially important when planning remedial measures and subsequent improvements.

There are five stages in the monitoring process when participation can be included:

- (a) Participation in goal setting, when setting service level targets
- (b) Participation in the design of the monitoring process
- (c) Choice of methodology, especially through qualitative methods (e.g. focus groups), which enables better understanding of people's situations, opportunities and constraints
- (d) Collaboration in data collection and analysis (e.g. by training local people to implement surveys)
- (e) Dissemination of findings.

In the choice of methodology, participation can be included in various ways:<sup>17</sup>

Method	Advantages	Disadvantages	Alternatives/Keep in mind
Public meetings	The audience will contain many different interests, with different levels of understanding and sympathy	<ul style="list-style-type: none"> <li>• It is difficult to keep to a fixed agenda</li> <li>• Only a few people get a chance to have a say</li> </ul>	<ul style="list-style-type: none"> <li>• Identify and meet key interests informally</li> <li>• Run workshop sessions for different interest groups</li> <li>• Bring people together after the workshop sessions in a report-back seminar</li> </ul>
Formal survey	Questionnaires, studies and in-depth discussion groups can be a good way to start the participation process	Surveys are insufficient on their own	<ul style="list-style-type: none"> <li>• Surveys require expert design and piloting</li> <li>• Surveyors need training</li> <li>• Survey design can be a part of a process which leads to action</li> </ul>
Consultative committee	Some focus of decision-making will be necessary in anything beyond a	<ul style="list-style-type: none"> <li>• A committee may not be a channel for reaching most people</li> </ul>	<ul style="list-style-type: none"> <li>• The committee can help to plan the participation process</li> </ul>

<sup>17</sup>

World Health Organisation, Geneva, Tools for assessing the O&M status of water supply and sanitation in developing countries (2000).

	simple consultation process	<ul style="list-style-type: none"> <li>• People invited to join a committee may be uncomfortable about being seen as representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Surveys, workshops and informal meetings can identify other people who may become actively involved</li> <li>• A range of groups can be formed, working on different issues.</li> </ul>
Working through NGO's/CBOs	<ul style="list-style-type: none"> <li>• Voluntary organisations are an important channel of communication, and may have resources to contribute to the participation process</li> <li>• They have a wealth of experience and are essential allies</li> </ul>	Voluntary organisations are not "the community".	<ul style="list-style-type: none"> <li>• There will be many small community groups who are not part of the formal NGO/CBO sector</li> <li>• Voluntary groups have their own agendas – they are not neutral.</li> </ul>
Participatory rural appraisal (PRA)	If done well, the work belongs to the local people	Care needs to be exercised in choosing appropriate methods	A range of methods are available (see below).

*Participatory Rapid Appraisal (PRA)* is an important approach to participatory social research. An important feature of using participatory methods is that local people are directly involved in the processes of data-gathering and analysis. If the PRA process is well done, people will feel a sense of ownership of the research and its findings. This contributes to a shared learning and local capacity building.

There are numerous possible PRA methods or techniques:

- Secondary data sources, maps and reports
- Direct observation
- Case studies, work and incident histories from local experts
- Transect walks: Systematically walking through an area with local guides, observing, asking, listening and leaning about relevant issues
- Group discussions of different kinds (casual, focused, community)
- Mapping and modelling to show local world views
- Listing organisations which residents feel are most helpful to them
- Matrix scoring and ranking exercises to compare preferences and conditions
- Well-being grouping to establish local criteria for deprivation and disadvantage
- Time-lines and trend and change analysis to show chronologies of events, and to analyse local trends and causes of change
- Seasonal calendars and daily time-use analysis to show work patterns and activities.

##### 5. *Improving budgeting for M&E*

At present, it appears that the costs of adequate M&E have not yet been calculated for either the CMIP or LEDF programmes, partly due to a lack of understanding of the methodological issues of M&E. It is essential that the costs involved in monitoring and evaluation be estimated and that an adequate amount is budgeted for this purpose in the municipal budget.

The costs of M&E will depend on the type of data the Programme Manager, the Provincial Managers, and the municipalities wish to collect, and the methods they choose to collect it. For example, collecting information on borehole pumps will not be expensive if it is done as part of the O&M technician's normal duties; but launching a community questionnaire will cost a lot of money.

M&E may require additional staff posts at national, provincial and municipal level. If it is added to an existing staff member's job description, then it should be clear that such a person has the time to do the extra work. Staff involved in M&E will require additional training, e.g. in data collection, computer use or in report-writing. Most significantly, staff involved in M&E will need training in the methodological aspects of qualitative analysis and reporting.

### **Conclusion**

The current CMIP and LEDF monitoring systems provide a significant statistical base, and this should be commended. However, there are large gaps with regards to the type of statistical information which is collected, and the reliability of that information. Information is seldom verified, and this means that wrong figures entered into the system are never "cleaned up".

Both programmes have a lack of qualitative information on baseline conditions and project impacts. In particular, there is a lack of analysis of community dynamics, livelihoods, economic impacts, institutional dynamics, post-project maintenance, and environmental impacts.

The CMIP programme has already achieved many significant milestones, including high levels of infrastructure expenditure, and a reliable system of disbursements and basic monitoring. The next challenge is to give additional "depth" to the M&E system, by improving quantitative reporting and investigating qualitative issues. Simultaneously, the CMIP Programme Management should be encouraged to improve its abilities as a "learning organisation", so that qualitative evaluations can be used to improve programme performance and maximise beneficial impacts on communities.

The LEDF programme should be fundamentally revised (in terms of "double-loop" organisational learning, as described earlier). It attempts to straddle too many normative paradigms of social progress (for example, welfarist, entrepreneurial, and infrastructural

approaches). This confusion about its fundamental goals has hampered its M&E system, with the result that the wrong information is collected.

This situation is worsened by institutional problems in data collection, with an unfortunate institutional "split" between the disbursement, implementation, monitoring and evaluation roles. The entire M&E system needs to be redesigned, and synchronised better with (improved and clarified) policy goals of the programme.