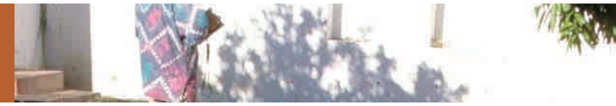

Monitoring and Evaluation Unit

Department of Economic
Development
Umnyango Wezokuthuthukiswa
Komnoto
KWAZULU - NATAL

Inqolobane Development Foundation
Impact Assessment Report

CONTENTS

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Learning through Action, Monitoring and Evaluation!

ABBREVIATIONS & ACRONYMS

EXCO	-	Executive Commitee
DED	-	Department of Economic Development
ICDF	-	Inqolobane Community Development Foundation
KZN	-	KwaZulu-Natal
LED	-	Local Economic Development
M&E	-	Monitoring & Evaluation
MEC	-	Member of the Executive Commitee
NGO	-	Non-government Organisation
PSC	-	Project Steering Commitee

INTRODUCTION

The KwaZulu-Natal Department of Economic Development Strategic and Performance Plan 2006-2010 identifies the role of the Local Economic Development Programme as to stimulate and support sustainable economic development at local level. Key to this role is to facilitate and support the development of strategies for sustainable economic development projects which create a better environment for LED and to empower local stakeholders such as municipalities, business associations, civil society and communities to plan and manage their projects. To this end DED funded a number of economic development projects across the province. However, of major concern is the extent to which these projects have achieved the purpose for which they were funded, and whether they in fact stimulated local economic development.

Against this background, the M&E unit selected a number of projects funded by the Department of Economic Development for evaluation purposes. This report identifies the findings and the evaluations of the M&E on the Inqolobane Community Development Foundation (ICDF). The report covers:

- Project background
- Objectives of the evaluation
- Research methodology
- Key research questions
- Analysis
- Recommendations.

PROJECT BACKGROUND

The Inqolobane Community Development Foundation (ICDF) is located in the Mtubatuba and Hlabisa Local Municipalities in uMkhanyakude District. The purpose of the project was to raise funds for small-scale economic development projects which required funding for implementation. It received R500 000 from the Department of Economic Development to enable it to implement its projects, two of which are a poultry venture and a block making enterprise. However, due to a number of factors, which are explained in this report, both ventures were unsuccessful. As a result additional funding was requested, whereupon the Department of Economic Development appointed a consultant to develop a turn around strategy for the two ventures.

EVALUATION OBJECTIVES

The objectives of the evaluation are:

- To investigate the background and purpose for which the project was funded
- To investigate action taken in the planning and execution of the project
- To investigate whether the project achieved the results for which it was intended, and if not, reasons for non-achievement
- To understand the challenges which were faced in the execution of this project.

METHODOLOGY

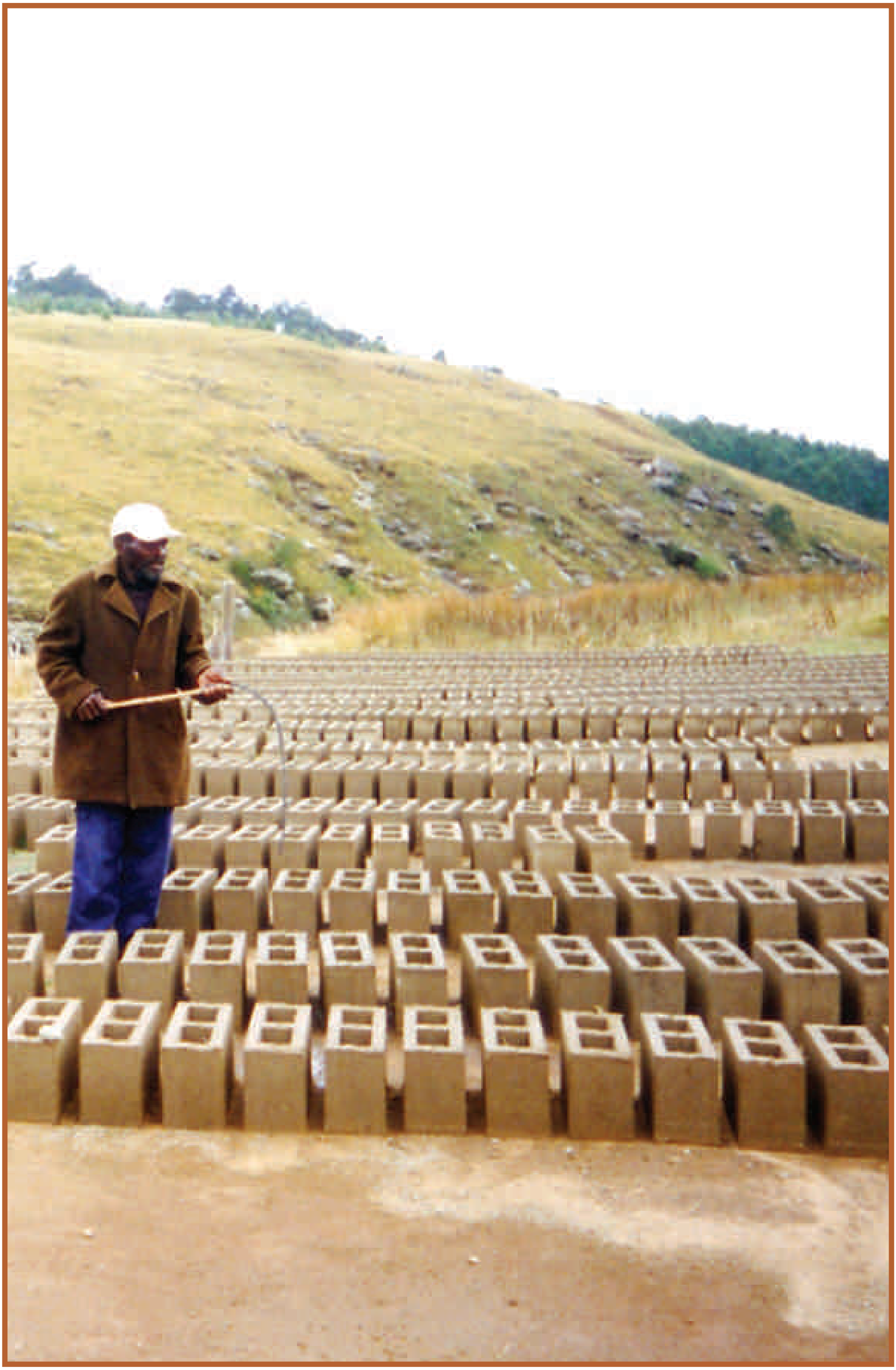
The following evaluation methods were used to evaluate the ICDF:

Interviews

After the stakeholders were identified, face to face interviews were conducted with three of them, and a telephonic conversation was held with one. The aim was to initialise the evaluation process and connect with the parties who were directly involved in the ICDF. The in-depth semi-structured interview method helped to collect data that was not influenced by group interaction- which could influence the data and compromise the integrity. Therefore, in-depth interviews allowed for data to be collected independent of group dynamics. In the case of the ICDF, semi-structured interviews offered opportunities for probing, asking follow-up questions, and allowing for interaction between the evaluation team and the participants.

The snowballing technique was used to identify further potential stakeholders. The consultant who compiled the turnaround strategy was used as the initial point of contact for this.

The other interviewees included the chairperson of the ICDF, who also acted as the chief executive of the ICDF executive committee and the manager for the block-making project. His contributions were vital as he was involved from conception of the ICDF and was privy to all relevant matters. The Local Economic Development officer in Hlabisa Municipality was also consulted, mainly to inform him of the evaluation taking place but also to establish whether links existed between the community projects and the municipality's Local Economic Development plan.



Stakeholder Participatory Workshop

As part of the evaluation process a workshop was held to bring all the stakeholders together. The main objective of the workshop, held on the 27th of February 2007, was to involve the original members of the council (i.e. the representatives of the original beneficiaries) in the evaluation of the ICDF. The advantage of this method is to enable respondents to reveal more as they are stimulated by the comradery of the situation and group interaction. This produces varied understandings of actions taken and decisions made and in turn result in articulation of multiple explanations for their behaviour and attitudes. Participatory monitoring and evaluation methods call for stakeholder involvement in the evaluations of projects which they were a part of.

After the first draft of the report a feedback workshop was held where the initial findings of the ICDF evaluation as well as evaluations of other DED projects in Northern KZN were presented. All stakeholders who had been involved either as interviewees or participants in the workshop were invited to take part. The feedback workshop took place on the 6th March 2007 at the Ghost Mountain Inn, Mkuze. The purpose of the feedback workshop was to report on the preliminary findings and obtain further comments from the stakeholders, so as to establish what needed to be changed, added or left out of the report.

Documentary Analysis

The following documents, relevant to the Inqolobane Community Development Foundation, were reviewed:

- Terms of reference
- The project proposal (drafted and submitted by the consultant)
- Minutes of committee meetings
- Correspondence with the department
- Memorandum of agreement and the turnaround strategy report (excluding the appendices).

KEY EVALUATION QUESTIONS

- What prompted this project (problem), and how did the project address that problem?
- What were the objectives of the project?
- What was the budget for the project, and was it sufficient for the planned activities?
- Did the project achieve the purpose for which it was intended?
- What processes were followed in implementing the project, and what guiding principles were followed?
- Who was involved in the implementation of the project, and what were the criteria for their selection?
- Was there a management structure for the project, and if so what was its mandate and was it fulfilled?
- What were the key success indicators for the project?
- What are the visible or measurable outcomes that can be attributed to this project, and what are your reasons for this attribution?
- What lessons have been learnt from the process of developing this plan (gaps, challenges, and strengths) and what recommendations can be made to DED for similar projects in future?

KEY FINDINGS

Background

The Inqolobane Community Development Foundation was established in 2003 to co-ordinate implementation of a number of small-scale projects in Hlabisa area. Original funding application was made to the Department of Economic Development (DED) on behalf of 36 projects, which were identified as qualifying for assistance. In response to this application, DED granted R500 000 towards their programmes. The management of the project, based on the recommendation of DED appointed consultants, decided that two pilot projects *viz.* poultry farming and block-making should be initiated with the intention that these projects would generate sufficient income to sustain themselves and finance the other 34 ICDF projects. Both poultry and block making projects failed to generate income resulting in ICDF not being able to proceed with implementation of the other 34 projects. The DED then commissioned an independent consultant to develop a turnaround strategy for the ICDF. The turnaround strategy cost a further R50 000.

Poverty and unemployment in the area was, and still is, a problem needing attention. The community had projects in place but realised that small projects needed support systems to ensure sustainability for them to have a greater impact on poverty and unemployment. The need for an umbrella body, to manage the projects was required. A community meeting was held at which it took a decision to form the ICDF, which constituted small development projects as members. A membership fee of R20 per project was payable.

Thirty-six member projects in twenty eight Mpukunyoni traditional wards (isigodi) were shortlisted for assistance. One person was elected from each isigodi to represent the projects from that area on the ICDF council. The chairperson of the council automatically became chairperson of the executive committee (EXCO) and was given the mandate to choose EXCO members. Nine people were chosen from the council to form EXCO.

The ICDF was identified by the MEC for Economic Development and Tourism as a community project that could benefit from government support. Some council members asserted that DED's involvement in the ICDF was the start of the project's problems.

The Department of Economic Development commissioned a service provider to prepare a business plan for the ICDF, detailing operational, marketing and mentoring programmes for it's members. Ulwazi Consulting Associates compiled a business plan together with a series of recommendations and submitted it to the DED. The business plan indicated that the original concept of the ICDF acting as a funding conduit for the 36 smaller projects would not be viable.

The business plan placed the projects into five catagories *viz*. food security, block making, sewing, candles and bakery. Funding for the first year was focussed on food security and block making and funding for the second year was to focus on the remaining three clusters. Two flagship projects, a poultry farming project and a block-making project, were identified and initiated. The findings of the business plan and the decision to focus on two flagship projects was not conveyed to the ICDF members nor were they informed that the profits from the flagship projects were to be pooled and used to support the 36 smaller projects run by the members of the ICDF.

A Project Steering Committee (PSC) was established with representatives from the Department of Economic Development, local municipalities and the ICDF executive committee. The role of the PSC was to manage, oversee, monitor and evaluate implementation of the project. PSC members were concerned about lack of communication between ICDF executive committee and the broader ICDF Council. The exclusion of ICDF Council and beneficiaries from decision-making processes and poor communication of decisions taken by the ICDF executive committee resulted in members and beneficiaries losing ownership and interest in the project, and consequently high rates of absenteeism were recorded at these meetings.

The entire project eventually grounded to a halt with the failure of the two flagship projects.

The block-making project was situated near a construction site of a low income housing project, which was considered to be an advantage in terms of proximity to the market. However, the block making project was in competition with a company that was the only source of crusher sand, a key input into the block making process. The competitor charged high prices for crusher sand while simultaneously dropping its own block prices. This resulted in the block making project being unable to cover production costs and consequently ceased production.

The poultry project collapsed when chickens died *en masse*. This was attributed to poisoning by competitors or individuals in the community who were allegedly jealous of the ICDF's success in securing funding. Large quantities of unidentified pills were found scattered around the project area and it was suspected that chickens died after eating these pills. The poultry project did not have a contingency fund available and was unable to replace the chickens that died.The staff members running the projects had no experience nor had they been trained in either block making or poultry farming.

Leadership and governance

The ICDF council lost interest and members of the executive committee had to be changed a number of times, as attendances at meetings declined. This undermined the ability of the leadership to perform its role and exercise its powers. Some were members of the management board whilst also involved in project administration and the direct management of the flagship projects. A number of the stakeholders felt that this was contrary to principles of good governance.

Capacity within the ICDF

The initial role of the ICDF was to raise and channel funds to thirty-six smaller projects. As a result of the changes taking place in the block-making and poultry projects, its role became more of a project implementer. The skills required for project implementation were different to those required for acting as a funding conduit. This shift in focus was considered to be a contributing factor for the failure of the ICDF.

Mentoring

The role of a mentor cannot be overstated in the development of any project. The stakeholders felt that the ICDF did not have the experience to manage nor to implement projects in the community and that some form of support in terms of mentoring should have been put in place. Having experts in the field of bussiness would have been far more beneficial and encouraging to the members and would have minimised the glaring mistakes that took place.

Gender Awareness

Participation of women in the general membership of ICDF was high, mainly as a result of the fact that small community projects were run by women. However the leadership of the ICDF was dominated by men. In the evaluation workshop, women were quiet in the presence of men but when the group was divided into two along gender lines, women were very vocal about issues relating to management of the project and perceived failings of governance structures.

ANALYSIS

The criteria used in analysing the ICDF is the performance of the project in terms of the impact it had, and evaluating whether it was sustainable or not. Performance evaluation captures the degree to which projects objectives are compatible with the relevance though also has to do with the ability of the project to adjust to changing circumstances. When the focus changed, the projects identified, though not what people wanted, were not totally irrelevant for the community. There was a demand for blocks for the housing project and other construction activities, as well as a demand for chickens by the community and businesses in the area.

The project relevance has to be evaluated also in terms of what DED wanted to achieve and their objective in providing funding. The Department's aim was to stimulate and support sustainable economic development projects. This was to be done through facilitating pro-poor economic development in communities. Most of the projects in the ICDF were seen as poverty alleviation projects that would contribute to the economic development of the area.

Project Efficiency

Efficiency is defined as the degree to which the project achieved benefits commensurate with inputs. It deals with how economically resources have been converted into results. To be able to measure efficiency, systems have to be in place to compare inputs to outputs. These systems were not in place in ICDF. The business plan, which was supposed to provide financial and other forecasts for the ICDF was inadequate and not enough research had been conducted to be able to determine the viability of the projects. As a result the flagship projects, which were meant to generate income collapsed, leaving the ICDF in financial crisis.

Project Effectiveness

Effectiveness is defined as the extent to which the project's major objectives, as understood and documented, were achieved at project completion, or are expected to be achieved. Project effectiveness is measured with respect to designers expectations regarding the project's impact on poverty and in the component objectives. Effectiveness compares the expectations given in the design and expressed in project objectives to the actual achievements found at completion.

The ICDF did not achieve the expected goals. The aim of the ICDF was to provide support to member projects but that did not materialise. The strategy that was used (development of two flagship projects to raise finance to support other less viable projects) was not successful either. At the time of the evaluation the two projects had folded, the ICDF had been handed over for failure to pay rent and other debts, and its property was attached by court order. Due to the failure of the flagship projects, the goal of transferring funding to other projects could not be fulfilled, as the required funds were not generated.

Sustainability

Assessing sustainability involves making a judgement that the net benefits generated by the project will be maintained in the longer term. The sustainability concept focuses on features that contribute to, or threaten, the maintenance of net positive changes over long term, together with any arrangements to insulate these changes from unforeseen events and changing circumstances. Over ten factors may be used to judge whether a project is sustainable or not.

At the time of evaluation the ICDF and the two projects had already collapsed; which may be taken as an indication that they were not sustainable. Nevertheless, some of the measures of sustainability will be explored in this section. Social support is one of the factors of sustainability considered and presupposes continued participation of beneficiaries and local communities. ICDF stakeholders and beneficiaries repeatedly pointed out in different fora that they did not feel that they had ownership of the ICDF or the flagship projects run by it. This resulted in many members losing interest and not coming to meetings. This facet of lack of sustainability was evident even before the failure of the two flagship projects and the closure of the ICDF.

Government commitment is another factor to consider when looking at sustainability. The DED provided the initial funding for the ICDF from a large funding pot intended to assist community projects. However, giving funding is not the same as being committed to something. Stakeholders and beneficiaries frequently expressed frustration with the perceived lack of support and commitment from DED, beyond provision of funding.

Commitment of stakeholders other than direct beneficiaries and the funder is an important factor to consider for project sustainability. In the case of ICDF it was limited. There was no mention of local organisations, NGOs or civil society working together with or involved with the ICDF, its council or its executive committee.

Economic and financial viability also contribute to the sustainability of projects. The ICDF was established because of DED funding and able to start up the two flagship projects. The two flagship projects and by implication the ICDF itself were not able to survive without departmental or external funding assistance.

Moreover, the two projects did not show capacity to finance recurrent costs such as administrative costs, phone, stationery and salaries. All the money utilised was coming out of DED funding since projects were not making any profits and appear to have battled to cover production costs. Financially, the ICDF was not self-sufficient and relied heavily on funding from the DED.

Money was spent without any idea of how profits were to be made and the projects started without a proper business plan outlining the costing of the whole project and how that was going to be dealt with. There was no clear plan of action with regard to attracting funding other than what the DED could provide in the event of a failure to make profits in the short term. The Steering Committee appear to have suggested several times that the ICDF should try to access other sources of funding but there is no evidence that suggests they did.

Institutional support enables projects to be sustainable in the long run. This includes legal/regulatory framework, organizational and management effectiveness. As a non-profit organisation, the ICDF had some concessions with regard to tax payments for example. The ICDF was also conceived at a time when the DED was eager to assist community organisations. However, in terms of management, the ICDF was not effective. People not availing themselves for meetings did not give a good indication of commitment. There were also questions of accountability, lack of transparency and trust - not only between the leadership and members but also within the PSC. There were cases when the PSC would make recommendations, which were disregarded by executive committee. Issues such as financial reporting were repeatedly requested by PSC and guidelines were provided of how to go about this but simply ignored by EXCO.

Resilience to external factors is another indication of sustainability. For the ICDF issues of price viability and market access were major problems. For the block-making project the cost of inputs went up but these costs were not faced by the main competitor resulting in the project having to operate in a difficult competitive environment. Though there was a market for the blocks, lack of experience in block making meant that the project could not supply the required volumes at a competitive price.

On the other hand, the poultry project ended with the mass death of chickens. Systems such as contingency funds were not in place to deal with such issues, and consequently the death of chickens had catastrophic consequences. The ICDF did not have any protection against external factors, further raising questions about its sustainability.

RECOMMENDATIONS

The problem of poverty in South Africa makes it important to ensure that programmes at local level have a development impact on the community. The downside of this attempt is that there is no clear line of definition between programmes aimed at local economic development and poverty reduction. Though LED should be pro-poor and ensure that economic development benefits the poor as well, the element of "economic development" should not be divorced from LED. Distinction has to be made between pro-poor LED and poverty alleviation programs because the strategies used for each are not the same, neither are the indicators and outcomes.

The consultants hired to work on projects must be carefully selected as their recommendations tend to be taken as gospel in communities where people are not well educated. The involvement of consultants has resulted in projects changing from what communities initially planned to their loss of ownership.

In addition to the above recommendations the following points also need to be raised:

- Management and governance structure should be properly constituted
- Capacity building of stakeholders is necessary.
- Ensure that business management and technical skills are in place or continually being acquired.
- Learning, training and mentoring component must be included in project set-up.
- Monitoring systems must be in place to ensure that early warning signs are recognised and dealt with.
- Participation of beneficiaries at all levels of the project should be ensured.
- DED has to ensure proper monitoring of funded projects.

The ICDF was an innovative project and provided a good opportunity to capacitate many small projects in the community thereby allowing them to grow the local economy. The implementation process did not go according to plan. It serves as a valuable example of how not to go about the funding of projects and hopefully these evaluation results will set the standard for future initiatives.