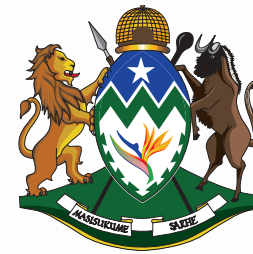# MONITORING AND EVALUATION UNIT

Department of Economic Development
Umnyango Wezokuthuthukiswa Komnotho

KWAZULU-NATAL

MONITORING AND EVALUATION STATUS QUO AND RECOMMENDATIONS

2007

CONTENTS

ACRONYMS AND ABBREVIATIONS

BEE	Black Economic Empowerment
BSC	Balanced Scorecard
CFO	Chief Finance Officer
DED	Department of Economic Development
EU	European Union
EXCO	Executive Committee
HOD	Head of Department
IBEE	Integrated Business Economics and Empowerment
IDP	Integrated Development Programme
KZN	KwaZulu-Natal
LED	Local Economic Development
M&E	Monitoring and Evaluation Unit
MANCO	Management Committee
MEC	Member of the (Provincial) Executive Council
MRLF	Monitoring, Research and Learning Facility
MTEF	Medium Term Expenditure Framework
PCU	Project Co-ordination Unit
SMME	Small, Medium and Micro Enterprises
TOR	Terms of Reference

1.   Introduction

A key function of the Department of Economic Development (the department) in KwaZulu-Natal (KZN) is to provide economic development support services in order to assist government structures to fulfil their developmental mandate as well as to provide strategic economic development guidance and direction to the provincial economy in general.

The Local Economic Development Monitoring and Evaluation Unit (LED M&E Unit) within the department contracted Umhlaba Development Services (Umhlaba) in November 2006 to conduct a study aimed at assessing the M&E status quo within the department with a view to recommending uniform approaches of implementing and institutionalizing M&E systems within the department.

An inception meeting was held on 3 November 2006 between Mr. Brendan Pearce, Director of Umhlaba and Mr. Sihle Mkhize, Manager from LED M&E Unit at which the terms of reference and the approach and implementation models were discussed. An Inception report including a Draft Guide Questionnaire to be used in the assessment was submitted to the Department on 14th November 2006 [1] Between 24th November and 18th December 2006 the Umhlaba team conducted five interviews with senior and top management in the department, as well as with officials from the LED Monitoring and Evaluation unit.[2] A workshop was run with Department of Economic Development managers, staff, and stakeholders on 31st January 2007 to present and discuss the report findings and recommendations.

The report is structured into three sections. First, the findings of the status quo are described, that is, the policies, systems, practice and capacities within the current departmental situation and structures. In the second section, the status quo is analysed in the form of an analysis of the gaps and challenges. In both of these sections the analysis focuses on the functions of planning, reporting, monitoring and evaluation systems and learning. In the third section, recommendations are offered, focusing on the systems and capacity design and development issues and processes.

2.   General Findings on the Status Quo of M&E in the DED

The first task of the departmental M&E assessment was to assess and describe the current systems, practices and capacities relating to M&E. The Guide Questionnaire had four sections and the findings are presented below under these four themes, namely planning, reporting, M&E systems and learning. The approach taken is to describe the findings from the interviews with the different general managers, the Head of Department, and managers, in general terms, rather that specifying what each individual said with reference to each programme.

[1] The Draft Guide Questionnaire is attached as Annexure 1.

[2] As required by the Terms of Reference, the interviews were tape recorded, and the transcripts are attached as Annexure 4.

In addition, a number of contextual factors were found to have relevance in terms of current departmental change and transformation processes, and these are presented in a separate sub-section below.

2.1   Planning

The department has not made consistent use of any particular planning methodology like the logframe approach.

The annual departmental strategic planning normally takes place around July to September. The departmental Strategic and Performance Plan for 2005/2006 to 2009/2010 sets out a strategic planning process divided into four phases, namely:

- Scene setting, during which the MEC sets his/her strategic thrusts and outcomes for the department
- Determining outputs to meet the strategic thrust of the MEC, which is done by executive management, after programmes have held workshops to assist in the determination of outputs
- Workshop to decide on final outputs
- Consultation with stakeholders

Elements of this process were followed in the 2006/2007 strategic planning processes. There were two strategic planning exercises in 2006, one in February to plan for the 2006/2007 year, and one in October 2006 under the new departmental HOD. The October strategic planning exercise reviewed the strategic plans from February 2006, and also applied the new generic national programme and budgeting structures for Economic Development. In neither of these strategic planning processes was the MEC himself present to present his scene setting inputs, but the products of the October planning were presented to the Minister. The HOD, General Managers, and Managers participated in the October strategic planning. The process was designed to identify challenges, opportunities, strategic objectives, and then relate these to the programmes.

In the 2006/2007 strategic planning review process, the following four strategic goals were identified:

To reduce poverty by 50% by 2014

- Create sustainable jobs
- Skills development
- Facilitate access to asset base for the poor
- Promotion of social enterprises

_____

Grow the economy by 8% by 2014

- Promotion of integrated Economic Development planning
- Improve global competitiveness in industries
- Promotion of new SMME's
- Facilitate the improvement of infrastructure platform
- Promotion of Foreign Direct Investment

To promote good corporate governance

- Comply with government policies and law
- Facilitate strategic stakeholder partnerships in the development of provincial economy

To aim to be the centre of excellence

- Becoming a learning organisation
- Promote a culture of good governance
- Lead in R & D & Innovation
- Become an information hub

Planning in the department has tended to be oriented towards compliance with the requirements of the Public Finance Management Act, with the requirements by the National Treasury of five year strategic plans and annual Workplans. Also, the Medium Term Expenditure Framework (MTEF) 3-year budgeting cycle is applied, in which the increase in budget is identified as compared with the baseline, which is the current year, using a standard template. The Annual Workplans are the most important in terms of the national requirements, as these specify what the programme is going to be doing, for example 30 or 40 projects, whereas the next financial year has a provision but no specification of what will be done.

Some preparatory planning of the programmes is done before the annual strategic planning. This is generally a regional process done on the basis of the directorates. A standard format is used, which points towards identifying outputs and resource requirements for the coming year.

In recent years there has frequently been re-planning at programme level during the year, in response to various new developments like the election, a directive from the Provincial Premier, other changes in leadership or policy.

Referring to the adoption of Millennium Development Goals, one General Manager commented:

> "Whether government as a whole meets its target or not, there are many contributing factors which influence the outcome. Government might not reach target, but its better to have a goal bigger than yourself as opposed to the past, where government department senior managers set themselves low performance targets which they would meet easily and qualify for bonus payouts. The latter might look good on paper but in the field the situation is most unacceptable."

In the Gijima Programme within the LED Programme, logframe planning is done by producing the Annual Work Plan, which is generally a more intensive process with more detail and more requirements than any of the Government planning. There are intensive discussions which take place within the teams, for example meetings between the DED and the contractors on a monthly basis. The demands of the log-frame make the planning more clear and precise. The Project Coordination Unit (PCU) assists this planning. The Annual Work Plan is submitted to EU and the HOD for approved.

2.2   Reporting

DED programmes have a number of reporting requirements, in addition to the obvious structural reporting to the Head of Department. General Managers also from time to time are required to report directly to the MEC, and to Portfolio Committees.

Quarterly service delivery reports are produced using a standard format. Quarterly reports are submitted to the HOD, to portfolio committees and to the Treasury. The reports are normally on the progress of the projects or the number of projects or outputs achieved or delivered in the period.

Different programmes have their own internal reporting and communication systems, such as weekly programme management meetings of the managers, and monthly written reports from managers to the general manager. Similarly, programmes have their own regional reporting and coordination processes, for example two weekly or monthly meetings with minutes recorded.

A reporting and coordination function rests with the Management Committee (MANCO), in which all 21 managers in the department meet monthly, dealing with management matters like operations, finance, and human resources.

The Executive Committee (EXCO), which comprises the HOD and the general managers, meet on a two weekly basis, where reporting may be required on particular issues.

Reporting is also done on an ad hoc basis in preparation for public events: these normally focus on critical milestones reached (normally in terms of outputs), and problems encountered.

2.3   Monitoring and Evaluation Systems

The performance management framework put out by the Department of Public Service and Administration is mandatory. According to the KZN Department of Economic Development Departmental Strategic and Performance Plan for the period 2005/2006 to 2009/2010, the department is piloting a two-pronged performance measurement system, with a project team model and a cascading model.

The Performance Management Moderating Committee has the primary function of moderating or validating the performance assessments of individual staff. That is, the committee is required to adjudicate whether the score given for an individual's performance is fair and accurate in the light of the set performance objectives and whether requirements were met.

In addition, the committee's mandate requires that it offer advice to the department on improvements to the performance management system. The committee has identified the introduction and use of forms which promote qualitative assessment, in the interest of increasing learning.

A project manager focusing on short term project management has recently been appointed in the HOD's office. There is an expectation that this person will assist the HOD with providing information on projects and their progress, hence a monitoring function is implied.

The LED programme has benefited EU funding since 2003, and a Monitoring and Evaluation Unit was established within this programme in 2006. The primary focus of this unit is the development of tools, systems and approaches for monitoring and evaluating economic development policies and projects in KwaZulu-Natal.

The M&E Unit also contract manages the Monitoring, Research and Learning Facility (MRLF). The MRLF mandate is broader than the DED, and its LED Programme, as it focuses on LED in the province and covers a range of different government interventions. The MRLF is working on an instrument to measure impact on poverty and unemployment.

Managers have received training in the Balanced Scorecard System, but this has not yet been implemented.

The only evaluation activity identified in this assessment is evaluations conducted by the LED programme, as is required by the EU.

2.4   Learning

One key informant stated that learning has been taking place in pockets within the department, rather than being approached and facilitated in a structured way. The normal planning method is not geared towards learning. As indicated above, the LED programme is engaged in logframe planning, with identification of success measures or indicators and is also engaged in evaluations, which are all geared towards enhancing performance, impact and learning.

The Performance Management Moderating Committee has attempted to introduce qualitative learning through the use of forms, which should enable identification of ineffective practices, to be avoided in future practice and good practice to be applied elsewhere.

Members of the M&E Unit have conducted informal discussion sessions with Project Managers and this led to some positive follow up by the Project Managers.

A Deputy Directors' Forum was established in October 2006, with one of the functions being to act as a forum that reaches beyond the MANCO and facilitates bottom up learning and communication.

2.5   Contextual factors

A number of contextual processes and factors have bearing on change and transformation processes in the department that relate directly or indirectly with M&E.

From the national level, the CFO Workgroup established in 2005 with representatives of the National Treasury, all provincial departments of Economic Development and the Department of Trade and Industry proposed in July 2006 uniform budget and programme structures for all provincial departments of Economic Development, effective from 2007.

In terms of the structure, budgets are linked with strategic and performance plans. Part 3 of the Treasury Regulations indicate the minimum information that these strategic and performance plans should specify and "appropriate measurable objectives for each main division" of a vote to be included. Once this process has been concluded, hence expressing the service delivery of the department via uniform programme and sub-programmes, then the second process can begin, that is, the customisation of the strategic and performance plans and the annual, together with the quarterly performance plan.

> "The Annual Report would conclude the accountability cycle by reporting against the customised strategic performance plan and annual performance plan more so, against the customised performance measures in these documents. This would also allow for comparison of programmes and sub-programmes across provinces."
> "Customising the Strategic Performance Plan, Annual Performance Plan and Quarterly Performance Plan should follow immediately after the Budget and Programme structure has been finalised in partnership with all relevant stakeholders."

The structure proposed by the workgroup identifies 5 programmes, each with a number of sub-programmes with proposed objectives for each of the programmes and sub-programmes.

The 5 programmes are:
Administration;
Integrated Economic Development Services;
Trade and Industry Development;
Business Regulation and Governance;
Economic Planning.

The sub-programmes relate to different institutional structures and 'internal' or 'external' functions, where internal means within the department, and external means outside of the department. For example the sub-programmes of the Administration programme are built on the following institutional structures: Office of the MEC, Office of the HOD, Financial Management and Corporate Services. Whereas the Integrated Economic Development Services programme has sub-programmes structured for service delivery around Enterprise Development, LED, and Economic Empowerment.

Of the five programmes, the Administration programme is the only one that focuses its planning and operations primarily on the department and its programmes. Three of the five programmes focus their planning and operations on outcomes and the impact that should be achieved outside of the department (i.e. Integrated Economic Development Services; Trade and Industry Development; Business Regulation and Governance).

The proposed generic objective for the Monitoring and Evaluation Sub-Programme was: "To determine the effectiveness and impact of provincial policy objectives and strategies". This implies a strong focus on changes to be achieved outside of the department. However, it is argued that the Economic Planning programme is the only programme that has a broader scope than any of the other programmes, in that it should focus its operations quite equally on outcomes and impact within the department and in the society. This has relevance for the definition of the institutional functions and the design of appropriate systems for monitoring and evaluation, and is discussed further under the sections on gap analysis and recommendations.

The national workgroup recognised that the four sub-programmes under the Economic Planning Programme of Policy and Planning, Research and Development, Knowledge Management as well as Monitoring and Evaluation are "transversal" sub-programmes, applying to all departmental programmes. On this point, the workgroup further stated: "However the workgroup recommended that further debate should occur in terms of the correct placement of sub-programmes and the functions they perform as it serves both a transversal function as well as a programme specific function. The issue regarding accountability should be noted." This issue is also discussed further under the sections on gap analysis and recommendations.

At the KZN provincial level, it is noted that the department (along with other provincial departments) is required to relocate to Pietermaritzburg as a result of a Provincial Cabinet decision taken in 2006.

Within the KZN Department of Economic Development, it is noted that the new Head of Department was appointed in September of 2006, which would have various implications for transformation efforts and processes in the department.

One further consideration is the European Union funding channelled specifically to the department's LED programme. This has had significant implications for all aspects of programme management. Detailed logframe planning is required, specific reporting (PRAG) regulations apply, evaluation is required of all EU-funded projects, and the common interest in learning has contributed to the establishment of the Monitoring, Research, and Learning Facility (MRLF).

3.   Gap Analysis and challenges

3.1   Overview and Approach

The picture emerging from the above status quo assessment is that different functions are not utilising appropriately designed systems or appropriately selected tools, and the functions being poorly linked or not integrated at all. Hence, planning and reporting is not serving well as a basis for effective M&E and learning.

Furthermore, the core functional systems have not been clearly identified and used as a basis in designing how strategic outcomes and output performance will be measured. This needs to happen so that individuals in the department, the department itself as an institution, and the client system including government structures and private sector and enterprise actors may move towards realising the department's vision and mission.

The overall impact of the department in promoting sustainable and equitable economic development is constrained by weaknesses in the ways that these functions are currently being handled. These weaknesses are discussed in some detail below.

In discussions with managers, the question was raised of the need for standardisation and the related pitfalls of ritualisation in which meaning is lost. The suggestion coming out of the discussions is that guiding principles and clear and appropriate systems are needed, but that within these, there needs to be space for informal discussions and learning. Programme teams need to decide for themselves how they want to structure these.

The context and key elements of the department's mandate, vision and mission, together with conducive and constraining factors, are presented for discussion purposes in the diagram opposite.

Diagram 1:
Visualised Representation of the Department of Economic Development in its Development Role and Field:
Working in the River of KwaZulu-Natal Economic Life: the Journey to the Ocean of Sustainable & Equitable Economic
Development (?)'

THE RIVER OF KWAZULU-NATAL ECONOMIC LIFE...

INDIVIDUAL MEANS:
- Understanding of & commitment to Vision & Mission
- Creative & strategic thinking
- Energy
- Knowledge, Skills, attitudes, behaviour

TURBULENCE ....!
INDIVIDUAL CONSTRAINTS:
- Limited understanding & commitment to Vision, mission
- Bureaucratic thinking & behaviour
- Inadequate skills & knowledge
- Overriding self-interest: promotion, bonus, power;
- Fear

INSTITUTIONAL MEANS:
- Policies, legislative frameworks
- Clear, focussed Strategy
- Well designed & used Systems
- Synergies
- Conducive Institutional Culture
- Resources: human, financial, technological, physical
- Linkages: govt. & private partners

TURBULENCE ....!
INSTITUTIONAL CONSTRAINTS:
- Weak strategy: supply-driven; focus on outputs
- Dysfunctional and inappropriate systems
- Working in silo's
- Unconducive Institutional Culture
- Inadequate resources
- Weak linkages

CLIENT SYSTEMS & MEANS:
- Viable Enterprise & market strategy, right location, etc
- Right leadership, management & systems
- Right inputs: people, skills, materials, workspace
- Access to capital
- Right partners

TURBULENCE ....!
CLIENT SYSTEM CONSTRAINTS:
- Government & market failure
- Lack of entrepreneurial skills & access
- Lack of capital, low asset base
- Lack of access to capital, markets, inputs, etc.
- Weak linkages

ECONOMIC STAGNATION..
TWO UNEQUAL ECONOMIES..
SUSTAINABLE AND EQUITABLE ECONOMIC DEVELOPMENT...
UNSUSTAINABLE ECONOMIC DEVELOPMENT..

Again, for discussion purposes, the following points could be noted:

- The 'river of KZN economic life' flows and will continue to flow, irrespective of the various efforts of individuals, of the department and of clients and partners of the department. However, if the individual and institutional means and efforts are effectively applied to support, empower and enable client systems, then the rate of flow can be increased. More importantly, the strategicdirection can be focussed towards the broad vision and mission of thedepartment, in particular achieving sustainable and equitable economic development, hence avoiding landing up in alternative scenarios that could materialise without effective intervention: i.e. unsustainable economic development, a trend strengthening towards two unequal economies, or towards economic stagnation in parts of the provincial economy.

- Individual constraints apply, including limited understanding and commitment to the departmental vision and mission, bureaucratic thinking and behaviour, inadequate skills and knowledge, an overriding self-interest and concern over promotions, bonuses and power. The point about these patterns of constraint and behaviour is that they impede and cause turbulence in the flow, and detract from achievement of the departmental strategic objectives.

- On the other hand, human capital in the department such as understanding of and commitment to the department's vision and mission, creative and strategic thinking, energy, knowledge, skills, and conducive and constructive attitudes and behaviour are the means at the individual level to speed up and give direction to the department and its partners.

- Similarly, institutional constraints may include weak strategy that is supply-driven and focussed on outputs, dysfunctional and inappropriate systems, working in silos, an unconducive institutional culture, inadequate resources, and weak linkages. Again, these cause turbulence and slow down the flow.

- If the institutional means are well designed and well functioning, such as having enabling policies, legislative frameworks, having clear and focussed strategy, having well designed and well used systems, having synergies between programmes and structures, having a conducive institutional culture where questioning, innovation, and learning from successes and failures is encouraged, having the required resources (human, financial, technological and physical) and having dynamic and effective linkages with both government partners (e.g. other departments, public entities, district and local municipalities), then the progress towards strategic objectives is accelerated.

- The constraints applicable to the department's clients may include government and market failure, lack of entrepreneurial skills and capital, low asset bases, lack of access to capital, markets, inputs, and weak linkages. Again, these factors area likely to slow down and impede progress towards departmental goals, but are also opportunities for programmatic engagement.

The above diagram and discussion, although oversimplified, may be useful in providing a visualised context for the analysis below and discussion of the gaps and challenges faced by the department in relation to its planning, reporting, M&E and learning systems and activities.

3.2   Planning

A number of gaps were identified by the DED Head of Department, General Managers, and officials interviewed, including the following:

- **Output, Supply-driven, National Treasury and PFMA-driven planning:** Given the orientation in departmental planning towards compliance with the PFMA and the National Treasury five year strategic plan and annual workplan, there has tended to be nowhere in the system to take stock of successes, failures, and what difference the department's work has made. The Treasury is clearly financially oriented, so it is primarily concerned with spending outcomes, not developmental outcomes. This applies also to the performance plans. Programmes have to produce Output procurement plans, and much of the department's operational effort goes into managing consultants. As one respondent commented on the existing planning process:

    > "There's no systematic analysis of what the environment is, its quite frightening actually….It's a supply driven process, so its really up to the discretion of the manager in a particular section or the deputy of how they've been working and how they want to take that forward to the next year. So they would decide what the focus areas are and what the projects are for the following year. That's something we are trying to change, we are trying to get it driven more by stakeholders, make it more demand driven rather than supply driven. This is a big challenge in a government that is supply driven."

- **Gap between policy and departmental vision and goals, and project planning:** Policy is broad and generally long term in its focus, whereas projects are generally specific and short term. There has been a pattern of focussing on these extremes, with a notable gap in between. As one informant commented:

> "There is a need for a better programme plan over a longer period of time. We found that this log frame is particularly useful to help us do that over a longer period of time and then just slot in annual plans as you go along. Now the current system of planning, well I suppose you could do it, but we don't do it, because we are bureaucrats in following the rules."

- Adequate pre-planning in programmes leading into collective strategic planning:
  A need was identified for a more systematic participatory planning process in programmes as a necessary preparation for meaningful collective strategic planning that could also be consistent with the requirements of the National Treasury. In 2006 the planning process hastely organised a collective workshop, without adequate preparation that made use of a common and appropriate design and methodology.

- Inadequate stakeholder participation:
  One informant stated:

  > "There isn't enough civil society participation in our planning, and even though we might say in our strategic plans that we have consulted, a lot of government departments say they've consulted everyone, but they don't do it properly, and its reflected in poor delivery."

- Programme Planning in silo's:
  The lack of adequate preparatory planning in the 2006 strategic planning process was seen to have had the unintended effect of perpetuating the pattern of programmes planning in silo's.

- Implementation planning:
  One view was that programme planning itself is not really a problem, the main area of challenge is in planning for implementation. In the implementation process, a whole range of contextual factors come into play, for example tenders may get delayed if responses are unsatisfactory, and timelines are affected. Some of the factors can be under management control, but others are beyond it.

- Reactive planning:
  Planning in the department has tended to be reactive to outside directives, rather than involving creative strategic planning based on a penetrating situation analysis.

- Disconnect between department planning and that of economic public entities in the province:
  Although in theory the planning processes of economically oriented public entities in KwaZulu-Natal, such as Ithala Bank, the KZN Trade and Investment Corporation, and Dube Trade Port should be aligned with the planning of the department, this has not yet happened.

In addition, the consultants have identified the following issues and gaps: found that the strategic planning process may be irregular and dysfunctional in relation to normal development practice, in the following two senses.

- Weak and poorly structured strategic planning process:
  Firstly, the strategic element in the planning process is poorly structured. It is in order for the MEC to indicate his/her priorities for the upcoming period, as key inputs into the annual strategic planning process, but it is dysfunctional for the department to focus its planning at the level of determination of outputs. In strategic planning, the main focus should be on determining the intended outcomes and impact. The minds of the departmental leadership, general management and senior management in the programmes need to engage directly and deeply with the challenges and best ways of achieving sustainable economic development. (Clearly internally-focused programmes like administration may have a smaller contribution at this level, but it is argued here that they too may perform better through participating at this level.) Determination of outputs should be determined after intended outcome and impact level objectives have been framed.

- Lack of a clear focus of programmes on respective 'internal' and 'external' objectives:
  As noted above, the administration programme aims to achieve efficiency, effectiveness and change mainly within the department and its programmes, whereas the Integrated Economic Development Services, Trade and Industry Development, and Business Regulation and Governance Programmes aim to achieve outcomes and impact in terms of sustainable economic development in society. The Economic Planning Programme is in a third category, in that it needs to plan what it aims to achieve both 'out there' in society and 'in here' within the department. This has not yet been adequately recognised or used to shape the planning structure and processes.

- Planning framework:
  The department is currently not using specific tools adapted for internally and externally oriented planning, or for full planning, implementation and monitoring and evaluation functions.

- Consultation with stakeholders:
  The current planning system has consultation with stakeholders as the final step. In regard to the programmes having a significant external focus, this could have serious negative impact on the quality of planning. The reasons are that: 1) in that the achievement of outcomes and impact is contingent on a range of independent and partner responses to departmental outputs and strategies; 2) the context of the key roleplayers and stakeholders in economic development must be understood for effective strategic planning.

3.3 Reporting

Managers interviewed pointed out that the reports produced are normally against broad plans which are often not specific in regard to outcomes or qualitative aspects of outputs. Especially where managers are mainly managing consultants, there is little scope for effective learning coming out of the current reporting system as it is.

The HOD is frequently, sometimes as often as weekly, required to provide information on departmental activities and achievements to the Office of the Premier or to the MEC, but is often hard pushed because there is no accessible store of information to draw on.

3.4 Monitoring and Evaluation Systems

An M&E system is generally comprised of:

- Selected measures of success:
  These normally relate to the planned impact, objectives, outcomes, or outputs. These are normally impact and outcomes indicators in the client system for externally oriented programmes (Integrated Economic Development Services, Trade & Industry Development, and Business Regulation and Governance), and institutional success indicators or standards for the Administration Programme. The indicators identified during planning will normally be used for monitoring, and these will often be added to when it comes to evaluation.

- Monitoring processes:
  Monitoring activities are carried out by all the role players in the system in which the actual changes, outcomes or processes are observed and recorded or documented and related to the pre-identified quantitative or qualitative measures or indicators. The time frames of monitoring activities must be specified, whether they are ongoing, or periodic, and if periodic, how often must they be done.

- Communication and use of the monitoring findings:
  The monitoring findings are timeously reported to management in formats designed to make the information usable and useful to management at times when their management decisions can still improve implementation of the intervention.

- Evaluation:
  Evaluation is normally focussed on assessing outcomes and impact, that is what difference the intervention has made. It is normally done at the end of an intervention, or once a critical phase of implementation has ended, or sometimes in the middle of the programme (mid-term evaluation). The valuation is normally done by external agents, who were not responsible for the programme's implementation, so as to provide for objective verification. Terms of reference are developed to specify the scope and focus of the evaluation. The evaluation will normally refer to monitoring information and findings, but will also conduct its own assessment processes as well.

- Baseline and Endline studies:
  Baseline and Endline studies are normally done primarily for evaluation purposes. A baseline study is normally done before an intervention is implemented. In a full baseline study, a range of both quantitative and qualitative factors or variables are assessed, both in the planned implementation localities or communities, and in a control community, which is a comparable situation where the intervention will not be implemented. The endline study is done around or following the end of the implementation period, in the implementation and control localities or communities, and when compared with the baseline, enables evaluation and conclusions about impact attributable to the intervention. Alternatively, for programmes where a full baseline study is not done, a more simple kind of baseline assessment may be made of the starting or base year situation, in relation to the chosen measures or indicators.

The assessment of the DED M&E status quo led to the following findings:

- Lack of any coherent system of M&E at different levels:
  The department has no coherent monitoring and evaluation system that is designed and suited to enable monitoring of individual and programme, internal and external outcomes.

- Compliance-driven M&E:
  The main pressures driving M&E in the department come from political and accounting sources, including the direction from the Office of the President to strengthen M&E, and as seen in systems like the Balanced Scorecard

and the Performance Budgeting System. This tends to diminish departmental focus on its own strategy formulation and design of its own systems oriented towards measuring the department's effectiveness in achieving these objectives. In other words, the department is challenged to assert its role in designing and ensuring the appropriateness and effectiveness of its M&E and related systems.

- Focus on managing contractors:
  One key informant stated that in most programmes, managers are not monitoring projects and their impact and outcomes, but rather they are monitoring contracts and contractors.

- Performance Management System: Design and strategic monitoring:
  A potential strength of this system is the design to integrate individual and organisational performance management in one system. Currently, the performance management system has not yet been fully developed, implemented or linked with organisational performance management.

- Performance Management System: Design and Learning:
  Departmental employees perceive the performance management system as being primarily linked to the system of financial performance-based annual bonuses. Also, the quarterly numerically-based scoring system provides no room for reflection. The combined effect on learning is negative, since processes of failed projects are concealed rather than analysed and used as a primary source of organisational learning.

The Monitoring, Research, and Learning Facility (MRLF) has the potential to strengthen and support the department's M&E functions. The MRLF is expected to carry a range of functions, although many of these are still being more clearly defined.

3.5   Learning

There has been a pattern of limited communication between different programmes and sometimes directorates. This was evident in the 2006 LED conference, where it became apparent that information was being kept in 'silo's', with the result that staff in different programmes had little knowledge of what those in other programmes were doing.

There appears to be divergent views and understandings of the current situation and nature of learning in the department. One interviewee stated, "The DED is a learning organisation, although it still has a long way to go". Another interviewee stated that learning has not been happening effectively, underlining this by saying that "We have been chasing our tails".

Another interviewee described the prevailing culture in the department as a 'culture of blame' rather than a culture of learning. There was a perception that there is an atmosphere of mistrust, and that many of the staff are demoralised.

The function of the Deputy Directors' Forum established in October 2006 appears to be somewhat unclear, being viewed by some as a communication channel for top management to disseminate information, while others saw the structure as a forum that reaches beyond the MANCO and facilitates bottom up learning and communication. Other staff have seen the forum as space for union-style raising of issues.

The above comments and findings add emphasis to the general finding that there is misalignment between the different organisational systems, indicating that, in particular, the planning, performance management, reporting, M&E systems and culture in the organisation all have elements that significantly constrain learning in the department.

4.   Recommendations

The responses from the department's senior management to a question about their expectations of the departmental M&E Unit to be set up under the new Economic Planning Programme, are listed below. This provides a useful input into the elaboration of the mandate for the departmental M&E Unit.

- A uniform system of M&E
- One centralised M&E resource
- To provide support for the departmental M&E functions
- To help us learn
- M&E that cuts across all programmes and sub-directorates
- Monitoring beyond the Directorates
- M&E that goes beyond performance management
- Tracking what difference the department and its programmes are making
- To evaluate the impact of the department
- To evaluate what the programmes are doing
- To find out what works and what does not work
- To help measure effectiveness, relating investment to outcomes
- To identify and measure externalities
- Give feedback and track the need to adjust strategies
- To input learnings into planning process, for example into the three year cycle
- Not just generic M&E: innovative ways of monitoring

The following key issues and related decisions face the department in regard to it's M&E functions currently:

- Which planning M&E and learning tools are appropriate for use by the different departmental structures, and how can the systems and tools be effectively aligned and integrated? This concerns the design of the overall planning, reporting, M&E and learning systems and processes of the department.

- *Which M&E functions should be carried out by which structures?* In other words, this question concerns the design of the M&E system of the department.

In suggesting provisional answers to these questions, Umhlaba begins by proposing sets of guiding principles or criteria deemed relevant to the respective decisions. The consultants then proceed to outline options and to motivate for a preferred option, referring to the foregoing status quo and gap analyses, and elaborating some key implications of such choices, with reference to the four areas assessed, namely planning, reporting, M&E, and learning.

Generally applicable guiding principles for planning, reporting, M&E and learning in the department are:

- A rights-based developmental approach is considered appropriate, in the light of the mandate and objectives of the DED around promoting sustainable and equitable economic development and reducing poverty.
- This implies that the client systems (rights holders) should be brought into the DED (duty bearer) planning, reporting, M&E and learning systems.
- The relationship between the client systems and the programme systems are important, and should be designed to facilitate optimal negotiation, influence and access of clients to the services, resources and benefits of the programme system
- Systems and processes are geared towards achieving sustainability of the societal/economic developmental impact or outcomes
- The systems are geared towards promoting sustainable institutional/organisational development
- The broad framework of the MRLF report should be adopted, for example the value chain approach

4.1 Overall Systems Design for Integrated Planning, Reporting, M&E, and Learning

The status quo assessment found that the different systems and procedures for planning, reporting, M&E and learning in the department are generally poorly linked. The gap analysis went further and found that the misalignment of different organisational systems has negative constraining effects on other organisational functions. The alignment of organisational systems is diagrammatically represented in Annexure 2.[3] For example, the gap analysis found that the misalignment between the planning, performance management, reporting, M&E systems and culture in the organisation all have significantly negative effects on organisational learning. In addition, the analysis found that different core functional systems such as the individual, programme, institutional and client systems were not clearly identified as a basis for the design of systems for these functions.

Further, the status quo assessment established that the department has not yet based its planning or M&E, on particular methodologies or tools. The gap analysis found that the existing performance management system, including the balanced scorecard system, is only partially applied, and that they currently have a tendency towards negatively affecting learning and innovation in the department. This is clearly another key issue.

Guiding principles proposed here for the overall systems design for planning, reporting, M&E, and learning are:

- The different systems and processes for planning, reporting, M&E and learning should be aligned and integrated. *Alignment* here refers to the complementary fit between the different organisational systems like planning, reporting, M&E, policies, procedures, skills, culture, leadership, structure and learning. Complementary means that the systems all help each other to work better, leading to sustainability of the results. *Integration* here is a requirement for sustainable organisational development, and refers to functional integration of systems, so that, for example, the planning and M&E tasks in programmes are traced effectively back to the departmental mandate, vision, mission and higher level strategic objectives.

- It must be appreciated that generic tools will need customising, to make the tools appropriate and effective in the departments own internal and external context. The DED's mandate, sector, structures, policies, procedures, personnel, leadership, culture and history are all unique to this institution and generic organisational enhancement tools need to be adapted and customised.

---

[3] For example, the gap analysis found that the misalignment between the planning, performance management, reporting, M&E systems and culture in the organisation all have significantly negative effects on organisational learning.

- Different core functional systems such as the individual, programme, institutional and client systems should be clearly identified as a basis for the design of systems for these functions.

- Avoid over-design:
  Systems and tools selected need to match the capacities of their users. The DED should avoid adopting or buying attractively packaged M&E tools or products, which may overburden those then required to carry out the monitoring tasks. In its Inception report, Umhlaba stated: "The approach of Umhlaba is to place emphasis on the user-friendliness and hence effectiveness of the M&E system. In other words, in a highly complex environment and management function, the preference is towards simplified usable management systems, focusing on the core business of the organisation, and the key focus areas of monitoring and performance." Therefore, the department should avoid falling into the trap of being attracted and seduced by sophisticated tools and methodologies promoted by consultants, companies or academics, who may specialise on that particular aspect.

- Ensure that form follows function:
  First clarify what the core, necessary and relevant M&E functions are, and choose the tools to achieve maximum efficiency and effectiveness.

- Design and grow system tools in line with growing human capacity levels.

Recommendations:

1. Use the M&E system development and implementation as an instrument or mechanism of organisational change:
It has been noted that M&E cannot be effective in isolation from other organisational systems. The establishment of the departmental M&E Unit provides an opportunity for a wider organisational change management process. A requirement will be committed leadership from the HOD and senior management.

2. Consider using an adapted logframe approach as the main tool for planning and linking with M&E:
Although the logframe approach is a challenging tool, and has disadvantages, it is the first tool considered here.

The logical framework approach is based on a hierarchy of planning and monitoring levels, from the planning and tracking of inputs such as budgetary expenditure at the lowest level, to the broadest level, where strategic planning must establish the high

level strategic goals or objectives of the department, the evaluation must attempt to assess and measure the impact of the department's work on economic development in the province.

A challenge in monitoring and evaluation of change agencies (organisations that have change or development as their core reason for existence) is that of attribution of agency, or cause for the change: when can the department claim that a change in the economy is due to its influence, or that it caused the change to happen?

The logical framework system begins to deal with this through its hierarchy of levels. High level departmental strategic goals and achievements are approached at the level of broad impact, which may or may not be directly attributable to departmental agency.

At the next level, specific programme and project objectives are set, and the effects or outcomes should be traced through the M&E system. Wherever appropriate and feasible, evidence should be collected to demonstrate the link between the department's influence and the change which occurred. From a managerial perspective, this level in the hierarchy is where the department programmes depend on the responses and actions of roleplayers beyond the direct managerial mandate of the programme or project managers. This is where the M&E system assesses programme or project effectiveness.

At the next level, programme or project outputs are tracked and assessed, and this is where programme efficiency or performance management is focused. This is under the direct management responsibility of management.

Hence, the key motivations or advantages of the logframe approach are:

- The logframe approach does provide a framework for linking activities with high level departmental goals, for both planning and M&E functions.
- This is the only known tool which is designed to facilitate planning, and provides a framework for the reporting and monitoring and evaluation, and hence also provides a basis for learning.
- Being objectives-oriented and potentially client-oriented, the logframe approach can facilitate and strengthen strategic and demand-driven planning.
- The hierarchy of objectives in differentiating between overall goals and specific objectives or intended outcomes begins to address the issue of attribution of responsibility for changes.
- The logframe is in virtually universal use in developmentally oriented agencies globally, including both government, bilateral and non-government agencies.

- The logframe has been in use in the department's LED programme, where it has been found useful, although also challenging in some respects.
- The logframe, in including a level of planning that specifies outputs, should be readily adaptable to align with the planning requirements from the National Treasury.
- The department's M&E Unit already has within it logframe skills, which could be drawn on in training and support for other programmes.

Potential drawbacks and disadvantages of the logframe approach include that:

- Because of its focus towards the high level developmental goals of the organisation, the logframe does not readily accommodate internal institutional planning, processes, M&E and learning. To do this for the DED, the logframe approach has to be adapted.
- In addition to and related to the above point, the logframe does not address the issue of alignment of different systems (such as culture, structure, planning, skills, leadership etc.), in the sense described above.
- Some conceptual understanding and skill is required to use the logframe for planning, and M&E.
- The logframe is designed primarily as a project planning and management tool, hence it needs to be adapted for institutional planning.
- In putting outputs in boxes, the logframe can make it difficult to recognise and plan required processes.

As implied above, the advantages and benefits of the logframe approach can be realised, and the drawbacks and disadvantages can be minimised or mitigated, through the following means:

- Customising the logframe for the DED: for example, the programmes having 'internal' departmental clients (in particular Administration, and part of Economic Planning) need to establish specific objectives that specify the intended internal institutional outcomes at this level. Whereas the 'externally' oriented programmes would be specifying outcomes generally in external client systems at this level.
- Introducing the tools in a planned, phased process over time allowing sufficient time for capacity building. (This is discussed in greater detail below under proposed implementation framework).
- Providing appropriate training and support.

Thus far, however, the proposed tool has not yet adequately addressed the issue and challenge of alignment, in the sense described above.

3. Introduce elements of the balanced scorecard system into the logframe, to address the issue of alignment:

The rationale and key focus areas of the balanced scorecard system (BSC) could be introduced into the logframe, to achieve effective alignment of all key systems, in particular organisational learning. This should be done with due care to not overcomplicate the logframe design and its use.

The balanced scorecard is a measurement-based strategic management and learning system, suitable for both private-sector corporations and government institutions. It provides a method of aligning business activities to the strategy, and monitoring performance of strategic goals over time. The DED operates in a knowledge economy, not a supply-chain economy. The mission success of the DED depends largely on intangible factors like the ideas and innovations of its people in responding to the challenges of supporting economic development. BSC is designed to enable management to perform well in thinking, planning and assessing performance in this environment.

The four generic focus areas of the BSC may be adapted to the DED as follows:[4]

o   High level Departmental Goals: Relate to Provincial Economic Development priorities and goals
o   Client or beneficiary satisfaction
o   Policies, systems, planning, M&E, Finance, HR, Information Management
o   Learning, capacity, skills, growth

In implementing the BSC system, performance indicators would be set for each of the four quadrants. There is no problem with incorporating the first BSC quadrant into the highest level of the logframe: they are essentially the same thing. The other BSC quadrants would be more challenging to incorporate into the logframe, and could possibly be done by different programmes. For example, Administration could take the lead in developing indicators for the Policies, systems, planning, M&E, Finance, HR, Information Management quadrant; while Economic Planning could take the lead in developing indicators for client satisfaction and learning and growth.

The link between organisational and individual performance is represented in the Diagram in Annexure 3.[5]

_____

[4] These are more conventionally for private sector application presented as: Learning and growth; Business process; policies; systems; procedures; structures; Financial profit; revenue and cost-cutting; Client satisfaction.

[5] The BSC has been effectively linked and made complementary to the logframe system in other programmes, for example, by the Australian Evaluation Society, reported in the paper "Adopting the Balanced Scorecard for a Participatory Monitoring and Evaluation of Strategic Organisation Development Programs in the Philippine Public Sector: A Case Study of the Philippines-Australia Human Resource Development Facility", 2006.

In addition to maintaining focus on the alignment of business activities/programmes with higher level strategic objectives/vision/mission, other advantages of this system are:

- The BSC system is complementary to the (currently mandatory) lower-level performance management system.
- Its performance measures and strategic plans can provide rational guidance for resource allocation.
- BSC can be complementary to activity-based costing.

4.2 M&E Design for the DED

The status quo assessment established that processes are currently under way to establish M&E functions at different levels, the main ones being the M&E Unit in the new Economic Planning Programme, the Monitoring, Research and Learning Facility (MRLF) and (on a particular management level) the Project Manager in the Office of the HOD.

The gap analysis found that the respective M&E functions of these different actors in M&E have not yet been clearly elaborated, and that this is an ongoing process in the current period.

On this basis, this is identified as a key issue.

Guiding principles suggested in the development of the M&E design of the department are:

- Determining what is to be monitored: While recognising and designing for compliance with national (e.g. Treasury) requirements, give emphasis to measurement of outcomes and impact, as this tells the department what difference it is making. Exercise careful discrimination in identifying the key strategic and performance parameters, that is what is to be measured in the M&E system. Leave out anything that is not going to generate learning or management information that relates directly with the department's or programme's strategic objectives.

- Differentiate carefully between the core functional systems, and base the design on these systems: e.g:
  - Individual staff performance management
  - Departmental structures and Projects
    - Strategic leadership
    - Financial system
    - Human resources
    - Information
    - M&E
    - And, most importantly for M&E: the Programme System
  - The Client system

- Match M&E functions with respective capacities:
  For example, don't load up a small departmental M&E Unit with tasks that it simply will not have the resources to carry out, for example monitoring impact of LED at district and local municipality levels. (This relates to the similar point made above in relation to overall design of systems for planning, reporting, M&E and learning.)

- Recognise that multi-stakeholder cooperation will be needed for some monitoring functions involving partners.

- Recognise that outcome and impact monitoring is more difficult than output monitoring. A big challenge is determining when change can be attributed to departmental programming; in other words, when can we say that a development outcome or impact is caused by the department's programmes. Also it generally takes time before outcome and impact measures and data can be measured.

- Along with other LED approaches, one potentially useful generic model or framework for planning and assessing outcomes and impact in the client system could be the sustainable livelihoods framework. This involves assessment of the vulnerability context of people and their current asset base, including human, social, financial, natural and physical assets, which through the transforming structures and processes implement livelihood and development strategies to achieve livelihood and development outcomes.

Recommendation:
The department should apply the foregoing guiding principles, and in addition should:

- Consider differentiating M&E functions as follows:

_____

- o The Performance Management Development System should continue to focus on managing and improving individual staff performance.
- o Individual structures and projects of the department should carry out planning, monitoring, reporting and learning functions, using support from the M&E Unit.
- o The Departmental M&E Unit under the new Economic Planning Programme should focus primarily on support for departmental M&E focusing on internal project, programme and institutional outcomes and performance.
- o Outsourcing of specialised M&E functions and support, and in particular evaluation functions. This is required partly for external objective verification. Outsourcing could be for the Monitoring, Research, and Learning Facility (MRLF). External support could focus on supporting the department with outcome and impact M&E, including capacity building.
- o The Project Manager in the Office of the HOD should work closely with the M&E Unit, and should focus on timeous reporting of M&E information to the HOD.

This report will not go into monitoring and evaluation periods, as this is subject to a range of given external requirements and cycles, and can be reviewed as the broader M&E functions and systems are developed.

4.3 Proposed Approach and Framework for Strengthening Departmental Planning, M&E and Learning Systems and Capacity

There is a need for a process in the department, led by the HOD, to initiate, drive and achieve introduction of new M&E systems along with other linked system and organisational changes. Introducing M&E system or method changes without committed leadership and complementary changes in related systems, culture and practices, in particular planning, are destined to fail.

Umhlaba believes excessive reliance on consultants is detrimental to the health and ultimately the performance and sustainability of the department, hence Umhlaba recommends that the department avoid major change management interventions led by consultants. Rather, Umhlaba proposes a balanced and participatory approach in which consultants, leadership and staff work in a complementary and coordinated fashion. As with all organisational change, committed leadership is needed, which is open to and supports change. Hence the change initiatives and processes would be carefully communicated to management, staff and stakeholders.

_____

Umhlaba recommends an overall transformation time frame of two years, applying a gradualistic, phased and incremental approach, as implied by the above analysis and recommendations.

Umhlaba proposes a planned and coordinated process, using a complementary set of methods, including communication, training, hands-on participation in refinement of system design, mentoring, and practice and review. These methods should be applied to each prioritised organisational system, in particular, the planning, M&E and learning systems. Suitably qualified and experienced consultants should work closely with top and programme management in customising the tools and learning how they can be most effectively used in the department and its programmes. This approach would already begin to introduce a shift in organisational culture, as managers receive the necessary support, and are themselves involved in design and systems-level learning.

Umhlaba suggests that the best entry point for introduction of enhanced systems, tools, and capacity is in the planning function. Hence, management would work with consultants to customise the logframe to accommodate the requirements of existing formats and authorities (e.g. the National Treasury). Training would be provided to management and staff using the adapted logframe. Subsequently, all staff becomes involved in applying the customised tools for developing their Annual WorkPlans.

In identifying indicators as part of the planning process, the first elements of the M&E system are developed. Through a similar participatory process, and with engagement by relevant stakeholders like the MRLF, the M&E system would be designed and gradually implemented as their Annual WorkPlans.

As the M&E processes and tasks are engaged, the BSC elements of organisational learning will also make inroads, drawing on the formalised learning systems, and building the informal culture of learning. Reporting systems would also be refined based on the adapted logframe, and implemented during the year.

During the second year, learning would focus on adapting and improving system design and tool application, and consolidating both the formalised institutional systems and the informal qualities of the learning culture.

These proposals may readily be presented in a framework, with outcomes and activities per quarter, hence enabling costing.