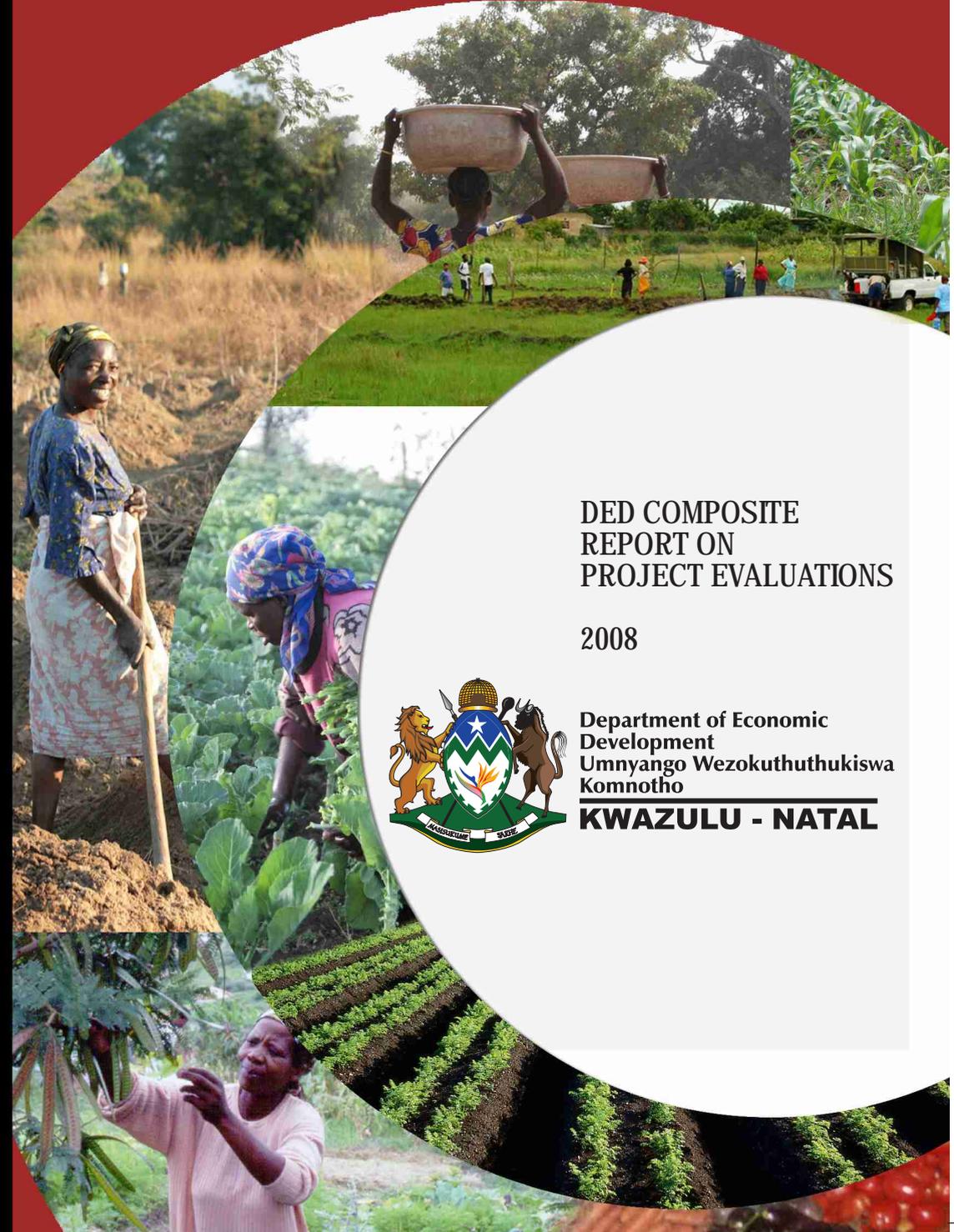


Monitoring and Evaluation Unit



DED COMPOSITE REPORT ON PROJECT EVALUATIONS

2008



Department of Economic
Development
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KWAZULU - NATAL

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ABBREVIATIONS AND ACRONYMS

APP	Annual Performance Plan
ASGISA	Accelerated Shared Growth Initiative of South Africa
BEE	Black Economic Empowerment
B-BBEE	Broad-based Black Economic Empowerment
CBO	Community Based Organisation
DED	Department of Economic Development
DTI	Department of Trade and Industry
ER	Emerging Researcher
EXCO	Executive Committee
GEAR	Growth, Employment and Redistribution
HOD	Head of Department
IBS	Integrated Business Sector
IDZ	Industrial Development Zone
ISRDP	Integrated Sustainable Rural Development Programme
JIPSA	Joint Initiative Programme for Skills Acquisition
JSE	Johannesburg Stock Exchange
KZN	KwaZulu-Natal
LED	Local Economic Development
LMRF	Learning, Monitoring and Research Facility
M&E	Monitoring and Evaluation
MERS	Micro-Economic Reform Strategy
MOV	Means of Verification
NEF	National Empowerment Fund
NGO	Non Government Organisation
NGS	The National Growth Strategy
PGDS	Provincial Growth and Development Strategy
PSEDS	Provincial Spatial Economic Development Strategy
RDP	Reconstruction and Development Programme
SARS	South African Revenue Service
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SMME	Small, Medium and Micro Enterprises
STE	Short Term Expert
UDS	Umhlaba Development Services
URP	Urban Renewal Programme

EXECUTIVE SUMMARY

This composite report on the eight project evaluations conducted by Umhlaba Development Services between November 2007 and March 2008 draws out patterns and themes across the projects and provides analysis and recommendations to the DED. The projects evaluated fall under the Integrated Business Development Services and the Trade and Industry Development programmes.

Key questions in conducting these evaluations have been:

- To what extent is the DED achieving its objectives through each project?
- To what extent is the DED conducting its business in an efficient, effective and sustainable manner?

The evaluations are intended to extract lessons from what is happening in the projects and hence to influence future practice.

The projects reflect a range of economic sectors and functions. Four projects are engaged in manufacturing, either directly or as support bodies. Two projects are involved in agricultural production. There is one service sector entity, which is the Sizathina Financial Services Co-operative. Four of the projects are for institutional strengthening or planning. Most of the projects have been in existence for less than two years. In some cases it is too soon to measure impact, for example in the case of the Big Five False Bay Local Municipality LED Strategy, or the Ezimbuzini Economic Development Node project, which was in the first phase of the project focusing on the situational analysis. Services provided by the DED ranged from funding with limited facilitation in the case of the Ezimbuzini Node Project, to multiple mutually reinforcing facilitation and support roles in the case of the Inyamvubu Co-operative.

A qualitative-based scoring is done of each project's performance against the primary evaluation criteria of relevance, efficiency, effectiveness, impact and sustainability.

Some key overall findings are:

1. The projects evaluated scored highest on relevance, followed by efficiency, with significantly lower average scores on effectiveness, impact and sustainability.
2. Many project shortcomings are related to weaknesses in the DED's project planning.
3. Both DED project management and most partner projects lacked adequate monitoring systems, tools and practices.

4. Inadequate start up stakeholder engagement, communication, consultation and participation by local partners has in some cases led to tensions and slow progress, for example in the Msinga B-BBEE (Broad-based Black Economic Empowerment) Forum and the Big Five False Bay LED Strategy Projects.
5. Phased and differentiated project design and capacity building over the medium to long term is needed to respond effectively to the levels of readiness to use available support found in the targeted beneficiaries and to lead to effective exit strategies with strengthened sustainability of benefits.
6. Effective partnerships were a significant factor in achieving significant cost benefit, while funding amount and source did not necessarily have a bearing on cost benefit. Three projects are noted for the elements of best practice and the models they demonstrate: these are the Inyamvubu Agricultural Co-operative, the Injinga Incubator and the KZN Furniture Cluster Projects. The KZN Furniture Cluster Project has been most effective in achieving its objectives and has the potential for significant beneficial impact. The Inyamvubu Co-operative project contributes towards achievement of many primary national and provincial goals, in particular reducing poverty, job creation (the cooperative has 72 members), capacity building and skills development of marginalised people and broadening participation.



INTRODUCTION

Background of the Evaluation

The Department of Economic Development (DED) contracted Umhlaba Development Services (UDS) to conduct an evaluation of eight selected projects that the DED funded in the 2006/07 financial year. Six projects were identified for evaluation from the Integrated Business Development Services programme and three projects from the Trade and Industry Development programme. A requirement was that the projects should have been in existence for more than 18 months, hence increasing the likelihood that the projects would have sufficient progress to enable useful evaluation. Although nine projects were selected, the service providers were unable to access data for one of the Trade and Industry Development projects; hence only eight individual project evaluations were completed¹.

This composite evaluation report draws out patterns and themes across the individual project evaluations and provides analysis and recommendations to the DED related to the issues identified.

Purpose of Evaluations

Key questions in the conducting of these evaluations have been:

- To what extent is the DED achieving its objectives through each project?
- To what extent is the DED conducting its business in an efficient, effective and sustainable manner?

The evaluations are intended to enable learning from what is happening in the projects and to extract the lessons to inform future practice.

Approach and Methodology

Approach

The evaluations were designed around a number of specific focus areas, which informed the data gathering and analysis and the development of the recommendations.

- The approach to these evaluations was formative in that they assessed the project's outcomes in order to inform their future direction.
- The approach was integrative in that the information was sourced partners and stakeholders who were either beneficiaries or contributors

1.This issue is addressed in separate correspondence between the evaluators and the DED.

- The orientation to this evaluation was both critical and appreciative. The evaluators were seeking to acknowledge the value of the project's current work as well as to highlight gaps and potentials.
- The recommendations presented by the evaluators are intended to enable users of the reports to enhance or change their practices in ways that are sustainable and add value to the work and efforts of their targeted beneficiaries and partner organisations.
- Although a structured questionnaire was developed and used, the interview situations were characterised by further probing. This technique is a relatively fast and thorough way of gathering data and has the important advantage of yielding rich and high quality information.
- The data gathered is both qualitative (in-depth picture of "what is") and quantitative (data that sums up 'how many') in character and consists of the views, opinions and reported experiences and information of the respondents mentioned above and a synthesis of literature that was researched. The information gathered from respondents is treated as confidential.

Research Methodology

Face-to-face interviews were conducted with Project managers from DED, the project stakeholders (in several cases these were officials from relevant municipalities), and project participants.² A questionnaire was developed to extract information about the project backgrounds and profiles, their envisioned impact and their actual outcomes. Finally participants were invited to share their learnings with researchers. The questionnaire served as a useful tool to begin the discussions and to set the parameters for the interviews. Where possible, the questions were translated into isiZulu so that interviewees felt more comfortable and the information gathered was the truest possible reflection of their statements and opinions. The individual interviews were conducted in English whereas the focus group discussions and interviews were conducted in isiZulu.

The projects were visited so that project staff and community stakeholders could be engaged with in situ. One lead researcher and two emerging researchers (Participants in the emerging researcher³ programme) visited each project site: the benefit of this fieldwork method was that the evaluators were able to observe the project and the respondents in a workplace situation that is familiar, unthreatening and unobtrusive from the respondents' perspective. These observations gave the evaluators an overview of

2. Lists of persons interviewed and lists of documents referred to in the evaluations are appended to each report as annexures.

3. Participants in the emerging researcher capacity building programme run by the DED in collaboration with the LMRF.

the limitations, conditions of work and proximity to suppliers, customers, support systems and interest groups related to this project.

In the case of the focus group interviews, it was significant to have the discussion as a group so that people were able to engage with each other, to agree or disagree on perceptions and most importantly, to close any gaps in the conversation and information that the researchers deemed relevant. The focus group discussions were a relevant probing device because they created space for information to be shared and had an added benefit for informal “teaching” or skills transfer to occur. In all cases answers were further interrogated for clarity and unless backed up by documented evidence, views expressed during the interviews should be seen as the personal perception of the interviewee/s.

Environment Scan and Desk Research

In order to frame the backgrounds of the selected projects, the researchers scanned hard copy documents directly related to the history and processes of the projects. These were obtained from the relevant DED Project Managers. Best practice and general data related to broad-based black economic empowerment (B-BBEE) was obtained from the DED website and other relevant Internet sites. The information obtained from these sources is also relevant to informing the recommendations made at the end of this evaluation report. A list of these sources are referenced in this report as.

Limitations

While many DED project staff were co-operative in providing documents and data to the evaluators, the following limitations encountered in the data gathering processes are noted:

- Limited access to documentation. In some cases project planning documentation was obtained several weeks after the evaluation began.
- Delayed access to the contact names and numbers of the stakeholders, noting that the evaluation was to take place within a limited time period and around the 2007 year-end, when informants might not be available.
- Availability of relevant staff members from the Department of Economic Development, for example the Project manager from the Emzamweni Co-operative who oversees eight other projects spread throughout the province, and was seldom found to be in the office and sometimes difficult to reach. In the case of the Msinga BEE Forum Project, the current Project Co-ordinator was clarified with the researchers close to the end of the evaluation process.
- Lack of documented institutional memory, in both projects (such as the Inyamvubu Co-operative) and to an extent in the DED.

- Lack of landline telephone communications, meaning that communications relied on cellular phones, which were generally an asset, but at times, the evaluators did not have access to respondents when their cellular phones were off or when there were network problems.
- Access to project beneficiaries who had discontinued their involvement: in the Injinga Incubator project, for example, it was difficult to trace incubatees who had dropped out of the project.
- There was no baseline information presented for most projects, so the measurement of outcomes and socio-economic impact is dependent on verbal accounts.
- In some cases financial information was lacking. For example, financial information regarding the current financial health of the Emzamweni Agricultural Co-operative was still not forthcoming from the Project Manager by the end of the submission period. Line items purchased for the project and the application of procurement systems of the DED (regarding suppliers) could therefore not be assessed.
- Setting up appointments for interviews and the collection of documentation required long lead times.
- Some project sites were remote, such as the Emzamweni Co-operative, which was accessible only via an overgrown and badly rutted road.

These limitations however did not compromise the findings in the reports, although in some cases they did inhibit the process and sequence of the data gathering.

CONTEXT AND PROFILE OF THE PROJECTS EVALUATED

Context of the Projects

South Africa's economic development agenda

Since 1994, national government had begun to institutionalise redress against past separatist and discriminatory policies and processes, through a wide range of national strategies such as the RDP, GEAR, ISRDP, URP, ASGISA and JIPSA. Since the second national election, a job creation focus has been actively pursued in all three spheres of Government and effective and structured partnerships with all key stakeholders is identified as a central feature to the success of these initiatives.

However, the eradication of poverty through job creation at local level requires active participation and a structured partnership between all local stakeholders, especially local government, traditional leaders, community beneficiaries, CBO's/NGO's and private service providers.

The DED has aligned its priorities with those of the national vision, implemented through the DED's programmes targeting poverty alleviation and accelerating local economic development, financing for the acceleration of B-BBEE, and provision of integrated business support. All of these programmes have the expressed purpose to stimulate the growth and development of areas identified as most suitable to creating employment opportunities, in particular for previously disadvantaged groups and individuals. A fundamental aim of these programmes is to connect communities to opportunities.

All national strategies and programmes promote co-operation with other national agencies such as national and provincial government departments, the National Empowerment Fund (NEF), Khula Enterprise, Umsobomvu Youth Fund, Industrial Development Corporation and SEDA, which are directly linked to the national statutory framework made up of the following policies and legislated programmes:

- Accelerated and Shared Growth Initiative for South Africa (ASGISA): The Deputy President of South Africa formally launched ASGISA in February 2006. ASGISA stemmed from a need to halve unemployment by 2014. To achieve this, South Africa needs to have an economic growth of 6% per annum by 2010. This cannot be achieved if the largest part of South Africa's population is not in the mainstream of the economy. Programmes would have to be put in place to ensure that the marginalized are brought on board. Amongst other things, ASGISA promotes mobilizing and linking co-operatives to resources and the first economy as well as providing them with new skills.
- The Small Enterprise Development Agency (SEDA): SEDA was established in December 2004 in terms of the National Small Business Development Act. It was set up as an agency of the Department of trade and Industry (DTI). It is part of government strategy of ensuring integrated small enterprise development.
- Khula Enterprise Finance Limited (Khula): Khula is an agency of the DTI that was established to facilitate access to credit by Small and Medium Enterprises (SMEs). It also provides mentorship to entrepreneurs in various aspects of managing a business.
- South African Micro Finance Apex Fund (Apex Fund): The Apex Fund was established to address poverty through enhancing access to affordable financial services, institutional and client capacity building and savings mobilization through co-operatives and other formations like co-operatives and burial societies.

- **National Empowerment Fund (NEF):**
The NEF was established by the National Empowerment Fund Act of 1998 to promote and facilitate black economic equality and transformation. The NEF is a funding agency whose objectives include fostering of and support for business ventures pioneered and run by black enterprises, and contributing to the creation of employment opportunities.
- **Batho Pele Principles (People First):** These principles are aimed at promoting transparency of government services and resources by setting standards for service delivery within the public sector and increasing openness and transparency between government and the citizens it serves.

Sector development programmes are aimed in particular at facilitating the processes through which the targeted industries become globally competitive, including through new investment. The provincial sector programmes include as focus areas the advancement of BEE and women's empowerment in the leading industrial sectors in KZN⁴.

The B-BBEE Framework

Prior to 1994, race was used to control access to South Africa's productive resources and access to skills. Since 1994, Black Economic Empowerment was introduced as a government strategy to increase the participation of historically disadvantaged black people in all sectors of the economy. In order to create an enabling environment and empowerment of the previously disadvantaged, the Broad-based Black Economic Empowerment Act of 2003 was adopted with the aim to change economic power relations. This was elaborated for KwaZulu-Natal in the provincial B-BBEE strategy published in 2007.

Based on international learnings⁵, South Africa's approach is that BEE should be inserted at all levels of government as a special focal area in all programmes. BEE is a central requirement, and indeed one of the performance measures in each and every aspect of the Department's activities.



4.Naidoo, 2006, page .

5.The SA model is based on the experiences in Malaysia.

Having BEE as a specific element to direct specific attention and resources to selected interventions, which will aggressively promote Black Economic Empowerment especially in the small business sectors, is an imperative for growing a sustainable economy, and can lead to:

- A meaningful impact in terms of economic growth
- Greater levels of empowerment and job creation
- Builds a stronger partnership between the public and private sectors around specific economic strategies.

The Msinga BEE forum is an example of how legislation and the BEE Act were transformed into an active project at local level.

In addition to the broader statutes, government has also put in place a Broad Based Economic Empowerment Policy Framework. These are informed by the Companies Act, the Promotion of Equality and Prevention of Unfair Discrimination Act No. 52 of 2002 and the Income Tax Act No. 28 of 1997 and the The Micro-Economic Reform Strategy (MERS) of 2002 which was the first strategy to clearly define BEE as a concept encompassing the following key elements:

- Cross-cutting: technology issues, human resource development, access to finance and infrastructure
- Competitive input sectors: transport, telecommunications and energy
- Priority growth sectors: clothing and textiles, mining, metals and minerals, automotives and transport, chemicals, tourism, agriculture, information and communication technology, cultural industries, services and aerospace
- Equity and growth: black economic empowerment, women empowerment, small business development, employment and geographic spread

The KwaZulu-Natal Provincial Agenda for Economic Development

The Provincial Spatial Economic Development Framework

The Provincial Spatial Economic Development Strategy (PSEDS) sets out pillars, priority sectors, critical success factors, required basic services and a spatial framework to guide planning and investment in building the provincial economy. The critical success factors identified by PSEDS are:

- Local level LED planning
- Centralised co-ordination and full time support systems
- Clustering of packages and Investment protocols
- Impact measurement and M&E systems
- Common planning boundaries

This spatial development policy elaborates planning standards that are used in the preparation of several types of plans. These standards are applied to the allocation of land uses such as education facilities, health facilities, shopping, public open space and several other publicly and privately provided facilities. These standards are not only used in the preparation of plans, but also in the evaluation of plans by local and the Provincial authorities.

BEEE in KwaZulu-Natal

This mandate for Black Economic Empowerment for Equity (BEEE) was made tangible in the KZN DED as a cross-cutting issue and as a sub-programme (Economic Empowerment), to ensure that a reasonable number of previously disadvantaged individuals are assisted to access the mainstream economy within the province, either through forming partnerships and/or joint ventures with private companies, or through accessing business opportunities resulting from government's supply chain management framework (SCM).

Since KZN local municipalities are characterised by entrenched gender inequality or racially or ethnically defined wealth disparities which are not likely to be socially and politically stable, the programmes were designed to ensure that markets for BEEE companies' products and services are identified and facilitated, particularly in areas of greatest need.⁶

The BEEE Forums in particular were designed as part of the Provincial Growth and Development Strategy (PGDS) and the DED strategy to alleviate poverty, to create jobs and to fast track economic development in targeted municipalities that have highly vulnerable population strata. In 2006 the DED facilitated provincial colloquia, which identified the need for specific initiatives such as the reconfiguration of the existing Msinga Chamber of Businesses, previously set up by the Local Municipality to support tuck shop owners, into a BEEE Forum.

Targeted strategies to address gender and other inequalities and vulnerabilities

Issues of women empowerment remain neglected at most levels, and especially at the local level. Within the economic mainstream and in society, women are not encouraged to start their own businesses, and for those who do have businesses, most do not get the necessary financial support and mentorship. In response, national and provincial policies and programmes have established equity principles and targets.

6. BEE Strategic Document, 2005.

Overview of the Projects Evaluated

Project Name	DED Programme/Sub-programme	Geographic Location & Municipality	Economic sector/Project features	Number of years/months in operation	Number of beneficiaries	Support provided by DED
Msinga BEEE Forum		Msinga Municipality	BEEE Forum for organised business; focus on SMEs, capacity building, youth, accessing government services, improving access to markets	1.5 years (18months)	Over 57 members	Fact finding research; Stakeholder facilitation & consultation; Accessing information to Msinga BEEE Forum;
Inyamvubu Co-operative	Integrated Business Development Services; Economic Empowerment	Rietlei, near Mooi River; Mpolana Local Municipality; Umgingundlovu District Municipality	Textile & clothing; Co-operative initially producing school uniforms for sale in the area, but expanded to arts and craftwork, agriculture and catering	Established in 2005; around 2.5 years	72 members, 90% of them women	DED facilitated access to business training from Umgingundlovu FET College; Assisted with registration of the co-op; DED assisted with accessing funding of R 1.6 million from Department of Arts & Culture; facilitated exposure to exhibitions, both local & international; DED provides loosely structured mentoring
Injunga Incubator		eThekweni Municipality	Light manufacturing; Joint initiative of UKZN, Centre for Entrepreneurship, and DED; promotes entrepreneurship among youth; incubatees producing toilet rolls	Project was approved by DED in 2003; implementation from around 2005	Previously 25 incubatees; Currently 6 youth incubatees (youth living in eThekweni)	DED has provided funding and stakeholder facilitation, with communities and community leadership.
Big Five False Bay LED Strategy	Integrated Business Development Services; LED	Big Five False Bay Local Municipality; Umkhanyakude District Municipality	Develop an LED strategy in the local municipality, including facilitate the formation of an LED Unit, develop an LED local economic development plan, develop and implement projects and capacitate existing LED staff of the Local Municipality	Approximately 13 months	Big Five False Bay Municipality, with focus on the Development Planning Unit (this has 2 staff members)	Facilitate local stakeholder communications; procure services of a service provider; Limited capacity building support for the municipality staff

DED Composite Report On Project Evaluation

Project Name	DED Programme/Sub-programme	Geographic Location & Municipality	Economic sector/Project features	Number of years/months in operation	Number of beneficiaries	Support provided by DED
Sizathina Financial Co-operative		Springvale at Emakhuzeni under Ubuhlebezwe Municipality, which is part of Sisonke District Municipality; History of faction fighting in the area.	Financial Services Co-operative; aims to provide accessible savings facility to individual members and groups and low interest loans intended for business uses to its members and member groups and co-operatives	SFSC was established in 2000; The training course took 6 days	Training beneficiaries were Board of Directors, tellers of the bank and member groups and co-operatives of the SFSC.	Facilitate access to once-off 6 days' training course
Ezimbuzini Economic Development Node		Ezimbuzini, area in southern part of Umlazi, eThekweni Municipality	Partnership project between DED, eThekweni Municipality's Economic Development Unit, and the South Durban Basin Area Management and Development Programme; Economic Node development; Phase 1 was the situational analysis	3 months	Potentially numerous business people and residents of the Ezimbuzini area, including residents of informal settlements.	Limited facilitation role
Emzanweni Agricultural Co-operative		Louwsberg small town; Abaqulusi Local Municipality; Zululand District Municipality	Agriculture; Registered agricultural co-operative; 5ha of land allocated by Abaqulusi LM; produces tomato & peach jam	1.5 years	- Initially 20 members - Currently 10 members	Technical support & capacity building through SLA; Stakeholder facilitation; handed over project to DAEA
KZN Furniture Industry Association	Trade & Industry Development Sector Development	KZN; Initially eThekweni Municipality	Furniture manufacturing; labour intensive; Cluster links, leverages, accesses funding & capacity building, showcases produce; Elements include incubation, product development, export, industry development, & LED	1 year	Potentially 150 levy paying furniture manufacturers in KZN; 80% of these are small (less than 50 employees); 15% are medium (50 to 199 employees)	Initially DED provided technical assistance role in establishing the cluster; extensive support was provided, including 14 workshops with the cluster CEO in 6 months following his appointment; after cluster establishment DED role is overseeing & monitoring

The projects reflect a range of economic sectors. Four projects are engaged in manufacturing, either directly or as support bodies. Two projects are involved in agricultural production. There is one service sector entity, which is the Sizathina Financial Services Co-operative.

Four of the projects are for institutional strengthening or planning. There were no tourism projects selected.

Most of the projects have been in existence for less than two years. In some of these cases it is too soon to measure impact, for example in the case of the Big Five False Bay Local Municipality LED Strategy, or the Ezimbuzini Economic Development Node project which was in phase one, therefore the evaluations focused on the situational analysis.

Services provided by the DED ranged from funding and limited facilitation as in the case of the Ezimbuzini Node Project, to multiple mutually reinforcing facilitation and support roles in the case of the Inyamvubu Co-operative.

FINDINGS AND ANALYSIS

The presentation of findings and the related analysis and discussions begin with an overview of the key findings per project, and a qualitatively based scoring of the projects against the primary evaluation criteria. This is followed by discussions of the performance against each criterion, and then a discussion of relevant issues and themes explored and highlighted through the evaluation.

Overview of Key Evaluation Findings per Project

The key findings of the project evaluations per project are summarised in the Following table.

Table 2: Summary of Key Findings per Project

Project Name	DED Programme & Sub-programme	Key evaluation findings
Msinga BEEE Forum	Integrated Business Development Services: Economic Empowerment	<p>Roles are not clear between the Forum, LM, and DED project co-ordinator.</p> <p>Tensions exist in the DED's relationships with the LM and the Forum; Local stakeholders perceive deterioration in the relationship with DED from the time of the new DED project co-ordinator's assumption of this position.</p> <p>The Forum does no monitoring.</p> <p>Many project short comings are caused by weaknesses in DED's planning: there are no indicators.</p>
Inyamvubu Co-operative		<p>National, provincial and DED objectives are largely furthered by this project's achievements.</p> <p>The co-operative has shown initiative and innovation, has diversified its product range, expanded membership to new communities, and raised funds from different sources.</p> <p>The project exemplifies elements of good practice as a community-driven, integrated project, with support from a wide range of government stakeholders.</p> <p>The Co-op faces challenges in developing its leadership to match its organisational growth.</p> <p>The Co-op has gaps in regard to monitoring and financial management (it hasn't yet appointed an auditor).</p> <p>The DED project lacks indicator-based systematic monitoring.</p>

Project Name	DED Programme & Sub-programme	Key evaluation findings
Injinga Incubator		<p>The project seeks to test the concept of <i>incubation</i> combined with <i>entrepreneur development</i>, and <i>support services</i>; and with its focus on youth between 18 and 35 years, is a significant and relevant form of intervention in the current socio-economic context.</p> <p>No proper feasibility assessment was done of the machinery purchased for the selected production activities (toilet roll manufacturing), and the sustainability of these activities is threatened due to reliance on technicians from India to service and repair the machines, which were purchased from India.</p> <p>The sustainability of the project is also threatened by its dependence on one funder, the DED.</p> <p>DED should provide support for the proposed NPO that is going to take over the management of the Project.</p> <p>DED should develop a case study of this Project on Incubation Practice in South Africa.</p>
Big Five False Bay LED Strategy	Integrated Business Development Services: LED	<p>The local municipality now has an LED strategy, although this was not yet formally adopted.</p> <p>Inadequate planning and consultation and communication with the client/partner municipality at the project's initiation stage reduced the project's efficiency and effectiveness. There was limited involvement of the municipality in the development of TORs, and limited resources on the part of the LM: this led to conflicting expectations and tensions between DED and the municipality.</p> <p>The project focused on the development of the LED Strategy Plan, at the expense of other areas of the intervention such as the establishment of the LED Unit (a plan for this was produced), and capacity building for the municipality staff. Capacity building has been mainly ad hoc rather than planned and structured.</p>
Sizathina Financial Co-operative		<p>A six-day once-off training short course was delivered as an isolated intervention, with no evidence of a plan for after care support.</p> <p>The skills audit conducted before the training did not lead to any accommodation in the design and delivery of the training, in spite of significant differentiation in the learning levels of different participant groupings (in particular the Financial services Co-operative staff, and on the other hand representatives of the Co-operative's member organisations).</p> <p>There was no linkage with or involvement of the DED Co-operatives sub-programme.</p>
Ezimbuzini Economic Development Node		<p>eThekweni Municipality played the lead facilitation role, while the DED played a funding and limited facilitation role for phase one of the project, which limited the DED's learning from the experience.</p> <p>The overall project design was sound and appropriate, and could be used by the DED as a learning point for area-based LED planning.</p> <p>The planned implementation time frame of one month was not feasible, and this planning weakness led to other implementation difficulties, and the delaying of phase two of the project.</p>

Performance assessments of projects according to primary evaluation criteria

The following assessment of the projects evaluated is informed by a qualitatively based scoring based on the findings of the research. Each project is scored against the primary evaluation criteria of relevance, efficiency, effectiveness, impact and sustainability.

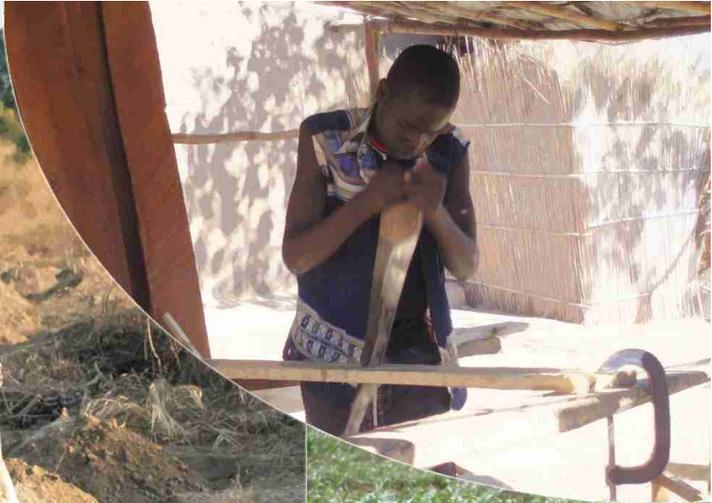


Table 3: DED Projects performance scoring matrix

Project Name	Relevance	Efficiency	Effectiveness	Impact	Sustainability	Overall per project
Msinga BEEE Forum	80	45	30	10	10	35
Inyamvubu Co-operative	100	60	80	60	65	73
Injinga Incubator	100	50	70	65	50	67
Big Five False Bay LED Strategy	100	40	40	20	30	45
Sizathina Financial Services Co-operative	100	75	40	30	30	55
Ezimbuzini Economic Development Node	100	45	80	65	60	70
Emzamweni Agricultural Co-operative	100	70	55	20	15	52
KZN Furniture Industry Association	100	85	95	90	60	86
Overall per criterion	97.5	58.75	60.625	45	40	60.375

Relevance

Relevance is about designing an intervention that responds to a particular context at a given time and targets appropriate people.

The overall score for relevance was very high at 97.5%. Each of the projects' objectives related strongly to socio-economic conditions and needs of communities or identified vulnerable population groupings in the geographic contexts where they were located.⁷

Only in the case of the Msinga BEEE Forum was the score less than 100%. The reason for this relates to a question around the relevance of a design concept built around an organisational concept and structure, with its main identity being the broad BEE principle. The Msinga experience could indicate a critique of the DED's BEE strategy: all of the six objectives (quoted in the Msinga BEEE Forum evaluation report) relate to organisational processes, none of them relate directly to the nitty-gritty of business development.

The DED BEE fact-finding symposiums held in various parts of the province identified challenges facing communities, including the lack of access to business opportunities, unemployment and the lack of capacity and training to engage in business ventures. Subsequently the DED conducted a series of five training sessions with the Msinga BEE Forum, with the training themes including programme introduction, organised business and chambers, stakeholder and strategic partnership formation, information workshops on business registration, legal requirements and related statutory compliances, access to finance and finally basic business management training.

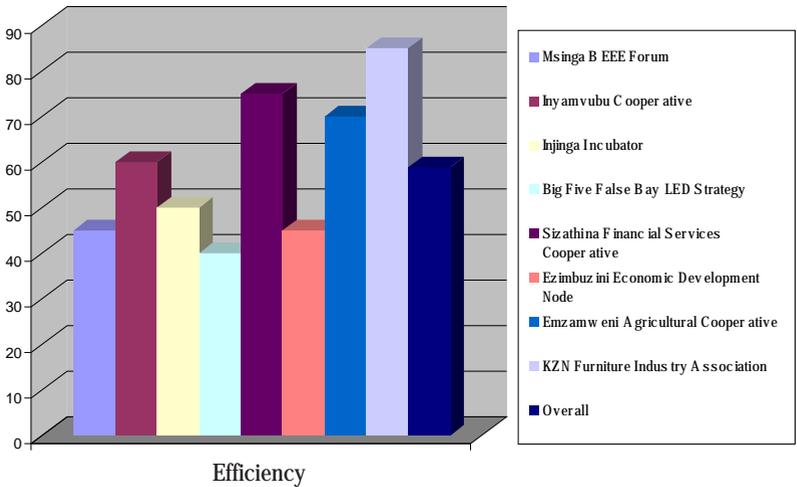
⁷The relevance of each project is analysed in the individual project reports.

It is suggested that BEE should rather be applied as a higher level cross-cutting principle, but that effective support for LED initiatives needs to be more specifically targeted in terms of the beneficiaries, especially the specific economic and commercial input and market linkages and financing realities, and should include sustained capacity building and mentoring support to enable local communities and individuals to break through the constraints and challenges identified.

Efficiency

The *efficiency* of a project is mainly concerned with the use of the project resources (inputs) in order to produce the outputs

Diagram 1: Scoring of projects for efficiency



The overall efficiency of the projects assessed was 58.75%, indicating that in most of the projects there was a relatively efficient application of inputs of funds and DED human and other resources to produce the project outputs (such as contracts managed and capacity building delivered).

In the Furniture Cluster project the co-ordination was excellent, there was a good logframe, with the gap being the application of the MOVs in monitoring. In the Sizathina Financial Services Cooperative, the contracting of the service provider was well managed, but the efficiency was slightly reduced by a 3 month delay.

In the Msinga BEE Forum project, although the DED’s initial engagement with many of the local stakeholders was appreciated by these stakeholders, the engagement and relationship with the local municipality was poor.

In the Ezimbuzini Economic Development Node Project, the main weaknesses were, firstly, that the DED did not structure into its agreements with the South Durban Area Based Management Unit and the Economic Development Unit of the eThekweni Municipality, a systematic framework for review and lesson learning at the outset of the project. Secondly, the planning of the Ezimbuzini phase 1 was unrealistic in setting one month for a wide range of deliverables that included securing stakeholder buy-in to the project.

In the Big Five False Bay LED project, there were weaknesses in the planning, which contributed to failure to implement a structured capacity building for the LED officer, and engagement with the municipality.

Although the Injinga Incubator project was rated as quite effective (rated 70%), its efficiency was compromised (rated 50%) because the Project Steering Committee, which the DED had responsibility for convening, met only twice in two years, in spite of there being many pressing issues needing attention.

In the Emzawweni Agricultural Co-operative, the strengths and weaknesses were the opposite, in that the Efficiency was rated high at 70%, based on the effective accessing of a well-qualified service provider, but the effectiveness was low at 55%.

In the Inyamvubu Co-operative project, there was good stakeholder facilitation, but the efficiency was reduced by weak M&E and mentorship.

Overall, the efficiency of the DED is compromised to some degree by its staff being overstretched, in terms of the relationship between the roles and functions taken on, and the resources deployed. It comes down to the number of projects and the number of staff that the DED takes on. Or it opens the question of strategy, which is explored further below in the discussion on the DED's broader definition of its roles vis-à-vis the roles of other organs of state. In short, it is suggested that the DED could improve both its efficiency and its effectiveness through a redefinition of its roles.

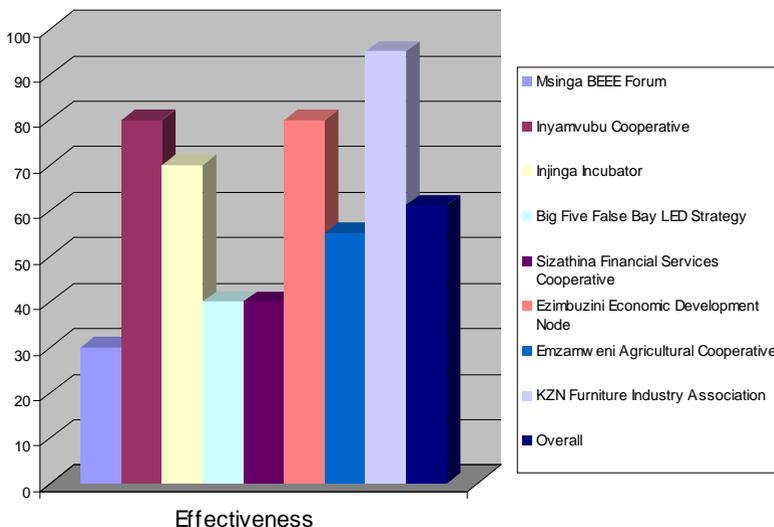
In some cases, but not all, there were delays as a result of inadequate administrative support.

Common weaknesses affecting efficiency were the lack of adequate capacity around planning, and the lack of adequate systems and capacity around M&E.

Effectiveness

The *effectiveness* of a project is based on the extent to which the project has achieved its intended outcomes.

Diagram 2: Scoring of projects for effectiveness



Overall the effectiveness of the projects evaluated is rated quite high at 61%. Some succeeded and some crashed, from as low as 30% for the Msinga BEE project to as high as 95% for the Furniture Cluster project. Hence the average figure can be misleading.

In the Furniture Cluster project, the cluster was effectively established at cluster network and at central institutional co-ordination levels; the first financial audit has been successfully concluded; and proactive initiatives were successful in negotiating favourable arrangements with input suppliers (wood and tools). The model is successful and well demonstrated.

The Inyamvubu project has shown initiative and innovation, diversified its product range, expanded membership to new communities and raised funds from different sources proving it to be highly effective.

Although the Ezimbuzini project cannot yet claim effects in terms of local economic development, phase 1 has been effective in the sense that the objectives were met, since the study was completed and served as a foundation for further allocation of funding by both the DED and eThekweni Municipality for phase 2.

In the Injinga Incubator project, the objective was to test the incubator model, which was done, although the project started with 25 incubatees and ended with 6.

The Emzamweni Co-operative had some good delivery of outputs according to the TOR, but the effectiveness is limited (rated 55%). The orders from the hospital in Louwsberg were not met due to underproduction by the co-operative. In a situation of around 3000 farm workers being displaced, only ten families end up benefiting from the Emzamweni project after 18 months. The once-off training is shown to have been inadequate.

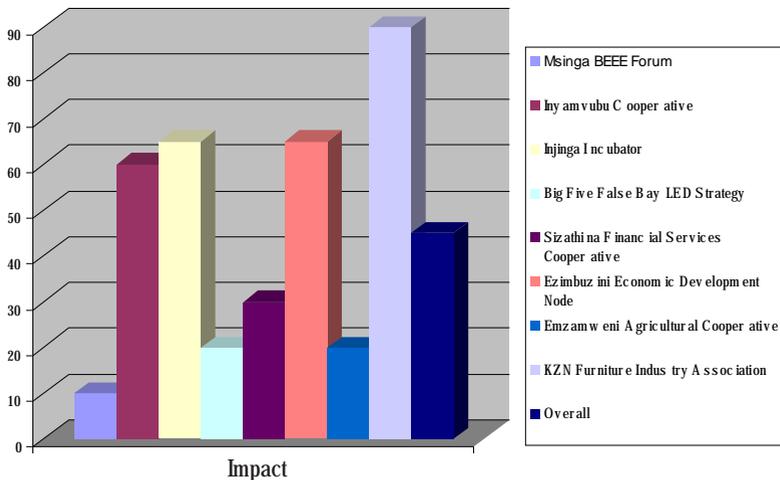
The Msinga BEE Forum is not operational, and the project has effectively stalled, with an under-utilised packhouse and lack of engagement by the local municipality.

The assessment of effectiveness has been constrained by the lack of data, resulting from generally weak M&E systems and practices in project management.

Impact

Impact is the outcome, realised or projected, of the project on the lives of the participants and community in terms of improving their economic livelihoods. In most cases, the projects are too recently implemented for ex-post impact assessment, which should take place no less than a year after project closure. Hence the impact assessments are here 'in-between' and are based on projection of the potential rather than achieved impact.

Diagram 3: Scoring of projects for projected impact



The overall average projected impact is quite low at 45%. Again, the Furniture Cluster project is rated the highest at 90%, with a substantial number of small wood furniture businesses standing to benefit from the furniture cluster.

The Ezimbuzini Economic Development Node, the Injinga Incubator and the Inyamvubu Co-operative projects are rated around 60 to 65% with regard to anticipated impact. The Ezimbuzini project has potential, particularly through its strong situation within the eThekweni Municipality's medium to long term development planning framework. The Injinga Incubator project's potential impact comes from the fact that there are now 6 young entrepreneurs running businesses, with the potential for employing others and a new intake is scheduled. The Inyamvubu Co-operative has 72 members, and if these positions are sustained (or increased) this is a significant contribution towards the DED strategic target of creating jobs.

The anticipated impacts of other projects are rated much lower for a range of reasons. In the Big Five False Bay LED Strategy project, it is not yet clear to what extent the municipality is taking LED on board, and the existing human resources for LED have limitations. The Sizathina Financial Services Co-operative, after the one week's training course in March 2007, is not well positioned for very significant impact, as the staff of the co-operative are still struggling to apply the training and be viable, while the co-operative members are not yet in a position to start and run businesses. The Emzamweni Co-operative has reduced from 20 to 10 older and less educated members within 18 months of operation and has been unable to meet orders for agricultural produce.

The average projected impact of 45% is a cause for concern. The main causes arise from weaknesses in project planning, design and implementation, which are discussed further below.

Sustainability

Sustainability is concerned with the continuation over time of the project's benefit flows after the DED project itself has completed its delivery.

Similarly to the evaluated projects' anticipated impacts, the average rating for the sustainability of the projects evaluated is low at 40%. Even in the case of the two strongest projects, the Furniture Cluster and the Inyamvubu Co-operative, there is the risk of dependence of these organisations on external funding. In the Furniture Cluster the salary of the CEO is still paid by the DED. The Inyamvubu Co-operative has some leadership issues and it has funding for 1 year. The Injinga Incubator has taken steps towards establishing itself as an NPO (Section 21 Company) but it still currently relies on the DED for funding.

The bigger underlying problem is the limited skills base for making businesses work. The DED has identified the need for ongoing skills development and mentorship for Co-operatives. This is an appropriate step for rectifying the underinvestment and weaknesses in planning and delivery of capacity building for co-operatives to date.

Project initiation, design and planning and M&E

The individual project evaluations reported findings under these headings. On the positive side, many of the project evaluations found that there was a high level of engagement with target groups in the initial stages of the projects. However, project initiation weaknesses included weak or inadequate engagement with municipalities, as in the case of the Msinga BEEE Forum Project.

The Sizathina Project suffered from an inadequate skills audit and a failure to identify the training needs of the different groups of participants. The Ezimbuzini Economic Development Node project was unrealistic in the time frame (1 month) for the range of deliverables. The Emzawweni Co-operative Project did not plan adequately for staged and phased long term capacity building, the training given was once-off and was inadequate, considering the evidence of underproduction and low performance by the co-operative.

In some cases, M&E systems have been developed in theory, but were not yet being applied in practice.

For example, with reference to the Msinga BEEE project, the DED has made provision for an effective reporting process in its BEE strategy: the reporting systems should include the two scorecards listed in the new strategy, namely the KZN Public Sector Scorecard and the generic Scorecard proposed by the B-BBEE Codes of Good Practice.⁸ The scorecard measurements would be periodically reported to the Provincial Legislature, the BEE Advisory Council and Cabinet through the Head of Department. At the time of this evaluation the scorecards were not implemented and this reporting had not yet been recorded.

Many of the DED projects either had no indicators set, some had no logframes, or the logframe elements were not applied (Furniture Cluster, MOVs). Similarly, many of the client/partner projects lacked proper M&E systems and practices.

Budgets reflect costs for auditing but rarely for external evaluations, however, it is noted that the DED have budgets in place for external evaluations such as the current one.

Project implementation

DED's Facilitation Role

The DED processes during the initial phases of the evaluated projects included a feasibility study, sector scan/status quo analyses, setting up of the working groups/project steering committees, supporting the development of LED plans and generally included the local municipality and interested community participation if applicable.

8. The National Scorecard of 09, February 2007.

Challenges that the DED faces in its facilitation role include the silo-ed nature of the work conducted by the various programmes and sub-programmes, which has resulted in minimal cross-subsidization and cross-participation in individual projects. For example, the BEE and SME/Co-operative sub-programmes played no role in the formulation, implementation or monitoring of Trade and Industry Programme projects evaluated.

The potential benefits of this integration include cross-subsidisation of various components of the project by different sub-programmes, exchange of ideas and improved services to the projects. For example, if DED was supporting a municipality to develop an LED strategy, the Economic Empowerment sub-programme could come in to explore opportunities of SME and 'Co-operatives' development. For example, in the Big Five False Bay Municipality, the major industries are still in the control of whites; in the process of developing an LED strategy, the BEE could input on how BEE could be supported in that specific municipality.

There is currently no adequate space in the DED for peer review within the DED (sub-programmes reviewing each other's work) and this stunts internal learning opportunities.

The understanding of key concepts and strategies by DED project staff tends to be strategically and geographically narrow. For example, the BEE projects focus more on black ownership, rather than creating greater co-operation between larger and smaller businesses, or creating opportunities for small black owned companies to obtain equity. If larger companies are not actively sought to do technology transfer and diffusion to SME's/Co-operatives, the rate of SME/Co-operative closure becomes a major threat to the achievement of the targets set by the department.

The project interventions from DED rarely include support beyond the initial phases. This point is key: the 'ladder of opportunities and support' concept needs to be fully developed in the DED's approach to programme and project design, planning and delivery of facilitation and capacity building support, based on the level of readiness of targeted beneficiaries to effectively utilise the support made available. The ladder can range from support for excluded individuals and groups not currently active in the economy, to basic skills training and support in accessing finance to become active, to incubator support and to support for those already established through brokering of partnerships. The facilitation and resourcing roles should in most instances be linked with ongoing monitoring of the beneficiary projects.

A weakness found in all projects evaluated was that they did not have a clearly defined exit strategy/plan with deliverables and a timeframe for this. Staff showed uncertainty about how and at which point, the DED should exit the process, as for

example in the Furniture Cluster project. This reflects a weakness in planning and setting of indicators for an exit strategy. By not communicating clearly from the early stages of engagement when and how the DED would be exiting, the engagement could create a false sense of security within the beneficiary project and a lack of preparation for when exiting does take place.

DED's Capacity Building Role

In many instances there was a high level of consultation at the initiation of capacity building processes. In the Furniture cluster project, members of the community/industry were invited to workshops and meetings to discuss the idea and the value of implementing such a cluster. This community participatory model is proactive and guarantees buy-in from all stakeholders from the inception phase of the project.

Training is a component of all the projects evaluated and it plays an important role in addressing the skill disadvantages in the SME/Co-operatives and BEE through targeted and sector specific training. This is directly linked to the scarce and critical skills focus required by national government.

A challenge for DED's capacity building work is the high rate of attrition (members discontinuing the training). For example, in the first incubation training in the Injinga Incubator project, 13 companies were identified for training, 10 started, and only 3 completed. No assessment was done to determine the reasons.

The biggest weakness identified in DED's capacity building work is the inadequate phased and differentiated approach over the medium term. Skills training was too often done as a once-off activity, with no follow up plan or sustained and incremental capacity building programme, using a variety of capacity building methods such as skills training workshops and mentorship.

Establishing and maintaining linkages with the civil society sector is also a challenge. After initiating an intervention, the department needs to look at how civil society organizations can continue the work and fill the staffing gaps that DED currently has.

DED's Resourcing Role

DED has set criteria for the scoping and planning phases of the projects, and has capped funding at R200 000. This is adequate and the Business Plans and Logical Frameworks produced by most of the service providers have generally been of an acceptable quality.

The DED provides medium to long-term financing of salaries for key personnel in projects (CEO and Administrators' salary) for a predetermined period, with the intention for projects to have a definite timeframe in which to become self-sustainable.

Project managers do link projects to other funding sources, such as Gijima, CAP and Ithala. The DED has provided non-financial inputs such as machinery, seed, farming implements and vehicles. In some cases, there have been applications for SETA discretionary funds for specific projects.

In some cases, the line item information was not forthcoming from Project Managers, hence it was difficult to assess the processes of procurement of goods (for example, the purchase of farming implements). Record keeping at community level and in some project teams, were weak or non-existent.

Contract management of service providers

The scoping and planning stages of project preparation are generally outsourced to service providers who have sector specific knowledge and expertise. The Business Plans and Logframes developed are generally of a high quality.

The main limitation found was where the outputs of service providers did not lead to sustained and significant benefits, as for example in the Emzaweni Co-operative. The service provider apparently delivered outputs of a reasonable standard, but the results were disappointing. This indicates a weakness in project design and drawing up of the Terms of Reference.

Project Costs

The costs of the projects evaluated are given below, per sub-programme.

Integrated Business Support

Project Name	Cost	Source of Funds
Injinga Incubation and Entrepreneurial Development Centre	R 2 162 692	DED
Inyamvubu Co-operative	R 1 600 000.00	Department of Arts and Culture (DAC)
Msinga BEE Forum	R 300 000.00	DED

Total, Integrated Business Support: R 2 462 692.00 (excluding the funding from DAC).

LED

Project Name	Cost	Source of Funds
Big Five False Bay LED Strategy	R 190 000.00	DED
Ezimbuzini Economic Development node: Phase One	R 150 000.00	DED
Support to Sizathina Financial Services Co-operative	R 97 000.00	DED

Total, LED sub programme: R 437 000.00

Trade and Sector

Project Name	Cost	Source of Funds
Agribusiness: Emzamweni Community Project	R 595 650.00	DED
Furniture Cluster	R 1 870 000.00	DED

Total, Trade and Sector sub programme: R 2 465 650.00

The overall total expenditure on these eight projects is therefore R 5 365 342.00.

In the table below, the scores from the scoring matrix above for effectiveness and impact are combined as an average as a single score of benefits of the projects. It is not possible to correlate these figures precisely or to draw precise conclusions about cost benefit based on these figures, as the scores are very rough.

Table 4: Project benefits compared with project costs

Project Name	Effectiveness & Impact	Cost
Msinga BEEE Forum	20	300,000.00
Inyamvubu Cooperative	70	1,600,000.00
Injinga Incubator	67.5	2,162,692.00
Big Five False Bay LED Strategy	30	190,000.00
Sizathina Financial Services Co-operative	35	97,000.00
Ezimbuzini Economic Development Node	72.5	150,000.00
Emzamweni Agricultural Co-operative	37.5	595,650.00
KZN Furniture Industry Association	92.5	1,870,000.00

The figures do suggest the value of partnership seen in the Ezimbuzini partnership project with a smaller investment leveraging higher order beneficial outcomes, as against the risks of a weakly linked project like the Emzamweni Co-operative project.

Assessment per DED Programme/Sub-programme

The scoring shows Economic Empowerment and the LED sub-programmes, under the Integrated Business Development Programme, scoring at a similar level and the Trade and Industry Development Programme projects averaging slightly higher, but these figures are not useful as the sample is too small and uneven across all of the parameters and projects.

Partnerships and the DED's role vis-à-vis other organs of state

Three of the projects evaluated were partnership projects, namely the Ezimbuzini Economic Development Node, the Injinga Incubator, and the Big Five False Bay LED projects. In the Injinga Incubator project the partner was the Centre for Entrepreneurship (CFE). The DED provided funding and guidance for the project, while the CFE provided project management, training and mentorship. In the Big Five False Bay project, the DED provided funding, contracting of a service provider and guidance including stakeholder management (i.e. for the municipality and the service provider), while the Big Five False Bay Municipality as the beneficiary provided input into the LED strategy. In the Ezimbuzini Economic Development Node Project, the DED provided funding, while eThekweni Municipality provided project management and stakeholder management.

Two of these projects were found to be quite effective (Injinga and Ezimbuzini). However in all three, the partnerships were not well balanced. In the two eThekweni-based projects (Injinga and Ezimbuzini), the DED had a primary funding role, while in the Injinga project the DED had a more substantial facilitation role as compared with the Ezimbuzini Project. In the more remote situation of the Big Five False Bay Municipality, the municipality was under-resourced and hence was a weak partner. The evaluations found difficult dynamics and relationships between the DED and local government in a number of cases. In Msinga the relationship with DED was tense and dysfunctional.

The question of the capacity of the DED to plan and implement increasing numbers of projects over time raises the question of the number of staff needed to implement the projects, or alternatively it raises the question of the DED's approach. Clearly the DED has pursued partnerships as a means of leveraging funding and resources and for increasing sustainability. However, the mindset of DED project managers is most often one of implementing projects rather than one of facilitating processes in conjunction with development partners who will carry the greater support roles going forward following the DED's exit. This approach encourages conflict or confusion around roles rather than effective partnering.

Facilitating processes within a balanced and strategically framed partnership framework can more adequately and strategically respond to the requirements of phased developmental processes over the medium to long term.

RECOMMENDATIONS

Planning

Project Managers and staff should be involved in capacity building to enable them to play a more active role in developing the Annual Performance Plan (APP). This should include intensive training in the components of the Project Cycle and in planning tools, such as underlying principles of the logframe, and how to develop

good performance and outcome indicators. Outcome indicators should be introduced into the APP.

For project managers and staff engaged in support for enterprises and co-operatives, training should be given to enable effective identification and planning of phased support and capacity building processes. This should be based on adequate assessment and the matching of required start up skills for participant capacities at inception, with adequate participant retention and exit strategies.

Participatory planning with key stakeholders can play an important role at the design phase, and especially if the project stalls. For example, in the case of the Msinga BEEE Forum project, there is a need for a strategic planning process involving the DED, the Forum and the Msinga Municipality to develop a common understanding for the direction of the Msinga BEE Forum project to take, in the light of the new DED BEE strategy.

DED's Facilitation, Capacity Building Roles and Exit Strategies

The DED should:

- Move away from once-off skills training
- Clarify the DED's project exit strategies and plan in the planning phases of the project and communicate this to all stakeholders at inception
- Institute an annual peer review system and link it to the Performance Management System of the department.

To address project member attrition, the DED should put in place a risk-management monitoring tool that assesses why people leave the project and over time build up a trend analysis. Based on this, project planning should be adjusted and contingency plans put in place.

DED's Resourcing Role

Project Managers should:

- Put in place stringent systems of keeping records for their own projects
- Train community partners on how to maintain records and present results
- Use the recently instituted improved online IT-based projects database and when it becomes available, use the new IT-based Project Information Management system.

Monitoring and Evaluation

DED staff need training on how to develop performance and outcome indicators and Means of Verification (MOV) and collect and collate data for reporting.

DED external evaluations should be scheduled to take place from one to two years after project implementation.

Partnerships

The DED should follow a process of establishing or strengthening partnership principles, so that roles are clarified and formalised (based on the relative and positional strengths of the partners) and exit strategies are spelled out, at the outset of the intervention.

The DED should strengthen its partnership approach, as a fundamental strategic principle, hence enabling effective management of:

- *efficiency* aspects (number of projects vs. number of project staff)
- *effectiveness* (synergies to achieve objectives over different phases of the intervention)
- *sustainability* (take over of responsibility for further support roles by relevant sector departments or local government).

The DED should strengthen its relationship with civil society role players, and where appropriate help to build their capacity to take over support roles to emerging SMEs and co-operatives when the DED exits. Where appropriate, the DED should include civil society organisations in the exit plan and get long term buy-in from them.

Implementation of PSEDS Policy on Critical Success factors

Many of the above issues and challenges could be addressed if DED staff gave more attention to applying the PSEDS critical success factors, which are:

- Local level LED planning, centralised co-ordination and full time support systems
- Clustering of packages and Investment protocols
- Impact measurement and M&E systems
- Common planning boundaries.

NOTES