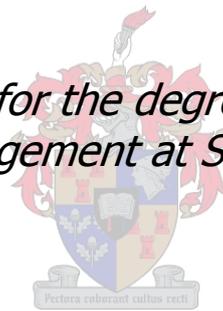


# **Improving the systematic evaluation of local economic development results in South African local government**

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*Dissertation presented for the degree of Doctor of Public and Development Management at Stellenbosch University*



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Prof Fanie Cloete

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## Declaration

By submitting this dissertation electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the authorship owner thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

Signature: ..... Date: .....1 March 2011.....

## **Abstract**

Evidence-based policy making and results-based management aim to improve the performance of organisations, policies and programmes by enabling the accurate measurement of progress and results required for management and policy decisions. Within the notion of the developmental state, 'Local Economic Development' (LED) uses the development planning and implementation capacities of local government to accrue economic benefit to the locality with the aim of addressing development problems such as unemployment, poverty and market failure at the local level. While promoting the economic welfare of citizens is a critical objective of local government, the absence of specific indicators for LED measurement hampers their ability to successfully determine whether their efforts are achieving the expected results.

The aim of this dissertation is to promote the systematic and committed evaluation of the results of LED interventions in South African local governments. As such, it provides guidelines for an outcomes-based monitoring and evaluation (M&E) system for LED in South Africa and presents a framework of generic outcome and output indicators for alternative LED interventions within the context of public sector monitoring and evaluation.

The dissertation commences with an overview of the history of evaluation research, the conceptualisation of 'Monitoring' and 'Evaluation', and a categorisation of the alternative approaches to evaluation. It further explores best practices in instilling M&E in organisations, policies or programmes through guidelines for the development of M&E systems; designing and conducting evaluation studies; presenting findings; and developing indicators. This later provides a basis for exploring challenges in the evaluation of LED and proposing guidelines for an outcomes-based LED system. The policy framework of public sector M&E in South African government is explored before recommendations are made on the basis of good practice guidelines from the selected international systems and the World Bank. The concept 'local economic development' is contextualised and its manifestation in South African policies and practice explored to demarcate the roles of various role players, but local government in particular, in promoting LED.

A review of LED-related literature produced a comprehensive list of potential LED interventions. These interventions were categorised into business development, locality improvement, community development, or improved governance interventions. Specific programmes and projects from practice were summarised within each intervention. For each of the identified LED interventions, generic outcome statements and objectives are formulated, followed by concrete contextual output and outcome indicators. The developed indicators are partly derived from existing indicators used to measure development results, but primarily developed from the implied end result captured in the objectives and outcome statements of each intervention. The LED indicator framework was reviewed by selected M&E and LED experts for final refinement and comments.

The systematic evaluation of LED results based on well-designed evaluation studies that incorporate the strengths of the various approaches to M&E can enable the identification of the most promising, best return-on-investment LED interventions, as determined by the real, accurate results of these interventions. This can improve strategic policy and management decisions so as to maximise the limited available resources for LED and ensure the greatest positive economic and social development impact.

## Opsomming

Bewysgedrewe beleidmaking en uitkomsgerigte bestuur is daarop ingestel om die prestasie van organisasies, beleide en programme te verbeter, deur dit moontlik te maak om die vordering en resultate soos benodig vir bestuur en beleidsbesluite akkuraat te meet. Binne die konteks van die ontwikkelingstaat, maak 'Plaaslike Ekonomiese Ontwikkeling' (LED) gebruik van die ontwikkelingsbeplanning en implementeringskapasiteit van plaaslike regerings om ekonomiese voordele vir die lokaliteit te bevorder en sodoende werkloosheid, armoede en markmislukking op plaaslike vlak aan te spreek. Alhoewel die bevordering van die ekonomiese welvaart van burgers 'n kritiese doelwit van plaaslike regerings is, word plaaslike regerings se vermoë om met sekerheid te bepaal of die gewenste resultate deur aksies bereik is, deur die afwesigheid van spesifieke aanwysers vir die meting van LED belemmer.

Die doel van hierdie proefskrif is om sistematiese en toegewyde evaluering van die resultate van LED-intervensies in Suid-Afrikaanse plaaslike regerings te bevorder. As sulks, verskaf dit riglyne vir 'n uitkoms-gerigte stelsel vir die monitering en evaluering (M&E) van LED in Suid-Afrika, sowel as 'n raamwerk van generiese uitkoms- en uitsetaanwysers vir alternatiewe LED-intervensies binne die konteks van openbare sektor monitering en evaluering.

Die proefskrif begin met 'n oorsig van evalueringsnavorsingsgeskiedenis, die konseptualisering van 'Monitering' en 'Evaluering' en kategorisering van verskillende benaderings tot evaluering. Dit verken beste praktyke vir die daarstelling van M&E in organisasies, beleide of programme, om daardeur spesifieke riglyne vir die ontwikkeling van M&E-stelsels, die ontwerp en implementering van evalueringstudies, die aanbieding van bevindinge en die ontwikkeling van aanwysers te spesifiseer. Hierdie dien as 'n basis vir die latere verkenning van die uitdagings in die evaluering van LED en die daarstel van riglyne vir 'n uitkoms-gerigte LED-stelsel. Die beleidsraamwerk vir M&E in die Suid-Afrikaanse openbare sektor word verken voor voorstelle ter verbetering gemaak word aan die hand van die beste praktyk riglyne van geselekteerde internasionale stelsels, asook die Wêreldbank. Die konsep 'plaaslike ekonomiese ontwikkeling'

word gekontekstualiseer en die voorkoms daarvan in Suid-Afrikaanse beleid en praktyk word verken om sodoende die rol van verskillende rolspelers, maar veral plaaslike regering, in die bevordering van LED te onderskei.

'n Oorsig van LED-verwante literatuur lewer 'n uitgebreide lys van potensiële LED-intervensies. Hierdie intervensies word gekategoriseer as besigheidsontwikkeling, lokaliteitsverbetering, gemeenskapsontwikkeling of verbeterde regeringswyse intervensies. Spesifieke programme en projekte uit die praktyk word as voorbeelde van elke intervensie aangehaal. Vir elk van die geïdentifiseerde LED-intervensies word generiese uitkoms- en uitsetstellings geformuleer, gevolg deur konkrete, gekontekstualiseerde uitkoms- en uitsetaanwysers. Die aanwysers is tot 'n mate afgelei van bestaande aanwysers wat aangewend word om ontwikkelingsresultate te meet, maar is hoofsaaklik ontwikkel uit die geïmpliseerde eindresultaat soos vervat in die geformuleerde doelwitte en doelstellings vir elke intervensie. Die ontwikkelde aanwyserraamwerk wat ontwikkel is, is verder verfyn op grond van terugvoer vanaf geselekteerde deskundiges op die gebied van M&E en LED.

Die sistematiese evaluering van LED-resultate gegrond op goed-ontwerpte evalueringstudies, inkorporeer die sterk punte van verskeie benaderings tot LED, bevorder die identifisering van die mees belowende en lonende LED-intervensies soos bepaal deur die werklike, akkurate resultate van hierdie intervensies. Hierdie kan 'n bydrae tot verbeterde strategiese beleids- en bestuursbesluite lewer en sodoende die beperkte beskikbare hulpbronne vir LED maksimeer en die grootste positiewe ekonomiese en sosiale ontwikkelingsimpak verseker.

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## Table of contents

<b>Declaration</b> .....	<b>ii</b>
<b>Abstract</b> .....	<b>iii</b>
<b>Opsomming</b> .....	<b>v</b>
<b>Acknowledgements</b> .....	<b>vii</b>
<b>Table of contents</b> .....	<b>viii</b>
<b>List of Tables, Figures and Boxes</b> .....	<b>xiv</b>
<b>List of key terms and abbreviations</b> .....	<b>xvi</b>
<b>Chapter 1 Rationale and introduction to the study</b> .....	<b>1</b>
1.1 Introduction .....	1
1.2 Research problem and objectives .....	11
1.3 Research design and methods.....	12
1.4 Overview of chapters .....	14
1.5 Summary and conclusion to Chapter 1.....	16
<b>Chapter 2 Competing evaluation approaches to assessing public and municipal programme outputs and outcomes</b> .....	<b>17</b>
2.1 Introduction .....	17
2.2 The origins of the evaluation discipline .....	19
2.2.1 Evidence-based policy-making .....	20
2.2.2 Advances in social research methods.....	23
2.3 M&E concepts and terminology .....	26
2.3.1 Monitoring and evaluation defined .....	26
2.3.2 Purposes of M&E .....	32
2.3.3 Evaluation foci and benefits.....	36
2.3.4 Monitoring and evaluating for results.....	38
2.4 Evaluation theory: A classification system .....	42
2.4.1 Evaluation approaches based on scope.....	46
2.4.1.1 Evaluation of interventions .....	46
2.4.1.1.1 Systemic evaluation .....	46
2.4.1.1.2 Policy evaluation .....	47
2.4.1.1.3 Programme monitoring and programme evaluation.....	47
2.4.1.1.4 Community evaluation.....	49
2.4.1.1.5 Product evaluation .....	49
2.4.1.1.6 Evaluation study .....	49
2.4.1.2 Evaluation of parts of an intervention .....	50
2.4.1.2.1 Input evaluation .....	50
2.4.1.2.2 Process evaluation .....	50
2.4.1.2.3 Output evaluation .....	51
2.4.1.2.4 Outcome evaluation .....	51
2.4.1.2.5 Impact assessment .....	52
2.4.1.2.6 Integrated evaluation .....	53
2.4.2 Evaluation approaches based on a distinct philosophy.....	53
2.4.2.1 Theory-driven evaluation approaches .....	54
2.4.2.1.1 Clarification evaluation .....	54
2.4.2.1.2 Realist or realistic evaluation.....	56
2.4.2.1.3 Cluster evaluation .....	58

2.4.2.1.4	Illuminative evaluation .....	58
2.4.2.1.5	Goal-free evaluation .....	58
2.4.2.2	Participatory evaluation approaches .....	59
2.4.2.2.1	Responsive evaluation .....	60
2.4.2.2.2	Naturalistic, Constructivist or Fourth-generation evaluation.....	62
2.4.2.2.3	Utilisation-focused evaluation.....	63
2.4.2.2.4	Appreciative and Evaluative inquiry .....	65
2.4.2.2.5	Critical theory evaluation .....	67
2.4.2.2.6	Empowerment evaluation .....	68
2.4.2.2.7	Democratic evaluation .....	68
2.4.3	Evaluation design .....	70
2.4.3.1	Quantitative approaches.....	71
2.4.3.1.1	Experimental design.....	72
2.4.3.1.2	Quasi-experimental evaluation .....	72
2.4.3.2	Qualitative approaches.....	74
2.4.3.2.1	Surveys.....	75
2.4.3.2.2	Case study evaluation .....	75
2.4.3.2.3	Interviews .....	76
2.4.3.2.4	Participatory action research (PAR).....	76
2.4.3.3	Mixed-Method approaches.....	77
2.4.4	Synopsis .....	78
2.5	Summary and conclusion to Chapter 2.....	79

## **Chapter 3 Applying M&E concepts: Developing systems and indicators . 85**

3.1	Introduction .....	85
3.2	M&E as an advanced management function .....	86
3.3	Designing an M&E system .....	90
3.3.1	Designing a results-based M&E system.....	91
3.3.1.1	Conducting a readiness assessment to assess the institutional capacity and political willingness to monitor and evaluate goals .....	93
3.3.1.2	Agreeing on outcomes to monitor and evaluate.....	94
3.3.1.3	Selecting key indicators to monitor outcomes.....	95
3.3.1.4	Baseline data on indicators.....	96
3.3.1.5	Planning for improvement and selecting targets .....	96
3.3.1.6	Monitoring for results.....	97
3.3.1.7	The role of evaluations.....	100
3.3.1.8	Reporting findings .....	101
3.3.1.9	Using findings .....	104
3.3.1.10	Sustaining the M&E systems within the organisation.....	105
3.3.2	Problems with M&E systems .....	108
3.3.2.1	Problems with data and information .....	108
3.3.2.2	Institutional problems .....	108
3.3.2.3	Resource constraints.....	109
3.3.2.4	Problems with the M&E design.....	109
3.3.3	Characteristics of effective M&E systems .....	110
3.3.3.1	Appropriate M&E design to ensure the availability of useful information.....	110
3.3.3.2	Committed leadership to generate and use M&E information .....	111
3.3.3.3	Attentive management to implement and maintain the system ....	111

3.3.3.4	Capacitated, motivated staff to operate the system .....	112
3.3.3.5	Participation in the M&E system .....	113
3.4	Components of evaluation studies .....	113
3.4.1	The evaluation problem, questions and goals .....	115
3.4.2	Evaluation design and methods.....	116
3.4.3	Evaluation models.....	119
3.4.3.1	Logframes, or Logical Framework Analysis .....	120
3.4.3.2	CIPP Model .....	122
3.4.3.3	Objectives-based evaluation .....	123
3.4.3.4	RealWorld Evaluation Approach .....	123
3.4.3.5	Kirkpatrick's four-level evaluation model .....	123
3.4.3.6	Feasibility studies .....	124
3.4.3.7	Rapid rural appraisal .....	124
3.4.3.8	Impact assessment .....	124
3.4.3.9	Cost-benefit analysis .....	125
3.4.3.10	Cost-effectiveness analysis .....	125
3.4.3.11	Evaluability assessment.....	126
3.4.4	The evaluation report.....	126
3.5	Selecting and developing indicators: the heart of the M&E system .....	129
3.5.1	Clarifying the programme theory.....	131
3.5.2	Types of indicators .....	133
3.5.3	Selecting from pre-designed indicators .....	140
3.5.4	Refining indicators .....	142
3.6	Summary and conclusion to Chapter 3.....	146
<b>Chapter 4 The policy framework for public sector M&amp;E in South Africa</b>		<b>152</b>
4.1	Introduction .....	152
4.2	International M&E systems and best practice guidelines .....	154
4.2.1	Australia .....	154
4.2.2	Canada .....	156
4.2.3	Chile.....	156
4.2.4	Colombia .....	157
4.2.5	Malaysia.....	158
4.2.6	Mexico .....	158
4.2.7	Poland's Rural Development Programme.....	159
4.2.8	Uganda.....	160
4.2.9	United Kingdom.....	160
4.2.10	United States of America .....	161
4.3	Emerging policy framework for M&E in South Africa.....	162
4.3.1	The Constitution of South Africa.....	163
4.3.2	The Batho Pele White Paper of 1997 .....	166
4.3.3	Policy Framework for the Government-wide Monitoring and Evaluation System (GWM&ES) .....	167
4.3.4	National Treasury Framework for Managing Programme Performance Information (May 2007) .....	169
4.3.5	Stats SA South African Statistics Quality Assurance Framework (SASQAF), First and Second Edition.....	171
4.3.6	National Indicator Initiative .....	173
4.3.7	Green Paper on National Performance .....	174

4.3.8	Public Service Commission's Guide on Basic M&E Concepts .....	174
4.4	Local government legislation for performance monitoring and evaluation.	176
4.4.1	The White Paper on Local Government of 1998 .....	176
4.4.2	The Municipal Structures Act of 1998 .....	177
4.4.3	The Municipal Systems Act of 2000 .....	177
4.4.4	The Performance Management Regulations of 2001 .....	179
4.4.5	The Municipal Finance Management Act of 2003 .....	181
4.5	South Africa's system: strengths, weaknesses and recommendations .....	181
4.6	Summary and conclusion to Chapter 4.....	190

<b>Chapter 5 Promoting local economic development: the role of government .....</b>	<b>196</b>	
5.1	Introduction .....	196
5.2	The changing role of the state .....	197
5.3	Local economic development .....	205
5.3.1	The need for local economic development .....	206
5.3.2	Alternative objectives of LED .....	209
5.3.3	LED misconceptions and problems in practice .....	216
5.3.4	LED stakeholders and role players.....	221
5.4	LED policy framework in South Africa .....	226
5.4.1	Overview of LED policies and legislation .....	227
5.4.1.1	National economic development policy framework.....	227
5.4.1.2	The policy framework for developmental local government.....	230
5.4.1.3	The policy framework for local economic development.....	233
5.4.2	Three spheres of government: Roles and responsibilities.....	243
5.4.2.1	Role of national government.....	248
5.4.2.2	Role of provincial government.....	255
5.4.2.3	Role of local government.....	257
5.4.2.4	Role of private and non-governmental role players .....	263
5.4.2.5	Proposed improved role division for LED by various role players ..	265
5.5	Summary and conclusion to Chapter 5.....	268

<b>Chapter 6 Local Economic Development Interventions.....</b>	<b>274</b>	
6.1	Introduction .....	274
6.2	Classification of LED interventions .....	276
6.3	Four categories of LED interventions .....	283
6.3.1	Business and market development interventions .....	284
6.3.1.1	Intervention 1(A): Advise and support existing businesses .....	284
6.3.1.1.1	Providing technical assistance to businesses.....	284
6.3.1.1.2	Procurement policies and 'buy-local' campaigns.....	288
6.3.1.2	Intervention 2(A): Attract, advise and support new and emerging formal businesses .....	290
6.3.1.2.1	Providing incubator space.....	291
6.3.1.2.2	Providing tax breaks and facilitating micro-credit .....	294
6.3.1.3	Intervention 3(A): Cluster and sector targeting .....	301
6.3.2	Locality development interventions.....	304
6.3.2.1	Intervention 4(B): Improving physical supportive infrastructure... ..	305
6.3.2.2	Intervention 5(B): Regeneration of abandoned areas.....	308
6.3.2.3	Intervention 6(B): Place marketing and generic locational policy..	310

6.3.2.4	Intervention 7(B): Crime prevention measures .....	312
6.3.3	Community or poverty alleviation interventions .....	313
6.3.3.1	Intervention 8(C): Assisting socially and economically disadvantaged citizens to exploit economic opportunities by reducing poverty.....	314
6.3.3.2	Intervention 9(C): Skills training and education .....	317
6.3.3.3	Intervention 10(C): Informal sector SMME and entrepreneurship promotion and support .....	322
6.3.3.4	Intervention 11(C): Extending local government capacity through partnerships with NGOs and CBOs .....	325
6.3.4	LED Governance and Administration.....	326
6.3.4.1	Intervention 12(D): Encouraging stakeholder involvement in LED 328	
6.3.4.2	Intervention 13(D): Conducive regulatory environment.....	331
6.3.4.3	Intervention 14(D): Efficient administration of processes .....	333
6.3.4.4	Intervention 15(D): Institutionalising LED within the municipality 335	
6.4	Summary and Conclusion to Chapter 6 .....	338

## **Chapter 7 Proposed indicators for measuring local economic development**

	.....	<b>347</b>
7.1	Introduction .....	347
7.2	Constraints that inhibit LED performance measurement .....	347
7.2.1	Resource and motivational constraints.....	348
7.2.2	Technical constraints .....	349
7.2.3	Previous study results .....	350
7.3	The importance of measuring LED performance .....	352
7.4	A system for LED monitoring and evaluation .....	354
7.5	Indicators for LED measurement.....	362
7.5.1	The process of developing the LED indicator framework.....	364
7.5.2	Purpose and content of the framework.....	368
7.5.3	Framework of LED output and outcome indicators.....	373
7.5.3.1	Distal outcomes of Local Economic Development.....	373
7.5.3.2	Category A: Indicators for business and market development interventions.....	378
7.5.3.2.1	Indicators for advising and supporting existing businesses .....	378
7.5.3.2.2	Indicators for attracting, advising and supporting new formal businesses.....	383
7.5.3.2.3	Indicators for cluster and sector targeting.....	388
7.5.3.3	Category B: Indicators relating to locality development interventions 391	
7.5.3.3.1	Indicators for improving physical supportive infrastructure .....	392
7.5.3.3.2	Indicators for regeneration of abandoned areas.....	395
7.5.3.3.3	Indicators for place marketing.....	398
7.5.3.3.4	Indicators for crime prevention .....	402
7.5.3.4	Category C: Indicators relating to community or poverty alleviation 404	
7.5.3.4.1	Indicators for assisting socially and economically disadvantaged citizens .....	404
7.5.3.4.2	Indicators for skills training and education .....	409

7.5.3.4.3	Indicators for informal SMME and entrepreneurship promotion	412
7.5.3.4.4	Indicators for partnerships with NGOs and CBOs .....	416
7.5.3.5	Category D: Indicators relating to LED governance and administration.....	418
7.5.3.5.1	Indicators for encouraging stakeholder involvement in LED ....	418
7.5.3.5.2	Indicators for creating a regulatory environment conducive to development .....	419
7.5.3.5.3	Indicators for ensuring efficient administration .....	423
7.5.3.5.4	Indicators for institutionalising LED coordination.....	427
7.5.4	Concluding comments on the indicator framework.....	429
7.6	Summary and conclusion to Chapter 7.....	433

**Chapter 8 Findings, Conclusions and Recommendations ..... 437**

8.1	Introduction .....	437
8.2	Summary of research findings and conclusions.....	438
8.3	Limitations of the framework .....	472
8.4	Potential value of the research .....	474
8.5	Conclusion .....	478

**Reference list..... 479**

**Addendum A 2005 IMFO (Institute for Municipal Finance Officers) conference: Survey questions and collected data**

**Addendum B Proposed Community Governance Model for LED in the Witzenberg Municipality**

**Addendum C Abridged CV's of expert reviewers**

**Addendum D Request for assistance and draft framework**

## List of Tables, Figures and Boxes

### *Tables*

Table 2.1: The complementary relationship between M&E	40
Table 2.2: Possible evaluation activities during the life of a programme	29
Table 2.3: Aim of evaluation at various stages of programme development	44
Table 2.4: Preordinate evaluation versus responsive evaluation	62
Table 2.5: Quantitative vs qualitative evaluation approaches	70
Table 3.1: Choices facing evaluator	91
Table 3.2: Example of a typical project M&E sheet	99
Table 3.3: Advantages and Disadvantages of Evaluation Options	100
Table 3.4: Template for reporting in the public sector	103
Table 3.5: Strategies for enhancing evaluation capacity	106
Table 3.6: Logical Framework Analysis	121
Table 3.7: Guidelines for completing a logframe matrix	121
Table 3.8: Structure of the evaluation report	127
Table 3.9: Strengths and Weaknesses of Outputs and Outcomes	139
Table 3.10: Indicator checklist from <i>United Way of America</i>	143
Table 3.11: Checklist for assessing developed indicators	143
Table 4.1: Performance indicator and applicable policies/regulations per principle	165
Table 4.2: Differences between SASQAF first and second edition	173
Table 5.1: Life cycle of LED	208
Table 5.2: Goals and core focus of LED in South Africa	215
Table 5.3: Economic vs social policy, business vs employment promotion	218
Table 5.4: Challenges of local government-driven LED initiatives	219
Table 5.5: Main actions per strategic LED intervention	240
Table 5.6: The role and function of the key institutions in LED	247
Table 5.7: Proposed improved role division for LED for various role players	267
Table 6.1: Typical small business support	323
Table 7.1: Key to indicator tables	367

### *Figures*

Figure 2.1 The policy life cycle	39
Figure 2.2: A typical programme/project controlling process	39
Figure 2.3: Evaluation studies commissioned during an intervention life cycle	45
Figure 2.4: The logic model	55
Figure 2.5: CMOC Framework	58
Figure 2.6: Stake's responsive clock	61
Figure 2.7 The transparent box paradigm	74
Figure 3.1: Data collection methods	96
Figure 3.2: Typical relationship between strategic planning and reporting	102
Figure 3.3: Relationship between planning and management processes	104
Figure 3.4: Action theory success and conceptual theory success	131
Figure 3.5: Weiss' theory and programme failure	132
Figure 3.6: Western Australia Performance Management Framework	133

Figure 6.1: The relationship between LED strategy, interventions, programmes and projects	275
Figure 6.2: The Hexagon of LED	277
Figure 6.3: Obtaining synergy between LED categories	280
Figure 6.4: Interventions that promote synergy between LED categories	281
Figure 6.5: Tangible and intangible locational factors	304

***Boxes***

Box 2.1: The power in measuring results	36
Box 2.2: Key features of Implementation Monitoring versus Results Monitoring	41

## List of key terms and abbreviations

BBBEE – Broad Based Black Economic Empowerment  
BNPP – World Bank-Netherlands Partnership Program  
CBO – Community Based Organisation  
CIPP – Context, Input, Process Product model  
CoGTA – Department for Cooperative Government and Traditional Affairs  
DPLG – Department of Provincial and Local Government  
DTI – Department of Trade and Industry  
DWEA – Department of Water and Environmental Affairs  
EPWP – Expanded Public Works Programme  
GEAR – Growth, Employment and Redistribution  
GTZ –Deutsche Gesellschaft für Technische Zusammenarbeit  
GWM&ES – Government-wide Monitoring and Evaluation System  
ICMA - International City/ County Management Association  
IDP – Integrated Development Plan  
IDZ – Industrial Development Zones  
IMF – International Monetary Fund  
IMFO - Institute for Municipal Finance Officers  
JIPSA – Joint Initiative for Priority Skills Acquisition  
LED – Local Economic Development  
M&E – Monitoring and Evaluation  
MTEF – Medium-Term Expenditure Framework  
MTSF – Medium-Term Strategic Framework  
NFSD – National Framework on Sustainable Development  
NFSD National Framework on Sustainable Development  
NGO – Non-government Organisation  
NPM – New Public Management  
OECD – Organisation for Economic Cooperation and Development  
PALAMA – Public Administration Leadership and Management Academy  
PART – Program Assessment Rating Tool  
PMS – Performance Management System  
PoA – Programme of Action  
PSC – Public Service Commission

RIA – Regulatory Impact Assessment

RDP – Reconstruction and Development Programme

REED – Rural Economic and Enterprise Development

RSA – Republic of South Africa

SAMDI – South African Management Development Institution

SASQAF – South African Statistical Quality Assurance Framework

Seda – Small Enterprise Development Agency

SDI – Spatial Development Initiatives

Stats SA – Statistics South Africa

UK – United Kingdom

UN – United Nations

UNDP – United National Development Programme

US / USA – United States of America

## Chapter 1

### Rationale and introduction to the study

*If you do not measure results, you cannot tell success from failure.*

*If you cannot see success, you cannot reward it.*

*If you cannot reward success, you are probably rewarding failure.*

*If you cannot see success, you cannot learn from it.*

*If you cannot recognize failure, you cannot correct it.*

*If you can demonstrate results, you can win public support.*

(Osborne & Gaebler 1992:147-154)

### 1.1 Introduction

The main aim of government is to deliver the development results that it promises to its people. Development goals are often expressed as intangible, long-term outcomes of what the state wishes to achieve or change in society. Goals are translated into actionable policies, programmes and projects with more tangible outputs, which constitute progress towards attainment of the outcome. While the latest public administration and governance reforms advocate that the state is not the sole implementing agent of development programmes, an effective state is essential to govern at different levels to achieve sustainable socioeconomic development. Governance responsibilities translate into increasing demands on government to be more responsive to citizen needs, more accountable and transparent and to provide tangible evidence of their development results.

While the evaluation of government programmes is not new to government, but is for most part institutionalised in the planning and reporting cycles of government, the focus of these evaluations tends to be mostly on financial compliance and the administrative outputs of programmes. Osborne and Gaebler explain that, “in attempting to control virtually everything in government, we became so obsessed with dictating how things should be done – regulating the process, controlling the inputs – that we ignored the outcomes, the results” (in Van der Waldt 2004:18).

While the interest in measuring the quality and quantity of public service delivery remains, implementation measurement becomes instrumental in managing performance, rather than a proof of development results (Bovaird & Löffler 2003:318).

Although impact and institutional performance improvement is often assumed when the specified outputs are delivered, Kusek and Rist (2004:16) warn that, without measured evidence of the outcomes, one cannot know for sure whether the policy, programme or project is indeed producing the envisioned outcomes and associated goals. “Results-based monitoring and evaluation is a powerful public management tool that can be used to help policymakers and decision makers track progress and demonstrate the impact of a given project, program, or policy” (Kusek & Rist 2004:1). Results-based monitoring and evaluation transcends traditional implementation-focused monitoring and evaluation in including the assessment of outcomes and impacts. In essence, results-based M&E aims to answer the question “so what?” (Kusek & Rist 2004:12). It strives to provide credible evidence not only on government policies and programmes improving the welfare of society, “but also how much improvement, by what means, and how it could attain the result more effectively” (Shadish, Cook & Leviton 1991:19).

As results-based monitoring and evaluation (M&E) is increasingly focused on outcomes, it is fundamentally related to the political sphere of government responsible for delivering good governance (Kusek & Rist 2004:21). Governance International prescribed that good governance should be measured against “improvements in public policy outcomes; and implementation by all stakeholders of a set of principles and processes by means of which appropriate public policies will be designed and put into practice” (Bovaird & Löffler 2003:317). Good governance can thus be equated to delivering development results. To provide evidence of progress against developmental mandates, long-term strategies and promised outcomes, government needs to institutionalise monitoring and evaluation systems that will provide credible, continuous information on the progress and deviation in attaining development outcomes.

Government-led evaluation is the response to obtaining performance information on government’s own progress towards achieving development outcomes that are

relevant and useful to policy decision makers (Adrien & Jobin in Segone 2008a:10 and Segone 2009:23-24). In fulfilling the Paris Declaration Commitment (March 2005) countries need to establish and institutionalise a systematic approach to evaluate national and sectoral development strategies with regular reporting to parliament, government and civil society on preset standards based on the evaluation priorities and methods decided upon by government (Segone 2008b:17-25; Segone 2009:26; Segone 2009:24). South Africa has embarked on the process of establishing a country-led evaluation system under the lead of the Office of the President, in collaboration with the National Treasury, Department of Public Administration and Statistics SA. These collaborations and reports culminated in a series of policies and documents aimed at institutionalising an outcomes-focused evaluation system for the South Africa public sector that provide for evidence-based policy making and public management. Further policies exist at local government level, where a legislated performance management approach is enforced by the 1998 White Paper on Local Government, the Municipal Structures Act (1998), Municipal Systems Act (2000), the Performance Management Regulations (2001) and the Municipal Finance Management Act (2003).

The shift from opinion-based to evidence-influenced policy making and public management supports the pursuit of good governance (Segone 2009:18). Being driven simultaneously by international initiatives for accurate information on development progress in a country and internal fiscal constraints, pressures for public accountability, decentralisation, deregulation, commercialisation and privatisation, and the failure of past programmes, governments increasingly need to concentrate available resources on the most pressing problems and those programmes that demonstrate their effectiveness and efficiency (Rossi *et al.* 2004:15; Boyle & Lemaire 1999:3&181; see also Kusek & Rist 2004: 3-11; Valadez & Bamberger 1994:5-7). This requires the continuous generation of quality, trustworthy and timeous evidence that can inform policy and management decisions to prevent decision makers from using unreliable information because credible information is not available (Segone 2009:19).

Prominent writers distinguish empirical evidence-based policy practices from traditional opinion-influenced policy practice that relied on either the selective use of

*ad hoc* evidence, or on empirically untested views of individuals or groups, often inspired by ideological assumptions, prejudices, or speculative conjecture (Segone 2009:17; Davies, Newcomer & Soydan 2006:175). Evidence-based policy making is a “rigorous approach that gathers, critically appraises, and uses high-quality research evidence to inform policy-making and professional practice” (Gray in Davies; Newcomer & Soydan 2006:175). “Evidence-based policy helps people make well informed decisions about policies, programmes and projects by putting the best available evidence from research at the heart of policy development and implementation” (Davies 2008:3). It accurately determines not only what works, “but what works at what cost and with what outcomes” (Segone 2008b:34-35). Similarly, evidence-based management identifies the interventions that are successful in satisfying client needs and attaining policy goals (Davies in Boaz & Nutley 2003:226). Management evidence is used to improve the design, implementation and impact of interventions, and to identify new strategic goals (Boaz & Nutley 2003:226).

One of the most critical governance responsibilities of government is the delivery of economic development, where economic development is seen as both increased economic growth and the application of the benefits accrued through economic growth to improve human and social development of all citizens, including the poor who often do not benefit directly from economic growth. In South Africa, the development state may be envisioned as successfully combining “extensive social redistribution with high economic growth, thereby effectively tackling poverty, overcoming historic racial divides, and generally rendering the economy more dynamic, innovative, just and equitable” (Southall 2007:1).

The notion of the “developmental state” is based on the premise that the state should actively promote and ensure development of the country and its citizens. Central to the developmental state is the “understanding that a state has ‘core’ strategic capacities to plan, monitor and enforce key developmental objectives, which will shift the comparative advantage of national economies towards those sectors that are of strategic value in the global economy” (Jayasuriya 2005:382). In the same sense that national governments, through a developmental approach, try to accrue economic benefits for the country in a global economy, local economic development uses the development planning and implementation capacities of local

government to accrue economic benefit to the locality. The aim with local economic development is to solve employment, poverty and market failure problems at the local level. Local economic development is often a response to limited governance and delivery capacity at the national level, which prompts local actors to embark on economic development projects to address the problems of unemployment and poverty most urgently felt at local level (Meyer-Stamer 2003(a):1). In South Africa, however, local economic development is also a response to the objects of developmental local government as set out in the Constitution.

The Constitution of South Africa (Act 108 of 1996) specifies the third of five objectives of local government as the promotion of social and economic development. The White Paper on Local Government (1998) specifies the four characteristics of a developmental local government as “maximising social and economic growth; integrating and coordinating government/business non-profit sector activities; democratising development through empowerment and redistribution; and fostering ‘social capital’ at the local level via a leadership approach committed to learning” (Swilling 1998). The Local Government: Municipal Systems Act 2000 (Act 32 of 2000) requires municipalities to adopt an Integrated Development Plan (IDP) that describes the development strategy of the local government. Complementing to or ingrained in the IDP, the local economic development (LED) strategy should describe the interventions, programmes and projects that the municipality intends to implement in responding to the identified development needs and competitive advantages of the area of jurisdiction. Within this context, local government are being challenged to take up the central role for promoting economic development and growth by enhancing “the range of strategic socio-economic interventions which they undertake, in an effort to secure investment, encourage growth and deal with issues of social exclusion and poverty” (Nel & Binns 2003:165).

Misconceptions of what ‘developmental local government’ entails, resulted in many local authorities implementing small-scale ‘LED projects’ under the auspices of local economic development. However, within the context of the governance role of the state, the philosophy behind LED (confirmed also in academic and applied literature) does not see government directly initiating and funding job-creation projects, but rather creating a facilitative, enabling environment where different

drivers and actors of the local economy may be synergised to promote the local economy, enhance job creation and increase both the physical and human capacities needed for sustainable development. In this sense, “infrastructure development, service delivery, municipal financial viability and local economic development .... are interdependent and municipalities ... should develop strategies and management practices that take on a holistic and integrated approach (DPLG National LED Framework 2007:20). LED becomes the collaborative efforts of government, non-government or private sector actors to promote and expand economic activity in a locality, thereby enhancing economic development and improving the welfare of local residents.

While the idea of public governed local economic government is noble, the reality of severe organisational, financial and human capacity constraints and the sheer extent of the poverty and social development problems hinder local government’s ability to promote actively economic development through the formulation and implementation of a LED strategy. The DPLG identifies a lack of funds, a shortage of skilled staff and a lack of experience with LED as common constraints to LED (DPLG (1) 2000:29). These constraints are confirmed by Nel who regards the lack of resources, the tenuous fiscal position and shortage of skilled staff as serious impediments, especially to smaller centres, when pursuing LED (Nel 2001:1015). A study by the World Bank-Netherlands Partnership Program (BNPP) entitled “Evaluating and Disseminating Experiences in Local Economic Development (LED) with emphasis on their relevance to poverty reduction and applicability to low income countries” surveyed 30 municipalities’ approaches to pro-poor LED. “Overall, the preliminary findings of this survey serve to confirm and reinforce a number of observed key features concerning the current ‘state of the art’ of LED policy and practice in urban areas of South Africa. Some key points overall is (sic) that:

- LED is unevenly developed and operationalised across the South African urban system;
- Major divides exist...between the largest, most well resourced and capacitated municipalities and the smaller urban centres in terms of policy development, institutionalisation of LED and applied practice.

- The definition and understanding of LED exhibits considerable variation, a finding which reflects the absence of national LED guidelines, and the short time with which municipalities have been actively taking forward LED approaches.” (BNPP 2005:13)

In the foreword to the first in a series of LED manuals produced by the former Department of Provincial and Local Government (DPLG), Minister Sydney Mufamadi acknowledges that “municipalities within South Africa are facing almost unprecedented challenges such as new boundaries, meeting large service and infrastructural backlogs and stimulating local economic development. It is easy to be overwhelmed and therefore not deliver” (DPLG (1) 2000: foreword). The problems experienced by municipalities are further aggravated by the unique nature of each local economy, which prevents the transference of a specifically formulated LED strategy from one local area to another that possesses its own unique economic drivers and constraints. While the social development challenges faced by local government are not less complex, the starting point in addressing these challenges are often generic and good practices can be adopted from elsewhere. Economic development planning, however, transcends the administrative state and the traditional service provision role of municipalities. The tasks of analysing the economy, formulating a sectoral, integrated, economic multi-market strategy and facilitating the implementation of that strategy through multiple stakeholders and role players are complex and specialised.

Despite the challenges, the need for LED is too great to ignore. “It falls to the promoters and implementers of LED to accept this challenge (as) much can be achieved, even in relatively remote, poorly resourced localities.” (Simon 2003:141) Government LED policies and guidelines issued mainly by the DPLG are adamant that local government should use LED to promote the Constitutional objective of economic development. While adamant that local government should play this role, the various documents issued since 2000 are conflicting in terms of what LED entails and what local governments should do to attain the elusive vision of an ‘integrated and robust local economy’.

The LED directives range from a business orientation to a pro-poor focus; from the municipality as facilitator and governance structure that promotes LED to the direct

provision of jobs (as indirectly implied in the Performance Management Regulations (2001) that specifically require municipalities to report on 'the number of jobs created'). Within this confusing policy framework, local governments are expected to turn around current service delivery and governance problems and simultaneously embark on complex and sophisticated economic planning that will enhance their locality, within the context of provincial and national spatial and economic development strategies. Within this context, it is unsurprising that many municipalities adopt LED strategies that may be questioned in terms of their viability in the specific locality and their success or actual results in terms of the stated objectives of growth, development, job creation and poverty alleviation.

The Impumelelo Innovations Award Trust awards innovative economic and community development projects initiated by municipalities in South Africa. A few excerpts from the multitude of projects analysed and recognised over the years raise questions on the true success of some of these 'best practice' cases. For example, the City of Cape Town's Community-Based Tourism Development Fund was recognised for creating 23 employment and skills development opportunities in Adventure Kalk Bay; 4 in the Two Oceans Craft & Culture Centre; 8 at the Lwandle Migrant Labour Museum; 4 at the Mkhaya Music School; 2 permanent and 10 further employment opportunities at the Sivuyile Tourism Development Centre; and 10 at the Imvubu Nature Tours. A further 57 job and training opportunities are recorded in 6 other projects (Impumelelo Innovations Award Trust 2003). While this may sound good in the performance report to the auditor or the political reporting to constituents, the question is posed what difference was made towards the outcome of sustainable poverty alleviation.

The Vredendal North Bee-hive Project (Impumelelo Innovations Award Trust 2003) built structures that were rented out at 25% of private market rates in the town. The project was reported successful as the 12 tenants created 15 jobs (self employment plus three extra). The question is: Does the cost of 15 self-sustained individuals outweigh the construction cost and loss of income should the premises be leased at full market related rates? Another project in Vredendal initiated Permaculture vegetable gardens, which were abandoned once the Department of Poverty Alleviation stopped their funding in 2002/2003 (Impumelelo Innovations Award Trust 2003b). The question is whether the money spent on erecting the permaculture

infrastructure would not have generated a greater return on investment if spent on a more viable project.

Another agricultural project is the Mapila Hydroponics Community Cooperative, which employs 23 people, has a turnover of R1 to R1,5 million and uses some of the profits for social upliftment projects. However, the original capital layout of the greenhouses can only be recovered over the long run. This means that true ROI can only be calculated once the construction cost has been recovered, but while the greenhouses deliver a marketable good that generates more than just survivalist income, the overall success of the project at this stage is still in question (Impumelelo Innovations Award Trust 1999).

The Winterveldt Citrus Project (Impumelelo Innovations Award Trust 2006c) started with 20 000 trees owned by the 200 owners of the plot, supported by both the private and public sector, which generated an income of R10 000 to R15 000 per owner per year. However, this was gross income with subsidised trees and fertilisation. The project however planned to expand to 100 000 trees. The question still remains whether it will become sustainable at a cost that warrants the initial subsidisation provided.

On a more positive note, the Enviro-Permaculture Project (Impumelelo Innovations Award Trust 2005c) provided food to over 1000 families, neighbouring schools, the old age home and hospital at an estimated cost of R250 000 per annum for the four years in operation. Here the result of feeding a family on only R250 per annum seems to return better value than a social grant aimed at the same supportive role.

While LED strategies and projects claim to promote economic development, alleviate poverty or create jobs, these goals become political word-play in the absence of accurate evaluation systems that measure and demonstrate the results or outcomes of the adopted development goals. The examples cited above did not necessarily fail, but the reality is that the results are questionable in the absence of accurate performance data on the results or outcomes of the LED interventions. The importance of providing concrete proof on LED results are emphasised by Meyer-Stamer who takes a more pessimistic stance: "In those developing countries where LED has been going on for a number of years, it is difficult to discern

stunning success stories; the collection of case studies ... gives little evidence of the outcomes and impact of the initiatives described....One cannot help but wonder: Is the popularity of LED perhaps more due to desperation than to a convincing track record?" (Meyer-Stamer 2003(a):2)

The World Bank-Netherlands Partnership Program LED study confirms the poor monitoring and evaluation of LED programmes. While "cost and time considerations are generally advanced as explanations for this scenario....the absence of effective mechanisms to gauge success, ascertain impact and cost-effectiveness and by implication, to exercise a determining influence over future programmes is startling" (BNPP 2005:15). LED outcome measurement is also critical, as studies by the DPLG on various LED strategies employed by municipalities indicate that some LED strategies offer greater benefits than others (DPLG 2000(B):30).

The current study is undertaken within the context of outcomes-based governance, evidence-based policy making, the objects of the developmental state and a commitment to local government performance management, as described in Sections 38 to 41 of the Municipal Systems Act (2000); the National Performance Indicators in the Local Government: Municipal Planning and Performance Management Regulations (2001); and the prior Department of Cooperative Government and Traditional Affairs (CoGTA) Local Government Turnaround Strategy (2009:46) which emphasise the importance of credible monitoring, evaluation, information and reporting systems. Outcomes- and evidence-based governance for performance improvement requires municipalities to develop monitoring and evaluation systems and indicators that focus on the outcomes of local economic development strategies. This will enable local government to compare the outcomes of alternative LED strategies and select those that have greatest positive impact on the local economy.

While measuring LED outcomes will enable municipalities to make better policy and management decisions, thereby ensuring better economic development results, the capacity constraints at local government level described here may hinder the development of effective M&E systems and accurate and reliable outcome indicators for the various LED interventions employed. This research therefore aims to present frameworks for the institutionalisation of effective municipal M&E

systems, alternative choices of evaluation designs and systematic generation of generic LED outcome and output indicators that will hopefully contribute to more accurate evaluation and subsequent comparison of alternative LED strategies to inform strategic decisions and ensure maximised positive LED policy impacts on the local economy, despite the resource and capacity constraints found at local government level.

## **1.2 Research problem and objectives**

The accurate and reliable measurement and evaluation of LED results are hindered by severe capacity constraints at the local government level and the absence of clear guidelines for LED implementation. Within the context of outcomes-based governance, evidence-based policy making and the notion of the developmental state, there is an attendant need for the accurate measurement of LED outcomes to assess, promote and manage results; assist in decision-making between LED strategies based on actual evidence of results; and enhance government's performance despite limited resources and capacity constraints.

This research seeks to address this problem by developing frameworks for more systematic evaluation systems and processes to measure output and outcome indicators that may be used to evaluate and compare the results of various LED interventions by generating accurate and reliable results. Specifically, the research objectives are to:

- Conceptualise public sector monitoring and evaluation activities as higher order policy management functions, the various approaches to M&E and the emphasis on change towards results-based or outcomes-based M&E at all levels in the public sector, including local government level;
- Discuss practical considerations in institutionalising outcomes-based M&E practices in local government, including the development of municipal programme performance management systems, tools and indicators;
- Describe international public sector M&E systems and the policy framework that guides M&E systems in the various spheres of the South African public sector;

- Conceptualise LED as an objective of local government and delimit the responsibility of local government in facilitating LED;
- Categorise the various LED interventions that local government may adopt and to deduce from practical local and international examples the outcomes and outputs of the respective interventions; and
- Provide guidelines for an outcomes-based M&E system for LED in South Africa and present a framework of generic outcome and output indicators for alternative LED interventions.

This study therefore aims to contribute to greater knowledge in the general public sector arena, but especially in local government, by presenting a new classification system for various M&E approaches; to explore the South African public sector M&E policy framework in the context of international public sector M&E systems; to determine the nature and responsibilities of LED at the local government sphere; to consider various approaches to local economic development including the major interventions within each approach; and to provide a systematic local M&E framework for outcome and output indicators to assess whether LED interventions achieve their envisioned outcome and specific objectives.

### **1.3 Research design and methods**

This study is exploratory in purpose and qualitative in nature. Babbie and Mouton (1998:74-75) define research design as the type of research study that is being planned based on the kind of result it aims to achieve. Within this conceptualisation, the study adopts a model-building research design that Mouton (2001:176) defines as a study aimed at developing or refining new models or existing models to explain particular phenomena (see Mouton 2001:Chapter 10 for a description of alternative designs). Models “provide a systematic representation of phenomena by identifying patterns and regularities amongst variables” (Mouton 1996:195). Typical of model building, “the literature study is characterised by a search for linkages between theoretical ideas or concepts in order to find coherence, an explanation for or a causal link between theoretical properties” (HSAG 2010). Although a model is similar to a typology in some aspects, it transcends the latter by illustrating the relationship between elements of the model in a simplified format.

The final product of this study will be a model of systematic monitoring and evaluation structures and processes designed to identify output and outcome indicators to measure the results and success of alternative LED interventions, demonstrating also the causal linkages between the indicators and the underpinning outcome and objectives of each LED intervention. Models play an important role in social research, as they often form the basis for new theories (Giere in Mouton 1996:197), such as a theory on what the most successful LED strategy for a particular locality would be. However, the limitations of models are that they only partially represent a given phenomenon and do not fully represent all aspects of the phenomenon (see Kaplan in Mouton 1996:198). "Certain characteristics of the phenomenon, which are irrelevant to the model, are conveniently excluded" to ensure emphasis on specific themes and core categories. The model of output and outcome indicators focuses only on the final results of LED interventions and ignores contextual factors or the implementation process of such interventions. The developed set of indicators will also need to be tested in practice for further refinement of the model.

The research methods utilised in the study include critical qualitative analyses of literature studies and documentary analyses; interviews with key informants; and expert reviews. Gathered information provides the basis for deductive reasoning to identify similarities between existing M&E and LED theory and practice in presenting a qualitative classification system of alternative evaluation approaches; a framework for institutionalising M&E activities to assess LED interventions; and to develop a framework of potential output and outcome indicators to measure the results of those alternative LED interventions. A detailed description of the process followed in developing the framework of indicators can be found in Chapter 7.

This study is undertaken from an explicit Public Policy Management improvement perspective and not from an Economics perspective. The focus, therefore, will consistently be on the better management of local government programmes to stimulate LED as one important local government function, and not primarily on the economic dimensions and implications of LED at local government level. This approach has resulted in the ordering of chapters in such a way that the need for an improvement of general results-based policy management processes in local

government is dealt with first, before turning to the illustration of how this can be done in the field of LED in South Africa.

## **1.4 Overview of chapters**

The research focus is pragmatic, including both theory and best practice in exploring the concepts. The content of the various chapters is briefly summarised below.

Chapter 1 outlines the rationale and context of the undertaken study. It presents the research problem and objectives and explains the adopted design and utilised methodology. It also presents a summarised overview of the various chapters of the study.

Chapter 2 discusses the theory pertaining to public sector monitoring and evaluation. It presents an overview of the importance of using evidence of actual results in making public policy and programme choices. It presents an overview of the history of evaluation research and the influences of policy and social sciences on the profession of evaluation. It conceptualises main M&E concepts and terminology, the objectives of M&E and the shift towards M&E for results. Alternative approaches to evaluation are reviewed and classified within three categories, namely the scope of the evaluation; the philosophical principles underlying the evaluation; and the alternative research design and methodologies used to collect data for the evaluation.

Chapter 3 explores best practices in applying M&E in managing organisations, policies or programmes. The chapter contextualises M&E as an advanced management function which enables managers to perform the more basic tasks. Guidelines for the development of an outcomes-based M&E management system that measures results is provided using the Kusek and Rist guidelines, including also selected institutional considerations, common problems and best practices for effective M&E systems. The chapter considers practical considerations in designing and conducting evaluation studies related to the evaluation problem; questions and goals; identifying appropriate designs and methods for data collection; conducting the evaluation following a theoretical or practical model; and presenting findings in

the evaluation report. The chapter concludes with an overview of key considerations in developing or selecting indicators.

Chapter 4 explores the policy framework emerging towards the results-based monitoring and evaluation of public sector policies and programmes in South Africa. It reviews M&E systems in selected other countries, followed by a brief overview of the policies that provide the framework for M&E in the South African public and local government sectors. Good practice guidelines for government-driven M&E systems are derived from the selected international systems and merged with the World Bank's best practice guidelines. Against these, best practices comments and recommendations are made on the emerging public and local government sector M&E framework for South Africa.

Chapter 5 contextualises LED within contemporary views on development and the changing role of the state. It unpacks the concept 'local economic development' in terms of the need for LED; alternative definitions and objectives; problems with practice; and, finally, key stakeholders and role players in the process. The chapter provides an overview of various LED policies and related documents in South Africa before suggesting a demarcation of the roles of various role players, but local government in particular, in managing LED.

Chapter 6 presents a classification system of the various LED interventions adopted by local governments internationally. Specific interventions with extensive examples from practice are discussed within each category, focusing specifically on the generic outcomes of each intervention and the potential role that local government may play in steering LED through that intervention.

Chapter 7 commences with a discussion of the constraints encountered in evaluating LED; the importance of measuring LED; and a proposed system for LED monitoring and evaluation. The chapter presents a framework of outcome and output indicators for each of the interventions described in Chapter 6, and includes a description of how these indicators were selected and/or designed, with explanatory remarks where appropriate and examples of the indicators in practice both locally and internationally.

## **1.5 Summary and conclusion to Chapter 1**

This chapter outlined the rationale and context of the study. It presented the research problem and objectives, the adopted design, the methodology used and summaries of the various chapters of the study.

## Chapter 2

### Competing evaluation approaches to assessing public and municipal programme outputs and outcomes

#### 2.1 Introduction

The main aim of government is to deliver the development results that it promises to its people. These goals are often expressed as intangible, long-term outcomes of what the state wishes to achieve or change in society. Goals are translated into actionable policies, programmes and projects with more tangible outputs, which constitute progress towards attainment of the outcome. Although impact and institutional performance improvement is often assumed when the specified outputs are delivered, Kusek and Rist (2004:16) warn that, without measured evidence of the outcomes, one cannot know for sure whether the policy, programme or project is indeed producing the envisioned outcomes and associated goals. “Results-based monitoring and evaluation is a powerful public management tool that can be used to help policymakers and decision makers track progress and demonstrate the impact of a given project, program, or policy. Results-based M&E differs from traditional implementation-focused M&E in that it moves beyond an emphasis on inputs and outputs to a greater focus on outcomes and impacts” (Kusek & Rist 2004:1). It aims to assess not only whether a policy or programme is improving the welfare of society, but also how much improvement, by what means, and how it could attain the result more effectively (Shadish, Cook & Leviton 1991:19).

In essence, results-based M&E aims to answer the question “so what?” (Kusek & Rist 2004:12). As results-based M&E is focused on outcomes, it is fundamentally related to the political sphere of government responsible for delivering good governance (Kusek & Rist 2004:21). In exploring the components of good governance, Governance International distinguishes two key areas in which measurement is required, namely, “improvements in public policy outcomes; and implementation by all stakeholders of a set of principles and processes by means of

which appropriate public policies will be designed and put into practice” (Bovaird & Löffler 2003:317).

While systematic policy, programme and project evaluations have been used to improve policy outcomes and impacts by governments in more developed societies for a number of decades now, the approach is fairly new to developing countries. This chapter starts with an overview of the importance of the evidence and result-base paradigm in making public policy and programme choices within the historical context of evaluation research. In presenting the history of evaluation research, it pays specific attention to the influence of policy and social sciences on the evaluation profession. This is followed by a discussion on M&E concepts and terminology, including definitions of monitoring and evaluation; the complementary relationship between Monitoring and Evaluation, and the link between M&E and organisational performance management. The various objectives of M&E and evaluation foci and benefits are explored before describing the difference between implementation of M&E and monitoring and evaluating for results.

The second part of the chapter reviews and classifies alternative approaches to evaluation within three categories, namely the scope of the evaluation (focusing on either a narrow or a comprehensive programmatic, regional or sectoral approach); the philosophical principles underlying the evaluation (focusing on clearly identifying the logic of the intervention theory and prioritising strategic underlying values or principles like participation, democracy, development and empowerment); and the specific research design and methodology used to collect data for the evaluation (focusing on the choices between experimental and non-experimental evaluation research and quantitative, qualitative or mixed method techniques). The three categories of evaluation approaches that are presented are not mutually exclusive, but rather complementary in deciding on the focus, aim(s) and appropriate methodology of the evaluation study. The chapter concludes with a summary describing how this may be done.

## 2.2 The origins of the evaluation discipline

The necessity to evaluate or determine the relative worth of something is inherent to human kind's need to compare alternatives and make choices among them. Evaluation literally means 'to work out the value (of something)' when traced to the Latin root word 'valére' (Mark, Greene & Shaw 2006:6). Informal evaluations are used daily to make judgements about how good or bad, desirable or undesirable something is. Formal evaluations also entail a judgement call, but are more systematic and rigorous than their informal counterparts in calling for a systematic process with appropriate controls for the validity and reliability of the findings.

The evaluation discipline developed from various other disciplines into an independent scientific field during the first half of the 20th century. The history briefly outlined here is dominated by the American perspective, which, unfortunately, is recorded best in literature, at present. In the early 1900s, the American government conducted agricultural research to find out which practices yielded the largest crops (Chelimsky 2006: 34). This may be regarded as the first government-driven evaluation study. Alkin and Christie (2004:17-18) regard Ralph Tyler's work in educational programme evaluation as the starting point for modern evaluation research. Tyler presented the results of his eight-year study to the faculty in the form of nine types of educational objectives to consider. These ranged from the ability to recall facts to the ability to apply general principles to new situations and expressing ideas effectively (Tyler in Madaus 2004:71). Tyler's evaluation focus was on the specification of objectives and measurement of outcomes. Weiss claims that the first federally funded evaluation study in the USA was the juvenile delinquency programme enacted by Congress in 1962 (in Shadish, Cook & Leviton 1991:25).

"The single largest influence on modern program evaluation was the expansion of government social programs throughout the 20<sup>th</sup> century." (Shadish & Luellen in Mathison 2005:184) Following the Great Depression of the 1930s, the United States government adopted greater responsibility for the general welfare of its citizens and dramatically expanded social programmes in health, education and housing. Government support and spending increased even further after World War

II, with funding available due to the rapid economic growth (Shadish & Luellen in Mathison 2005:184). The evaluation field exploded in the 1960s and 1970s with the expansion of social policies and programmes aimed at affecting various normative and empirical goals to promote socio-economic development. During this period, numerous evaluations were performed in response to federal, state and local programme managers' mandates. Cost constraints and concern about the success of social programmes with regard to achieving outcomes fuelled the evaluation profession (Shadish & Luellen in Mathison 2005:185, Shadish, Cook & Leviton 1991:22). Chelimsky confirms that the main aim of evaluation efforts was to rationalise resource allocation and the management of programmes (Chelimsky 2006:34). The 1970s was marked by an increasing resistance to the expansion of social development programmes, partly as a result of the increased funding needed to sustain these programmes and the apparent ineffectiveness of many initiatives (Freeman & Solomon in Rossi, Lipsey & Freeman 2004:14). The 1980s therefore saw a decline in evaluation activities under the budget cuts of the Reagan administration (Cronbach in Shadish, Cook & Leviton 1991:27). By the 1990s, fiscal and social conservatism started to thwart further expansion of government programmes, leading also to a decline in funding available for evaluation studies (Shadish & Luellen in Mathison 2005:186).

The strengthening evaluation practices observed during the 20<sup>th</sup> century had their origin in paradigm changes in two related scientific fields, namely policy analysis and social research. In the policy field, the emphasis changed from opinion-driven policy choices, to what is now called 'evidence-based' policy-making. Similarly, advances in social research theories and methods and the application thereof to societal development problems in the mid-1900s brought greater possibilities and sophistication to the field of evaluation research. A brief synopsis of these two paradigm changes and the influence on the evaluation profession is provided below.

### **2.2.1 Evidence-based policy-making**

The concept 'policy sciences' is traced back to Harold D. Lasswell (1943).

Over several decades, Lasswell and his collaborators...reviewed the intellectual tools needed to support problem-oriented, contextual, and multi-method inquiry in the service of human dignity for all. In response to the requirements of practice, and with the waning of positivism in the natural and social sciences, other parts of the policy movement are gradually converging on the problem-oriented, contextual, and multi-method outlook of the policy sciences. Thus the policy sciences set the standard for the rest of the policy movement, and will continue to do so for some time. (Brunner 1997:191)

Public policy research in the 20<sup>th</sup> century was characterised by a move away from “sterile academic parlor games” to become problem and solution oriented, focused on the “real world”. As such, “it makes clear its commitment to particular values, thus avoiding the value neutrality stance that social science ought to be totally objective” (Ascher 1986:365) and emphasising that the search for solutions to problems should not be lost in “scientific analysis” (Ascher 1986:370). Policy analysis thus became more “than simply addressing big theoretical questions” and encompassed the difficult task of “clarifying goals, trends, conditions, projections and alternatives” within the social environment (Ascher 1986:371).

Today, a popular definition by Easton describes politics as “the authoritative allocation of values for a society, and [says] that politics essentially is making moral decisions about what is good and what is bad” (in Vestman & Conner 2006:226). This definition ties politics and its resulting policies close to evaluation, with evaluation regarded as a process of information gathering to make informed value judgements. Segone reinforces the link between policy making and evaluation further with his description of ‘evidence-based policy practices’. He distinguishes evidence-based policy practices from what he calls traditional opinion-based policy practice, “which relies heavily on either the selective use of evidence (e.g. on single surveys irrespective of quality) or on the untested views of individuals or groups, often inspired by ideological standpoints, prejudices, or speculative conjecture” (Segone 2009:17; Davies, Newcomer & Soydan 2006:175). The opinion-based policy-making approach is slowly replaced by “a more rigorous approach that gathers, critically appraises, and uses high-quality research evidence to inform policy-making and professional practice” (Gray in Davies, Newcomer & Soydan 2006:175). “Evidence-based policy helps people make well informed decisions

about policies, programmes and projects by putting the best available evidence from research at the heart of policy development and implementation” (Davies 2008:3). The quest for evidence-based policy making should not be pure technical analysis, but should allow for divergence and various detailed policy options. “This means that policy making is not just a matter of ‘what works’, but what works at what cost and with what outcomes” (Segone 2008b:34-35). Evidence-based policy making contributes to policy making in achieving recognition of a policy issue; informing the design and choice of the policy; forecasting the future; monitoring the policy implementation; and evaluating impact (Segone 2008a:7). Chelimsky concurs that evaluation information and evidence informs policy formation, policy execution and accountability in public decision-making (Chelimsky in Vestman & Conner 2006:229).

“Evidence-based government means integrating experience, expertise and judgement etc. with the best available external evidence from systematic research” (Davies 2008:6). Evidence-based policy decision-making may, at times, compete with lobby-groups, pressure groups, think tanks, opinion leaders and the media, and also with pragmatic matters such as parliamentary terms, time tables and procedures, with at times limited capacities and unanticipated contingencies to influence policies (Segone 2008b:34-35, Davies 2008:20). In this regard, the distinction may be drawn between ‘policy makers’ evidence’, which constitutes any information that seems reasonable and is communicated clearly and in good time, and researchers’ scientific, neutral, proven, theoretical information (Davies 2008:19). Segone thus advocates that good evidence is technically sound, of good quality and trustworthy, as well as relevant and timely, as policy makers may be forced to use unreliable information if that is all that is available (Segone 2009:19). To encourage policy makers to take ownership of policy evidence and to use the information, statisticians, evaluators and researchers who produce evidence need to respond to demands from policy makers, package the information in a usable format, effectively disseminate results, and provide pull-and-push incentives to encourage the utilisation of evidence in policy making (Segone 2009:21-22).

Segone attributes the emergent shift from opinion-based to evidence-influenced approaches to a movement towards more transparent governance and better technical capacity to produce quality, trustworthy evidence (Segone 2009:18).

Other forces that are driving the monitoring and evaluation of public sector policies and programmes are international initiatives like the Millennium Development Goals, European or African Union Membership, Transparency International and donor funding that emphasise the need for M&E to assess the results of initiatives (See Kusek & Rist 2004: 3-11; Valadez & Bamberger 1994:5-7).

As described in the rationale for this study, internal fiscal constraints, pressures for public accountability and the failure of past programmes to produce results have in like manner created an evaluation environment that requires funders to concentrate resources on the most pressing problems and on those programmes that demonstrate their effectiveness and efficiency (Rossi *et al.* 2004:15; Boyle & Lemaire 1999:3&181). The external pressures are complemented by internal initiatives like decentralisation, deregulation, commercialisation and privatisation and by changes in government size and resources that also focus attention on improved and demonstrated performance (See Kusek & Rist 2004: 3-11).

### **2.2.2 Advances in social research methods**

Growth and refinement of social science theories and models in the first half of the 20<sup>th</sup> century, and the application thereof to solve problems in education, political science and psychology, have contributed to the modern era of evaluation. The apparent success of early education, social health and psychology researchers to solve social problems in their natural setting, gave hope that social science research could mimic the success of physical science research in solving technological problems in the social arena (Shadish & Luellen in Mathison 2005:184). Although programme evaluation studies within the education and health fields had been undertaken since the mid eighteenth century, programme evaluation only became an accepted social research enterprise in the 1960s, with the attainment of the necessary level of sophistication during the fifties and sixties in social science methodology, especially in terms of measurement, sampling and statistics (Mouton 2007:492).

Perhaps the most influential paper during the century was Campbell and Stanley's 1966 paper 'Experimental and Quasi-Experimental Designs for Research'. The text

reformed social science research by emphasising three important elements of design: (1) the criteria for true experimental design, including randomisation; (2) establishing internal validity and external validity; and (3) alternative 'quasi-experimental' designs for side-stepping complexities of randomly assigned experimental and control groups (Alkin & Christie 2004:19-20). Suchman's 'Evaluative Research' published in 1967 applied these social research methods to evaluation and signified the birth of evaluation research as applied social research. 'Evaluation research' emerged as a subject discipline in the 1960s with classic contributions by Campbell and Stanley (1966) and Suchman (1967), followed by Cook and Campbell (1979) with further quasi-experimental designs, and Riecken and Boruch (1974) emphasising the value of random, true experimental designs (Alkin & Christie 2004:22-25, Mouton 2007:492).

The Collins Paperback English Dictionary defines research as a "systematic investigation to establish facts or collect information on a subject" while Vaishnavi and Kuechler define research as "an activity that contributes to the understanding of a phenomenon (in Manson 2006:156). Wikipedia states that "basic research (also called fundamental or pure research) has as its primary objective the advancement of knowledge and the theoretical understanding of the relations among variables" ... while "applied research is done to solve specific, practical questions; its primary aim is not to gain knowledge for its own sake" (in Manson 2006:156).

A strong argument is presented for defining evaluation as applied social research that draws on the methodology of social sciences to provide answers to real-life evaluation questions. For example, Bickman defines evaluation research as the assessment of the strengths and weaknesses of an intervention, identifying ways to improve them, and determining whether desired outcomes are achieved. It may be descriptive, formative, process-, impact-, summative or outcomes-oriented (Bickman in Mathison 2005:141). Freeman and Rossi define evaluation research as "the systematic application of social research procedures for assessing the conceptualisation, design, implementation and utility of social intervention programmes" (in Mouton 2007:491). Weiss describes evaluation studies as finding out about the success of interventions in the world of practice where people are affected with the aim to improve social, economic and cultural conditions of society (Weiss 2004:154).

Scriven, however, states that evaluation research is much more than just applied social research. While evaluators need a repertoire of empirical research skills, they also require additional evaluative skills that enable them to search for side effects (that may dramatically change the final evaluation conclusion) and determine relevant technical, legal and scientific values as well as synthesis skills to integrate evaluative and factual information (Scriven 2003:7). Evaluation research differs from other social research in that evaluation studies imply a concrete judgement regarding the phenomena in question to fulfil its purpose, whereas social research may have inconclusive findings and refrain from a final judgement. The aim of social research is “limited exclusively to producing knowledge but not to producing value judgments or evaluative conclusions” (Caro in Vestman & Connor 2008:47). Social research bases conclusions on factual, proven and observed results only and strives to be value free. Evaluation research, however, is value laden and establishes standards and values that, together with factual results, produce evaluative conclusions (Scriven 2003:7). Evaluation research requires more than the “accumulation and summarising of relevant data; [it] requires a conclusion about the merit or net benefits through the verification of values and standards” (Rossi *et al.* 2004:17). Lastly, while research emphasises the production of knowledge, leaving the application of the knowledge to natural processes of dissemination, evaluation starts out with the intended use in mind (Weiss in Shadish, Cook & Leviton 1991:182).

Evaluative conclusions are thus blends of fact and value claims, and while employing methods to come to these conclusions are part of the process, it also entails discovering the right criteria and standards for comparison (House 2004:219). Evaluation has moved from Campbell’s original methodological focus to embrace concepts such as utilisation, values, context, change, learning, strategy, politics and organisational dynamics (McClintock 2004:14). In proposing a system and indicators for measuring the results of local economic development in local government, this wider perspective considering not only methodology, but also the values and context that lead to alternative perspectives of what is regarded as success is critical. Economic development, as with other development objectives, does not present a single definition of success, and therefore evaluation of these policies and programmes demand the consideration of alternative perspectives and

questions, and the application of different methodologies in answering questions on performance and success.

## **2.3 M&E concepts and terminology**

This section provides an overview of alternative M&E definitions, purposes, benefits and a focus on outcomes within the ambit of public policy evaluation.

### **2.3.1 Monitoring and evaluation defined**

For the purposes of this research, the evaluand is the LED policy or strategy of local government that is implemented through specific programmes and projects to achieve a specific developmental end goal for the locality. Cloete (2007) defines public policy as “a government’s program of action to give effect to selected normative and empirical goals in order to address perceived problems and needs in society in a specific way, and therefore achieve desired changes in that society”. A simpler definition reads policy is “a statement of intent” (Cloete, Wissink & De Coning, 2006:3). Within this context, government policy refers to both formally adopted white papers, regulations and acts as well as the adopted strategies, programmes and action plans of government.

The Organisation for Economic Cooperation and Development (OECD) defines *monitoring* as

a continuous function that uses the systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and the achievement of objectives and progress in the use of allocated funds. (Kusek & Rist 2004:12)

Another definition reads:

monitoring is the systematic and continuous collecting and analysing of information about the progress of a piece of work over time. It is a tool for identifying strengths and weaknesses in a piece of work and for providing the

people responsible for the work with sufficient information to make the right decisions at the right time to improve its quality. (Save the Children 1995:12)

Smith, in Owen and Rogers (1999:24), defines a programme as “a set of planned activities directed toward bringing about specified change(s) in an identified and identifiable target audience”. This definition can also be used to describe a project or a policy. Of relevance for monitoring purposes, is the fact that “this definition implies two essential components, (namely) a documented plan, and action consistent with the information contained in the plan” (Owen & Rogers 1999:24). Monitoring in essence tracks progress against the adopted (policy or programme) plan to ensure compliance to aspects contained in that plan.

Ho (2003:68-69) distinguishes between two types of monitoring, namely output monitoring concerned with service delivery and policy implementation, and outcomes monitoring focused on the results of the policy. Outcomes monitoring is aimed at establishing the value or worth of a policy by assessing whether the objectives were met. Although similar to programme evaluation, outcomes monitoring focuses on the presenting gathered data but does analyse and present explanations of patterns emerging in the presented data (Ho 2003:70). Evaluation “extends beyond the tracking and reporting of programme outcomes into examination of the extent to which and the ways in which outcomes are caused by the programme” (Ho 2003:70).

*Evaluation* may be defined as “the systematic and objective assessment of an ongoing or completed project, program, or policy, including its design, implementation, and results. The aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact, and sustainability” (OECD in Kusek & Rist 2004:12). Development evaluation focuses on the complex and emergent areas of development such as poverty alleviation, globalisation, global warming, inequality and dealing with the remnants of war. Development evaluation asks the critical “so what” question of government programmes and policies, often in the context of weak or corrupted information systems and strives to improve government performance and results (Morra Imas & Rist 2009:xv).

Weiss (1998:4) regards evaluation as “the systematic assessment of the operation and/or outcomes of a program or policy, compared to a set of explicit or implicit standards, as a means of contributing to the improvement of the program or policy”, while Scriven distinguishes evaluation as an investigative discipline “which encompasses consideration of the costs, comparisons, needs, and ethics; political, psychological, legal and presentational dimensions; the design of studies, and a focus on the techniques for supporting and integrating value judgements” (Scriven 1991:141).

Save the Children (1995:99) defines evaluation as assessing “whether the objectives of the piece of work have been achieved, and whether it has made an impact”. This focus is also emphasised in the definition by Wholey *et al.* and Perry in Cloete, Wissink and De Coning (2006:247) that reads “programme evaluation consists of the systematic description and judgements of programmes and, to the extent feasible, systematic assessment of the extent to which they have the intended results.” Owen and Rogers add to this that evaluations should determine the impact “for the direct and timely use of those responsible for a policy intervention” (Owen & Rogers 1999:32).

Rossi *et al.* regards the evaluation process as four parts. Firstly, it involves establishing the criteria of merit (what is regarded as important). Secondly, standards (levels of desired performance) are constructed, which may include administrative, legal, ethical or professional standards. Thirdly, data are gathered to describe the performance of the entity being evaluated and compared to the predetermined, clarified and verified standards and criteria. Lastly, the data are synthesised and integrated into a judgement of merit or worth (Rossi *et al.* 2004:16,17,70,174). This description concurs with Scriven’s description of the evaluation process as the “identification of relevant standards of merit, worth, or standards; and some investigation of the performance of evaluands on these standards, and the integration of the results to achieve an overall judgement of merit or worth of the evaluand (Scriven 1991:139). Fournier (in Owen 2006:9) translates these four steps as determining the dimensions on which the evaluand must perform; specifying the desired level of performance for each dimension; obtaining actual performance measures and presenting the worth of the evaluand.

The definitions of M&E illustrate the complementary nature of the two management functions. The relationship is summarised in Table 2.1.

**Table 2.1: The complementary relationship between M&E (Kusek & Rist 2004:14)**

<b>MONITORING</b>	<b>EVALUATION</b>
Clarifies programme objectives	Analyses why intended results were or were not achieved
Links activities and their resources to objectives	Assesses specific causal contributions of activities to results
Translates objectives into performance indicators and sets targets	Examines implementation process
Routinely collects data on these indicators, compares actual results with targets	Explores unintended results
Reports progress to managers and alerts them to problems	Provides lessons, high-lights significant accomplishment or programme potential, and offers recommendations for improvement

To this table may be added that monitoring collects basic information over time, using constant methods, while evaluation analyses information in depth, using various methods to make a judgement on the merit of the evaluand. The essential difference between monitoring and evaluation is that monitoring simply tracks the implementation and outcome progress of the policy, programme or project, whereas evaluation performs a judgement of merit of the measured results against the original stated or unstated intent of the policy, programme or project.

Monitoring and evaluation are often encompassed and applied as part of the broader term *performance management*. Venter (1998:45) regards the underlying philosophy of performance management as striving toward maximised (policy or programme) performance through continuous measurement against clearly defined and agreed upon standards. In the public sector, policies captures the broad goals, objectives and principles that should be delivered for government to be regarded as successful against its developmental, regulatory, protectionist or welfare mandate. Programmes and projects provide the detailed action plan that describes how

resources will be converted into the desired end products that constitute progress towards the goals. Policies and their supportive programmes and projects become the basis for the development of performance management strategies which outlines:

the interrelated processes which ensure that all the activities and people in a local government contribute as effectively as possible to its objectives, (and which systematically reviews the activities and objectives) in a way which enables a local authority to learn and thereby improve its services [and results] to the community. (Rogers 1999:9).

### Performance management

may be narrowly viewed as a set of tools and techniques which can be used by managers and politicians to manage the performance within their own organisations, or it can be viewed more widely as a pattern of thinking that results from a wide-ranging set of changing political, economic, social and ethical pressures that have impacted on local authorities in ways that are more extensive than simply the deployment of specific techniques. (Rogers 1999:2)

Van der Waldt (2004:39) agrees that, in the broad sense, performance management includes all processes and systems that manage and enhance performance in the public service. The previous South African Department of Provincial and Local Government defined performance management

as a strategic approach to management, which equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organisation in terms of indicators and targets for efficiency, effectiveness and impact. (DPLG (2) 2001:3)

This definition acknowledges that government performance is not only about the delivery of tangible products and services (or outputs) but includes the delivering of developmental results or outcomes as formulated in the policies and strategies of government. Performance management in local government must therefore measure the results of individual projects, composite programmes and overarching policies.

In the South African local government sphere, M&E is incorporated as part of the mandatory performance management system. Within the context of this study, this necessitates a brief discussion of a performance management system as a means to monitor and evaluate the delivery of outputs and outcomes.

A performance management system consists of three interrelated components. The first involves translating the organisation's vision and broad development and policy goals into specific unit, task and individual goals. Performance management is an approach by means of which a shared vision of the purpose and aims of the organisation are created and communicated, so that all employees can understand and recognise their part in contributing to the organisation's goals. In this way, both individual and organisational performance is enhanced (Fletcher in Armstrong & Baron 1998:8). Performance management as a process establishes a shared understanding of what is to be achieved. It manages and develops employees in a way that increases the probability that the relevant objective(s) would be achieved in both the short and longer term (Armstrong in Armstrong & Baron 1998:49). The performance management process aims to improve the performance of employees and link each person's contribution directly to the applicable policy objectives (Shierschmidt 2002).

The second component comprises the monitoring and management of performance on individual, team and organisation level. Performance management requires the managers of an organisation to manage in a manner that holds all components and individual employees accountable, thereby ensuring improved delivery and value for money to the local community and citizens (DPLG (2) 2001:3). Armstrong and Baron (1998:7-8) refer to a strategic and integrated approach to ensuring sustainable organisational success, not only by improving the performance of individuals, but also constantly developing the abilities of individuals and teams in the organisation. On an individual level, performance management generally includes planning for performance (e.g. goal setting); ongoing coaching and development of subordinates; formally reviewing performance; and rewarding performance (Spangenberg & Theron 2001:35).

The third component entails reviewing and evaluating progress on goal achievement and making necessary adjustments. Performance management ensures that plans are implemented, that they have the desired impact, and that resources are used efficiently. Rogers (1999:11) describes performance management as a set of interrelated and complementary processes that establish monitoring, review, evaluation and appraisal processes and techniques in order to enforce conformity with planned performance.

The performance management system of local government should translate policy and development goals to specific implementable programmes and projects that in turn are translated into individual tasks and responsibilities. This performance management system should then provide for the measurement of performance at individual, programme and organisational level and the development of appropriate performance improvement strategies to address underperformance found at any level. Monitoring and evaluation thus fulfils an essential part of a well-functioning performance management system in collecting and interpreting performance data. The next section will elaborate on this M&E purpose, as well as other purposes of M&E.

### **2.3.2 Purposes of M&E**

“The overall goal with assessment of public management performance is to determine whether both the end products and the processes through which they came about comply with the required or preferred standards set for them.” (Cloete *et al.* 2006:265) The information produced by M&E studies can be used by policy makers, planners and managers to assist decision-making (Valadez & Bamberger 1994:7). M&E provides decision-makers with feedback on results and progress to inform strategic planning and resource allocation decisions; corrective decisions; accountability in terms of results for programme marketing and public relations; quality management; benchmarking and improvement (Mosse & Sontheimer 2006:3). Scriven simplifies the role of the evaluator to “bad is bad and good is good and it is the job of evaluators to decide which is which” (Scriven in Alkin & Christie 2004:32).

M&E studies are undertaken to attain a variety of objectives, which may range from a general pursuit of learning and knowledge (e.g. to test a theory) to specific studies aimed at adapting and improving the intervention or to give account to relevant political, managerial or community stakeholders. It may be undertaken for specific public relations purposes, to convey a specific message, or even for other, undisclosed political reasons. Segone identifies a trend over the last 50 years from what he calls first generation evaluation thinking based on appraising whether stated results were achieved, to second generation with a greater emphasis on transparency and accountability for attained results, to third generation evaluation thinking which places emphasis on understanding, learning, decision making and positive accountability by focussing on results, processes and the utilisation of evaluation findings (Segone 2006:9).

One objective of M&E studies is to assist with the identification and selection of programmes and projects that have a good chance to succeed (Valadez & Bamberger 1994:7). Evaluation facilitates strategic planning by informing the SWOT analysis of the current situation by providing data on previous and ongoing programmes and policies (Boyle & Lemaire 1999:96). M&E helps to identify and correct mistakes and build on the successes of best practice, thereby contributing to “continued improvements in the design and administration of programmes” (Atkinson & Wellman 2003:3, OECD 2007:12).

Such formative evaluations should be undertaken to improve the programme so that it may perform better (Rossi *et al.* 2004:34; O’Sullivan 2004:3). Wholey describes it as an “evaluability assessment which determines whether the programme is ready to be managed for results, what changes are needed to do so, and whether the evaluation would contribute to improved programme performance” (paraphrased by Shadish, Cook & Leviton 1991:225). Typically conducted during the development of the programme, formative evaluations test the projected viability and feasibility of envisaged outputs and outcomes and impacts to assist internal staff to make improvements (Scriven 1991:168). Components of the formative evaluation or feasibility assessment include explaining the fit and rationale for strategic objectives; identifying and assessing options; a financial analysis of each option; identifying outputs and outcomes of each option; selection of the preferred option and compilation of the implementation (project) plan; and a summary of the

exit plan and evaluation strategy upon completion of the project (British Department of Trade and Industry 2003:15-18).

Another objective is to determine progress regarding selected social, economic, sectoral and national development objectives (Valadez & Bamberger 1994:7). Regular collection of information through monitoring provides “early warning of deviation from the initially desired course” (OECD 2005:75) and provides the necessary information on progress and performance to:

- Provide an ongoing picture of progress
- Maintain high standards
- Ensure that resources are used effectively
- Plan workflow
- Identify problems and solutions proactively
- Identify opportunities
- Establish and maintain a record of events
- Motivate staff by illustrating the purpose of their work
- Establish a baseline (Save the Children 1995:88).

A further objective of M&E is to determine whether the project is implemented efficiently and reaches the intended beneficiaries (Valadez & Bamberger 1994:7). Evaluation periodically assesses the programme’s design, its implementation and service delivery, efficiency, effectiveness, impact or outcomes, relevance and the sustainability of the programme in relation to the stated objectives (Rossi *et al.* 2004:18, Atkinson & Wellman 2003:3).

These summative evaluations determine whether the stated expectations of the programme have been met and render a summary judgement after completion of the programme on the total performance (output, outcome, impact) and value of the programme, typically for the benefit of an external audience. It reports on the programme, not to it (Rossi *et al.* 2004:36, Scriven 1991:340, Scriven in Patton 2008:114, O’Sullivan 2004:3).

Another important objective identified by the OECD is “to make informed decisions about the allocation of funds” (OECD 2007:12). Although the measurement of efficiency (the ratio between outcomes and the costs) is a critical objective of M&E, the OECD warns that “such analyses are difficult to undertake ... (as there are) many factors that can influence efficiency at any time: the impact of the initiative will obviously vary depending on whether the economic context is favourable.” Furthermore, it is difficult to identify and agree upon the criteria for efficiency (OECD 2005:74-75).

Evaluation may be undertaken to improve programmes, enhance accountability, and generate knowledge, or to promote hidden agendas that are different from the stated reasons for evaluation. Evaluation findings may have instrumental use (accountability and improvement); symbolic use; or legitimate (justification) use (Owen 2006:106). One aim may be to show the “taxpayer and business community whether the programme is a cost-effective use of public funds” (OECD 2007:12), to specifically enhance efficient cost-effective service delivery and the reduction of waste (Davies, Newcomer & Soydan 2006:165), or to impress funders or decision-makers, terminating a programme and firing an administrator (Rossi *et al.* 2004:34-36). Weiss concurs that administrators or political decision makers may request an evaluation to delay a decision; demonstrate success of a programme to the public; or prove a certain point known prior to commissioning the evaluation (Weiss 1998:22).

Evaluation may also be a means of contributing to good governance, by providing opportunity for local learning, mediation dispute settlement by involving all stakeholders in the selection of evaluation criteria (OECD 2005: 75). In this regard, the M&E study can be guided by the following questions (Rossi *et al.* 2004:3):

- What is the nature and scope of the problem?
- What feasible alternatives are available?
- Who is the target population and are the benefits reaching them?
- Is the implementation of the programme sound so that service delivery is taking place?

M&E studies may also be undertaken periodically to assess the need and relevance of the programme (Rossi *et al.* 2004:18). Kusek and Rist state that the M&E systems should provide answers to the following questions:

- Have policies, programs and projects led to the desired results and outcomes?
- How do we know we are on the right track?
- How do we know if there are problems along the way?
- How can we correct them at any given point in time?
- How do we measure progress?
- How can we tell success from failure? (Kusek & Rist 2004:3):

Finally, M&E should assess the impact on wider developmental objectives (Valadez & Bamberger 1994:7, OECD 2007:12). It should provide answers to: “Are the desired goals and benefits achieved?” and “Is the cost reasonable in relation to its effectiveness and benefits?” (Rossi *et al.* 2004:3). It can also help to identify unintended policy, programme, and policy results (Kusek & Rist 2004:19-20). As Osborne and Gaebler (1992) rightly summarised, there lies tremendous power in the accurate measurement of results (See Box 2.1).

**Box 2.1: The power in measuring results**

**(Osborne & Gaebler in Kusek & Rist 2004:11)**

If you do not measure results, you cannot tell success from failure.

If you cannot see success, you cannot reward it.

If you cannot reward success, you are probably rewarding failure.

If you cannot see success, you cannot learn from it.

If you cannot recognize failure, you cannot correct it.

If you can demonstrate results, you can win public support.

**2.3.3 Evaluation foci and benefits**

To attain the goal and objectives as discussed in the previous section, M&E studies must provide decision-makers with practical, usable information. As can be expected, the specific focus and benefits of evaluation studies supports the objectives discussed in the preceding section.

Cloete *et al.* (2006:248) state that evaluation should provide information to:

- Measure progress in the attainment of objectives
- Improve future efforts through the lessons learned
- Test the feasibility of assumptions, models or theories
- Provide political or financial accountability
- Advocate a cause
- Improve public relations

As such, evaluation efforts should focus on:

- Describing intended and unintended changes or impacts
- Assess the success in attaining objectives
- Calculating the efficiency with which outputs or outcomes were delivered
- Assessing participation, empowerment and satisfaction in and with outcomes
- Determining the sustainability of effected changes (Cloete *et al.* 2006:248-9).

Kusek and Rist (2004:115-116) state that M&E assist in the allocation of resources; reviewing the causes of a problem; identifying emerging problems; deciding amongst two or more alternatives; enhancing public sector reform and innovation; and building consensus on the causes and responses to a problem.

According to the United Nations Population Fund Division for Oversight Services, evaluation efforts should focus on:

- Improv[ing] the design and performance of an ongoing programme (formative evaluation) by answering the questions “What is the progress towards achieving the desired outputs and outcomes? Are the activities planned sufficient (in quantity and quality) to achieve the outputs?” (UNFPA 2004:2)

- Making an overall judgment about the effectiveness of a completed programme, often to ensure accountability (summative evaluation) by answering the questions “Did the programme work? Did it contribute towards the stated goals and outcomes? Were the desired outputs achieved?” (UNFPA 2004:2)
- Generating knowledge about good practices by answering the question “What types of interventions are successful under what conditions?” (UNFPA 2004:2)

The focus of evaluation efforts will largely depend on the needs of the specific user or decision maker who undertakes or commissions the research.

Certain evaluation findings are particularly suited for decision-making by specific users. For example, programme managers and staff of implementing partners need evaluation findings related to the delivery process and progress towards achieving aims. This type of information will help them choose more effective implementation strategies. Decision-makers who oversee programmes such as policy makers, senior managers and donors, require evaluation findings related to effectiveness, impact and sustainability. This type of information will enable them to decide whether to continue, modify, or cancel the programme or projects. Data generated through evaluations, which highlight good practices and lessons learned is essential for those engaged in overall policy and programme design. (UNFPA 2004:3)

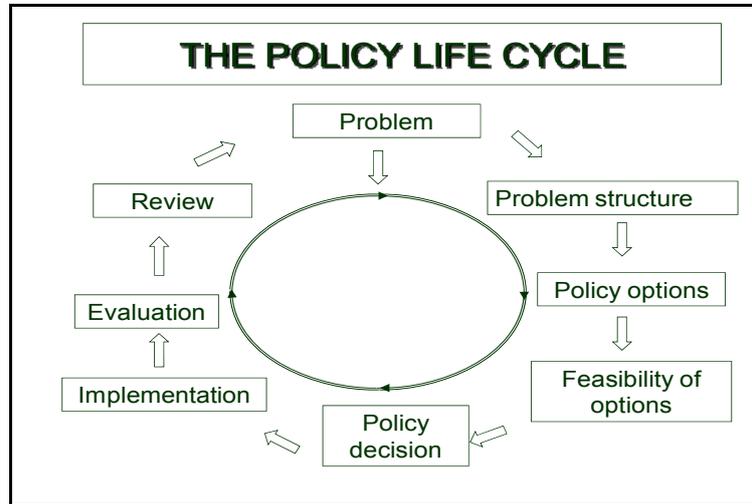
Although the specific objective and focus of evaluation studies may vary, the users of evaluation data all share a common interest in ensuring public sector results through the policies, programmes and projects that they design and implement. The next section presents considerations for M&E for results.

#### **2.3.4 Monitoring and evaluating for results**

Results- or evidence-based M&E is governments’ response to increased internal and external demands for improvements; greater accountability and transparency; provision of information; cost constraints; and tangible, real results on political

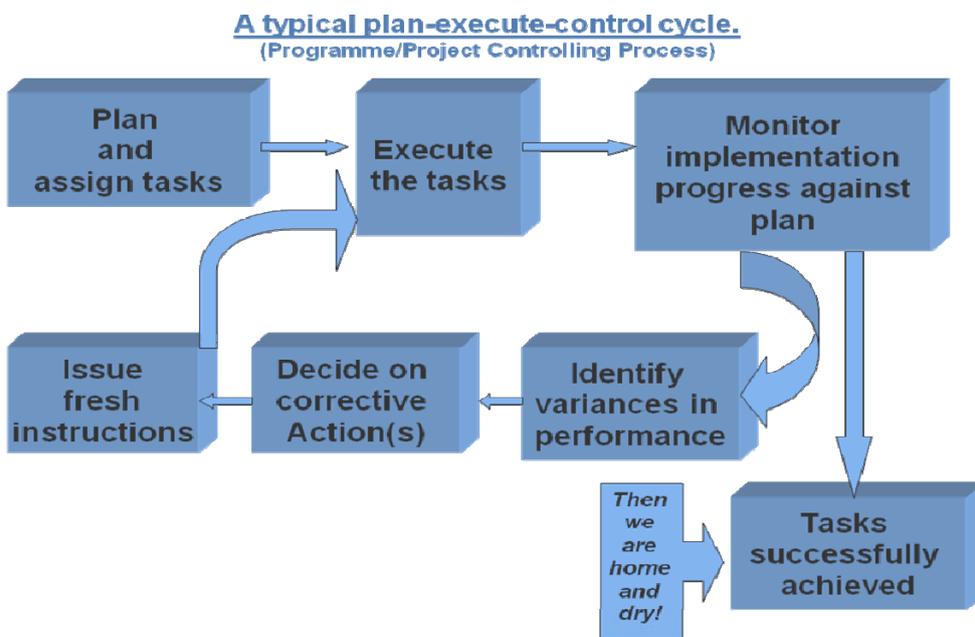
promises (Kusek & Rist 2004:1, Valadez & Bamberger 1994:4, Boyle & Lemaire 1999:181, Mackay 2008:89).

Policies, programmes or projects have a life cycle commencing with conception, moving through implementation and ending with evaluation, which may lead to the reformulation of the original idea (See Figure 2.1).



**Figure 2.1 The policy life cycle**

Rakoena presents a typical programme or project life cycle comprising many of the same steps in Figure 2.2.



**Figure 2.2: A typical programme/project controlling process (Rakoena 2007:slide 7)**

Rist states that, although evaluation was originally perceived as measuring only the final outcomes or effects of a policy, the concept has expanded to encompass the various phases of the policy, programme or project life cycle (Rist in Boyle & Lemaire 1999:4). During the formulation phase, the problem and previous solutions are analysed and information is evaluated to inform the design of the policy, programme or project (Boyle & Lemaire 1999:117-119). With implementation, the focus is on assessing whether resources are used effectively and efficiently to have the best impact on the problem (Boyle & Lemaire 1999:120). The evaluation phase focuses on the attainment of the original objectives and anticipated and unanticipated outcomes of the policy, programme or project (Boyle & Lemaire 1999:122-123). This phase also evaluates the decision and implementation processes against the original objectives and the produced outputs and outcomes to determine whether success or failure may be ascribed to the original conceptualisation or the practical implementation of the policy, programme or project.

Table 2.2 presents possible evaluation activities during the life of a programme.

**Table 2.2: Possible evaluation activities during the life of a programme  
(O’Sullivan 2004:3)**

Programme Conceptualisation	Programme Planning	Programme Implementation	Programme Completion
Reviewing relevant literature	Creating personnel projections	Monitoring programme activities	Assessing long-term impact
Assessing needs	Establishing timelines	Developing databases	Determining programme strengths
Conducting focus groups	Estimating costs	Assessing programme functioning	Identifying areas for subsequent improvement
Analysing cost effectiveness	Identifying procurement alternatives	Determining short-term impact	Assessing cost effectiveness

Within the scope of evaluation studies, results-based M&E are focused particularly on achieving the “outcomes important to the organization and its internal and

external stakeholders” (Kusek & Rist 2004:19). Kusek and Rist (2004:18) clarify the difference by explaining that results are measured against goals and outcomes, while implementation is measured against inputs, activities and outputs. The box below (Box 2.2) summarises some of the main differences in M&E for implementation and M&E for results.

**Box 2.2: Key features of Implementation Monitoring versus Results Monitoring**  
**(Kusek & Rist 2004:18)**

**Elements of Implementation Monitoring**

**(traditionally used for projects)**

- Description of the problem or situation before the intervention
- Benchmarks for activities and immediate outputs
- Data collection on inputs, activities and immediate outputs
- Systematic reporting on provision of inputs
- Systematic reporting on production of outputs
- Directly linked to a discrete intervention (or series of interventions)
- Designed to provide information on administrative, implementation, and management issues as opposed to broader development effectiveness issues

**Elements of Results Monitoring**

**(used for a range of interventions and strategies)**

- Baseline data to describe the problem or situation before the intervention
- Indicators for outcomes
- Data collection on outputs and how and whether they contribute toward achievement of outcomes
- More focus on perceptions of change among stakeholders
- Systematic reporting with more qualitative and quantitative information on the progress toward outcomes
- Done in conjunction with strategic partners
- Captures information on success or failure of partnership strategy in achieving desired outcomes.

**Source: Fakadu-Parr, Lopes & Malik in Kusek & Rist 2004:17**

Results-based M&E focus on the attainment of outcomes – the final result or change delivered by a policy, programme or project. In section 2.4.1.2.4 three distinctions to be borne in mind when measuring outcomes are discussed. These are the outcome level, the outcome change and the programme effect. Results-based M&E therefore presents an additional challenge to evaluators. Apart from measuring the outcome attained, evaluators also need to determine to what degree changes in the outcome are attributable to the action (policy, programme or project) undertaken and not the effect of other externalities (Rossi *et al.* 2004:205). These considerations should be taken into account when designing the evaluation study and selecting appropriate methodology for data collection and analysis. The last section of this chapter provides an overview of the key considerations in designing evaluation studies.

## **2.4 Evaluation theory: A classification system**

During its relatively short history, the evaluation profession has already become characterised by a variety of philosophies, approaches, models, traditions and practices. The first evaluation studies tested bold new reform approaches, while ignoring the effect of small changes to existing programmes or local practices for local goals. Over time, evaluation approaches changed and diversified to reflect accumulating practical experience (Shadish, Cook & Leviton 1991:32). Various evaluation theories emerged that tried to “describe and justify why certain evaluation practices lead to particular kind of results” (Shaish, Cook & Leviton in Rossi, Lipsey & Freeman, 2004:27). While early theories focused on methods for doing evaluations in natural field settings, later theories focused on the politics of applying methods in field settings, and how research fits into social policy (Shadish & Luellen in Mathison 2005:186).

Various attempts have been made to classify these theories and models, signalling a natural growth in the evaluation discipline to assist better evaluation theory and practice (Mathison 2005:258). A review of some of these more recent classification systems were undertaken in an attempt to classify and sort the various approaches and models for purposes of the discussion here.

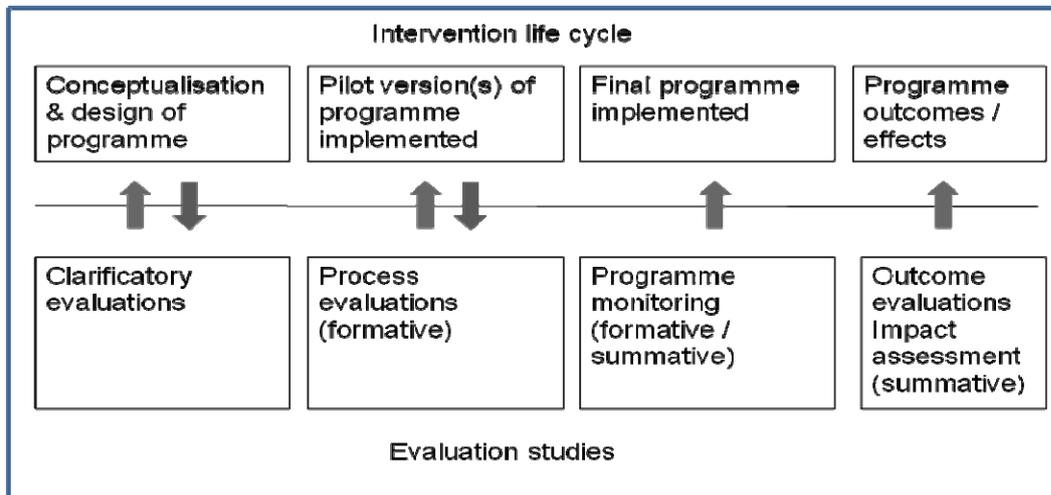
Shadish, Cook and Leviton (1991) classified theories and theorists into three 'stages', namely stage one theories which introduced science and experiments as a means to address social problems, stage two theories and theorists that emphasised use and pragmatism, and stage three theories which try to integrate the scientific and pragmatic approaches. Chen presents four types of evaluation strategies linked to the purposes of the evaluation. He distinguishes between evaluation strategy (the general direction taken by the evaluator to meet a particular purpose) and evaluation approaches (the systematic set of procedures and principles guiding evaluators, including the conceptualising problems, research method application and interpretation of data) (Chen 2005:144). Four types of strategies are identified, namely assessment strategies that provide information on the performance of the intervention; development strategies that assist in planning the intervention; enlightenment strategies that examines underlying assumptions and mechanisms that mediate observed effects; and partnership strategies that involves stakeholders in planning and implementing interventions (Chen 2005:144-148). Alkin and Christie (2004:12) developed an evaluation tree with three main branches, namely use, methods and valuing. Various evaluation theorists were sorted onto the three branches on the basis of their (most) valued contributions to the evaluation field. Rossi *et al.* (2004) developed classification systems that link evaluation to the programme life cycle (see Table 2.3 below, as well as Mouton's (2008) agreement in Figure 2.3, which follows). Within this approach, Rossi *et al.* (2004:80) proposes an evaluation hierarchy that evaluates various parts of the programme, namely the need for the programme, its design and theory, the implementation process, the outcome or impact and finally the cost and efficiency of the programme. Owen (2006:41-54) distinguishes between proactive evaluation aimed at synthesising previous evaluation findings, clarificative evaluation to clarify the underlying logic and intended outcomes of the intervention, interactive evaluation to improve the evaluation design, monitoring evaluation to track progress and refine the programme and, finally, impact evaluation for learning and accountability purposes. Stufflebeam identified 26 approaches to evaluation classified into five categories: Pseudoevaluations, Questions- and Methods-Oriented Evaluation Approaches (Quasi-Evaluation Studies), Improvement- and Accountability-Oriented Evaluation Approaches, Social Agenda and Advocacy

Approaches, and Eclectic Evaluation Approaches (see Stufflebeam & Shinkfield 2007).

Evaluation of local economic development has also evolved with the increasing sophistication and formalisation of approaches to LED. This is discussed as part of Chapter 5 section 5.3.

**Table 2.3: Aim of evaluation at various stages of programme development  
(Rossi *et al.* 2004:40)**

Stage of Programme Development	Potential Questions	Evaluation Function
Assessment of social problems & needs	To what extent are community needs and standards met?	Needs assessment; problem description
Determination of goals	What must be done to meet those needs and standards?	Needs assessment; service needs
Design of programme alternatives	What services could produce the desired changes?	Assessment of programme logic or theory
Selection of alternative	Which of the possible programme approaches is best?	Feasibility study, formative evaluation
Programme implementation	How should the programme be put into operation?	Implementation Assessment
Programme operation	Is the programme operation as planned?	Process evaluation, programme monitoring
Programme outcomes	Is the programme having the desired effects?	Outcome evaluation
Programme efficiency	Are programme effects attained at a reasonable cost?	Cost-benefit analysis, cost-effectiveness analysis



**Figure 2.3: Evaluation studies commissioned during an intervention life cycle (Mouton 2008)**

Classification schemes are usually criticised as soon as they are published on the basis of what is included and excluded. However, the charting of evaluation approaches has a pragmatic purpose as it provides evaluation practitioners with the details to make a choice amongst various evaluation approaches on the basis of their inherent parameters, purposes and processes (Mathison 2005:257).

The classification system proposed here has three categories, namely the **scope** of the evaluation study, the approach or underpinning **philosophy** of the evaluation study and, lastly, the **design** of the evaluation study, which provides the parameters for collecting data to inform the evaluation. The scope of the study defines the parameters of the evaluand. The particular objectives of the study informs the choice of philosophy or evaluation approach, and while “the various approaches to evaluation are all defensible, (they are) not necessarily equally defensible in any given evaluation situation” (Rossi *et al.* 2004:26). Finally, the specific evaluation question(s) and data sources provide for the selection of appropriate data collection methods.

The various evaluation types and approaches presented in literature will be discussed within the three categories of the proposed classification system.

## **2.4.1 Evaluation approaches based on scope**

The scope of the evaluation delimits the focus of the evaluation. The evaluation may be very broad, encompassing various dimensions or attributes of performance, as is done during a comprehensive organisational performance review. Evaluation may, on the other hand, be focused only on a particular intervention, be that a policy, a programme, a project or a product. A comprehensive evaluation focuses on all aspects of the evaluation (integrated evaluation), while a narrow or more technical evaluation focuses on particular aspects, stages or phases of the intervention, such as its inputs, resource conversion or management processes, outputs, outcomes or impacts. Finally, the evaluation may be focused on the performance of individual staff members within the organisation or intervention.

Only organisational evaluations are dealt with further below, sub-divided into two categories, namely evaluation focused on a particular intervention, be that a policy, a programme, a project or a product; and evaluation focused on all aspects or a particular element of the intervention, such as its inputs, processes, outputs, outcomes or impact.

### **2.4.1.1 Evaluation of interventions**

Evaluations may be focused on the following types of interventions.

#### **2.4.1.1.1 Systemic evaluation**

The focus of the evaluation may be on the entire system, which includes then both the specific intervention under consideration, but extends also to all aspects in the immediate and broader environment that may influence or be influenced by the intervention. Systemic evaluation was developed for operations research and based on critical systems thinking. It is based on the following principles:

- What lies beyond the inquiry – both inside and outside of the system under evaluation – has important significance for the inquiry
- As the evaluator is part of the system, the evaluation's purpose, values, methods, analysis and conclusions must be openly debated and clarified.
- Practical improvement is inherent to systemic evaluation. This necessitates ethical clarification on what is 'in' and 'out' of the valuation, and for whom there is improvement. (Rogers & Williams 2006:88).

#### **2.4.1.1.2 Policy evaluation**

“Policies can be considered as the most pervasive form of social intervention.” (Owen 2006:23) Two investigatory activities may be applied to policies, namely policy analysis, which describes the process of developing the policy, including the alternative options available and assumptions upon which decisions are made, and policy research, which aims to determine policy impact to inform further policy decisions (Owen 2006:26). Policy evaluation evaluates alternative public policies, in terms of their individual ability to deliver on stated outcomes, as well comparison between policies to determine which result is more desirable in terms of effectiveness, efficiency and peripheral consequences.

Public policy evaluation involves deciding among alternative ways of resolving controversies regarding what should be done to deal with economic, technological, social, political, international, and legal problems at the societal level. Systematic evaluation involves processing (a) goals to be achieved, (b) alternatives available for achieving them, and (c) relationships between the goals and the alternatives to decide on the best alternative, the best combination of alternatives, or the best allocation among the alternatives. Win-win evaluation involves choosing policy alternatives that can enable conservatives, liberals, and other major groups to simultaneously achieve results that are better than their best initial expectations. (Nagel 2002:xi)

#### **2.4.1.1.3 Programme monitoring and programme evaluation**

Programme monitoring “is the systematic documentation of aspects of program performance that are indicative of whether the program is functioning as intended or according to some appropriate standard. Monitoring generally involves program performance related to program process, program outcomes, or both” (Rossi *et al.* 2004:431). Programme evaluation “entails the use of social research methods to systematically investigate the effectiveness of social intervention programmes in ways that are adapted to their political and organisational environments to inform social actions that may improve social conditions” (Rossi *et al.* 2004:431).

Programme evaluation “is the systematic assessment of program results and ... the systematic assessment of the extent to which the program caused those results” (Newcomer, Hatry & Wholey 2004:xxxiii). Project evaluation entails the same with a particular project, not a programme, as the focus of the evaluation.

#### **2.4.1.1.4 Community evaluation**

Community-based evaluation is focused on a particular community, which may be geographically based, or spatially spread, but with similar characteristics such as ethnicity, interest or ideology. Evaluations are conducted in partnership with the community, with community-sensitive evaluation methods and measures, and community-focused reporting and dissemination (Conner in Mathison 2005:69-70).

#### **2.4.1.1.5 Product evaluation**

Product evaluation entails the evaluation of a product against quality assurance standards. In the social context, product evaluation measures, interprets, and judges achievements to ascertain the extent to which the evaluand met the needs of the rightful beneficiaries. Product evaluation should assess intended and unintended, as well as positive and negative outcomes, both short and long term (Stufflebeam 2007:344-345).

#### **2.4.1.1.6 Evaluation study**

The evaluation study itself may be the focus of another evaluation. Meta-evaluations comprise the evaluation (not the mere description of what the process entailed) of evaluations and evaluators (Scriven in Mathison 2005:249-251). "Triangulation and meta evaluation should be major parts of the methodology. Interpretations by evaluators and others should be scrutinized by colleagues and selected stakeholders... to identify shortcomings in design and poor interpretations." (Stufflebeam interpreted by Stake 2004:215) An evaluability assessment may be undertaken formatively to determine the information needs of policy makers and managers, the feasibility and cost of answering alternative evaluation questions and the likelihood of results being used (Wholey, Hatry & Newcomer 2004:2). An evaluation is regarded as evaluable if the programme goals are well-defined and plausible; the relevant data can be reasonably obtained; and the intended users have agreed on how they will use the information generated through the evaluation (Wholey 2004:34).

## **2.4.1.2 Evaluation of parts of an intervention**

Evaluations may be focused on elements or the entirety of an intervention. In terms of local economic development, an evaluation may focus on the entire strategy (policy), intervention, programme or project, or may focus only on part of the intervention, such as the outputs or outcomes of the intervention.

### **2.4.1.2.1 Input evaluation**

Input evaluation aims to help decision makers to examine alternative strategies for addressing assessed needs of targeted beneficiaries, develop an appropriate plan and budget, thereby preventing failure or waste of resources (Stufflebeam 2004:338-339). Criteria include:

- Responsiveness to assessed needs of targeted beneficiaries
- Responsiveness to targeted organisational problems
- Potential effectiveness
- Cost
- Political viability
- Administrative feasibility
- Potential for important impacts outside the local area

### **2.4.1.2.2 Process evaluation**

Process monitoring and evaluation is the “systematic and continual documentation of key aspects of program performance that assess whether the program is operating as intended or according to appropriate standards. The focus is on the integrity of the program operations and actual service delivery to the target audience” (Rossi *et al.* 2004:431,171). It investigates the operation of the programme, including whether the administrative and service objectives of the programme are being met; whether services are delivered in accordance with the goals of the programme; whether services are delivered to appropriate recipients and whether eligible persons are omitted from the delivered service; whether clients

are satisfied; whether the administrative, organisational and personnel functions are well-administrated; whether service delivery is well-organised and in line with programme design and other specifications (Rossi et al 2004:56-57,78,171). Cloete sees progress monitoring as necessary “to keep track of the time frame, the spending programme, the progress towards objectives and the quality and quantity of outputs...through project management techniques. The focus is primarily on the effectiveness, efficiency and levels of public participation in the implementation process” (Cloete 2008:6).

#### **2.4.1.2.3 Output evaluation**

Outputs are the tangible products that result from activities. Output evaluation typically measures the quantity, quality and diversity of services delivered by a specific intervention. It may also include the number and type of service recipients (Mark in Mathison 2005:287).

#### **2.4.1.2.4 Outcome evaluation**

Outcome evaluation provides information on important programme outcomes or end results to assess the effectiveness or benefits of the programme for the target group (Rossi *et al.* 2004:224-225, Chen 2005:35, Weiss 1998:8). As such, it “entails the continual measurement and reporting of indicators of the status of social conditions a program is accountable for improving” (Rossi *et al.* 2004:430). “The aim is to verify whether clients are better off after receiving the services” (Chen 2005:184). Typical questions included in an outcome evaluation include:

- Are the outcome goals and objectives being achieved?
- Do the services benefit the recipients? Are there adverse consequences?
- Is the problem addressed or improved? (Rossi *et al.* 2004:78).

In measuring outcomes, distinctions must be made between the:

- Outcome level – the actual outcome measurement at a particular point of time
- Outcome change – the difference between outcome measurements at different points in time
- Programme effect – the portion of an outcome change attributable to the programme and not external factors
- Proximal, distal, unintended and multiple outcomes
- Direct vs indirect beneficiaries of the attained outcomes (See also Rossi *et al.* 2004:207).

Outcome evaluations may focus on “the individual level (changes in knowledge, skills, attitudes), organisational level (changes in policies, practices, capacity), community level (changes in employment rates, school achievement, recycling), and the policy or government level (changes in laws, regulations, sources of funding)” (Mathison 2005:287).

#### **2.4.1.2.5 Impact assessment**

Impact assessment determines “the extent to which a program produces the intended improvements in the social conditions it addresses”. It may either refer to long-term outcomes or describe the effect of a programme on the wider community (Weiss 1998:8). It tests whether the desired effect on the social conditions that the programme intended to change was attained and whether those changes included unintended side effects (Rossi *et al.* 2004:58, 427). Owen (2006:255) elaborates by explaining that impact evaluation tests whether the objectives or needs have been met, whether there were unintended benefits, whether the implementation process and outcomes are responsible for the result, whether the same effect will be attained under different circumstances, and whether there are more efficient alternatives. It differs from outcome evaluation in that it has a longer term focus, and its focus is beyond the direct beneficiaries of the intervention on society as a whole. Impact assessment studies are also interested in determining causality: whether the observed changes can accurately be contributed to the intervention in question, and not some other external cause. As such, impact assessment is the

most difficult of evaluation studies, requiring rigorous methods and pre- and post-test design as proposed by the quasi-experimental tradition.

#### **2.4.1.2.6 Integrated evaluation**

Integrated evaluation combines the various focus areas into an overall assessment (see for example Stufflebeam's CIPP, logic models and log frames discussed under evaluation models as examples of integrated evaluations). Integrated evaluations may also be used to describe evaluations which focus on the integrated assessment of several policy sectors simultaneously, in contrast to sectoral evaluations that focus within one policy sector only.

#### **2.4.2 Evaluation approaches based on a distinct philosophy**

Naidoo (2007:31) explains that the various philosophical approaches to evaluation ranges from

a largely positivistic perspective on the one hand where quantitative approaches are used to generate information that is analysed along so-called scientific criteria, to the more interpretative and constructivist approaches on the other hand which privileges the generation of local knowledge, learning and use. This has presented itself as a dualism that has distinguished adherents into two camps, the quantitative or scientific versus the qualitative or interpretative, the former being seen as closer to the pure sciences and the latter to the social sciences.

Some of the previous evaluation approach classification attempts distinguish between value-driven and use-driven evaluation approaches. Problematic to this distinction are that all evaluations inherently entail a value judgement (good or bad, in Scriven's simple distinction) and that all evaluations are conducted with a particular end-use or purpose in mind. A clearer distinction in terms of the underpinning philosophy of an evaluation is theory-driven versus participatory approaches, where theory-driven evaluation philosophies lean towards a more scientific approach to evaluation research with the general aim to expand

knowledge, while participatory evaluation philosophies lean towards a more social science approach to evaluation research, with the general aim of empowerment and creating shared understanding.

### **2.4.2.1 Theory-driven evaluation approaches**

Theory-based evaluation entails the identification of the critical success factors of the evaluation, as well as an in-depth understanding of the workings of a programme or activity (the ‘programme theory’ or ‘programme logic’). Theory-driven evaluation “is the systematic use of substantive knowledge about the phenomena under investigation and scientific methods to improve, to produce knowledge and feedback about, and to determine the merit, worth and significance of evaluands” (Donaldson & Lipsey 2006:67). The approaches in this category are all based on an implicit ‘theory of change’ which links the evaluation with intended improvements in practice (Rogers & Williams 2006:77). It does not assume simple linear cause-and-effect relationships, but allows for the mapping and design of complex programmes. Where evaluation data indicates that critical success factors of a programme have not been achieved, it is concluded that the programme will be less likely to succeed (Kusek & Rist 2004:10).

#### **2.4.2.1.1 Clarification evaluation**

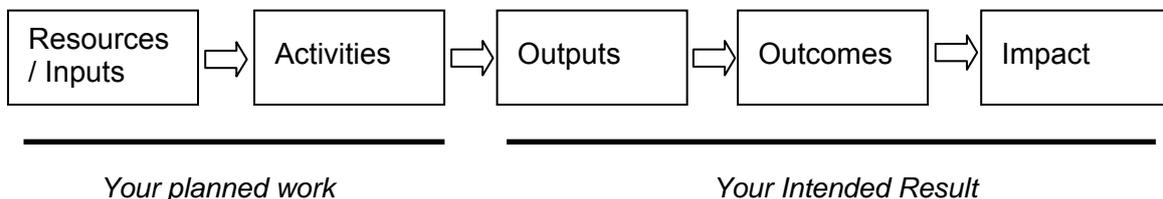
Clarification evaluation, also known as conceptual evaluation, programme needs assessment or the assessment of programme theory, assists in clarifying or developing the programme plan (Chen 2005:127) and analysing the programme assumptions and theory (Rossi *et al.* 2004:93) to determine its reasonability, feasibility, ethicality, and appropriateness (Rossi *et al.* 2004:55) and improve coherence (Owen 2006:191). Evaluators become part of the team that “together, interpret findings, analyse implications and apply results to the next stage of development” (Patton in Mathison 2005:116). Typical questions to be answered with the evaluation include:

- What are the nature and magnitude of the problem?

- Characteristics and needs of the population?
- Required services? How much? When? Delivery mechanisms? Ideal organisation of programme?
- Required resources? (Rossi *et al.* 2004:18,77).

Clarification evaluation tests the logic of the intervention, the feasibility of the design, encourages consistency between design and implementation and provides the foundation for monitoring and impact evaluation (Owen 2006:192). A useful approach is to draw the “logic model” for the intervention to provide a picture of how it is believed the intervention will work to bring about desired results through a specific sequence of activities (Kellogg Foundation 2004:10). “Theory-based evaluation has similarities to the logic model approach but allows a much more in-depth understanding of the workings of a program or activity – the ‘program theory’ or ‘program logic.’” (Kusek & Rist 2004: 8) “In particular, it need not assume simple linear cause-and-effect relationships.” (PSC 2007(b):56)

The basic components of the logic model are depicted in Figure 2.4 below.



**Figure 2.4: The logic model (Kellogg Foundation 2004:9)**

In this model,

resources include the human, financial, organizational, and community resources a program has available to direct toward doing the work.... activities are the processes, tools, events, technology, and actions that are an intentional part of the program implementation....outputs are the direct products of program activities and may include types, levels and targets of services to be delivered by the program....outcomes are the specific changes in program participants’ behavior, knowledge, skills, status and level of functioning... [and] impact is the fundamental intended or unintended

change occurring in organizations, communities or systems as a result of program activities. (Kellogg Foundation 2004:10).

Contextual factors that may influence the observed outcomes may include antecedent variables (characteristics of the beneficiaries or environment present at the start of the programme) or mediating factors (external influences that emerge during programme implementation) (McLaughlin & Jordan 2004:10).

To assist evaluators in thinking through the logic of a programme, Kusek and Rist developed a 'CORAL questionnaire' with guiding questions within each of the following areas:

- Identifying concerns of stakeholders
- Desired outcomes of solutions
- Identifying known or likely risks
- Credibility of the assumptions on which logic is based
- Enabling feedback of new programme logic and knowledge into implementation systems (Kusek & Rist 2009:190).

Rogers warns that there is a risk in using logic models “excessively focused on intended processes and outcomes, as they can lead to evaluations that search only for confirming evidence and not for evidence of unintended outcomes and the influence of other factors” (in Mathison 2005:234).

#### **2.4.2.1.2 Realist or realistic evaluation**

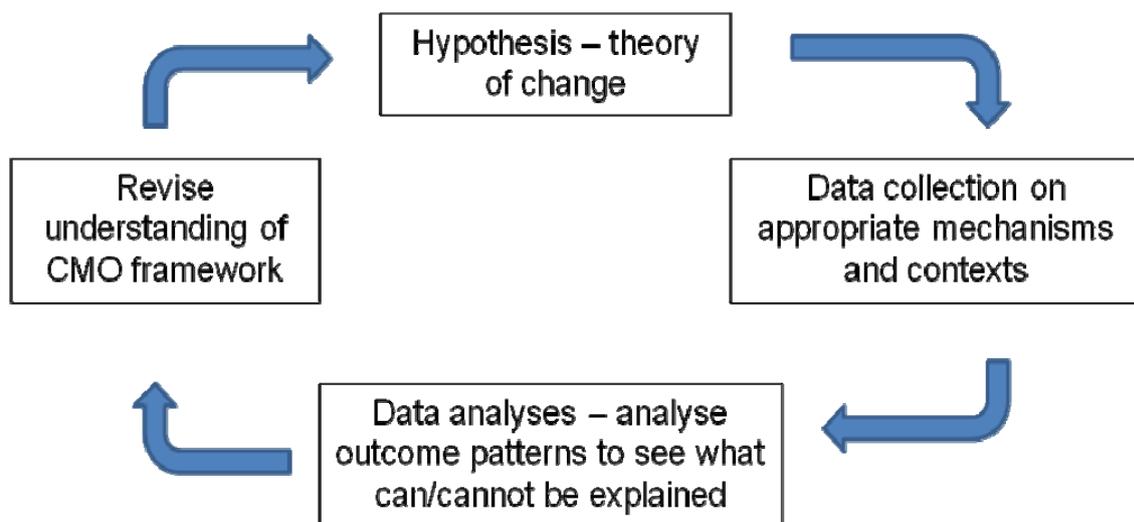
Realist evaluation, advocated by Pawson and Tilley (1990s), extends the experimental tradition of Campbell and Stanley, but takes a different view of what constitutes experimentation (Mouton 2007:504). Tilley (in Mouton 2007:507) explains that “in the case of social programmes we are concerned with change. Social programmes are concerned with effecting a change in a regularity...[which initially] is deemed...to be problematic....The aim of a programme is to alter these regularities. Thus, where science is concerned with understanding regularities, evaluation of programmes is concerned with understanding how regularities are

altered.” Realist evaluation tries to establish why, where, and for whom programmes work or fail by identifying the mechanisms that produce observable programme effects and testing the mechanisms, as well as other contextual factors, that may have caused the observed effect (Henry in Mathison 2005:359). It thus tests whether there is an unequivocal causal relationship between a programme and its outcomes to establish beyond doubt that it was the actual programme which caused the measurable change, and not some other, unidentified, variable. It poses the question whether the same programme will be successful everywhere. The aim with realist evaluation is to determine the causal factors in the context which causes the perceived evaluation result (Mouton 2008).

The evaluation is based on a CMOC Framework, which describes the context mechanism outcome configuration of the intervention, where:

- Context refers to the prior set of social rules, norms, values and interrelationships
- Mechanism refers to the programme activities and outputs
- Outcome refers to the perceived change that must be explained by evaluation.

Realist evaluation develops CMOC theories that explain the particular aspects of the mechanism and context that produce the final outcome. Figure 2.5 depicts the relationship and experimental design that underpins this evaluation approach.



**Figure 2.5: CMOC Framework (Source: Mouton 2007:508)**

#### **2.4.2.1.3 Cluster evaluation**

Cluster evaluation seeks to determine impact through aggregating outcomes from multiple sites or projects, whereas multisite evaluation seeks to determine outcomes through aggregating indicators from multiple sites. It looks across a group of projects to identify common threads and themes that, having cross-project confirmation, take on greater significance. (Russon in Mathison 2005:66-67)

Although cluster evaluation may need input from the programme managers and stakeholders in the various localities, these role players do not determine the evaluation questions, process and methods, and thus it do not reside under the participatory approaches to evaluation. The aim with cluster evaluation is to clarify and verify the validity of the theory of change.

#### **2.4.2.1.4 Illuminative evaluation**

Illuminative evaluation is an inductive approach that deters from adopting a particular philosophy or model. Its primary concern is with description and interpretation rather than with measurement and prediction. Hamilton explains that its aim is “to study the innovatory program, its significant features, recurring concomitants and critical processes”. Hamilton refers to three overlapping stages of illuminative evaluation: Observation, further inquiry and seeking to explain. “Overall illuminative evaluation concentrates on the information gathering rather than the decision-making component of evaluation. The task is to provide a comprehensive understanding of the complex reality surrounding a program: in short, to ‘illuminate’” (Hamilton in Mathison 2005:191-194).

#### **2.4.2.1.5 Goal-free evaluation**

This is another inductive approach standing in opposition to utilisation-focused evaluation (see next section), the usefulness of which was promoted by Scriven (1974). “In this approach, the evaluator purposely remains ignorant of a program’s printed goals and searches for all effects of a program regardless of its developer’s objectives. If the program is doing what it is supposed to do, the evaluation should confirm this, but the evaluator will also be more likely to uncover unanticipated effects that the goal-based evaluations would miss because of the preoccupation with stated goals.” (Stufflebeam & Shinkfield 2007:374) Goal-free evaluation studies all aspects of the programme and notes all positive and negative aspects without focussing only on information that supports the goals (Posavac & Carey 1997:23-27). The approach enhances the objectivity of evaluators during the evaluation process, as it does not prescribe what the evaluation should produce or focus on. It is also particularly useful in evaluations that aim to determine unintended consequences of an intervention.

#### **2.4.2.2 Participatory evaluation approaches**

“Participatory evaluation is an overarching term for any evaluation approach that involves program staff or participants actively in decision making and other activities related to the planning and implementation of evaluation studies.” In participatory evaluation (which includes approaches focused on evaluation of utilisation, and empowerment, and responsive, democratic and naturalistic evaluation) the evaluation team consists of the evaluator (as team leader or supporting consultant) and representatives from stakeholder groups, who, together, plan, conduct and analyse the evaluation. The degree of participation can range from shared evaluator-participant responsibility for evaluation questions and activities, to participants’ complete control of the evaluation process. With shared responsibility, the evaluator is responsible for the quality of the process and the outcomes, but designing and conducting the evaluation is done in collaboration with stakeholders. In evaluations where participants control the evaluation, the evaluator becomes a coach or facilitator who offers technical skills, where needed.

In a sense, all evaluations have some participation from stakeholders as evaluators need to interact with stakeholders to obtain information. However, a study has a

participatory philosophy when the relationship between the evaluator and the participants provides participants with a substantial role in making decisions about the evaluation process (King in Mathison 2005:291-294). Participatory evaluation approaches provide great benefit in settings where there is low capacity, or where buy-in needs to be established to ensure the utilisation of results. For these reasons, participatory evaluation approaches are regarded as very important when conducting evaluation at local government level characterised by low capacity, lack of understanding of the purpose of M&E and resistance to changing strategies to incorporate the findings from evaluation studies.

Participatory or inclusive evaluation may be quantitative, qualitative or of mixed method design. The choice of design and methodology is a joint decision between the evaluator and the communities influenced by the evaluation (Mertens in Mathison 2005:187-198).

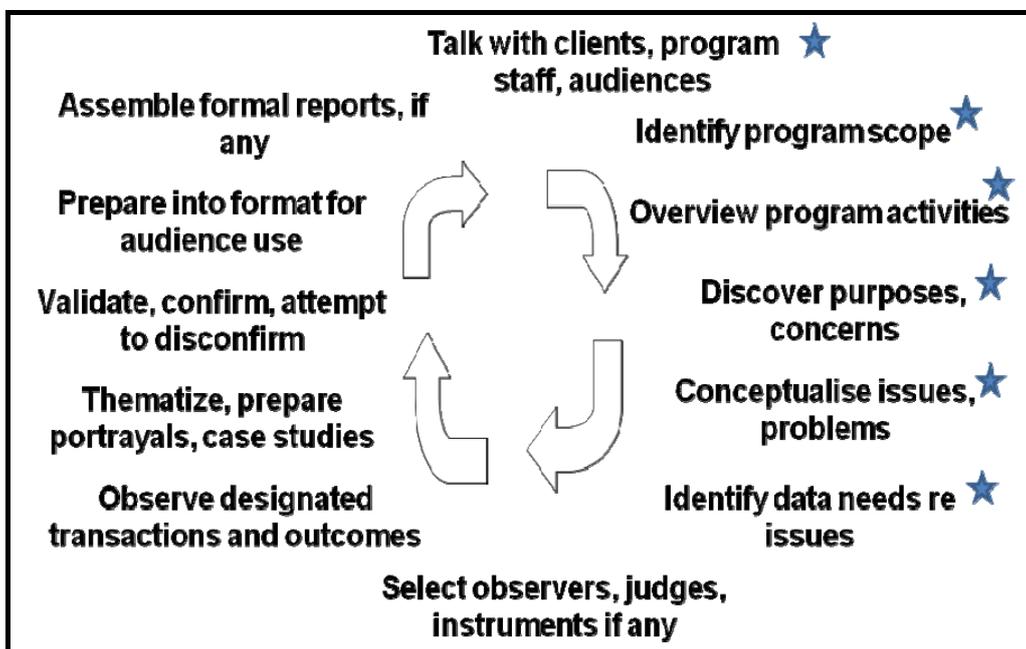
#### **2.4.2.2.1 Responsive evaluation**

Responsive evaluation has emerging from the writings of Stake (1974). House (1980) regards the evaluation function as more formative than summative in nature, with no single 'right' answer.

Responsive evaluation is an orientation... or disposition that favours personal experience. It draws on and disciplines the ordinary ways people perceive quality and worth...The essential intellectual process is responsiveness to key issues or problems, especially those recognised by people at the sites. It is not particularly responsive to program theory or stated goals but more to stakeholder concerns....Evaluators must become well acquainted with program activity, stakeholder aspirations and social and political contexts. (Stake & Abma in Mathison 2005:376-379)

Responsive evaluation helps the client to understand problems and uncover strengths and weaknesses in the programme. The responsive evaluator searches for pertinent issues and questions throughout the study and attempts to respond in a timely manner by collecting and reporting useful information, even if the need for such information is anticipated at the start of the study (Stufflebeam & Shinkfield

2007:415). It places emphasis on the context within which the evaluation takes place, and the ultimate needs and usefulness of the evaluation by stakeholders (Mouton 2008, Mouton 2007:502). Stake’s “responsive clock” (see Figure 2.6) reflects the importance he placed on initial stakeholder analysis before the evaluation process commences.



**Figure 2.6: Stake’s responsive clock (Source: Mouton 2008)**

Stufflebeam and Shinkfield provide the following comparison (Table 2.4) between evaluations with specific, predetermined theories of change that are either proved or disproved in the evaluation, and responsive evaluation. During preordinate evaluation, the evaluator predetermines the evaluation plan, based on the programme goals, which is then imposed on the programme. Responsive evaluation orients the evaluation to the programme activities, as opposed to the goals, thereby responding to various information needs and values with appropriate methods that emerge during the course of the programme implementation (Stake in Shadish, Cook & Leviton 1991:270).

**Table 2.4: Preordinate evaluation versus responsive evaluation (Adapted from Stufflebeam & Shinkfield 2007:416)**

<b>Distinction</b>	<b>Preordinate evaluation</b>	<b>Responsive evaluation</b>
Purpose	Determine goal achievement	Help address strengths and weaknesses
Services	Meet predetermined information requirements	Respond to audiences' information requirements
Design	Pre-specified	Emergent
Methodology	Research model: intervene and observe	Observation of natural behaviour: particularise
Techniques	Experimental design, hypothesis, random sampling, tests, statistics	Case study, purposive sampling, observation, expressive reporting
Communication	Formal and infrequent	Informal and continuous
Value basis	Pre-stated objectives	Values of people at hand
Key trade-offs	Sacrifice direct service to programme to ensure objectivity	Sacrifice precision in measurement to increase usefulness

#### **2.4.2.2.2 Naturalistic, Constructivist or Fourth-generation evaluation**

Naturalistic evaluation, also referred to as constructivist, interpretivist or fourth-generation evaluation, attempts to blend the evaluation process into the lives of the people involved. Fourth-generation evaluation incorporates three previous eras (description, judgement and expanded stakeholders) of evaluation to focus both on the tangible, countable reality and the intangible socially-constructed reality (what people believe to be real) (Lincoln & Guba 2004:228). Naidoo (2007:24) explains: "Since context produced the issues and problems, it is only by returning to the same contexts that problems can be solved." The main objective is "to judge the merit or worth of the evaluand in ways natural to the setting, expectations, values, assumptions, and dispositions of the participants, with minimal medications due to the inquiry processes used and assumptions held by the evaluator" (Williams in

Mathison 2005:271). Naturalistic evaluations are based on the following assumptions (see Lincoln in Mathison 2005:161-164):

- Stakeholders respond not only to the physical reality, but also to their social-psychological constructs, including values and beliefs used to make sense of reality. During the evaluation process, it is of equal importance to collect information on these intangible realities, in addition to the tangible reality.
- The original programme objectives are not the only focus of the evaluation process, but should be expanded with stakeholders' claims, concerns and issues.
- Quantitative research methods using controlled experiments are unlikely to uncover social constructs of stakeholders and should be augmented with qualitative research methods.
- Values are assigned a central role in the evaluation, as they provide the basis for determining merit. The values of stakeholders, values inherent to the setting and conflict in values are critical in formulating judgements and conclusions about the evaluand.

The two phases of constructivist evaluation are discovery and assimilation, which may be carried out sequentially or simultaneously.

The discovery phase of constructivist evaluation represents the evaluator's effort to describe "what's going on here," the "here" being the evaluand and its context. The assimilation phase of constructivist evaluation represents the evaluator's effort to incorporate new discoveries into the existing construction or constructions. (Guba & Lincoln 2001:2)

A checklist explaining the approach and key elements of constructivist organisation as advocated by Guba and Lincoln may be accessed at <http://www.wmich.edu/evalctr/checklists/checklistmenu.htm#models>.

#### **2.4.2.2.3 Utilisation-focused evaluation**

Utilisation-focused evaluation (Patton 1980) begins with the premise that evaluations should be judged by their utility and actual use; therefore, evaluators

should facilitate the evaluation process and design any evaluation with careful consideration of how everything that is done, from beginning to end, will affect use (Patton in Mouton 2007:504). Patton describes it as “evaluation done for and with specific intended primary users for specific, intended uses” (Patton 2008:37).

As with the other participatory approaches, the evaluator is not a distant judge in this process; a group of primary stakeholders or the specific target beneficiaries, representing all stakeholders, are identified. They clarify the outcomes, indicators and targeted performance letters, as well as a detailed data collection plan for each indicator and indication of how the findings will be used. This means that the group’s values (not the evaluator’s) determine the nature of recommendations arising from the evaluation (Stufflebeam & Shinkfield 2007:434, 440). The process therefore consists of identifying stakeholders, obtaining commitment, involving stakeholders in data design and collection, judgement and dissemination of results and further decision-making (Patton in Alkin & Christie 2004:48). Potential stakeholders or users of the evaluation data that may be involved in the evaluation process include policy makers and decision-makers, programme sponsors (funders), evaluation sponsors (may be a programme sponsor), target participants, programme managers, programme staff, programme competitors (competing for same resources), contextual stakeholders in environment and the evaluation and research community (credibility of evaluation, or interest field) (Rossi *et al.* 2004:48-49). Patton argues that, as evaluation cannot be value-free, “utilisation-focused evaluation answers the question of whose values will frame the evaluation by working with clearly identified, primary intended users who have the responsibility to apply evaluation finding and implement recommendations” (Patton 2004:277).

Utilisation-focused evaluation may conduct formative/ summative, qualitative/ quantitative, responsive, naturalistic or experimental evaluations, focusing on costs, needs, outputs, outcomes or impacts. Thus, while the approach may incorporate any evaluation report, it tends to be more responsive and interactive than preordinate and independent (Stufflebeam & Shinkfield 2007:439).

Possible limitations of the approach include:

- In cases of deep conflict and hostility between stakeholders, it may be impossible to reconcile political and ideological values (Rossi *et al.* 2004:43).
- Programme stakeholders owe primary allegiance to their own positions and political alignments, and may lead to a criticism of evaluation results, despite participation in the process (Rossi *et al.* 2004:43).
- Quality is sacrificed for usability – the evaluator should build the capacity of users to understand cost/accuracy trade-offs (Mouton 2008).
- The approach “blurs” the lines between the evaluator and programme staff by providing advice during the process, therefore there is less objectivity (Mouton 2008).
- Over-focus on the needs of immediate stakeholders (e.g. the evaluation contractors or the direct recipients) may distract from the needs from the distal taxpayer or policy-maker (Weiss 2004:188).

#### **2.4.2.2.4 Appreciative and Evaluative inquiry**

Appreciative inquiry focuses on the strengths of a particular organisation or intervention with the assumption that focusing attention on the strengths will strengthen them further. Appreciative inquiry is based on the social constructivist concept that “what you look for is what you will find, and where you think you are going is where you will end off” (McClintock 2003:15). It is based on five principles, namely:

- Understanding the organisation is directly linked to the future of the organisation.
- Inquiry always leads to change and cannot be separated from change.
- Improving the organisation comes from the collective imagination of the stakeholders within the organisation.
- Human resources inside the organisation determine the future of the organisation.
- Momentum for change requires positive affect and social bonding of personnel in the organisation. (Preskill in Mathison 2005:18-19)

Evaluative inquiry responds to a range of information needs of decision-makers and determining the worth of the programme may be one of these needs (Owen 2006:17). Followers of this approach believe that the ultimate aim of evaluations is to produce useful findings that inform decision-making to bring about change and that the expected use should guide the evaluation's design and implementation (Preskill 2004:345). House (1993) has suggested that evaluative inquiry consists of collecting data, including relevant variables and standards; resolving inconsistencies in the values; clarifying misunderstandings and misrepresentations; rectifying false facts and factual assumptions; distinguishing between wants and needs; identifying all relevant dimensions of merit; finding appropriate measures of these dimensions; weighing the dimensions; validating the standards; and arriving at an evaluative conclusion. (House in Owen 2006:17)

Evaluative inquiry places emphasis on the importance of individual, team and organisational learning as a result of participating in the evaluation process. It therefore tries to incorporate evaluation into the normal operations of the organisation; supports individual evaluation efforts; encourages stakeholder participation; and embraces diversity in perspectives, values and knowledge. The underlying assumption is that stakeholders develop new perceptions of the organisation and themselves during the evaluation process and the evaluation process should respond to the changing needs of the stakeholders. Institutional self-evaluation, a form of evaluative inquiry, entails members of the organisation describing their activities and actions to each other and the external interested parties. The aim is to obtain "information and members' judgements about the worth of the activities and actions" (Mathison 2005:201).

Each of the three inquiry phases, that is, focusing the inquiry (deciding what to evaluate); carrying out the inquiry (with appropriate research design and methodology); and applying the learning (the evaluation team develops, implements and monitors strategies and action plans to address the evaluation concerns), tries to enhance team member participation, open dialogue, and trust to maximise insight and understanding about the organisation's context (Preskill in Mathison 2005:143-146, Preskill 2004:349).

#### **2.4.2.2.5 Critical theory evaluation**

Critical theory evaluation aims to determine the merit, worth or value of something by unveiling false culturally-based perspectives through a process of systematic inquiry. The evaluation is informed by a critical social science epistemology and tries to reveal structural injustices to generate action that may address them (Greene 2006:129).

In positioning stakeholders as reflective and dialogic agents in discerning what is needed, what is good, and why this is so, critical theory evaluation seeks to change the way things are by challenging the way we make sense of things.

MacNeil in Mathison (2005:92-94) states that critical theory evaluation is based on the premises that “we operate beneath layers of false consciousness” of our own perceptions of the world and that we should change the state of affairs through critical reflection.

Critical theory evaluation seeks to engage evaluation participants in a dialectic process of questioning the history of their ideas and thinking about how privileged narrative of the past and present will influence future value judgements. Recognizing how power presents itself and the situated position of power during an evaluation is a central characteristic of critical theory evaluation....The primary roles of the critical theory evaluator are that of educator and change agent. (MacNeil in Mathison 2005:92-94).

Feminist evaluation is a specific form of critical theory evaluation, aiming to promote social justice, particularly for women (Seigart in Mathison 2005:154-157).

Another related approach is transformative or inclusive evaluation, which also actively tries to include the least advantage. Special effort is made in the inclusive approach to include those who have been traditionally under-represented. While traditionally included groups are not excluded during the inclusive process, the process explicitly recognises that certain groups and viewpoints have been absent or misrepresented in the past and that inclusion of these voices is necessary for a rigorous evaluation (Mertens 1999:6).

#### **2.4.2.2.6 Empowerment evaluation**

In an attempt to optimise the usage of evaluation results, authors such as Greene, (1988), Mark and Shotland (1985) and Fetterman (1996) advocated greater stakeholder participation in the design and implementation of the evaluation study (Mouton 2007:500-501). Empowerment evaluation uses the evaluation process to foster self-determination with the help of the evaluator coach or critical friend. The evaluator helps the group to determine their mission, take stock through evaluation tools of the current reality and to set goals and strategies based on the self-assessment (Fetterman 2004:305).

In empowerment evaluation, the evaluator's role also includes the capacitation of stakeholders to enable them to conduct independent evaluations (Rossi *et al.* 2004:51). The main advantages of the approach include that:

- The evaluation is useful to the stakeholder group
- The evaluation promotes sense of ownership
- Participants are able to use the evaluation findings throughout the project, not just after completion of the evaluation (Mouton 2007:501)
- The evaluators become facilitators and coaches, not judges in the process (Mouton 2007:502)
- It builds capacity and provides illumination and liberation for those involved in the evaluation (Mouton 2007:502).

An important addition to the above advantages is that empowerment evaluation alters the balance of power in programme context by enhancing the influence of stakeholders (Rossi *et al.* 2004:51). Fetterman (1996) regards the goal of empowerment evaluation as fostering self-determination through the capacitation and illumination of programme participants and clients so as to enable them to conduct their own evaluations. The evaluator becomes a coach or facilitator who assists the client in the process (Alkin & Christie 2004:55).

#### **2.4.2.2.7 Democratic evaluation**

Democratic evaluation “is an approach to evaluation that uses concepts from democracy to arrive at justifiable evaluative conclusions... by considering all relevant interests, values, and perspectives” to arrive at conclusions that are impartial to values (House & Howe 2000 and House 2004:220). Democratic evaluation allows the multiple reality of a programme to be portrayed, providing decision-makers with a variety of perspectives and judgements to consider (MacDonald 1979 in Alkin & Christie 2004:40). House (1991, 1993) argues that “evaluation is never value neutral; it should tilt in the direction of social justice by specifically addressing the needs and interests of the powerless”, thereby promoting social justice to the poor and marginalised through the evaluation process (Alkin & Christie 2004:41). Mouton (2008) explains that while experimental design is value neutral, empowerment evaluation focus on promoting certain values in designing the evaluation. House (as explained by Mouton 2008) proposes that evaluation leads to enhancing social justice through improved interventions: Who are the targeted group? Do they benefit more than others? Evaluation thus becomes a democratising force with evaluators advocating on behalf of disempowered groups (Mouton 2007:502).

Democratic evaluation incorporates democratic processes within the evaluation to assure valid conclusions within conflicting views. It extends impartiality by including relevant interests, values and views so that conclusions are unbiased in value as well as facts. Although all value positions are included during the evaluation process, they are subject to criticism, like any other findings of the evaluation. The guiding principles of the approach are the inclusion of the interests, values and views of major stakeholders; extensive dialogue with and between stakeholder groups; and extensive deliberation to discover true interests of stakeholders before arriving at conclusions (House & Howe 2000:1). A checklist for deliberatively democratic evaluations may be accessed at <http://www.wmich.edu/evalctr/checklists/checklistmenu.htm#models>.

Democratic evaluation can be distinguished from bureaucratic evaluation, where the evaluator provides an unconditional service to government agencies and the results of the evaluation is the property of the commissioning agency, and not available for public knowledge. It is also distinguished from autocratic evaluation, where the evaluator provides a conditional service to government agencies but

retains the ownership of the evaluation products. What differentiates democratic evaluation is the need for accessibility of evaluation methods and results to a multiple, non-specialist audience (Greene 2006:119-120).

### **2.4.3 Evaluation design**

Advances in social research methods since the 1950s present the evaluation field with various options in designing studies to collect and analyse data that inform the evaluation process. Studies may adopt a quantitative approach, a qualitative approach or a mixed-methods approach as the evaluator tries to find a workable balance between the emphasis placed on procedures that ensure the validity of findings and those that make findings timely, meaningful and useful to consumers. Where that point of balance will be will depend on the purposes of the evaluation, the nature of the programme, and the political or decision-making context (Rossi *et al.* 2004:25). Rossi refers to this as the “good-enough” rule, which entails choosing the best possible design, taking into account practicality and feasibility (paraphrased by Shadish, Cook & Leviton 1991:377).

The OECD provides the following comparison between quantitative and qualitative evaluation approaches (Table 2.5).

**Table 2.5: Quantitative vs qualitative evaluation approaches (Source: OECD 2007:23)**

Qualitative evaluation methodologies		Quantitative evaluation methodologies	
Advantages	Disadvantages	Advantages	Disadvantages
Engages participants in policy learning	Respondents and interviewers may be biased or poorly informed	Clear answers on impact	Cost of data collection and technical demands
Can vary the scale and hence cost	Rarely provides a clear answer	If well done will get close to true impact	Lacks information on context and mechanisms behind policy impacts
Deeper understanding of processes leading to impacts	Tends to "describe" rather than "evaluate"	Can be independently verified	Absence of pure control groups
Should be easy to interpret	Risks including "un-representative" groups		Possible false impression of precision
Can assess against a wide range of evaluation criteria	No opportunity for independent verification		Narrow focus on effectiveness and efficiency
Picks up unintended consequences	Hard to judge efficiency and effectiveness		Difficult to use on indirect interventions that seek to influence the business environment
Better understanding of policy options and alternatives	Hard to establish cause and effect		

While a particular evaluation approach such as the classic experimental study may be ideal, it may not be feasible. Lee Cronbach concluded in 1982 that “evaluation studies should be judged primarily by [their] contribution to public thinking and to the quality of service provided subsequent to the evaluation... An evaluation should inform and improve the operations of the social system with timeous feedback (not necessarily perfect information)” (Rossi *et al.* 2004:23-24). Given the advantages and disadvantages of different approaches, the OECD argues for “the use of a plurality of approaches that are able to gain from the complementarities in the information they can provide” (OECD 2007:24).

### 2.4.3.1 Quantitative approaches

Quantitative designs are ideal when the study aims to answer “what happened” orientated questions. Quantitative designs may include either experimental or quasi-experimental designs.

#### **2.4.3.1.1 Experimental design**

David Campbell in 1969 stated that “policy and program decisions should emerge from continual social experimentation that tests ways to improve social conditions...Social research [is] feasible to extend the experimental model to evaluation research to create an experimenting society.” He therefore advocated “for an experimental approach to social reform...in which we retain, imitate, modify, or discard social programmes on the basis of apparent effectiveness on the multiple imperfect criteria available” (Rossi *et al.* 2004:23-24). When a clear statement of the programme objective to be evaluated has been explicated, the evaluation may be viewed as a study of change. The programme to be evaluated constitutes the causal or independent variable, and the desired change is similar to the effect or dependent variable...the project may be formulated in terms of a series of hypotheses that state that activities A, B and C will produce results X, Y and Z (Stufflebeam & Shinkfield 2007:277,281). The classic experimental design entails the random assignment of subjects to treatment and non-treatment conditions, and the pre- and post measurement of both groups. The impact of programmes is determined by comparing the outcomes of the groups to determine whether the intervention has produced the desired outcome (Mouton 2007:495; OECD 2007:22).

Campbell’s commitment to the experimenting society opened up possibilities for scientific, rational experiments to address intangible social problems. However, in later years his approach was described as ‘utopian’ and too narrow, opening the door to other approaches to conducting social research (Shadish & Luellen 2004:83). Experimental design may still be regarded as the benchmark for evaluation studies as its systematic approach allows for the strongest possible causal connection between the treatment and the observed outcomes (Pierre 2004:151). The complexity and cost of randomised trials warrant their use only for severe problems with multiple potential solutions, as well commitment to use the evaluation findings (Boruch 2004:119-120).

#### **2.4.3.1.2 Quasi-experimental evaluation**

Quasi-experimental evaluation has its roots in the experimental tradition of Natural and Social Sciences (including Psychology, Social Work and Sociology), but, given the problems with “randomly assigning participants to interventions in real life – as opposed to laboratory conditions”, the experimental tradition was extended to several quasi-experimental designs (Mouton 2007:495). Lee Cronbach (in Rossi *et al.* 2004:23-24) advocated in 1982 that “evaluation should be orientated toward meeting the needs of program decision makers and stakeholders. Whereas scientific studies strive principally to meet research standards, evaluations should provide maximally useful information within the political circumstances, program constraints and available resources”.

The term ‘quasi-experimental’ refers to approximations of randomised experiments (Campbell in Shadish, Cook & Leviton 1991:120). Like their experimental counterparts, they entail comparisons across conditions and may include before-after or other comparisons. Although their control of internal validity is not as reliable as true experimental design, they nevertheless provide valuable answers to cause-and-effect questions (Mark & Henry 2006:323). Factors that may undermine the validity of the quasi-experiment include historical or seasonal events that influence observed results, maturation of the subjects, the effect of the test or instruments used on the subject’s behaviour, attrition of subjects from the programme and statistical regression that would have occurred naturally without any intervention (Reichardt & Mark 2004:128-129).

Various quasi-experimental designs, which can more realistically be applied to evaluate programmes in real life emerged to complement true experimental design, including the pretest-posttest non-equivalent comparison group design; pretest-posttest no comparison group design; interrupted time-series designs; comparison group designs; and regression-discontinuity design where the conditions for being part of the experimental group is known and therefore ‘controllable’ (see Reichardt & Mark 2004).

Although the quasi-experimental design provides better control over the validity of findings, “it is also important to note that the quasi-experimental traditions – because of its emphasis on the logic of experimentation (cause and effect) – automatically ended up focusing exclusively on outcome or impact evaluations with

little regard for process and implementation evaluation questions” (Mouton 2007:495).

### 2.4.3.2 Qualitative approaches

Qualitative approaches represent a move away from positivism in evaluation results. Developed as critique against the “black box” mentality of the quantitative approach, qualitative evaluation focuses on the constructed nature of social programmes, the contextuality of social interventions and importance of focusing on processes of implementation, in addition to assessing programme outcomes and effects (Mouton 2008). In trying to address this mentality, Love presents a ‘transparent’ box for evaluations, depicted in Figure 2.7.



**Figure 2.7 The transparent box paradigm (Love 2004:66)**

Decision-makers, when presented with programme outcomes, are likely to want to know why the outcomes have realised and how performance can be improved, leading to ‘why’ and ‘how’ evaluation studies (Wholey 2004:269). “Understanding the quality of the program requires understanding program activities in considerable detail. The measurement of outcomes and impact ... is often simplistic and of low validity.” (Cronbach interpreted by Stake 2004:215)

Qualitative evaluation is ideal when non-causal questions form the basis for the evaluation; when contextual knowledge, perspective and values of the evaluand are required before finalising the evaluation design; when the focus is on implementation rather than outcomes; when the purpose of the evaluation is formative; when it is important to study the intervention in its natural setting by means of unobtrusive measures (Pierre 2004:151; Mouton 2007:497). The OECD confirms that qualitative evaluation is “more likely to rely upon the opinions of programme stakeholders including managers and beneficiaries about the functioning and impact of the programme through techniques including surveys, case studies and peer reviews (OECD 2007:22).

#### **2.4.3.2.1 Surveys**

Surveys are well suited for descriptive, explanatory and exploratory studies of large populations too large to observe directly. It involves the development, administration and analysis of questionnaires to a selected sample of the population. The approach is well-suited for qualitative evaluation as participants viewpoints, opinions and observations are tested in the questions (Babbie & Mouton 1998: 232,265).

#### **2.4.3.2.2 Case study evaluation**

The case study approach sees the evaluator analysing the goals, plans, resources, needs and problems of the case in its natural setting (as opposed to imposed experimental conditions) to prepare an in-depth report on the case, with descriptive and judgemental information, perceptions of various stakeholders and experts, and summary conclusions (Stufflebeam & Shinkfield 2007:309-310). The approach blends particularly well with qualitative evaluation objectives, as well as with participatory and responsive evaluations. In the case study approach, the role of the evaluator is to:

- Bound the case and conceptualise the object of study
- Select phenomena, themes or issues (research questions)
- Seek patterns of data to develop issues

- Triangulate key observations and bases for interpretation
- Select alternative interpretations to pursue
- Develop assertions or generalisations about the case (Stufflebeam & Shinkfield 2007:314-315).

Success case method tries to establish the success of a particular intervention by identifying the best and worst programme participants through a survey. By using a process of self-reports and selective interviews, the evaluator tries to uncover what parts of the intervention the participants applied, how successful (or not) they were in these endeavours, the value of their successes or failures, and the environmental factors that may have influenced their results positively or negatively. Comparison of the stories of successful and unsuccessful participants allows for the identification of several key factors that allowed successful participants to benefit from a particular intervention (Brinkerhoff in Mathison 2005:401-402, Rogers & Williams 2006:88).

#### **2.4.3.2.3 Interviews**

Interviews may be either individually conducted or conducted with focus groups. The process entails a conversation between the interviewer and interviewee(s) based on a broad series of questions or specific topics where individual perceptions and opinions are elicited without the restrictions of a questionnaire that only pursues the researcher's preconceived options captured in the various questions and answers. In addition to the interviewees communicated perceptions and opinions, depth interviews also investigate how these perceptions or opinions were formed, whilst focus groups allow for the development of additional ideas and perceptions through the sharing of ideas in the group setting (see Babbie & Mouton 1998:288-292).

#### **2.4.3.2.4 Participatory action research (PAR)**

Participatory action research combines the investigative research process with education of less powerful stakeholders and subsequent action on the research

results. The cycle starts with observation and reflection, which leads to a plan of change to guide action. As a result of the action orientation, the approach is best suited to address action-orientated evaluation questions (Rogers & Williams 2006:83, 84). Principles of the approach include:

- The social, political, economic, cultural and spiritual context is important and should be understood.
- Who creates and controls the production of knowledge is essential.
- Popular knowledge is as valid as scientific knowledge.
- Research should be conducted in collaboration with participants with constant dialogue.
- Critical reflection is an integral part of doing research.
- Research needs to lead to actions and social transformation. (Whitmore in Mathison 2005:291).

Participatory action research is an ideal data-gathering method with most of the participatory approaches to evaluation.

### **2.4.3.3 Mixed-Method approaches**

Latest approaches and paradigms in evaluation research design lean towards adopting a **mixed-method approach**. Whilst measured statistical outcomes might be the result of combined effects of factors, adding qualitative research methods to quantitative methods help to overcome the limitations of pure quantitative methods. Combining different designs and data sources allows for:

- triangulation that tests the consistency of findings obtained through different instruments to ascertain multiple causes influencing results;
- complementarity that clarifies and illustrates results from one method with the use of another method;
- development or improvement of methods where one method shapes subsequent methods or steps in the research process;

- initiation of new research questions or challenges the results obtained through one method by providing new insights on how the programme has been perceived and valued across sites; and
- expansion of the richness and detail of the study, exploring specific features of each method (see Greene, Caracelli & Graham 1989).

#### **2.4.4 Synopsis**

Due to the complexity of evaluation studies in practice, studies do not take 'one' approach to evaluation. The three categories of evaluation approaches are not mutually exclusive, in the same sense that approaches within the three categories are not competing, but rather complementary to each other. The approach or combination of approaches most suited for a particular evaluation study will be determined by the specific evaluation question and objectives adopted for the study.

Dahler-Larsen views the diversity in approaches as an asset, as it sparks constant debate and new practices with regard to new and old problems (2006:157). It also reinforces the holistic complexity of the social phenomena that we try to understand, and the fact that our current measuring instruments are still primitive and only able to provide us with approximations of the real nature of these phenomena.

Thus, an outcome evaluation study at local government level may take a participatory approach to clarify the multiple aims and intended uses of the evaluation results, followed by a more theory-driven approach in the summative evaluation to determine whether the predetermined goals were reached, as well as identifying potential unintended consequences. The evaluation question(s) will determine the appropriate quantitative or qualitative data gathering techniques, which will inform the design of the study in addition to the stated goals of the evaluation. As the different approaches emphasise different aspects of the evaluand, it can be argued that a combination of approaches will provide 'richer' evaluation data through a multifaceted evaluation focus. However, each additional approach implies added resources to bring it to fruition. It is the task of the

evaluator to select the right balance of approaches to ensure the most accurate evaluation results within the limited resources available.

## **2.5 Summary and conclusion to Chapter 2**

Results-based monitoring and evaluation is a tool that enables policy makers and decision makers to track progress and demonstrate the results of projects, programmes and policies. It aims to assess not only if the intervention is improving the welfare of society, but also how much improvement, by what means, and how it could attain the result more effectively.

The evaluation discipline developed into an independent scientific field from various other disciplines during the first half of the 20th century. Two related scientific fields, namely policy analysis and social research, contributed tremendously to strengthening evaluation practices observed during the final half of the 20<sup>th</sup> century. In the policy field, the paradigm shift from opinion-driven policy choices to evidence-based policy making, which puts the best available evidence from research at the heart of policy development and implementation, fuels the need for accurate evaluation of the results of public sector development programmes. The quest for evidence-based policy making should not be a pure technical analysis, but should allow for divergence and various detailed policy options. “This means that policy making is not just a matter of ‘what works’, but what works at what cost and with what outcomes” (Segone 2008b:34-35).

Similarly, advances in social research theories and methodologies and the application thereof to societal development problems in the mid-1900s brought greater possibility and sophistication to the field of evaluation research. Advances in social science methodology provide the basis for social experimentation. Following Campbell and Stanley’s 1966 paper ‘Experimental and Quasi-Experimental Designs for Research’, Suchman’s ‘Evaluative Research’, published in 1967, applied these social research methods to evaluation and signified the birth of evaluation research as an applied social research. Today it is acknowledged that evaluation research is much more than just applied social research: it implies a concrete judgement on the phenomena in question to fulfil its purpose and is therefore value laden, concerned

with standards and values that, together with factual results, produce evaluative conclusions and the intended use of the evaluation results.

While monitoring and evaluation are often combined as though it is one concept, the two activities pursue different objectives. Monitoring is generally an ongoing activity that provides continuous feedback on the extent of progress in a particular initiative. At project or programme level, monitoring may be concerned with tracking activities and outputs, while at policy level monitoring is more concerned with establishing progress in realising the intended outcomes of the policy (outcome monitoring). Evaluation is the process by which defensible, evidence-based judgements are presented for real-life questions through value clarification and applied social research. Evaluation may focus on ongoing or completed projects, programmes, or policies and tries to provide answers to specific questions in a systematic and objective way. This may involve questions on the design, implementation, or results (outputs and outcomes) of the intervention.

Monitoring and evaluation assist to improve the performance of organisations or interventions by enabling the accurate measurement of progress and results needed for management decision making. The relationship is most clearly depicted in the DPLG definition that regards performance management as

a strategic approach to management, which equips leaders, managers, workers and stakeholders at different levels with a set of tools and techniques to regularly plan, continuously monitor, periodically measure and review performance of the organisation in terms of indicators and targets for efficiency, effectiveness and impact. (DPLG (2) 2001:3)

M&E provides decision makers with feedback on results and progress to inform strategic planning and resource allocation decisions, corrective decisions, accountability in terms of results for programme marketing and public relations, quality management, benchmarking and improvement. As such, M&E identifies problems and successes that appropriate decisions may be made to ensure performance improvement.

M&E studies are undertaken to attain a variety of objectives, which may range from a general pursuit of learning and knowledge (e.g. to test a theory), to specific

studies aimed at adapting and improving the intervention or to give account to relevant political, managerial or community stakeholders. It may be undertaken for specific public relations purposes; to convey a specific message; or for undisclosed political reasons. Objectives of M&E studies include identifying interventions that have a good chance to succeed (formative evaluation); providing information on current progress, performance and the use of funds; and determining whether the implementation process is efficient and effective and whether the intended beneficiaries and results are delivered (summative evaluation). Evaluation may be undertaken to improve programmes, enhance accountability, and generate knowledge or to promote hidden agendas that are different from the stated reasons for evaluation. The final M&E results must provide decision makers with practical, usable information on the progress made, lessons learned, the accuracy of assumptions, models or theories and the accountable use of resources.

While M&E is not new to the public sector, the shift towards results- or evidence-based M&E is partly attributed to increased internal and external demands for improvements, greater accountability and transparency, provision of information, cost constraints and tangible, real results on political promises. Results-based M&E focuses on the attainment of outcomes – the final result or changes that the intervention should render as determined by the organisation or external stakeholders. Results-based M&E, however, presents an additional challenge to evaluators. Apart from measuring the outcome attained, evaluators also need to determine to what degree changes in the outcome are attributable to the action (policy, programme or project) undertaken and not the effect of other externalities.

The past 50 years of evaluation research have resulted in a plethora of theories, models and approaches on how evaluation should be conducted. Various attempts have been made to classify these theories and models, signalling a natural growth in the evaluation discipline to assist better evaluation theory and practice. These classification attempts assist evaluators to understand the different approaches to evaluation and also how they relate to, overlap or differ from one another, but are usually criticised as soon as they are published on the basis of what is included and excluded. Previous classification systems include Shadish, Cook and Leviton's stages of evaluation (1991); Alkin and Christie's evaluation tree (2004); Rossi *et al.*'s programme life cycle (2004); Chen's four types of evaluation (2005); Owen's

five types of evaluation (2006); and Stufflebeam's 26 approaches to evaluation (2007).

None of these classification systems have succeeded in accurately identifying the nature and most appropriate clustering of competing approaches. This chapter proposes a new classification system with three categories, namely the scope of the evaluation study; the approach or underpinning philosophy of the evaluation study; and, lastly, the evaluation design which provides the parameters for collecting data to inform the evaluation. In this regard, the scope of the study defines the parameters of the evaluand, while the particular objectives of the study inform the choice of philosophy or evaluation approach and the specific evaluation question(s) and data sources provide for the selection of appropriate data collection methods. The various types of and approaches to evaluation presented in evaluation research theory and practice are discussed within the three categories of the proposed classification system.

The first category, 'scope', is determined by the evaluand and delimits the parameters of the evaluation. The evaluation may be very broad, encompassing various dimensions or attributes of performance, as is done during a comprehensive organisational performance review. Evaluation may, on the other hand, be focused only on a particular intervention, be that a policy, a programme, a project or a product. A comprehensive evaluation focuses on all aspects of the evaluation (integrated evaluation), while a narrow or more technical evaluation focuses on particular aspects, stages or phases of the intervention, such as its inputs, resource conversion or management processes, outputs, outcomes or impacts. Finally, the evaluation may be focused on the performance of individual staff members within the organisation or intervention. Evaluations that focus on an entire intervention include systemic evaluation, policy evaluation, programme monitoring and programme evaluation, community evaluation, product evaluation and evaluation of the evaluation study (meta evaluation). Evaluation of parts of an intervention includes input evaluation, process evaluation, output evaluation, outcome evaluation, impact assessment and integrated evaluation.

The objectives of the evaluation determine the underpinning philosophy of an evaluation, which may be theory-driven or participatory. Theory-driven evaluation

philosophies lean towards a more scientific approach to evaluation research with the general aim to expand knowledge, while participatory evaluation philosophies lean towards a more social science approach to evaluation research, with the general aim of empowerment and creating shared understanding. Theory-based evaluation entails the identification of the critical success factors of the evaluation, as well as an in-depth understanding of the workings of a programme or activity (the 'programme theory' or 'program logic'). Approaches in this category are all based on an implicit 'theory of change' which links the evaluation with intended improvements in practice. Specific approaches include clarificatory evaluation, realist or realistic evaluation, cluster evaluation, illuminative evaluation, and goal-free evaluation.

Participatory evaluation may include any evaluation approach that involves programme staff or participants actively in decision making and other activities related to the planning and implementation of evaluation studies. While the degree of participation of stakeholders may differ, a study only has a participatory philosophy when the relationship between the evaluator and the participants provides participants with a substantial role in making decisions about the evaluation process. Specific participatory evaluation approaches are responsive evaluation, naturalistic, constructivist or fourth-generation evaluation, utilisation-focused evaluation, appreciative and evaluative inquiry, critical theory evaluation, empowerment evaluation and democratic evaluation.

The third category, evaluation design, provides the parameters for collecting data to inform the evaluation. Advances in social research methods since the 1950s present the evaluation field with various options in designing studies to collect and analyse data that inform the evaluation process. Studies may adopt a quantitative approach, a qualitative approach or a mixed-methods approach, as the evaluator tries to find a workable balance between the emphasis placed on procedures that ensure the validity of findings and those that make findings timely, meaningful, and useful to consumers. Where that balance point will be will depend on the purposes of the evaluation, the nature of the programme, and the political or decision-making context (Rossi *et al.* 2004:25). Evaluation may adopt a quantitative or experimental approach following an experimental or quasi-experimental evaluation, or a qualitative or non-experimental approach with qualitative evaluation, case study

evaluation approach or participatory action research. Latest approaches and paradigms in evaluation research design lean towards adopting a mixed-method approach that combines qualitative and quantitative research methods for more accurate and holistic results.

The three revised categories of evaluation approaches proposed above as an attempt to improve the current state of evaluation approach classification are not water-tight distinctions. In the summaries of these approaches it is clear how some are mutually exclusive, others overlap and many are related or complementary. Dahler-Larsen views the diversity in approaches as an asset, as it sparks constant debate and new practices to new and old problems (2006:157). In order to get the most accurate perspective of whatever we are trying to evaluate it is necessary to consider and apply different approaches. As the different approaches emphasise different aspects of the evaluand, it can be argued that a combination of approaches will provide 'richer' evaluation data through a multifaceted evaluation focus. However, each additional approach implies more resources (including time) to bring it to fruition. It is the task of the evaluator to select the most appropriate balance of approaches to ensure the most accurate evaluation results within the limited resources available.

The theory discussed in this chapter provides the foundation and inspiration for M&E practice. The next chapter provides an overview of the practical manifestation of M&E as a management and performance improvement tool and explores instruments of M&E including M&E systems, tools and techniques.

## Chapter 3

### Applying M&E concepts: Developing systems and indicators

#### 3.1 Introduction

In Chapter 2, the importance, objectives and key concepts of M&E as a discipline applied at different levels within the public sector to enhance effective and efficient public service delivery and promote government reform for better performance were explained. In practice, M&E is implemented and institutionalised in public sector agencies through various planning, monitoring, evaluation and reporting functions. While theory is “usually abstract and often elegant, coherent and lofty”, practice can be “sophisticated, harmonic, skilful, and reflective” but more often is “messy, complex, ill-defined, problem laden, and challenging” (Cousins 2004:320).

This chapter contextualises M&E as an advanced management function which enables managers to perform better. Within this management context, the next section provides detailed guidelines for the development of an outcomes-based M&E management system for local government that measures results, and not only actions and tangible outputs. The authoritative guidelines of World Bank authors Kusek and Rist are used to assess critically the various components of the M&E system. Some aspects of programme and project monitoring and evaluation and basic institutional considerations are also considered in the section, which concludes with common problems that hinder M&E systems and the characteristics of effective M&E systems.

The next part of the chapter unpacks practical considerations in designing and conducting evaluation studies. Four aspects are considered, namely identifying what needs to be evaluated (the practical evaluation problem, key questions and goals); determining how this will be evaluated (identifying appropriate designs and methods for data collection, analysis and interpretation); conducting the evaluation following a theoretical or practical model; and, finally, presenting findings in the evaluation report.

In the final part of the chapter, the development or selection of programme evaluation indicators are discussed from both a theoretical and a practical perspective. This commences with a discussion on developing programme theory or logic, before identifying various types of indicators, providing guidelines for selecting from pre-designed indicators and guidelines for refining and verifying the final set of indicators. These guidelines are particularly important to the subsequent research objective of this dissertation aimed at developing indicators for application in local government settings, as these indicators should be aligned to these guidelines.

### **3.2 M&E as an advanced management function**

Management is defined as the process of getting things done, effectively (attaining the goals through the right actions) and efficiently (the cost-effectiveness of the goal attainment), through and with other people (Robbins & Decenzo 2001:5). In this definition, management processes comprise:

- planning: formulating organisational goals and designing a strategy to achieve the goals
- organising: determining the tasks to be done, by whom
- leading: including the motivation, directing, and instructing of personnel actions through communication and conflict resolution
- controlling: monitoring performance, comparing it with goals and correcting deviations (Robbins & Decenzo 2001:6-7).

Thompson and Strickland (1998:3) regard strategic management as the process of (1) forming a strategic vision; (2) setting objectives; (3) designing a strategy to achieve the desired outcomes; (4) implementing the chosen strategy; and (5) evaluating performance and taking necessary corrective actions. The process of setting objectives entails converting the strategic vision into specific performance targets against which the performance of the organisation can be measured. A strategy consists of specific actions and targets that will constitute progress towards the objectives. During implementation, internal progress and external changes are monitored constantly and changes are made to the strategy in terms of the

gathered information, to ensure ultimate performance and goal attainment (Thompson & Strickland 1998:4-16).

The first management theory focused on increased organisational performance emerged during the 1880s to 1910s. Classical contributors include Adam Smith who argued for the economic advantages of the 'division of labour', which entailed breaking work into small repetitive tasks performed by different personnel. A second classical contribution by Frederik Winslow Taylor defined 'Scientific Management', as the use of scientific methods to identify the most efficient approach to a particular task (Robbins & Decenzo 2001:28-29). Wikipedia describes early Scientific Management as:

[an] attempt to systematically treat management and process improvement as a scientific problem. With the advancement of statistical methods, the approach was improved and referred to as quality control in 1920s and 1930s. During the 1940s and 1950s, the body of knowledge for doing scientific management evolved into Operations Research and management cybernetics. In the 1980s there was total quality management, in the 1990s reengineering. Today's Six Sigma and Lean manufacturing could be seen as new kinds of scientific management, though their principles vary so drastically that the comparison might be misleading (Wikipedia 2009: 'Scientific Management').

Expanding on Taylor's work, Frank and Lillian Gilbreth investigated hand and body movements (ergonomics of the task). In the same time period, Henri Fayol provided the foundation for general administrative theory with 14 universal principles of management, and Max Weber introduced the 'bureaucracy' with clear division of labour, rules, authority lines and impersonal relationships as the ideal task-driven organisation (Robbins & Decenzo 2001:31-33).

During the 1950s, Peter Drucker proposed 'Management by Objectives' as a means to organisational performance reform. Management by Objectives is described as a strategy by which attainable objectives are set and then pursued. It enables management to plan for results and cascade this throughout the organisation to enable organisational alignment on strategic goals (Mali in Quesnel 2009:58). Drucker warned that managers often become caught in

'the activity trap' - getting [so] involved in day to day activities that the main purpose or objective is forgotten. Instead of participation by top-managers only, all managers should participate in strategic planning, to improve the implementability of the plan. Managers should implement a range of performance systems to ensure the organisation stay on the right track. (Value based management 2009)

However, in the 1990s, Peter Drucker put the significance of this approach into perspective, when he said: "It's just another tool. It is not the great cure for management inefficiency ...MBO works if you know the objectives, 90% of the time you don't." (Value based management 2009)

In the public sector, financial, accountability and government reform pressures in the 1980s gave birth to the paradigm 'New Public Management'. "The new public management actively emphasizes the significance of performance measurement as a management tool in government" (OECD in Bouckaert & Van Dooren 2003:127). "NPM, compared to other public management theories, is more oriented towards outcomes and efficiency through better management of public budget. It is considered to be achieved by applying competition, as it is known in the private sector, to organisations in the public sector, emphasising economic and leadership principles. New Public Management regards the beneficiaries of public services much like customers, with citizens becoming the shareholders (Wikipedia 2009: 'New Public Management'). Although criticised severely in subsequent years as insufficiently addressing the complexity of 'wicked problems'; neglecting the important role of the private sector; delimiting citizens' role as too thin and consumerist; and unable to align strategies and policies between agencies and between sectors and not just to internal objectives (Bovaird & Loffler 2003:315), New Public Management aimed to reform or modernise public sector practices to be more efficient, cost-effective or 'market orientated'. To enable the implementation of management instruments aimed at increasing organisational performance, accurate performance information is required (Hatry in Bouckaert & Van Dooren 2003:127-128).

The 1990s saw public sector reform adopt an 'Evidence-based Management' paradigm, described as managerial decisions and organisational practices informed

by the best available scientific evidence (Wikipedia 2009: 'Evidence based management'). Evidence is used for improvement purposes by identifying 'what works', what interventions and strategies should be used to meet specified (policy) goals and identify client needs (Davies in Boaz & Nutley 2003:226). Evidence is used to improve the design, implementation and impact of an (policy) intervention, and to identify new strategic directions for the organisation (Boaz & Nutley 2003:226). As such, Nutley refers to the evidence-based problem solver who uses evidence to solve day-to-day problems and the reflective practitioner who uses monitoring data to provide strategic direction for the future (Nutley in Boaz & Nutley 2003:231).

The various management reforms discussed in the preceding paragraphs have influenced the process of local government performance management in South Africa. Evidence of the influence of these approaches are found in the Municipal Finance Management Act, the Municipal Systems Act and the Performance Management Regulations that present a coordinated and enforceable policy framework for managing performance at local government level. In addition to these management reforms, public sector performance management at local government level is also driven by the rapidly changing nature of the 21st century environment that forces local governments to assess constantly their environment and adapt strategies and objectives accordingly; critique against the narrow focus of previous performance management systems, such as budget compliance, management-by-objectives and performance appraisals; and new public management values such as responsibility and accountability that respond to greater social pressures and economic restraints (Smit 2003:9-10).

From the presented management tasks and the brief synopsis of selected management paradigms in the last century, the local government manager's role may be summarised as instilling and establishing strategies that will enable the organisation to improve its performance and thereby achieve its stated goals, perform its mission efficiently and make progress towards its vision. For this purpose, the manager requires a constant stream of up-to-date, reliable performance information that will enable him/her to make informed choices. Monitoring and evaluation of local government performance through a system of key performance indicators, targets, and tools and techniques thus is an advanced

management function that enables and assists the local government manager to perform the more basic management tasks. The utilisation of evaluation findings enables the manager to plan, lead, organise and control better and thereby improve the organisation's performance in terms of its adopted vision, mission, stated goals and objectives.

### **3.3 Designing an M&E system**

An M&E system can be defined as a description of the main questions and objectives that are to be addressed or attained through monitoring and evaluation efforts, as well as a detailed description of the key aspects to be monitored and evaluated, including the measurement indicators, processes for data collection and verification, delegation of responsibilities, and prescriptions and deadlines for reporting of the results. Kusek and Rist state that there is no "one-best" system for M&E (2004:2). Instead, sector agencies should design M&E systems that meet their demands, needs and capacity. Atkinson and Wellman (2003:6) identify methods, administration, resources, analysis, dissemination and utilisation as the main issues that need to be clarified in designing an M&E system. The following questions (Save the Children 1995:49) may serve to clarify these issues:

- What is the aim of the exercise at this point in time?
- Who are interested in the results and who should be involved in the process?
- What are the objectives and key questions that should be addressed?
- What information is necessary and how will it be analysed?
- In what format will the results be presented?
- What is the division of roles and responsibilities in managing and implementing the process?

Wholey *et al.*, quoted in Cloete *et al.* (2006:251), expand these questions while distinguishing between four categories of choices as presented in Table 3.1.

**Table 3.1: Choices facing evaluators (Wholey *et al.*, in Cloete *et al.* 2006:251)**

Evaluation design	Data collection	Data analysis	Getting evaluation information used
What are the evaluation questions?	What are the primary data sources?	What analytical techniques are available (given the data)?	How should evaluation findings be packaged for different audiences?
What comparisons are needed?	How should data be collected?	What analytical tools will be most appropriate?	Should specific recommendation accompany evaluation reports to encourage action?
What measurements are needed?	Is sampling required?	In what format will the data be most useful?	What mechanisms can be used to check on implementation of recommendations?
How will the resulting information be used?	Where and how?		
What “breakouts” (disaggregations of data) are needed?	How large a sample is needed?		
	How will data quality be ensured?		

Boyle and Lemaire (1999:5-6) sees the “institutionalisation of evaluation ...[as] the establishment of rules, procedures, and organizational arrangements by which evaluations of public policies are produced within a specific government....[and] formally becomes part of the decision-making process of government”.

This section outlines steps for the development of an M&E system focused on the outcomes of local government programmes. The section draws primarily on the guidelines of the World Bank and concludes with some general problems experienced with these systems in practice, as well as the characteristics of effective M&E systems.

### 3.3.1 Designing a results-based M&E system

Holzer (1999:56) states that:

A well-designed evaluation and performance measurement system should clearly articulate service goals and objectives, define service outputs and outcomes, and specify the expected quality levels for these outputs and outcomes....A good evaluation and performance improvement system should include the following seven-step system developed by the National Center for Public Productivity at Rutgers University-Campus at Newark:

- Step 1: Identify the programs to be measured
- Step 2: State the purpose and identify the desired outcomes
- Step 3: Select measures or indicators
- Step 4: Set standards for performance and outcomes (targets)
- Step 5: Monitor results
- Step 6: Performance reporting
- Step 7: Use outcome and performance information. (Holzer 1999:57-58)

United Way of America (1996) proposes the eight steps for measuring programme outcomes. The first step entails getting ready, with steps 2 identifying the outcomes that needs to be measured and step 3 specifying the indicators for the outcomes. Step 4 involves the preparation of data for the selected indicators. Step 5 tries out the outcome measurement system, with the final three steps analysing and reporting the findings, improving the outcome measurement system and using the findings from the system.

Encompassing the steps proposed by Holzer and the United Way of America, Kusek and Rist (2004:25) present a ten-step model to design, build and sustain a results-based M&E system:

- Step 1: Conducting a readiness assessment to assess the institutional capacity and political willingness to monitor and evaluate goals
- Step 2: Agreeing on outcomes to monitor and evaluate
- Step 3: Selecting key indicators to monitor outcomes
- Step 4: Baseline data on indicators
- Step 5: Planning for improvement and selecting targets
- Step 6: Monitoring for results
- Step 7: The role of evaluations
- Step 8: Reporting findings
- Step 9: Using findings
- Step 10: Sustaining the M&E systems within the organisation

In comparing the steps proposed by Holzer, United Way and Kusek and Rist for designing an outcome-based M&E system, the specification of outcomes; selection of indicators; collecting monitoring information; reporting and using findings are seen as generic to the three systems. These may thus be regarded as the generic 'heart' of any M&E system. Kusek and Rist and United Way both emphasise the preparation that should precede the design of the system to ensure appropriate buy-in and ultimate success. Similarly, both Kusek and Rist and United Way place emphasis on the need to improve and sustain the system in the organisation. Kusek and Rist, however, distinguish between the role of monitoring and evaluation in the system, and emphasise the importance of collecting baseline information before implementation of the intervention commences.

As the systems correlate well, any of these writers may have been used to guide the discussion on establishing an M&E system. However, given the credibility of Jodey Kusek, Ray Rist and the World Bank, their guidelines are followed in discussing the key considerations within each of the steps in setting up an outcomes-based M&E system in government. While the discussion here is mostly generic and relevant for public sector agencies at all levels, Chapter 7 expands on these steps into a proposed outcomes-based M&E system for tracking and managing local economic development at local government level.

### **3.3.1.1 Conducting a readiness assessment to assess the institutional capacity and political willingness to monitor and evaluate goals**

The readiness assessment aims to provide answers to the following five questions (Kusek & Rist 2004:41-42):

- What (legislation, citizen demand, political reform) is driving the need for building an M&E system?
- Who are the champions and drivers of the process?
- What is motivating the champion to drive the process?
- Who will benefit from the system?

- Who will not benefit from the system?

Depending the answer to these questions, the public manager should develop a M&E system that responds to the need that prompted this system (this follows the rationality of the utilisation-focused evaluation approach as proposed by Patton, see previous chapter).

The evaluation plan is generally organized around the questions posed about the program by those who commission the evaluation, called the evaluation sponsor, and other pertinent stakeholders – individuals, groups, or organizations that have a significant interest in how well a program functions. These questions may be stipulated in very specific, fixed terms that allow little flexibility, as in a detailed contract for evaluation services. More often, however, the evaluator must negotiate with the evaluation sponsors and stakeholders to develop and refine the questions ... [as] the initial questions may be vague, over general, or phrased in program jargon that must be translated for more general consumption. (Rossi *et al.* 2004:18)

Stakeholders that may be involved in the process include the policy makers and decision makers, the programme sponsors, evaluation sponsors, target participants, programme managers, programme staff, programme competitors, contextual stakeholders and the evaluation and research community (Rossi *et al.* 2004:48-49).

Atkinson and Wellman (2003:13-14) stress the importance of identifying at the start what internal resources are available for the M&E system, including the clarification of jurisdiction; technical inventories (infrastructure, equipment and supplies); administrative inventories (staff profiles and working relationships); and financial resources.

### **3.3.1.2 Agreeing on outcomes to monitor and evaluate**

Goals and outcomes provide the basis for the M&E system as the measurement of performance takes place in relation to these goals (Atkinson & Wellman 2003:4).

Inputs, activities, indicators, baselines and targets are all deduced from the desired outcome (Kusek & Rist 2004:57). “When choosing outcomes, it is crucial to build a participatory and consultative process involving stakeholders ... committed to consensus-building.” (Kusek & Rist 2004:58) Some general guidelines for formulating outcomes include (Kusek & Rist 2004:59-60):

- Outcome statements should be framed in the positive
- Outcomes should be sufficiently aggregated to focus on one improvement area only.
- Outcomes should be specific in terms of the target group and geographical area, the amount of difference to be achieved and the time deadline for achieving the difference.

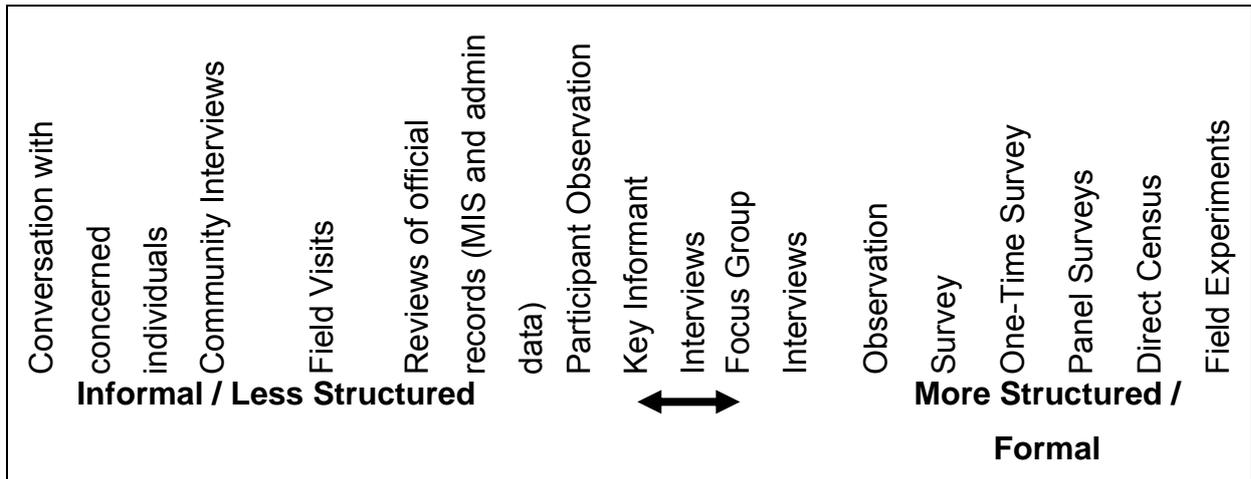
The impact theory expresses programme outcomes in a logical model that connects proximal (immediate) outcomes to more distal outcomes (Rossi *et al.* 2004:209). “Proximal outcomes are rarely the ultimate outcomes the program intent to generate” but “these outcomes are the ones the program has the greatest capability to affect, so it can be very informative to know whether they are attained” (Rossi *et al.* 2004:210-212).

### **3.3.1.3 Selecting key indicators to monitor outcomes**

Outcome “indicators are the quantitative or qualitative variables that provide a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of an organization against the stated outcome” (Kusek & Rist 2004:65). Whilst indicators at different levels of the system all provide useful information on the performance and deliverables of an intervention, outcome indicators are most important as these show whether the envisioned goals of the intervention has realised and the desired changes has occurred. Given the importance of indicator development within the aims of this study, the process and theoretical guidelines are discussed in detail later in this chapter.

### 3.3.1.4 Baseline data on indicators

“A performance baseline is information – qualitative or quantitative – that provides data at the beginning, or just prior to, the monitoring period. The baseline is used as a starting point, or guide, by which to monitor future performance.” (Kusek & Rist 2004:81) Data for the baseline may be obtained through various collection methods as depicted in Figure 3.1 below.



**Figure 3.1: Data collection methods (Source: Kusek & Rist 2004:85)**

Rossi *et al.* (2004:23-24) cite the work of Donald Campbell during the 1960s as influential in promoting a scientific approach to evaluation. However, “conducting social research at high scientific standards generally requires resources that exceed what is available for evaluation projects” and also often delays the outcomes of the research to ensure the validity of data and findings. Campbell’s position on scientific evaluation was challenged by Lee Cronbach who argued that evaluation should rather be orientated “toward meeting the needs of program decisionmakers and stakeholders” and less organised like a scientific experiment (Rossi *et al.* 2004:23). The implications of these two viewpoints mean that “in practice ... the evaluator must struggle to find a workable balance between the emphasis placed on procedures that ensure the validity of the findings and those that make the findings timely, meaningful, and useful to the consumers” (Rossi *et al.* 2004:25).

### 3.3.1.5 Planning for improvement and selecting targets

Performance measurement becomes meaningful only when it allows for comparison between the actual and targeted performance (Glaser in Shah 2007:114). By specifying clear performance objectives and targets “before the project is implemented, it is possible to measure the project against objectives criteria”, which enables the municipality to determine which strategies are successful and most appropriate to their specific context (DPLG (4) 2000:6). Targets are quantifiable levels of the indicators that specify the number, timing and location of that which is to be realised (IFAD in Kusek & Rist 2004:90-91, Atkinson & Wellman 2003:6). Targets may be intermediate (outcomes to be achieved by a specific time) or final (impacts of the policy or programme) (Atkinson & Wellman 2003:9). One way of setting the target is by adding the desired level of improvement to the baseline measurement. To respond to changing environments, a protocol for in-year adjustment of the target must be defined, so that neither abuse of the target by too easy adjustment occurs, nor dishonesty in performance reporting because of too inflexible targets (Glaser in Shah 2007:114).

### **3.3.1.6 Monitoring for results**

Monitoring comprise two complementary activities, namely monitoring the implementation progress and monitoring the attainment of results. Path analysis and Gantt charts are useful tools from project management theory for monitoring progress and ensuring adherence to the project plan. Path analysis involves specifying the sequence of various components of an initiative to plan activities and determine and influence the earliest possible completion time, while a Gantt chart may be used to monitor the progress of a project or initiative by means of a two bar chart that compares the actual an intended progress of the various activities of the initiative (Valadez & Bamberger 1994:121). While the Gant chart “tracks activities and outputs, [it] does not show whether desired results are actually being achieved. Completing all activities mapped in such a chart does not mean that the organisation is achieving its desired goals or outcomes” (Kusek & Rist 2004:97). Although activities and “being busy” is critical to “implement programs, use resources, and deliver the services...the sum of these activities may or may not mean the outcomes have been achieved” (Kusek & Rist 2004:98).

The monitoring system must be designed in such a manner that it delivers reliable, valid results in time. Reliability refers to the stability and consistency of data collection across time and space. Validity describes the extent to which indicators clearly and directly measure the performance intended to be measured. Timeliness refers to the frequency and currency (recently) of data to ensure that it is accessible on time for management decisions (Kusek & Rist 2004:109-110). Data must also be written down and filed and not just within the officials' head (Atkinson & Wellman 2003:15). Table 3.2 provides an example of typical information included in a monitoring template.

**Table 3.2: Example of a typical project M&E sheet (Rakoena 2007: slide 11)**

<b>Programme/Project Name/Code:</b>											
<b>Programme/Project Overall Objective:</b>											
<b>Implementing Agency:</b>											
<b>Responsible Programme/Project Manager:</b>											
Project purpose	Project Coverage	Key Project Stakeholders	Project Cost		Pilot Area	Findings of the Pilot Test	Project Duration	Project Impact (Lessons learned)			Remarks
			Planned Project Cost	Actual Project Cost				Failures	Corrective Measures Adopted	Successes	

### 3.3.1.7 The role of evaluations

Evaluation provides information on the following three aspects (Kusek & Rist 2004:117):

- Strategy – are the right things being done? (Rationale or justification)
- Operations – are things being done right? (Effectiveness, efficiency, customer satisfaction)
- Learning – are there better ways? (Alternatives, best practices, lessons learned)

Evaluation may be independent, participatory or empowering. “In an independent evaluation, the evaluator takes primary responsibility for developing the evaluation plan, conducting the evaluation, and disseminating the results.” (Rossi *et al.* 2004:51) With participatory or collaborative evaluation, an organised evaluation team comprising the evaluator and representatives of one or more stakeholder groups conducts the evaluation. Empowerment evaluation follows a participatory approach, but in addition “the evaluator’s role includes consultation and facilitation directed toward developing the capabilities of the participating stakeholders to conduct evaluations on their own, to use the results effectively for advocacy and change, and to experience some sense of control over a program that affects their lives” (Rossi *et al.* 2004:51). Evaluation may be conducted either by internal or external evaluators, and internal evaluators may be institutionalised in either centralised or decentralised units. Boyle and Lemaire (1999:54-64) outline the advantages and disadvantages of each of these options, as summarised in Table 3.3 below.

**Table 3.3: Advantages and Disadvantages of Evaluation Options**

	ADVANTAGES	DISADVANTAGES
INTERNAL EVALUATORS	Familiar with organisation. Facilitate programme improvement. Credible. Develops institutional memory. Monitor and follow up	Lack of independence. Perceived organisational bias. Ethical dilemmas. Burden of additional tasks. Possible lack of power.

	recommendations.	
EXTERNAL EVALUATORS	Superior skills. New perspectives. Independence and objectivity. Readily available skills. Facilitates programme accountability.	Lack of knowledge of organisation. Limited access to information and people. Expensive. Lack of follow up.
CENTRALISED UNITS	Develop degree of independence. Develop institutional memory. Develop superior skills. Facilitate programme accountability. Enable strategic planning of evaluations.	May appear threatening. Can be perceived as tool of agency. Remoteness from front line.
DECENTRALISED UNITS	Greater programme knowledge. Less resistance from managers. Facilitates participatory evaluations. Facilitates programme improvement.	May lack independence. May lack methodological skills. Possible lack of power.

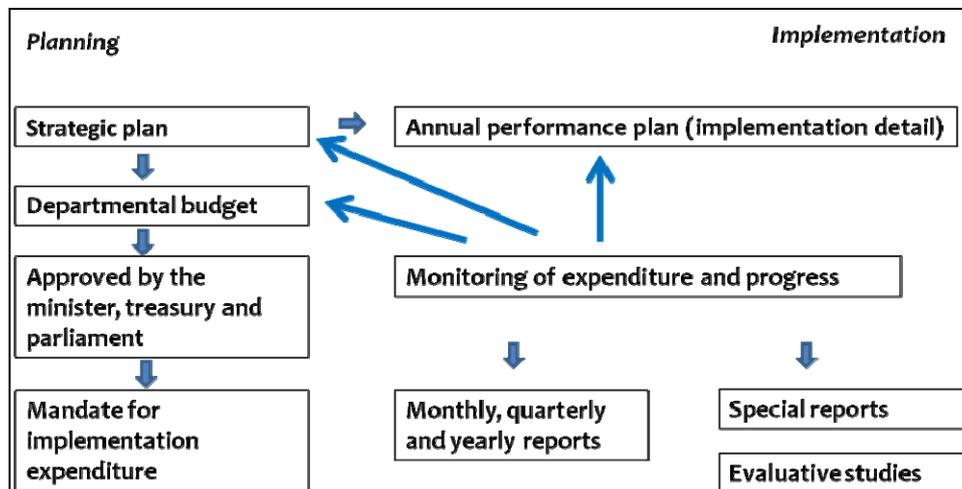
Many of the advantages are maximised by the establishment of internal independent units to conduct the evaluations (OECD 2007:13)

Words commonly used as part of an evaluation, such as appropriate, adequate, sufficient, satisfactory, reasonable, intended, indicate that an evaluative judgement is required. “To answer these questions, therefore, the evaluator ... must not only describe the program’s performance, but also assess whether it is satisfactory. This, in turn, requires that there be some bases for making judgments, that is, some defensible criteria or standard to apply.” (Rossi *et al.* 2004:172)

### 3.3.1.8 Reporting findings

Formal reporting is necessary to provide information to the right decision maker. Three ways of reporting are generally used, namely overview reporting stating quantitative progress; exception reporting; and qualitative (narrative) reporting (Atkinson & Wellman 2003:17). Managers in the public sector are required to report on both expenditure against budget and on progress in the attainment of the

objectives in the strategic plan of the department or unit. Figure 3.2 depicts a typical public sector organisation's relationship between strategic planning and approval and reporting requirements linked to the plan and budget.



**Figure 3.2: Typical relationship between strategic planning and reporting**

Reporting on the results obtained through M&E serves the following uses (Kusek & Rist 2004:130):

- It demonstrates accountability and delivering on political promises
- It promotes and advocates a particular point of view.
- It promotes organisational learning.
- It explores and investigates to understand what works (not) and why (not).
- It documents findings and develops the institutional memory.
- It involves stakeholders and promotes understanding and support.

When reporting, it is important to bear in mind the needs, interests, expectations and preferred communication medium of the audience, and to present performance data in a clear and understandable form (Kusek & Rist 2004:131-132). Reporting formats already used in the Public Sector includes the Programme and Sub-programme name, the specific objectives and outcomes at various levels, indicators for measurement, targets, data measurements and statistics for the indicators, and a narrative with more detail. Progress reports on the completion of tasks against specific milestones and measurements against the specified indicators (PSC 2007(b): Chapter 6).

The reporting template depicted in Table 3.4 is commonly used in the public sector (PSC 2007(b):42).

**Table 3.4: Template for reporting in the public sector**

<b>Section 1: Programme performance</b>					
<b>Subprogramme</b>	<b>Objectives</b>	<b>Performance Indicator</b>	<b>Target</b>	<b>Statistics on Indicators</b>	<b>Narrative giving richer information, e.g. explanation</b>
	<b>Outcome level 2</b>				
	<b>Outcome level 1</b>				
	<b>Output Quantity</b>				
	<b>Output Quality</b>				
	<b>Output Time</b>				
	<b>Input</b>				
<b>Section 2: Progress report</b>					
<b>Projects and Special Tasks</b>	<b>Completion of activities against milestones</b>	<b>Report against indicator</b>	<b>Narrative giving richer information e.g. explanations, challenges and solutions</b>		
<b>Routine activities like the processing of applications for ID books or social grants or management of patients in a hospital or clinic</b>	<b>Process times, waiting times, queue lengths, backlogs, reports on applications processed compared to applications received</b>				

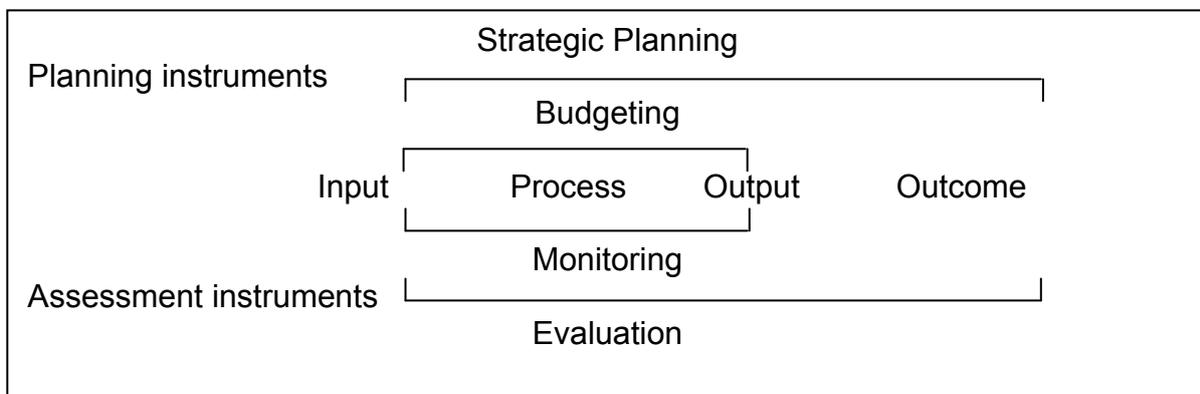
Source: PSC (2007:42)

General guidelines for reports include the inclusion of a short and sharp executive summary with the body of the report addressing the point concisely and confining the scope of the report to one issue, with complex issues addressed rather in several brief reports rather than one comprehensive document (Vedung in Cloete *et al.* 2006:276).

### 3.3.1.9 Using findings

The use of the findings delivered through the M&E system is the main purpose of the system. Findings may be used to enhance accountability; formulate budget requests; inform operational decisions; motivate personnel to make necessary improvements; enhance and reward performance of staff; enhance efficient service delivery; and build public trust (Kusek & Rist 2004:139).

Figure 3.3 below demonstrates the relationship between the planning and the monitoring and evaluation processes.



**Figure 3.3: Relationship between planning and management processes (Boyle & Lemaire 1999:94)**

Reporting on findings is one step towards learning, but ensuring that generated knowledge informs decision making, improves policy, programme and policy design and implementation and meets the objectives of the system, as discussed previously, is critical to the final success and viability of the M&E process. The utilisation of results will be enhanced if the users of the M&E data are involved in the process to ensure that it generates information useful to their particular interests. Boyle and Lemaire (1999:28) distinguish between the different users of data and the particular information that they need. Selected examples are:

- Programme user – Focus on procedures, operational targets and client satisfaction

- Executive user – Focus on the attainment of programme and organisational objectives
- Legislative user – Focus on the attainment of objectives and distribution of benefits to public
- Public user – Focus on the quality and value of outputs (See Boyle & Lemaire 1999:28).

It is critical that the M&E system responds to the requirements and needs of the various users, as this will ensure the utilisation of M&E findings and thereby justify the time and effort spent on this function.

### **3.3.1.10 Sustaining the M&E systems within the organisation**

M&E “should be regarded as a long-term effort, as opposed to an episodic effort for a short period or for the duration of a specific project, program or policy” (Kusek & Rist 2004:151). Derlien (in Boyle & Lemaire 1999:127) “contends that unless governance system takes proactive steps to institutionalize the evaluation function, the occurrence and certainly the use of evaluation findings tends to be random”. Weiss states that two criteria are important when deciding where to locate the evaluation function within the organisation: “One is who can control what the evaluation does and says. The other is who can put the finding to use.” (Weiss 1998:40) Six critical components to ensure the sustainability of the system are:

- Ensure consistent demand for M&E through policies and reporting procedures
- Assign roles and responsibilities unambiguously
- Ensure the delivery of trustworthy and credible information
- Promote accountability to stakeholders
- Build sound technical capacity for data collection and analysis
- Introduce incentives for the use of performance information (Kusek & Rist 2004:153-154).

Various interventions may be undertaken to institutionalise and strengthen the use of evaluation findings. The appropriate intervention is dependent on two factors: the degree to which there is a demand for evaluation, and the supply of evaluation capacity. Table 3.5 illustrates the various strategies in developing evaluation capacity depending the demand and supply conditions.

**Table 3.5: Strategies for enhancing evaluation capacity**

		<b>Demand</b>	
		<b>Strong</b>	<b>Weak</b>
<b>Supply</b>	<b>Strong</b>	Support evaluation of policies, programs and projects Establish links between evaluation, strategic, planning, resource allocation, and budgets Use expert commissions to evaluate policies Strengthen evaluation in the legislature Disseminate evaluation results to the public Organize and systematize the evaluation function Support financial and information systems	Disseminate evaluation methods and practices Support ongoing evaluation of programs and projects Participate in evaluations done by external funding agencies Support professional development in evaluation Support research institutions in carrying out evaluation
	<b>Weak</b>	Disseminate lessons of experience and best practices Set up commissions to evaluate important projects and programs Train and use private sector institutions in evaluations Support university training in	Strengthen audit and accounting Carry out joint evaluations with funding agencies Disseminate national and international lessons of experience Support evaluation training in

	evaluation Provide technical assistance of government agencies Build evaluation network within government Promote evaluation by non-government agencies Introduce evaluation standards	educational institutions Carry out country institutional and evaluation capacity assessments Promote cross-country co-operation in evaluation Raise awareness among decision makers
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Source: Boyle & Lemaire (1999:193)

Mackay (2007:62) refers to sticks, carrots and sermons as three types of incentives that may be employed to implement and sustain the M&E system. “Carrots provide positive encouragement and rewards for conducting M&E and utilizing the findings.” The establishment of new M&E units are an encouragement to conduct and use M&E findings. “Sticks include prods or penalties for ministries or individual civil servants who fail to take performance and M&E seriously”, which may include annual pressures from the Auditor General on the failure to implement proper M&E systems and supporting management information systems. “Finally, sermons include high-level statements of endorsement and advocacy concerning the importance of M&E.” The recent establishment of a ministry for evaluation in the Office of the President serves to promote evaluation in the South African public sector.

The ten-step process proposed by Kusek and Rist provides a comprehensive guideline to cover all aspects required in developing an M&E system. In practice, the ten steps, although presented sequentially, requires the developer of the system to move back- and forwards, rather than following the steps in the proposed sequence. As the developer encounters new M&E result users, or new sources of information, it may lead to a refinement of the indicators or the process of monitoring and evaluation to respond to the new information.

By following the ten steps proposed by Kusek and Rist, local government should be able to develop an M&E system that can provide useful, reliable information for management and accountability purposes, in time that these results to be used to

enhance performance. To conclude this section it is also useful to review general problems experienced with M&E systems, as well as the characteristics of good practice M&E systems.

### **3.3.2 Problems with M&E systems**

The following generic problems may hinder the effective functioning of the M&E systems (see Save the Children 1995:117-123, Valadez & Bamberger 1994:26-27, Boyle & Lemaire 1999:34-40):

#### **3.3.2.1 Problems with data and information**

Data and information constraints include difficulties in identifying the users of the M&E data that are generated and problems in verifying the reliability of findings and conclusions. Information may also not be available when required for decision-making purposes. The problem of data scarcity or reliability is often cited by both local government and other government agencies that receive information from local government. While the causes of data scarcity vary from inadequate funding manpower or skills to collect accurate information to inappropriate or manipulated systems of data collection, or insufficient analysis of data to generate useful information that can influence decision making, the importance of accurate data and information cannot be overemphasised. Inaccurate data may undermine the entire M&E effort as this renders the data useless and, by association, also leads to the M&E exercise being regarded as useless.

#### **3.3.2.2 Institutional problems**

Institutional problems relate to coordination and logistical problems arising between the different agencies involved in the M&E, which may delay or prevent the flow of information. This, amongst other factors, may be attributed to evaluation unit(s) not being placed at an appropriate level or place in the local government structure; administrative and political fear on the part of both officials and councillors with

regard to accountability and demonstrating failure that may lead to the discontinuation of an initiative; and, finally, lack of incentives to motivate cooperation with the M&E process.

### **3.3.2.3 Resource constraints**

Local government is often plagued by financial, human or time constraints. Financial constraints may prevent evaluation altogether, or lead to a lesser quality of, but cheaper, evaluation. Human resource constraints may refer to the unavailability of personnel to conduct the evaluations, or constraints in terms of the required skills and knowledge to conduct the evaluation. Time constraints include delays in starting the evaluations, as well as delays in obtaining results.

### **3.3.2.4 Problems with the M&E design**

The design of the evaluation may be inappropriate within the available capacity at local government level, leading to an inability to conduct and manage the study at the appropriate quality levels. This may lead to questioning of the results and ultimately undermine the credibility of the findings. Another problem relates to incompatibility of long-term and short-term objectives. “Although direct conflict between objectives (achievement of the one excludes the achievement of the other) is not common there are almost always trade-offs between them when one works within a limited budget.” (PSC 2007(b): Section 5.7) This may result, once again, in a dispute about the evaluation findings due to ‘short-cuts’, or because certain objectives were not included in the evaluation study. Lastly, uncertainty regarding the worth of the evaluation, given the time and effort dedicated to it, and whether the results will be used, may also detract from the dedication awarded to the evaluation study.

Most of the problems described can be prevented or addressed through thorough planning (design) of the M&E system; dedicated leadership to direct the process and maintain focus; and attentive management to steer the roll-out and maintenance of

the M&E system. The next section provides guidelines from best practice M&E systems.

### **3.3.3 Characteristics of effective M&E systems**

Although there is no 'one-size-fits-all' M&E system that can be readily implemented in any public sector organisation internationally, best practices highlight some characteristics that are common to effective M&E systems. These best practices may serve as guidelines in the development of an M&E system for local government level. Effective M&E systems have the following characteristics:

#### **3.3.3.1 Appropriate M&E design to ensure the availability of useful information**

International best practices as summarised by Ninh (2004: 11-19) from OECD, the World Bank, the Japan International Cooperation Agency and the Asian Development Bank advocates that the M&E system must be:

- Useful – Findings must be useful and relevant
- Impartial & independent – independent from management and delivery
- Credible – report on successes and failures. Dependent on the credibility of the evaluators and transparency of the system
- Harmonisation – avoid and eliminate duplication of efforts and information
- Scheduled M&E program – Planned schedule based on needs and demands of decision-makers
- Professionally designed M&E – specify purpose, methods, measures and standards, resources, time needed for evaluation
- Report & feedback results – Reports should be user friendly, distributed to all stakeholders and address all M&E issues raised

In addition, the goals and objectives should be well defined and plausible (Chen 2005:198); the system must deliver relevant, valid, reliable performance data and information (Kusek & Rist 2004:22; Chen 2005:198); and evaluations must “deal with performance dimensions that are appropriate and realistic for the program” and within the capabilities of the programme (Rossi *et al.* 2004:71).

### **3.3.3.2 Committed leadership to generate and use M&E information**

Kusek and Rist advise that sustainable results-based M&E systems are a political process more than a technical process (2004:2), which “takes strong and consistent political leadership and will – usually in the form of a political champion – to institute (the) system” (Kusek & Rist 2004:20). Rist affirms the positive relationship “between the credibility of the source and the acceptance of the information....Information that comes into an organization without a legitimate inside sponsor...is not likely to be accepted” (Rist in Boyle & Lemaire 1999:128-129). He adds that utilisation of the information is also dependent on the perceived influence of the internal sponsor (Rist in Boyle & Lemaire 1999:128-129).

The committed driving power of an influential sponsor is therefore critical to ensure a well-functioning M&E system. When this sponsor is a councillor, the municipal manager or strategic manager of the local government, M&E efforts are more likely to be incorporated within the core management processes of the municipality and be responded to during the planning and implementation of municipal service delivery.

### **3.3.3.3 Attentive management to implement and maintain the system**

Apart from political leadership, the success of the M&E system is also dependent on local government managers’ commitment to improved strategic and operational decision making in the organisation through constant monitoring and evaluation and use of the findings. Kusek and Rist (2004:2) advise that M&E systems are continuous works in progress, while Rist states that “efforts to generate learning within the organization must be constantly renewed” (Rist in Boyle & Lemaire

1999:128-129). Some of the key managerial tasks in ensuring a successful M&E system include collaboration to ensure consensus among the intended users of results on how it will be used (Chen 2005:198); the building of trust, content and communication channels, which are critical to ensure the acceptance of conveyed evaluation information (Rist in Boyle & Lemaire 1999:128-129); and the promotion of transparency and accountability within a decentralised implementation environment (Kusek & Rist 2004:21).

#### **3.3.3.4      Capacitated, motivated staff to operate the system**

Local government need to develop the respective capacities of personnel who feed data into the M&E system, those who analyse and interpret the data, and the users of the M&E findings, to ensure the optimal functioning of the system. Kusek and Rist (2004:22) affirm that institutional capacity, including “the ability to successfully construct indicators; the means to collect, aggregate, analyze, and report on the performance data in relation to the indicators and their baselines; and managers with the skill and understanding to know what to do with the information once it arrives” are critical to the success of the system. In addition, personnel need basic information technology, IT skills and statistical capacity to reap full benefit of the M&E system (Kusek & Rist 2004:22, Chen 2005:198). Creating the necessary institutional capacity enables the organisation to manage its own M&E system, as opposed to the use of external (contracted) evaluators. The importance of self-evaluation is accentuated by Rist in Boyle and Lemaire (1999:128-129) who found that “governmental organizations are more receptive to the information generated by their own internal evaluation units than that generated by external units”. Where oversight organisations perform the evaluations, Rist advises that “interinstitutional scrutiny must be perceived as legitimate” to be accepted and utilised (Rist in Boyle & Lemaire 1999:128-129).

### **3.3.3.5 Participation in the M&E system**

Apart from cascading responsibility for the M&E system internally in the local government from the political and managerial leaders down to the capturers and analysers of the M&E data, effective M&E systems also promote external participation from other government agencies interested in the results, as well as communities and public stakeholders. Ninh (2004:11-19) states that both government agencies (implementers) and the community (receivers) should participate in the M&E process – not just the impartial evaluator. Public and stakeholder participation in M&E and decision making improves the accuracy and usefulness of results; promotes the feasibility and utilisation of M&E results; enhances ownership of the project, programme or policy; expands understanding through different viewpoints; and limits individual bias through multiple inputs (Save the Children 1995:16; O’Sullivan 2004:25). It is often up to the evaluator to assist stakeholders to articulate ideas and test their own paradigm within which they evaluate their world (Chen 2005:41), and in that become “responsive to communities that ultimately [need] people with expertise in evaluation” (O’Sullivan 2004:25).

In essence, the value of an M&E system lies firstly in whether it focuses on the right issues, secondly, whether it generates quality, relevant data in good time and, lastly, whether the findings are used to improve the performance of the organisation. A key aspect thus is the selection of valid measurement tools, or indicators, by which performance can be measured and evaluated.

The remainder of this chapter will provide guidelines for the selection and development of performance indicators.

## **3.4 Components of evaluation studies**

As evaluation research is partially embedded in social research, similarities exist in the components of the studies. The guidelines provided here are generic to any evaluation design, and provide a basis for conducting evaluation studies at local

government level. Local governments should identify appropriate evaluation questions, approaches, designs and models for their particular study from the array of options described here. While the discussion is by no means finite, it attempts to cover the most relevant issues in designing evaluation studies.

Boruch (2004:119) proposes three simple steps to design evaluation studies – first identifying the right question from the various questions that may be addressed, secondly selecting appropriate methods and, lastly, determining whether there is a more viable alternative. Owen, in turn, describes 10 dimensions that should be considered in developing the evaluation plan. These include specifying the evaluand; the purpose of the evaluation; the primary audiences; available evaluation resources; the focus (elements) of the evaluation; the evaluation process (data collection, management and analysis) for each evaluation question; reporting strategies; codes of behaviour; budget and time deadlines; and other issues that may arise from the negotiations (2006:73-74). Alkin distinguishes between five areas of evaluation activity, namely framing the context of use (client group, primary users, broader stakeholders); negotiating agreement on measures and procedures; establishing a framework for judging results; data collection and reporting; and interpretation and facilitation of use (2004:299).

The evaluation research may be broken down into the following parts:

- Identifying what needs to be evaluated: The evaluation problem, key questions and goals
- Determining how this will be evaluated: The evaluation design and methods for data collection, analysis and interpretation
- Conducting the evaluation: Evaluation models
- Presenting the findings: The evaluation report

### 3.4.1 The evaluation problem, questions and goals

Identifying what needs to be evaluated requires a clear understanding of the problem area of interest and what hopes to be gained from the evaluation study. In social research, this is similar to the identification of the research problem, “a clear and unambiguous statement of the objective of the study (the unit of analysis) and the research objectives” (Mouton 2001:48). The evaluation may be focused on improving or testing the conceptualisation or design of an intervention, on monitoring and improving the implementation of the intervention or on the assessment of the effectiveness or efficiency of the intervention in delivering its results (Babbie & Mouton 1998:339-340). To ensure that the evaluation question focus on the area of greatest concern to important stakeholders and decision makers it is important to engage these stakeholders during the conceptualisation phase of the evaluation to help formulate appropriate questions (Rossi *et al* 2004:68-69).

The formulated research questions may be empirical questions, such as exploratory questions, descriptive questions, causal questions, evaluative questions, predictive questions or historical questions; or non-empirical, such as meta-analytical questions, conceptual questions, theoretical questions, or philosophical, normative questions (Mouton 2001:53-55). Rossi *et al* (2004:70-75) provide the following criteria for evaluation questions. Firstly, it is important that the formulated evaluation questions are appropriate and reasonable to the scope and context of intervention that is being evaluated. Furthermore, the evaluation question should be answerable, which means credible evidence that responds to the question should be realistically obtainable. Finally, the evaluation question should include also the required performance criteria that provide a basis for the determination of merit, success or failure.

Typical evaluation questions that may inform evaluation studies are, for example:

- What are the needs of the population?
- What services should be provided?
- Is the intervention properly conceptualised?

- Is the intervention ready for implementation (feasibility exercise)?
- Is the intervention being implemented according to design?
- Are the intended services being delivered to the intended persons?
- Do all members of the target group (intended beneficiaries) receive the intervention?
- Are the intended immediate outcomes being realised?
- Do the services have beneficial or adverse effects on the recipients?
- Is the cost reasonable in relation to the magnitude of the benefits? (See Wildschut 2004:5-6 and Rossi *et al* 2004:77-78).

### **3.4.2 Evaluation design and methods**

Evaluation design provides the 'blueprint' of the study which defines the nature of the study in terms of being empirical or non-empirical, drawing on existing or primary data, using numeric or textual data and the degree of structure and control that the researcher has in the study (Mouton 2001:146). Evaluation design aims to ensure internal and external validity. Internal validity assures that there is a causal relationship between the intervention and the observed outcome and that no other plausible alternative could have caused the effect. To eliminate other potential contributing factors requires a combination of experimental designs, inferential statistics, empirical observations and substantive theory. External validity tests the stability of the cause-effect relationship across persons, settings, times and implementation styles and mediums (Cook 2004:88-89). The ideal design achieves both high scientific credibility (the extent to which the evaluation is guided by scientific principles) and high stakeholder credibility (the extent to which stakeholders perceive the evaluation to incorporate their views, concerns and needs) (Chen 2004:134-135). To achieve this balance, a helpful strategy is "to pursue stakeholder credibility in the earliest phases of evaluation design but to yield to scientific principles later in the process" (Chen 1990 in Chen 2004:135).

The most common evaluation approaches have already been discussed. These approaches inform the design of the evaluation study. In addition, however, a

number of generic social research designs (three of which are tailored to evaluation studies specifically) may also be useful when conducting evaluation research:

- Ethnographic research can either entail participant observation studies which provide an in-depth description of a group of people or case studies that provide an in-depth description of 50 or fewer cases.
- Participatory action research involves the subjects of the research in the design of the study to gain understanding of their frame of reference.
- Surveys aim to provide a broad overview of a representative sample of a large population.
- Comparative, cross-cultural and cross-national studies compare different groups of analysis.
- Experimental designs aim to provide a causal study of a small number of cases under highly controlled conditions.
- Natural or field experimental designs aim to provide a broad overview of a representative sample of a large population.
- Evaluation research can entail implementation (process) evaluation that investigates whether an intervention has been properly implemented as designed; experimental and quasi-experimental outcome studies that determine whether an intervention has been successful or effective in achieving the intended outcome; or qualitative (naturalistic) and empowerment evaluation that evaluates the performance of programmes in their natural setting, focussing predominantly on the process of implementation.
- Secondary data analysis reanalyses existing data.
- Content analysis of texts or documents.
- Historical studies attempt to reconstruct the past and chronology of events.
- Theory building or model building studies develops new models and theories to explain particular phenomena.
- Philosophical studies argue for or against a particular position, often taking a normative, value-laden stance.

- Literature reviews analyse trends and debates through an overview of scholarly publications (See Mouton 2001:149-180 for a detailed description of each design.)

Potentially, all of the research designs may be adopted, depending on the nature of the study and the particular research questions and objectives. However, some designs such as the (quasi)-experimental, qualitative empowerment and implementation evaluation designs are applied more in real-life evaluation studies whilst others are more common in scholarly research.

Depending on the objectives and M&E questions that need to be addressed, the evaluator must select appropriate data collection methods to obtain the information required. “While some kind of data are best gathered through measuring, surveying, counting or weighing, other kinds of data can be accessed only via qualitative tools...collected via observational, documentary, and interviewing tools.” (Lincoln & Guba 2004:233) Evaluators apply a wide array of empirical research methods – “qualitative and mixed methods, responsive case studies, participatory and empowerment action research, and interpretive and constructivist versions of knowledge” (McClintock 2003:14). Evidence may be collected directly from individuals; through independent observers; through electronic devices; or from existing records (Owen 2006:100-101).

Qualitative methods may include:

- Archives and document analysis
- Checklists
- Content analysis
- Comparative or cross-case analysis
- Delphi technique and expert opinions
- Individual interviews, group interviews and focus groups
- Narrative analysis and narrative storytelling
- Natural experiments
- Observation

- Unobtrusive measures and technology-aided methods

Quantitative methods may include:

- Benchmarking
- Backward and concept mapping
- Correlation and regression analysis
- Field experiments
- Panel studies
- Pre-Post Design
- Standardised tests
- Statistics
- Surveys
- Time series analysis and longitudinal studies

For a discussion of these methods, see Ammons (2002), Mathison (2005), Mouton (2001), Wildschut (2004), Save the Children (1995), McClintock (2003), IFAD (2002) and Wholey, Hatry and Newcomer (2004).

The data collection methods may be employed individually or in conjunction, depending on the data required. It is important to ensure that the methods are feasible and appropriate, and that they generate valid, reliable and relevant information in a sensitive, cost-effective and timely manner (IFAD 2002:6-16). The decision on which method(s) to use form part of the comprehensive M&E system design process to ensure that the tools are appropriate to the M&E objectives, policy/programme outcomes, organisational culture, budget and available capacity.

### **3.4.3 Evaluation models**

Encompassing the philosophies of evaluation, various evaluation models – or step-by-step instructions – have been developed to guide the evaluation process and ensure that critical aspects are covered. The models vary in the aspects that they

cover. Some models, like logframes (logical frameworks) and CIPP, are useful for evaluating an intervention in its entirety. Other models, like cost-benefit, cost-effectiveness and accounting models focus on only one aspect of the intervention. The models may be applied formatively, as with a feasibility assessment or rapid rural appraisal, or summatively as with an impact assessment. The value of the models are their specific instructions and parameters, expressed often in the form of guidelines, templates or checklists, that assist the evaluator in covering the critical aspects during the evaluation process. The models listed here are by no means an exhaustive list of what is available in practice, as almost all evaluation theorists describe their own approach to (or model for) conducting evaluation studies. A brief discussion of some of these models illustrates typical guidelines for conducting different evaluation studies.

#### **3.4.3.1 Logframes, or Logical Framework Analysis**

Logframes, or the logical framework approach, are a particular form of generic program logic commonly used in international development (Rogers in Mathison 2005:235) and originating from performance management efforts in the US Navy in the 1960s. Logical Framework Analysis is a widely used tool that assists in “testing the logic of a plan of action by analysing it in terms of means and ends. This helps to clarify how the planned activities will help to achieve the objectives [and assesses] the implications of carrying out the planned activities in terms of resources, assumptions and risks” (Save the Children 1995:178). The logframe consists of a narrative summary of the programme logic, divided into four levels: the goals to be achieved; the purpose of the project; the outputs and activities to be produced; and sometimes the required inputs as well (Rogers in Mathison 2005:235, Valadez & Bamberger 1994:85). “The logical sequence of these activities is stated in the following way:

- If INPUTS are provided at the right time and in the right quantities, then OUTPUTS will be produced.
- If OUTPUTS are produced, then PURPOSE (impact/benefits) will be obtained.

- If PURPOSE is obtained, then GENERAL GOALS will be achieved.” (Valadez & Bamberger 1994:85-86)

“Multiple regression analysis is then used to assess the strength of the statistical association between the different elements in the model.” (Valadez & Bamberger 1994:92-94) The matrix also records verifiable indicators for each level (Rogers in Mathison 2005:235).

Mosse and Sontheimer (1996:5) outline the following steps in developing a logical framework: “Set proper objectives, define indicators of success, identify key activity clusters (project components), define critical assumptions on which the project is based, identify means of verifying project accomplishments and define resources required for implementation”. In terms of this approach, it is useful to present the Logical Framework as a table or matrix, as illustrated in Table 3.6.

**Table 3.6: Logical Framework Analysis**

	<b>Project structure</b>	<b>Indicators and values</b>	<b>Means of verification</b>	<b>Assumptions and critical factors</b>
<b>Outcome</b>				
<b>Objectives</b>				
<b>Outputs</b>				
<b>Inputs</b>				

Adapted from Save the Children (1995:179)

Rakoena (2007:slide 13) provides the following guidelines for completing the logframe matrix (see Table 3.7)

**Table 3.7: Guidelines for completing a logframe matrix**

<b>Narrative Summary</b>	<b>Measurable Indicators</b>	<b>Means of Verification</b>	<b>Important Assumptions</b>
<b>Goal (Or Overall Objective)</b> What are the wider problems which the project will help to resolve?	What are the quantitative, or qualitative, ways of judging whether the broad objectives have been achieved? (Quantity, quality and Time)	What are the sources of information exist, or can be provided cost effectively?	<b>(Sustainable long-term Objectives)</b> What external factors are necessary for sustaining the project objectives in the long run?
<b>Purpose (Or Specific Objectives)</b> What are the intended immediate effects on the project area or target group? What are the extended benefits and to whom are they intended?	What are the qualitative measures or qualitative evidence, by which achievements and the distribution of effects and benefits can be judged? (Quantity, quality and time)	What are sources of information exist, or can be provided cost effectively? Does provision for information collection need to be provided for under the Inputs/Resources?	<b>(Purpose to Goal)</b> What are the conditions external to the project necessary if the achievement of the project's purpose is to contribute to the attainment of the project's goal?
<b>Outputs (Or Results)</b> What are the project outputs to be produced by the project in order to achieve the project purpose?	What kind and quantity of outputs, and by when will they be produced? (Quantity, quality and time)	What are the sources of information?	<b>(Output to Purpose)</b> What are the factors not within the control of the project which, if not present, are liable to hamper project progress from achieving its purpose?
<b>Activities (Or Work Elements)</b> What are the work elements that should be undertaken in order to accomplish the outputs, and when?	<b>Inputs/Resources</b> What materials/equipment or services (e.g. training) are to be provided to achieve outputs, and at what cost as well as over what period of time?	What are the sources of information?	<b>(Activity to Output)</b> What external factors must be realised to obtain planned the planned outputs on time?

Source: Rakoena (2007: slide13)

### 3.4.3.2 CIPP Model

Stufflebeam's CIPP model focuses an evaluation on the:

- Context: Analysing needs, problems, assets, opportunities to define goals and priorities
- Inputs: Considering alternative approaches, competing plans and budgets for feasibility and potential goal effectiveness
- Process: Tracking the implementation of plans; and
- Product: Identifying and assessing intended/unintended, short/long-term outcomes (Stufflebeam & Shinkfield 2007:326, Stufflebeam 2004:246).

As part of the CIPP model, Stufflebeam developed various checklists that assist the evaluator in ensuring a thorough evaluation covering all critical aspects. A series of

these checklists are available online at

<http://www.wmich.edu/evalctr/checklists/checklistmenu.htm#models> .

### **3.4.3.3 Objectives-based evaluation**

Objectives-based evaluation “focuses on generating information for accountability and decision making by developing and measuring the appropriate objectives for these purposes.” It entails:

- Specification of detailed objectives
- Development of criteria and methods to test the attainment of objectives, and
- Measurement and interpretation of outcomes of an intervention (Christie & Alkin in Mathison 2005:281-285).

### **3.4.3.4 RealWorld Evaluation Approach**

The RealWorld Evaluation Approach was developed to assist evaluators to conduct evaluations with budget, time, data and political constraints. It comprises seven steps, commencing with the planning and scoping of the evaluation in terms of the needs, the programme theory, constraints and the ideal design. The next four steps assist the evaluator to address budget, time data and political constraints. Step 6 aims to strengthen the evaluation design and validity of conclusions by identifying and addressing potential threats. Finally, step 7 assist clients in using the evaluation through communication and building evaluation capacity (Bamberger 2009:200,203).

### **3.4.3.5 Kirkpatrick’s four-level evaluation model**

The Kirkpatrick four-level evaluation model is used extensively in the evaluation of training intervention. It comprises:

- Level 1: Assessment of participants’ reaction during the training intervention

- Level 2: Measurement of quantifiable indicators that learning has taken place
- Level 3: Change in behaviour that reflects new knowledge and skills
- Level 4: Measurement of the impact of the training on the broader organisational goals and objectives (Bates in Mathison 2005:221-222).

#### **3.4.3.6 Feasibility studies**

Feasibility studies are often undertaken to explore alternative implementation options for a policy or intervention. It involves the identification of potential costs, benefits, constraints and predicted impacts of alternative options (Shafritz quoted in Cloete *et al.* 2006:251). Feasibility studies make use of “statistical and other trend projection techniques, modelling, scenario building, cost-benefit analysis” to test the feasibility of alternative options (Cloete *et al.* 2007:251) and inform the final decision on the most desirable course of action.

#### **3.4.3.7 Rapid rural appraisal**

“Rapid rural appraisal is a repertoire of informal techniques used to collect and analyse data about local situations and people.” To ensure validity, the approach relies on triangulation: information is cross-checked by talking to various stakeholders in the community, by using different data gathering methods, and by using a diverse research team (Dart in Mathison 2005:357-358). Methods used to collect information include key informant interviews, focus group discussions, community group interviews, direct observations and mini-surveys (Kusek & Rist 2004:15).

#### **3.4.3.8 Impact assessment**

“Impact evaluation is the systematic identification of the effects – positive or negative, intended or not – on individual households, institutions, and the environment caused by a given development activity such as a program or project.”

Studies may encompass large scale sample surveys with randomised pre-test and post-test evaluations of the target population and control groups, quasi-experimental designs with before and after comparisons of project and control populations, ex-post comparison of project and non-equivalent control groups, and rapid assessment ex-post impact evaluations and participatory appraisals where estimates of impact are obtained from combining group interviews, key informants, case studies and available secondary data (Kusek & Rist 2004:22-24). The objective of social impact assessment is to ensure that the benefits are maximised and that the social costs borne by the community are minimised (Vanclay 2003:1). Social impact assessment is more complex than environmental impact assessment. It entails analysis of the problem, system, baseline and trends before designing projects, scenarios and strategies. Various strategies are assessed and ranked before an informed decision is made. Constant monitoring takes place during implementation to manage impact, followed lastly by auditing and ex-post evaluation (Becker 2003:129).

#### **3.4.3.9 Cost-benefit analysis**

Cost-benefit analysis comprises an efficiency assessment that provides a frame of reference for relating costs to programme results. Cost-benefit analysis compares the direct and indirect benefits (outcomes) of the programme with the direct and indirect costs (inputs). The process involves attaching financial values to the costs, benefits, loss of opportunity and externalities of the programme, expressing the result of the analysis in monetary terms. Three perspectives may be calculated, namely the cost-benefit to the individual, to the programme sponsor and/or to the community at large (Rossi *et al.* 2004:332-357. See also Kee 2004:506).

#### **3.4.3.10 Cost-effectiveness analysis**

The aim of a cost-effectiveness analysis, which is another type of efficiency assessment, is to compare different programmes with the same goal. It expresses the respective efficiencies of different programmes in substantive terms, thereby determining the programme(s) more efficient at achieving the stated goal (Rossi *et*

*al.* 2004:332,363). Cost-effectiveness assesses the ability to achieve objectives and outcomes at a reasonable cost by calculating the cost per unit or the cost per beneficiary of a particular service (Save the Children 1995:194, Kee 2004:506).

### **3.4.3.11 Evaluability assessment**

The evaluability assessment determines whether minimal preconditions for evaluation have been met before the actual evaluation can take place. Interventions should meet the following criteria before an evaluation study can be undertaken successfully:

- The intervention goals, objectives, side effects and information needs must be well defined
- The programme goals and objectives must be plausible
- The relevant performance data must be accessible
- The intended users of the evaluation results must have agreed on how the evaluation results will be used (Wholey in Rossi *et al.*, 2004:137)

### **3.4.4 The evaluation report**

Evaluators soon realised that stakeholders regard evaluations as useful if they generate information not only on how well the programme has done, but also on what it must do next to attain and succeed in its goals (Chen 2004:134). Evaluations must thus not only find problems, but also propose solutions to them. Owen confirms that the role of evaluators is changing from that of an independent judge to a collaborative consultant offering not only descriptions and judgements, but also prescriptions and recommendations (in Alkin & Christie 2004:54). Wholey describes the new evaluator as one who believes in the organisation and helps it to succeed by starting with the traditional role of critic, but moving beyond that to assist the organisation to improve its performance (in Shadish, Cook & Leviton 1991:234).

The evaluation report should be logically structured and meet the needs of both the evaluator contractors and the main stakeholders (EDRP 2009). Table 3.8 presents the basic format of the evaluation report, constructed from the guidelines of the EDRP (2009), NZAID (2009), and the UN Population Fund (see Wildschut 2004:26).

**Table 3.8: Structure of the evaluation report**

<b>Title Page:</b>
Title and nature of evaluation Title of Programme, phase, duration Identification of author, affiliation and designation Date and place of submission
<b>Table of contents:</b>
Main headings and sub-headings Index of tables of figures and graphs
<b>Executive Summary:</b>
An overview of the entire report in no more than five pages It should include: A brief background of why the review or evaluation was carried out A succinct description of the methodology used and description of project/programme stakeholder participation in the evaluation Key findings, including intended and unintended changes/impacts as well as a description of how primary stakeholders perceive the changes brought about by the intervention(s). Value for money of the intervention. Recommendations & suggested follow-up action
<b>Introduction:</b>
Overview of the purpose of the evaluation and the structure of the report Description of the programme in terms of needs, objectives, aims, delivery systems The context in which the programme operates Purpose of the evaluation in terms of scope and main evaluation questions. Main users of the findings/report Description of other similar studies which have been done
<b>Research methodology:</b>
Design of research Implementation of research and collection of data

Methodology used (including who participated, how and at what stage)?

The timing of the review or evaluation

Analysis of data

**Evaluation results:**

Findings and conclusions:

- What changes have been brought about by the intervention – positive and negative, intended and unintended, qualitative and quantitative?
- What have been the differential effects of the intervention on men and women?
- What has been the cost of the intervention(s) compared to the programme results? Is it value for money?
- Discussion of the reasons for successes and failures, especially the constraints and enabling factors
- Other cross-cutting issues (e.g. human rights, etc)
- Implications of the findings for future activities. Based on the evaluation findings and drawing from the evaluator(s) overall experience in other contexts, provide lessons learned (both the best and worst practices) that may be applicable in other situations as well. Include both positive and negative lessons.

Recommendations

- Base recommendations on the conclusions and lessons learned, and discuss their anticipated implications
- List proposals for action to be taken (short- and long-term) by the person(s), unit or organisation responsible for follow-up in priority order

**Annexes:**

Terms of reference of the evaluation

References and sources

Glossary of acronyms used

Diagrams, drawings, photographs generated through the participatory processes

Names of evaluators and their companies (CV should also be shown, but summarised and limited to one page per person).

Methodology applied for the study (phases, methods of data collection, sampling, etc.)

Logical framework matrices (original and improved/updated).

List of persons and organisations consulted, literature and documentation

other than technical annexes (e.g. statistical analyses)

As evaluation findings are often presented to different stakeholders, it may be advisable to develop a plan and schedule for conveying the needed reports to the

different audiences, e.g., the client, the programme staff, a pertinent policy board, beneficiaries, and the general public (Stufflebeam 2004:4). As such, Stufflebeam recommends “dividing final reports into three subreports: Program Antecedents (for those who need background information), Program Implementation (for those who might want to replicate the program), and Program Results (for all members of the audience)”. The resumes of the various evaluators; data collection methods and instruments; a log of data collection activities; data tables and interim reports; summary of costs of different evaluative activities; summary of problems that were encountered and addressed during the evaluation; and a summary of the professionalism and standard of the evaluation are required (Stufflebeam 2004:4).

### **3.5 Selecting and developing indicators: the heart of the M&E system**

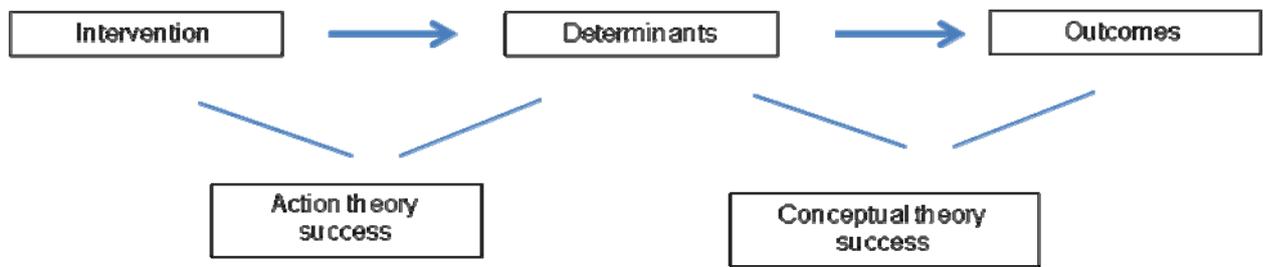
Indicators are measurement instruments used to track and assess progress in the attainment of objectives and outcomes. Miles defines indicators as “a measuring instrument used to give a concrete, measurable but indirect value to an otherwise unmeasurable, intangible concept” (in Cloete *et al.* 2006:261). Atkinson and Wellman (2003:6) regard them as “pointers” that show whether goals are achieved. “Indicators are what we observe in order to verify whether – or to what extent – it is true that progress is being made towards our goals, which define what we want to achieve” (UNDP (1), n.d. introduction). An indicator is what is measured to signify performance by describing what “can be empirically observed that will signal the occurrence of the aspect or facet of the evaluand under study” (Smith in Mathison 2005:199).

Indicators may be used to track and evaluate the “impacts, outcomes, outputs, and inputs” of a project, programme or policy during and after the implementation process (Mosse & Sontheimer 1996:1). Indicators may be internal, subjective perceptions or external, more objective measurements (Miles in Cloete *et al.* 2006:261).

The process of developing indicators may be described in three steps. First, the programme theory (also referred to as the “logic model”) of the policy, programme or project to be evaluated must be clarified. Secondly, different types of indicators must be developed or selected to measure and evaluate performance at the various stages of implementation and delivery of the policy, programme or project. Lastly, the indicators may be refined on the basis of feedback from the evaluation process to improve the accuracy and validity of the results.

### 3.5.1 Clarifying the programme theory

The programme theory that underpins a policy, programme or project may be depicted as a logic model, defined as “a systematic and visual way to present and create understanding of the relationships among the resources of a program, its activities, and the changes or results it wishes to achieve” (Kellogg Foundation 2004:9). Clarifying the programme theory is useful to test the validity of the assumptions that certain activities and outputs will culminate in delivering the intended outcomes and impact, or, as Chen explains, to test the validity of the action and conceptual theory that underpins the programme. (See Chen’s action and conceptual theory success depicted in Figure 3.4 below.)



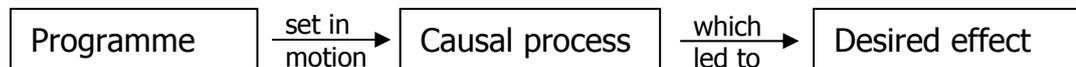
**Figure 3.4: Action theory success and conceptual theory success (Chen 2005:248)**

By comparing the programme intervention activities with the outputs (or with the factors that determine the realisation of the outcome), the success of the action theory, that is whether a specific activity will indeed deliver a specific outcome, is affirmed. By comparing the determinants with the outcomes, one may ascertain whether a specific output does indeed lead to a specific outcome and thereby test the conceptual theory underpinning the programme. Weiss (1998:129) refers to theory and programme failure, and depicts it as set out in Figure 3.5.

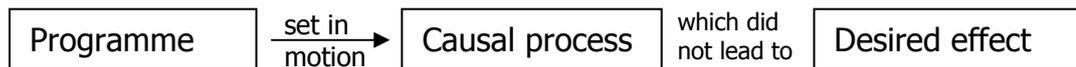
If applied to the local economic development context, we have a local economic development intervention aimed at attracting businesses to the locality (desired effect) by training local residents in specialised skills (causal process) required by the targeted businesses. The intervention will be perceived to have a theory failure if

training residents in these specialised skills does not result in new businesses locating in the area, or a programme failure if the training programme does not deliver trainees who possess the desired skills required by the targeted businesses.

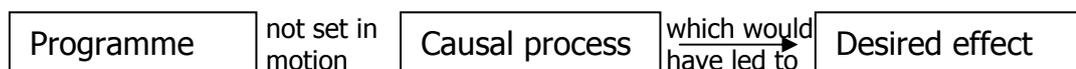
*Successful program*



*Theory failure*



*Program failure*



**Figure 3.5: Weiss’ theory and programme failure (Weiss 1998:129)**

Once the underlying programme theory has been clarified and tested as valid, it is recommended that performance indicators be established for all levels of the system, namely input, output, activities, outcomes and goals (Kusek & Rist 2004:65), as this will enable the evaluator to later distinguish between programme failure and theory failure, should the desired effect not transpire. Designed indicators may be either theory or data driven. “Work on ...indicators ranges from exploiting existing data to best characterize the state of the [phenomena in question] to determining the theoretically best possible indicators as points of departure for future data collection and stock-taking.” With the data-driven approach, the availability of data to populate the indicator is the central criterion, which has the advantage that all indicators can be populated with accurate baseline data at the start of the intervention. In contrast, the theory-driven approach focuses on identifying the best possible indicators on the basis of the programme logic, regardless of the availability of the data at the start of the intervention (Niemeijer 2002:91). In the absence of baseline data, initial establishment of progress is impossible, but in subsequent measurements, the indicator may provide more accurate and useful information. Niemeijer concludes that both approaches have the drawback that they “are based on assumptions on cause-effect relations and correlations that may not always be justified” (Niemeijer 2002:101). One transparent way of overcoming this problem is to reduce the number

of indicators to include only those for which accurate data (and theory assumptions) are available (Niemeijer 2002:101).

### 3.5.2 Types of indicators

There are various types of indicators that measure different aspects of a project, programme or policy. Figure 3.6, below, depicts the relationship between the objectives and various indicators as set out in the Performance Management Framework from Western Australia (Cloete 2004:12).

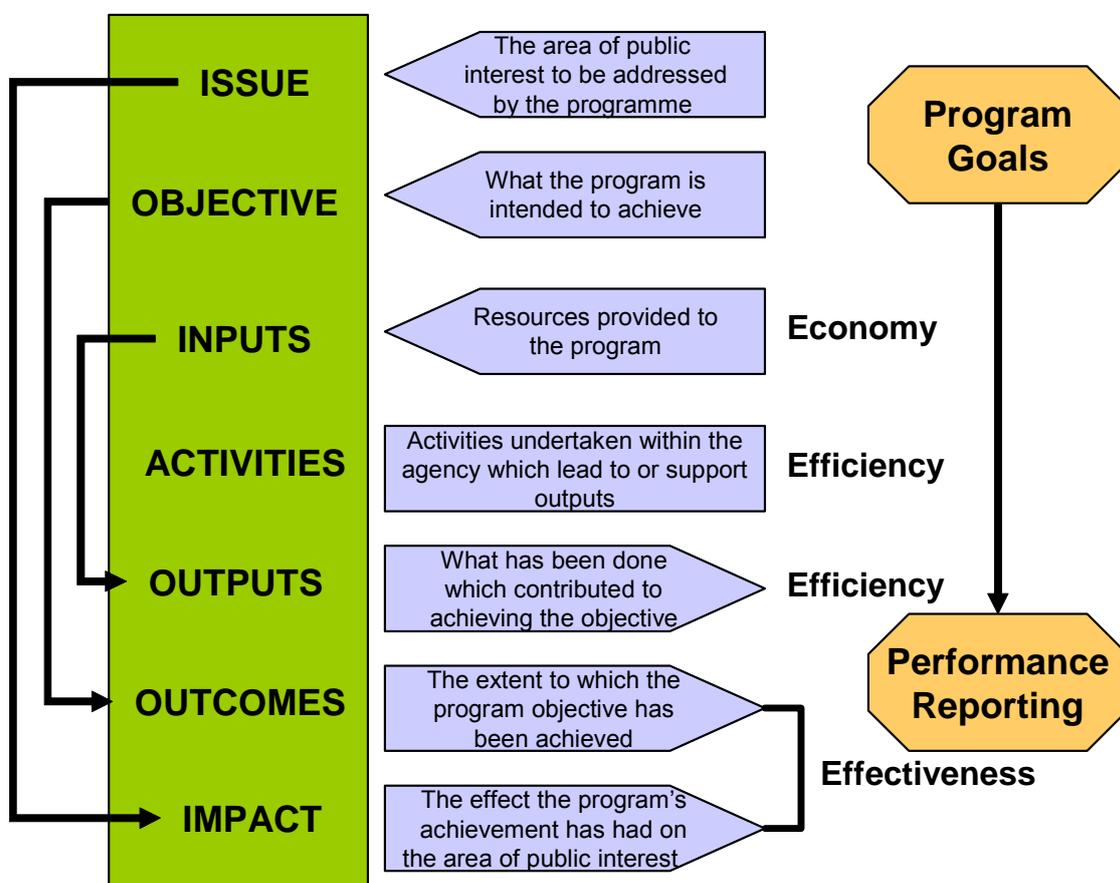


Figure 3.6: Western Australia Performance Management Framework

Establishing indicators for various levels of the system is necessary as they provide information on different aspects of the intervention, and also provide performance information at various stages of the intervention life-span. Input and process (activity) indicators allow managers to track performance; detect problems and take corrective

action; and predict ultimate success, even in the early planning and implementation stages through the early feedback of information. Indicators for output, outcome and impact are essential to affirm the success of the intervention and to shape the form of future interventions based on what has been proved to succeed or fail in previous interventions, but the information is often only available in retrospect. It is also useful to include both quantitative and qualitative indicators, where quantitative indicators provide feedback in terms of numbers or percentages on the actual progress that has been made and qualitative indicators “[provide] insights in institutional processes, attitudes, beliefs, motives and behaviours” that describe perceptions of the progress and other intangible results (Kusek & Rist 2004:69). Whilst qualitative indicators are often based on more subjective interpretations of performance results, they often provide richer information than is obtained from pure reliance on objectively measurable quantitative information. Therefore, the Public Service Commission (PSC) recommends that indicators should not be used in isolation, but rather in sets. As “indicators are almost always proxies of the outcomes or concepts they measure... the value of indicators lies in the fact that they are expected to correlate with the desired impact/outcome, but the correlation is rarely perfect” (PSC (2007: Section 5.3). Sets of indicators help to overcome this problem by providing different perspectives and angles on the subject being evaluated.

The various types of indicators that are often used when measuring and assessing public policies, programmes and projects are described in the following list:

- Input indicators: Measures the financial, physical, human, information and time resources that are fed into a project. “Input indicators measure the quantity (and sometimes the quality) of resources provided for project activities.” (Mosse & Sontheimer 1996:11)
- Process indicators: Measure the conversion of inputs to outputs in terms of efficiency and compliance with good governance principles. Process indicators focus on how a programme achieved its goals (Chen 2005:10).
- Results indicators: Measure the consequences of activities in relation to objectives at project or programme level (Mosse & Sontheimer 1996:11, Boyle & Lemaire 1999:25).

- Output indicators: Measure the product or direct result of a specific process and project. “Output indicators measure the quantity (and sometimes the quality) of the goods or services created or provided through the use of inputs.” (Mosse & Sontheimer 1996:11)
- Outcome indicators: Refer to the direct consequence or result of an activity, project or process (DPLG (4) 2000:8) or the “objective short term changes as a result of the project concerned, as well as the subjective reaction of the client” (Poate, quoted in Cloete & Rabie 2005:9). “Outcomes refer to direct consequences or results that follow from an activity or process” or the “direct results of a program in the short term” (Reese & Fasenfest 1997), which means that outcome indicators focus on those changes in the environment that can be related with some certainty to the intervention that was undertaken. Mosse & Sontheimer (1996:12) conclude that “outcome indicators measure the quantity and quality of the results achieved through the provision of project goods and services”.
- Impact Indicators: Reflect the longer-term, broader societal implications of a project (DPLG (4) 2000:8) and the realisation by governments that “not only short to medium term policy outputs should be measured, but also developmental outcomes that are sustainable in the long term, and not only improve conditions in the short term” (Cloete, Møller, Dzengwa & Davids 2003: 25). Distinction may be made between demographic, geographic, environmental, social, organisational, technological, financial and economic impact indicators (Cloete *et al.* 2006:264). Impact indicators are the most difficult to measure, because of lag times and difficulty in accurately ascribing the affected change to particular interventions. The World Bank, however, emphasises the importance of impact indicators by recommending for its development projects that no more than a dozen indicators are measured, at least half of which should be impact indicators measuring major development objectives (Mosse & Sontheimer 1996:18).
- Quantitative indicators: Produce numerical information (answers to what? or how much?) (Atkinson & Wellman 2003:11-12).
- Qualitative indicators: Provide feedback on people’s perceptions, attitudes and preferences (answers to why?) (Atkinson & Wellman 2003:11-12).

- Static indicators: Measure performance at a particular point in time, e.g. the level of crime in a particular year.
- Dynamic indicators: Measure the trend or degree of improvement or decline between two static indicator measures, e.g. the percentage decrease in crime in two consecutive years.
- Relevance indicators: “Measure trends in the wider policy problems that project impacts are expected to influence.” (Mosse & Sontheimer 1996:13) It aims to measure the contribution to positive and negative, intended and unintended, spill-over effects of the policy, programme or project. Measurements are usually done within the framework of the stated project objectives in an attempt to isolate the effects contributable to the particular intervention.
- Proxy indicators: Provide a more indirect indication of potential problems or success, but is useful when the cost, complexity, time constraints prevent more accurate, direct measurement (UNDP (2) n.d.:67).
- Risk indicators: Measure external factors that might have “a direct influence on the outcome of various aspects of the project...[since] a project’s objectives can only be achieved if the logical means-and-end relationship of the project elements is secure and the external risk factors are favourable” (Mosse & Sontheimer 1996:14).
- Efficacy indicators: “Show how well the results at one level of project implementation have been translated into results at the next level: the efficiency of inputs, effectiveness of project outputs, and sustainability of project impact. They measure a project’s efficacy in achieving its objectives, rather than its results.” (Mosse & Sontheimer 1996:14)
- Efficiency indicators: “Represent the ratio of inputs needed per unit of output produced.” (Mosse & Sontheimer 1996:14)
- Service Quality Indicators: Includes indicators to measure timeliness, turnaround time, accuracy, thoroughness, accessibility, convenience, courtesy and safety of services delivered (Poister 2004:100).
- Accountability indicators: “Measure the extent to which resources are available and appropriately applied to the activities for which they were targeted.” (Mosse & Sontheimer 1996:14)

- Effectiveness indicators: “Represent the ration of outputs (or resources used to produce the outputs) per unit of project outcome or impact, or the degree to which outputs affect outcomes and impacts.” (Mosse & Sontheimer 1996:14)
- Sustainability indicators: “Represent the persistence of project benefits over time, particularly after project funding ends.” (Mosse & Sontheimer 1996:15)

Indicators may return a qualitative measurement of existence (yes/no) or a category classification (high/medium/low); or a qualitative number, percentage or ratio (UNDP (1) n.d.: signals and scales).

As explained previously, including different types of indicators enables the decision maker to both track performance and to assess the success of the policy, programme or project. The combination of indicators may also assist the decision maker in identifying the cause(s) of deviance between expected and actual results.

The types of indicators vary with regard to degree of difficulty to measure accurately and cost-effectively. Input and output indicators often refer to quantifiable, tangible resources and products which ease the measurement process. Process indicators largely are generic between different projects, and can draw on the research of efficiency and financial cost-effectiveness studies across all sectors to inspire the choice of appropriate indicators. However, outcomes and impact indicators refer to intangible, unquantifiable improvements that may be ascribed to the project. The nature of what is assessed, time-lag factors and externalities complicate the development of accurate output and outcome indicators. Rossi *et al.* (2004:214) state that “one implication of the multiple dimensions of program outcomes is that a single outcome measurement may not be sufficient to represent their full character”. Smith in Modell & Grönlund (2007:277), lists the following impediments to the use of outcome indicators for control:

- “Outcomes are often dependent on the outputs of several agencies, the effects of which are difficult to isolate.

- Differences in external, uncontrollable factors have an important impact on variations in outcomes across agencies.
- There are often long time lags between the provision of outputs and outcomes.
- There are often unclear cause-and-effect relationships between inputs, outputs, and outcomes.”

“These technical difficulties imply that outcome indicators are often associated with considerable ambiguity, which opens up the possibility of conflicting interpretations of the value of public service provision, which may contribute to politicizing control practices, especially because critical scrutiny of agency effectiveness may lead to questioning of their roles in society.” (Modell, Pollitt, Stewart & Walsh summarised by Modell & Grönlund 2007:277)

While difficulties regarding accurate measurement of outcomes persist, a 2005 Canadian study on local government performance measurement by Pollanen found that, while both efficiency indicators (measuring process and output indicators) and the effectiveness indicators (measuring outcome and impact) are used in Canadian municipalities, municipalities indicated a desire for more effectiveness measures to be included when reporting on performance, both internally and to the external public. “These findings imply that both types (effectiveness and efficiency) of measures are now regarded as legitimate and potentially useful tools for various managerial and reporting purposes, and highlight the need to focus specifically on the further development of meaningful effectiveness measures.” (Pollanen 2005:15-16) The need for additional effectiveness/outcome indicators was especially related to the more intangible development deliverables of local governments, as the study found that effectiveness measures were mostly developed and used for engineering-related services (e.g. road maintenance, waste management and water supply) which produce physical results, than for the softer (social) services that present a greater challenge with regard to obtaining accurate outcome data. In the softer issues, the use of efficiency measures compared to effectiveness measures was found to be significantly higher (Pollanen 2005:12).

The reality in public sector performance, however, is that “both outputs and outcomes provide useful and important definitions of public value, and overemphasis on either can produce dysfunctional results” (Norman 2007:538). He captures the strengths and weaknesses of output and outcome indicators of public sector programmes in Table 3.9.

**Table 3.9: Strengths and Weaknesses of Outputs and Outcomes**

	<b>Outputs</b>	<b>Outcomes</b>
<b>Strengths</b>	Clear, measurable statements of results, defined by quality, quantity, and timeliness indicators. They can be clearly linked to the ability of a particular organization and chief executive to achieve and provide a “no excuse approach” to accountability of results rather than inputs.	Purpose-orientated descriptions of the results, which take a broad and long-term perspective. They are potentially inspirational and motivational and sufficiently broad to incorporate contributions from a number of organisations.
<b>Weaknesses</b>	The focus of measurement can shift toward that which can be measured and easily audited. The output can become the goal in the process of goal displacement, at the expense of longer term and more meaningful achievements.	Outcomes can become so broad that they can literally mean all things to all people, with achievements being very difficult, if not impossible, to measure. Outcome statements can become window dressing that prevents outsiders from assessing how well an organisation is doing.

Source: Norman (1997:538)

Outcomes are inseparably dependent on the successful attainment of the stated outputs. “Outcomes are at the top of the staircase...and can only be tackled effectively once the core business, as defined by outputs, is under control. Achievement of outcomes relies on effective delivery of outputs and the maintenance processes of equity, consistency, and integrity.... [While] accountability for outputs is the bottom line of public sector management, the real gains are to be made from focusing on the top line of outcomes” (Hughes in Norman 2007: 545).

### 3.5.3 Selecting from pre-designed indicators

To overcome the difficulty of designing indicators, pre-designed indicators are readily available and provide the added advantage of bypassing development time and the cost associated with building multiple unique measurement systems. “Duplication of existing activities or re-invention of wheels is a costly and wasteful practice that should at all cost be avoided in favour of an approach that preferably uses, reshapes, expands and redeploys existing capacities and initiatives where possible.” (Cloete 2006:14) Other advantages are that they can be aggregated across similar projects, programmes, and policies and they enable the harmonisation of donor requirements.

A number of developmental institutions, such as the UNDP, the World Bank and the IMF, have independently developed indicators that may be used to track the progress of development of a country (Kusek & Rist 2004:72). Similarly, the interest and focus on public sector M&E have culminated in specialised national M&E systems that design indicators, such as the New Zealand Economic Development Indicators, for tracking performance in various development sectors (see <http://gif.med.govt.nz/aboutgif/indicators-2005/summary/index.asp>), the Australian Wellbeing Index (see <http://www.australianunity.com.au/wellbeingindex/>) or South Africa’s Mid-term Development Indicators (see [www.thepresidency.gov.za/main.asp?include=learning/me/indicators/mtr2008.html](http://www.thepresidency.gov.za/main.asp?include=learning/me/indicators/mtr2008.html)).

Similar indicator initiatives are found in countless local governments that put in place transparent M&E systems which regularly measure and publicise performance against set indicators. Examples of local governments that have put well established and transparent systems and indicators in place include the following:

- Baltimore Neighborhood Indicators Alliance,  
<http://www.ubalt.edu/bnia/indicators/reports.html>
- Boston Indicators Project,  
<http://www.bostonindicators.org/IndicatorsProject/Education/AtAGlance.aspx?id=3528>,

- Central Texas Sustainability Indicators Project, [http://www.centex-indicators.org/annual\\_rept/ar2004.pdf](http://www.centex-indicators.org/annual_rept/ar2004.pdf)
- City of Albuquerque Progress Report, <http://www.cabq.gov/progress/pdf/box-score.pdf>  
City of Birmingham Performance Plan, [http://www.birmingham.gov.uk/Media/BCC\\_Performance\\_Plan\\_2006-07.pdf?MEDIA\\_ID=168031&FILENAME=BCC\\_Performance\\_Plan\\_2006-07.pdf](http://www.birmingham.gov.uk/Media/BCC_Performance_Plan_2006-07.pdf?MEDIA_ID=168031&FILENAME=BCC_Performance_Plan_2006-07.pdf)
- Community Indicators Consortium, <http://www.communityindicators.net/indicatorefforts.html>
- King County AIMS, <http://www.metrokc.gov/aimshigh/search2.asp?HEHealthComm>
- London Economic Development Snapshot, [http://www.lda.gov.uk/upload/pdf/London\\_Economic\\_Development\\_Snapshot\\_July\\_2008.pdf](http://www.lda.gov.uk/upload/pdf/London_Economic_Development_Snapshot_July_2008.pdf)
- Minnesota Milestones, <http://www.mnplan.state.mn.us/pdf/mm98-3.pdf>
- Oregon Benchmarks, <http://benchmarks.oregon.gov/Quan/BMReporting/default.aspx>
- San Diego Indicators of Sustainable Competitiveness, [http://www.sandag.cog.ca.us/uploads/publicationid/publicationid\\_1151\\_4270.pdf](http://www.sandag.cog.ca.us/uploads/publicationid/publicationid_1151_4270.pdf)
- Sustainable Seattle Indicators, <http://www.oecd.org/dataoecd/33/30/33732840.pdf>

Within resource, time and M&E capacity constraints, the adoption of pre-designed indicators to measure progress and evaluate success (as opposed to developing unique, project/policy specific indicators) becomes a viable alternative. However, uniquely developed indicators provide feedback on the specific needs of the decision makers and also provide opportunities for buy-in, ownership and participation (Kusek & Rist 2004:73-74). Other disadvantages are that they “often do not address country (or policy/programme) specific goals, are often viewed as imposed, as coming from the top down, and can lead to the adoption of multiple competing indicators.”

The best option may be to combine the strength of both pre-designed and newly designed indicators. This may be done by starting with an analysis and selection of the pre-designed indicators that are available, but then to adapt these to the specific requirements of the policy, programme, project or institution that is using the indicator. Further “unique” indicators may then be developed for those aspects that are deemed important, but for which a pre-designed indicator is not readily available. This integrated approach of both standard and unique indicators is the approach advocated for the South African public service. While the GWM&E System encourages public institutions to develop their own measurement systems with indicators, “the Presidency and Statistics South Africa are ... finalising a compendium of national development indicators.... The logic of this is therefore that departments’ output and outcome indicators should link to these development indicators” (PSC 2007(b): Section 5.6).

Frameworks of objectives, indicators and targets have been standardised for some public service sectors, including agriculture, education and health because if everybody use[s] the same indicators it is possible to compare performance between departments and over time. These sectors would therefore use the standardised frameworks but could add their own objectives, indicators and targets to the standardised set. (PSC 2007(b):51)

Linking to the same national development indicators and devising ‘core’ indicators within a sector, provide opportunity for cross-comparisons between organisations in the same sector (e.g. the various Provincial Health Departments).

### **3.5.4 Refining indicators**

Experience has taught that an indicator set is seldom perfect after the first attempt. Measurement problems are common with both newly developed and adopted indicators from pre-designed lists. Implementation problems with gathering and interpreting the necessary data; different interpretations of the same indicator leading to different interpretations of results; resource constraints or unexpected findings (where the designed indicator indicates unfounded successes or failings due to failure with regard to measuring the right critical aspect) are some of the driving

forces that necessitate refining the indicators adopted for performance measurement.

It is critical that the indicators that are developed or selected provide an accurate reflection of what is being monitored and evaluated. Developed indicators may be tested against the following checklist from the *United Way of America* (See Table 3.10) or the checklist developed by the New Zealand Ministry for the Environment (See Table 3.11), which provides a useful guideline for assessing the relevance, validity, cost-effectiveness and simplicity of developed indicators.

**Table 3.10: Indicator checklist from *United Way of America***

The indicator is a close reflection of the outcome	
The indicator is sufficiently precise to ensure objective measurement	
The indicator calls for practical, cost-effective data collection	
The indicator is sensitive to changes in the outcome but relatively unaffected by other changes	
The indicator can be disaggregated as needed during reporting.	

Source: Kusek & Rist (2004:71)

**Table 3.11: Checklist for assessing developed indicators**

<b>Policy relevant</b>	
The indicator will monitor the key outcomes or policy or legislation, and measure progress towards goals	
The indicator will provide information to a level appropriate for policy decision making	
<b>Analytically valid</b>	
The indicator is measurable	
The indicator is representative of the system being assessed	
The indicator is reproducible and based on critical attributes of the system	
The indicator was developed within a consistent analytical framework	

The indicator is credible and robust	
The indicator is helpful in relating causes, effects and responses	
The indicator is responsive to environmental change	
Data collection will use standard methodologies with known accuracy and precision (statistical accuracy)	
The indicator is able to detect human-induced change from natural variations	
The indicator is responsive to environmental change, and allows trend analysis or provides a baseline for future trends	
The indicator has predictive capabilities	
<b>Cost effective</b>	
The indicator requires limited numbers of parameters to be established	
The indicator uses existing data and information wherever possible	
The indicator is simple to monitor	
<b>Simple and easy to understand</b>	
The indicator is simple to interpret, accessible, and publicly appealing	
The indicator clearly displays the extent of the issue.	

Source: [www.mfe.govt.nz/publications/rma/live-work-play-jun02/resources/doc/criteria.doc](http://www.mfe.govt.nz/publications/rma/live-work-play-jun02/resources/doc/criteria.doc)

Further guidelines and criteria which may be used to objectively assess developed indicators are:

- indicators must reflect the intent of the programme (Posavac & Carey 1997:44-46)
- “performance indicators should be clear, relevant, economical, adequate and monitorable” (Kusek & Rist 2004:68)
- indicators should be relevant, significant, original, legitimate, reliable, valid, objective, timely and usable (Cloete *et al.* 2006:259)
- Indicators should be valid to the actual outcome; balanced; sensitive to change; equal to all groups; practical and time- and effort-efficient; clear and owned by stakeholders; and should not be open to manipulation (Vera Institute of Justice in the PSC 2007(b): Section 5.5)

- indicators should be few to enable manageability and should be SMART, that is specific, measurable, attainable, realistic and time-specific; geographic and target population specific; and sustainably provide accurate information
- indicators must respond to criteria for data quality (including being accessible and affordable, comparable (standardised), consistent and reliable, credible, measurable, relevant and valid) and to criteria for assessing usefulness to the community (including an ability to measure progress towards a goal; compel interest and excite; focus on resources and assets; focus on causes, not symptoms, so as to predict future problems; make linkages and relationships between issues; relate to the whole community; and be understandable) (Baltimore Neighborhood Indicator Alliance 2006: 14)
- indicators should be “relevant to the basic sectoral development objectives of the project and, if possible, to the overall country objectives” (Mosse & Sontheimer 1996:18)
- indicators must measure aspects of the programme that can be influenced by the staff (or clearly identify indicators that are beyond the control of staff) (Posavac & Carey 1997:44-46)
- indicators “should be as responsive as possible to the program effects” by focussing specifically on the target population of the programme when obtaining data for M&E (Rossi *et al.* 2004:225)
- indicators must enjoy buy-in from relevant stakeholders (Posavac & Carey 1997:44-46)

These guidelines provide a simple means to test an indicator set and refine it over time to ensure accurate and reliable performance measurements.

### **3.6 Summary and conclusion to Chapter 3**

In this chapter, discussion has centred on the practical manifestation of the various evaluation research theories in the systems and processes of public sector organisations that was presented in Chapter 2.

M&E has been discussed as an advanced management function that enables the local government manager to perform standard management tasks (such as planning; leading through strategic vision, objectives and strategy; organising and implementation; and control and performance measurement and improvement) more efficiently because it ensures a constant stream of up-to-date, reliable performance information that enables the manager to make informed choices towards improving performance and realising strategic goals and objectives.

The present-day emphasis on 'monitoring and evaluation' is part of a continuous management trend aimed at increasing organisational performance. In this it is similar to previous management theories such as organisational performance reform, operational research, management-by-objectives, New Public Management, evidence-based policy making and evidence-based management. Each approach introduced its own tools and techniques for management; M&E attempts to manage local government performance through a system of key performance indicators, targets, and tools and M&E techniques.

The M&E system comprises a description of the main questions that monitoring and evaluation should answer and objectives that should be achieved, including a detailed description of the key aspects to be monitored and evaluated through specified indicators against specified targets; the techniques and processes for data collection and verification; the delegation of responsibilities and prescriptions; and deadlines for reporting of the results. As each local government's performance questions and objectives differ, there is no single or 'one-best' system for M&E. Instead, local governments need to design their own M&E systems to fit their needs. Similar guidelines in setting up an M&E system are proposed by different authors. This research has followed the ten steps proposed by Kusek and Rist from the World

Bank to develop an M&E system focused on outcomes and results, rather than administrative outputs or deliverables. The proposed steps are:

- Assess the institutional capacity and political willingness to monitor and evaluate goals with a readiness assessment prior to developing the system
- Obtain agreement between stakeholders on outcomes to be monitored and evaluated
- Select and develop indicators to monitor outcomes
- Collect baseline data for the selected indicators prior to implementation
- Plan for improvement by specifying targets and target dates for each indicator
- During implementation, continuously monitor not only outputs, but also progress towards results
- Conduct periodic evaluations to answer specific questions not readily answered through the monitoring processes
- Report findings from monitoring and evaluation to various stakeholders
- Ensure that the M&E findings are used for performance improvement, and
- Ensure sustained momentum for M&E in the organisation through policies, processes, appropriate capacity and rewarding the use of performance information.

In practice, problems often encountered with M&E systems relate to the availability of accurate and timely data and information; institutional problems related to the capacity and political willingness to respond to evaluation information, often influenced by the physical placement of the evaluation function in the organisation; financial, human, skills and time constraints that prevent appropriate M&E efforts; and inappropriate M&E system designs that do not fit the organisational capacity or answer the key performance questions raised. Most of these problems can be prevented in designing the system.

The characteristics of effective M&E systems comprise an appropriate design to ensure the availability of useful information when required; leaders and strategic management committed to generating and using accurate performance information; attentive and responsive managers to implement and maintain the system; capacitated, motivated staff to operate the system; and wide-spread participation and support of the M&E system.

Designing and conducting evaluation studies start with identifying the specific problem, key questions and goals to be evaluated in the study. The research problem may be expressed as a question or as a hypothesis and will provide the objective of the study (what is to be evaluated). The evaluation design (how it will be evaluated) defines the nature of the study and uses the various theoretical approaches to evaluation (discussed in the preceding chapter) to design a study that will ensure research credibility and validity, as well as provide useful findings to primary stakeholders. Evaluators may apply a wide array of empirical research methods, including quantitative, qualitative or mixed methods. The 'best' methods will be those that deliver credible, relevant and timely information to the evaluator for that specific evaluation study.

Various evaluation models developed by different authors for different evaluation studies provide step-by-step instructions to guide the evaluation process and ensure that critical aspects are covered. Many models have accompanying guidelines, templates or checklists that assist the evaluator to cover the critical aspects during the evaluation process. Selected models were introduced here to illustrate the value of the models in conducting evaluation studies. The final step in the evaluation study entails the drafting of a comprehensive evaluation report that reflects the findings of the evaluation study. The evaluation report should be logically structured and meet the needs of both the evaluator contractors and the main stakeholders. A basic format for the evaluation report from the guidelines of several authoritative sources is presented.

Performance indicators are measurement instruments, observable milestones or verifiable achievements that are used to track and assess progress in the attainment of objectives and outcomes. They are described as the heart of the M&E system, as

they describe how success will be ascertained and recognised when linked to specific targets. The process of developing indicators involves three steps:

- the clarification of programme theory or the underpinning logic model of the policy, programme or project that is being evaluated,
- the identification of different types of indicators that may be used to track the implementation or results of the policy, programme or project, and
- the assessment of the developed or selected indicators to ensure their accuracy and validity in rendering reliable results.

The logic model presents a systematic and visual illustration of the relationship between the resources of a programme; the activities; the tangible deliverables it produces; and the changes or results it wishes to achieve. Clarifying programme theory helps to test the validity of the assumptions that certain activities and outputs will deliver the envisioned outcomes and impact. The developed programme theory provides the framework for the development or adoption of indicators that will measure various stages of the implementation or results of the process. Input, process, output, outcome and impact indicators are all necessary to provide a balanced viewpoint of the performance of the intervention that is under evaluation. In developing or selecting indicators, one may adopt either a theory-driven approach, which identifies the most relevant and credible indicator, regardless of data availability, or a data-driven approach that selects indicators on the basis of availability of data to populate the indicator.

Indicators may be classified in terms of their focus or in terms of the aspects of performance in the intervention that they measure, or may be based on the nature of the indicator and the data on which it draws to do the measurement. Whilst input and process indicators track performance during implementation, output, outcome and impact indicators measure the success of the intervention. Quantitative indicators use numerical data whereas qualitative indicators use subjective perceptions to measure performance; static indicators measure actual performance at a particular point in time, with dynamic indicators measuring the degree of difference between two static indicator measurements. Relevance, proxy, accountability, service quality

and risk indicators all measure important aspects that are directly or indirectly related to the intervention's success.

Given the widespread adoption of indicators as performance measurement tools, countless sets of indicators have been developed for various purposes. These may serve as a source in identifying relevant indicators for policies, programmes and projects. Pre-designed indicators offer the advantages of being readily available, thereby bypassing development time and the cost associated with building multiple unique measurement systems and allowing for the comparison of performance data between similar interventions. Selected examples of local government sphere indicator databases are provided.

The final step in developing indicators involves the review of adopted indicators. Reviewing and refining developed or selected indicators ensure and enhance the relevance, validity and reliability of the indicators with regard to reflecting performance. A number of checklists and guidelines that may be helpful in this process are presented.

The discussed process for M&E system development and the guidelines for developing and selecting indicators are relevant to developing M&E systems for any public sector policy, programme or even a limited project. It will be used within the aims of the current research project to propose an M&E system for measuring local economic development outcomes in the South African local government context in subsequent chapters. The theory on indicators similarly may be applied to any context, but will be used within the objectives of this research to develop and select appropriate output and outcome indicators for local economic development strategies and interventions in the South African local government sphere.

In the next chapter, the emerging M&E policy framework and key legislation for local government performance management in South Africa will be explored within the context of international best practice to identify strengths and weaknesses in the policy framework. Subsequent chapters will focus on local economic development theory and management before the principles of outcomes-based evaluation is applied to LED by developing output and outcome indicators that may be used to

evaluate and hopefully enhance the performance of LED strategies and interventions.

## Chapter 4

### The policy framework for public sector M&E in South Africa

#### 4.1 Introduction

Chapters 1 and 2 emphasised the importance of public sector M&E as a means to ensuring governance effectiveness, efficiency and service delivery. With ever increasing pressure on government to ensure the sustainable development of the country through its governance and service delivery processes, there is an attendant need to demonstrate the delivery of tangible results proving responsive, accountable governance and the attainment of outcomes. While the evaluation of government programmes is, to some extent, institutionalised in the planning and reporting cycles of government, the past focus of these evaluations were mostly on financial compliance and the outputs of programmes. To deliver on its developmental mandate and long-term strategies, government needs to adopt an outcome-based evaluation focus, and develop and institutionalise monitoring and evaluation systems that will provide credible, continuous information on the progress in and deviation from attaining development outcomes.

‘Country-led’ evaluation is the response to obtaining information on government’s own development outcomes and progress. “Country-led evaluation...reflects the world’s growing recognition of the importance of a nation’s self-determination in its own development.” (Adrien & Jobin in Segone 2008a:10) While donor-driven evaluations had the positive effect of developing evaluation awareness and capacity, it also produced evaluation findings that responded to donor needs, and not necessarily the development information requirements of the recipient country. As a result, national policy makers seldom used the evaluation findings and recommendations produced through these (at times very expensive) evaluations (Segone 2009:23-24). Donor and development agencies’ evaluation efforts are now being challenged by independently driven evaluations by the recipient countries of donor initiatives.

One of the main driving forces behind the international drive for country-led evaluation systems is the Paris Declaration Commitment (March 2005) to manage for results; take mutual responsibility for development; harmonisation of donor funding; alignment of donor funds with national development strategies; and ownership of development strategies by recipient countries. To give realisation to these principles, countries need to establish and institutionalise a systematic approach to evaluate national and sectoral development strategies with regular reporting to parliament, government and civil society on preset standards (Segone 2008b:17-25, Segone 2009:26). Country-led evaluation is defined as evaluation for which the country determines what is to be evaluated, what methods will be used, the approaches to be taken, and how findings will be communicated and used (Segone 2009:24). Integrated monitoring and evaluation strategies aim to expand the research and evaluation knowledge base that informs policy-making. M&E systems and strategies should comprise decisions about what constitutes appropriate evaluation designs and methodology; balancing accuracy with time constraints; identifying and overcoming gaps in current information systems; commissioning evaluation studies; building evaluation capacity; and communicating evaluation findings (Segone 2008b:36-37).

South Africa has embarked on the process of establishing a country-led evaluation system. In executing President Mbeki's call for a government-wide M&E system and regular reporting on the Programme of Action to citizens in the 2004 State of the Nation address; the Cabinet decision to develop a government-wide M&E system in 2005; the need to report to the UN on the Millennium development goals and to various donors on donor funds and goals (see Cloete 2008:7), the Office of the President, in collaboration with the National Treasury, the DPSA and Statistics SA, initiated the development of a framework to manage performance and measure service delivery of government departments. Simultaneously, the Public Service Commission, in fulfilling its watchdog role over government delivery, issued a series of papers assessing the M&E capacities of government departments. These collaborations and reports culminated in a series of documents that provide the framework for M&E institutionalisation in the South African public sector.

This chapter explores the emerging policy framework for public sector performance management. It commences with a review of authoritative sources on M&E systems in selected other countries, followed by a brief presentation of the policies that provide the framework for M&E in the South African public sector. Good practice guidelines for government-driven M&E systems are derived from the selected international systems and reconciled with the World Bank's best practice guidelines. This exploration forms the basis for comments and recommendations regarding South Africa's emerging public sector M&E framework that are based on the best-practice guidelines and experiences of other countries that have established country-driven monitoring and evaluation systems.

## **4.2 International M&E systems and best practice guidelines**

Various countries have embarked on the process of institutionalising M&E in government. Some systems are legislated while others rely on guiding frameworks. Similarly, some systems focus on financial compliance exclusively, while other systems take a broader, outcomes-based perspective. A brief description of the approaches of ten countries (presented in alphabetical order) to incorporating M&E into the management of public sector programmes is provided below. The ten countries were selected to include both the best practice paradigms in developing M&E systems, and the responses of countries with similar development status and therefore assumed similar challenges as South Africa. The aim is not to describe the various approaches in detail, but rather to provide a comparative viewpoint on choices which may be used to analyse the South African approach to instilling M&E in government. For this purpose, the basis of each system; its location within the particular government; and the evaluation approach and methods will be discussed.

### **4.2.1 Australia**

Australia has moved from a devolved "let the managers manage" strategy in the 1980s to a central Department of Finance and Administration-driven approach in the late 1980s to mid 1990s, and back to a decentralised and outsourced system since

1996. The centralised system had inherent requirements that promoted the use of M&E findings in decisions on budget allocation, managing accountability and for policy advocacy purposes (Mackay 2004). The Department of Finance Evaluation management strategy of 1988 required every programme to be evaluated every three to five years; an annual portfolio evaluation plan to be submitted to DoF; new policy proposals to include a statement of proposed arrangements for future evaluation; and completed evaluation reports normally had to be published, unless there was important policy sensitivity (Mackay 2004). “The Department of Finance estimated that by 1994, almost 80 percent of new spending proposals relied on evaluation findings, usually to a significant degree....The Australian National Audit Office found that line departments also used this information intensively, particularly to help themselves improve their operational efficiency.” (Mackay 2007:12)

The current system responded to financial constraints and is based on agreements between departments and ministers on desired outcomes and the outputs which will help to achieve these. Performance measurement is to be achieved by the regular collection, analysis and reporting of performance information.

The role of the Department of Finance and Administration was diminished considerably (to providing the MTEF, policy priority driven budgeting and guidelines on budgeting and program management), departments were largely left to pursue their own approaches and the emphasis shifted to the collection of performance indicators rather than evaluation....The devolved / decentralised approach is regarded as having reduced the quality and availability of crucial information required for planning and budgeting by central agencies such as the Department of Finance and Administration and other ministries. (Mackay 2004)

“Although the DoF still provides advice on departments’ budgets, it lacks systematic, reliable monitoring information and evaluation findings on which to base this advice” And Mackay indicates that, while there remain some line departments that can be considered to be good practice ‘islands’ of M&E, in terms of their conduct, quality, and use of M&E, these appear to be the exception rather than the rule (Mackay 2007:42-43). The Australian National Audit Office has continued to play an important role in reviewing performance reports (Scott, Joubert & Anyogu 2005:3-4).

### **4.2.2 Canada**

Canada's Evaluation Plan (driven by the Treasury Board of the Canada Secretariat) presents corporate and departmental evaluation priorities as derived from individual departmental priorities, to set course for government-wide priorities which are communicated publicly to increase awareness of evaluation products. The plan offers suggestions and examples to ministers towards optimising value from evaluation functions. Finally, it provides guidelines to ensure that evaluations provide information needed to address value-for-money and policy and programme development issues. The plan signifies

renewed commitment to leadership and capacity building to ensure that all departments and agencies have strong evaluation units that produce high-quality, credible evaluation studies that directly benefit Canadians, an increase in the strategic use of evaluation to support management expenditure review so as to better guide budget decision-making, which includes the Value For Money Assessment tool and an active central agency role in capturing and analysing evaluation findings in departments [and] continued emphasis on accountability for results (Treasury Board of Canada Secretariat 2005)

### **4.2.3 Chile**

The capable and respected Ministry of Finance developed an M&E system for the entire government which includes about 1,550 performance indicators, 10 to 12 rapid evaluations annually, and about four rigorous impact evaluations per year. All evaluations are externally commissioned to academics and consultants through standardised Terms of References and methodologies. Ministry of Finance officials "use the monitoring information and evaluation findings intensively in their budget analysis of the performance of each ministry and agency as an input to the government's budget decision making. The ministry also uses the information to set performance targets for each agency and to impose management improvements" (Mackay 2007:12,13). The system includes:

- Ex ante cost-benefit analysis for all projects
- Performance indicators for all programmes, reported to Ministry of Finance
- Comprehensive management reports
- Evaluations of government programmes by Ministry of Finance and responsible ministry
- Rigorous impact evaluations
- Comprehensive spending reviews conducted within ministry
- Programme and agency evaluations (including Comprehensive Spending Reviews)
- a Bidding Fund for public programmes;
- Management Improvement Programmes linked to performance bonuses for central government employees (Mackay 2007:26, Burdescu, Del Villar, Mackay, Rojas & Saavedra 2005:1).

“These tools are all integrated into the budget process, and create synergies from the conceptual elements in their design and implementation.” (Burdescu *et al.* 2005:1) “However, the central role of the Finance ministry has had the side effect of low levels of ownership and use by sector ministries and their agencies, who have not taken or seen the opportunity to use the information for their own strategic planning, policy development and management.” (Mackay in Scott *et al.* 2005:7-8)

#### **4.2.4 Colombia**

The government’s M&E system, SINERGIA, is managed by the Department of National Planning. The system has three principal components, namely results monitoring, strategic evaluations, and reporting for accountability or social control. For these purposes, the system makes use of

a performance information database containing about 500 performance indicators to track the government’s performance against all of the 320 presidential goals. For each performance indicator, the publicly available database records the objective, the strategy to achieve the objective, baseline

performance, annual targets, and the amount spent by the government.  
(Mackay 2007:12)

The web-based information tool (the System of Programming and Management by Objectives and Results or SIGOB) provides performance information in real time. “Where performance targets are not met, the manager responsible for meeting the target is required to prepare a statement explaining this underperformance. The president uses this information, in his monthly management control meetings with each minister and in his weekly town hall meetings in municipalities around the country” (Mackay 2007:12, see also Burdescu *et al.* 2005:2).

#### **4.2.5 Malaysia**

The Implementation Coordination Unit is intended to ensure that “the implementation of government policies and strategies are in line with the objectives of the national development policies”, to monitor and evaluate implementation (Scott *et al.* 2005:11).... All government departments are “required to formulate vision and mission statements” and to set organisational goals and objectives. Many organisations undertake annual strategic reviews examining their goals, objectives and strategies. The Economic Planning Unit and the Implementation Coordination Unit, both of the Prime Minister’s Department, undertake policy evaluation and monitoring of programme implementation respectively (Scott *et al.* 2005:13).

#### **4.2.6 Mexico**

The monitoring and evaluation of social programmes in Mexico is administered through Coneval (the National Council of Evaluation of Social Policy), located within the Ministry of Social Development. The council’s board consists of six independent academics. Coneval has the mandate to evaluate and coordinate the evaluation of social programmes and policies and specifies that all social programmes must have external evaluations and approved indicators. In addition to Coneval, the Ministry of Finance’s Budget Law implements a Performance Evaluation System (PES) and a

Management Improving Programme (Comptroller's Office). Finally, the 2007 Budget Degree from Congress requires all ministries to adopt strategic goals to which all programmes are linked through a logical framework approach (Licona 2007:4).

In March 2007, the General Guidelines for the Evaluation of Federal Programs were published jointly by Coneval, the Ministry of Finance and the Ministry of Public Management.

The Guidelines describe the basic components for the implementation of the monitoring and evaluation system, including the importance of the linkage of strategic national social policy objectives to program indicators, the types of external evaluations applicable to federal programs (including impact evaluation, the design and consistency framework evaluation, process evaluation, etc.) plus the basic instruments for the improvement of program performance using evaluation results. The Guidelines, along with the new performance evaluation system, represent an important achievement in promoting a new culture of results-based management and evaluation. In March 2008 for the first time Congress received from the Executive 116 external evaluations—Consistency and Results Evaluations—, coordinated jointly by Coneval, the Ministry of Finance and the Ministry of Public Management. These evaluations analyse the design, strategic planning results, coverage and targeting as well as the satisfaction of beneficiaries of social programs, so general recommendations can be drawn from these results. (Licona 2008:2)

A series of rigorous impact evaluations of large social programmes have strengthened the process of M&E in the country and are highly influential in government decisions on the continuation of these programmes. Congress assumes an active role in mandating programme evaluation of social programmes, and in auditing reports of performance indicators (Burdescu *et al.* 2005:2).

#### **4.2.7 Poland's Rural Development Programme**

The Rural Development Programme has been designed to provide medium-term support to the development of the rural sector in Poland. The M&E system for the

programme is situated in the Local Government Administration Component of the World Bank-funded programme. A Logical Framework Matrix outlining the project's objectives and actions is accompanied and complemented by various monitoring and evaluation tools. The main sources of data and information are external reports and data; beneficiaries' and external experts' opinions; quantitative data of project reports; and direct observation. M&E tools employed by the system include surveys, statistical analysis, structured interviews and focus groups, review of reports and site visits. Various reports (including quarterly, mid-term and final reports) reflect the observations and conclusions and are forwarded to the Project Management Team, implementers, sponsors and beneficiaries (Jaszczołt, Potkański & Alwasiak, n.d.:2-3).

#### **4.2.8 Uganda**

Although Uganda has had several M&E initiatives and systems, a study in 2001 and 2003 proved the 16 separate systems to be uncoordinated and unharmonised at sector and subsector level (Hauge in Mackay 2007:42)., Data on nearly 1,000 performance indicators through almost 300,000 data entries for each of the 110 districts in Uganda were collected annually. These indicators focussed largely on financial indicators, outputs and processes, but failed to measure critical outcomes of these processes. Additionally, "the quality of the data was highly uncertain and often considered poor" (Mackay 2007:42). A National Integrated M&E System (NIMES) in the Office of the Prime Minister was created to illuminate duplicity in indicators; relieve the data capturing burden of public servants; and to reduce and refocus the indicators on outputs, outcomes and impacts with set targets for each indicator. It also aims to improve government performance and accountability (Mackay 2007:46-47).

#### **4.2.9 United Kingdom**

The system is based on Public Sector Agreements, stating the department's overall goal; the priority objectives; and key performance targets (110 mostly outcome

targets for government in total) between the Treasury and the 18 main departments, including the Department for Communities and Local Government. The Department's Strategic Objectives reflect the contributions that Communities and Local Government will make to the Public Service Agreement set, both for those on which the department leads and those which are led by other government departments (Department of Communities and Local Government. 2009). Departments report publicly twice a year on conducted evaluations as an input to budget decisions (Mackay 2007:12). Her Majesty's Treasury directs evaluation efforts and has issued 'The Green Book', which provides an overall methodology for economic assessment of the social costs and benefits of all new policies, projects and programmes, including the economic assessment of regulations under regulatory impact analysis. As recommended by the Green Book, all spending proposals have to be accompanied by a proportionate and well structured business case (Her Majesty's Treasury. n.d.).

#### **4.2.10 United States of America**

ExpectMore.gov, developed by the U.S. Office of Management and Budget and Federal agencies, assesses the performance of every Federal programme to enable improvement. The Program Assessment Rating Tool (PART) assesses (1) the clarity of programme objectives and design; (2) quality of the strategic planning and extent of focus on programme targets; (3) effectiveness of programme management; and (4) actual programme results achieved (Mackay 2007:12-13). It is based on 25 important, yet common sense, questions about a programme's performance and management. Questions included amongst others are:

- Does the programme address a specific and existing problem, interest or need?
- Is the programme designed so that it is not redundant or duplicative of any other federal, state, local or private effort?
- Are independent evaluations of sufficient scope and quality conducted on a regular basis or as needed to support programme improvements and evaluate effectiveness and relevance to the problem, interest, or need?

- Does the programme use strong financial management practices?
- Has the programme demonstrated adequate progress in achieving its annual and long-term performance goals?

For each question, there is a short answer and a detailed explanation with supporting evidence. The answers determine a programme's overall rating. Once each assessment is completed, a programme improvement plan is developed and monitored to improve the programme's performance (United States of America 2009).

PART ratings are required to be used by departments in their annual budget funding requests to OMB. The requests must highlight the PART ratings, the recommendations for improvements in program performance, and performance targets. OMB, in turn, also uses the PART ratings as one input when it prepares the administration's funding requests to the Congress. (Mackay 2007:12-13)

### **4.3 Emerging policy framework for M&E in South Africa**

The groundwork for M&E in the central sphere is laid down in *The Constitution of the Republic of South Africa*, 1996 (Act 108 of 1996) and the *White Paper on Transforming Public Service Delivery (Batho Pele White Paper)* 1997. The recent development of the *Policy Framework for a Government-wide Monitoring and Evaluation System* (2007); the *National Treasury Framework for Managing Programme Performance Information* (2007); the *South African Statistical Quality Assessment Framework (SASQAF) First edition* (2008); the Presidency's annual *Mid Term Development Indicators*; and the 2009 *Green Paper on National Performance* set the scene for an integrated system of public sector M&E in South Africa. A valuable addition is the *Basic Concepts in Monitoring and Evaluation* (February 2008) published by the Public Service Commission. In the local government sphere, the mandate for performance measurement and management is found in *The White Paper on Local Government*, 1998, and the *Local Government: Municipal Structures Act*, 1998 (Act 117 of 1998). The implementation of a performance management system is explained comprehensively in the *Local Government: Municipal Systems Act*, 2000 (Act 32 of 2000) and the *Local Government: Municipal Planning and*

*Performance Management Regulations*, 2001. Relevant information is also contained in the *Local Government: Municipal Finance Management Act*, 2003. The relevant sections within each of these legislative documents will be introduced briefly to ascertain the expectations of the South African Government with regard to public sector monitoring and evaluation.

#### **4.3.1 The Constitution of South Africa**

Performance management in local government forms part of a government-wide attempt to instil a performance culture and ethos in the public service. This attempt stems from *The Constitution of the Republic of South Africa*, 1996 (Act 108 of 1996) that outlined the basic principles that should underpin public service. The principles are:

- The promotion and maintenance of a high standard of personal ethics.
- The efficient, economic and effective use of resources.
- Public administration must be development-oriented.
- Services must be provided impartially, fairly and equitably without bias.
- Public administration must be accountable.
- Good human resource management and career development practices must be cultivated to maximise human potential.

The Public Service Commission, in its mandated quest for good governance, “is empowered to investigate, monitor and evaluate the organisation, administration and personnel practices of the public service and to advise national and provincial organs of state, as well as promote a high standard of professional ethics” (PSC 2007(a):2). In fulfilling this mandate, the PSC undertakes research and investigations on behalf of parliaments and legislatures, such as the research project that analyses the compliance of individual Public Service departments with the nine principles for public administration prescribed in Chapter 10, Section 195(1) of the Constitution. “The research involves analysing departmental performance against a performance indicator or two for each principle.” (PSC 2007(a):2) Table 4.1 depicts the nine

principles, the indicators used to assess the performance of departments, and references to applicable pieces of legislation and regulations (PSC 2007(a):2).

**Table 4.1: Performance indicator and applicable policies/regulations per principle**

<b>Constitutional principle</b>	<b>Performance indicator</b>	<b>Applicable Policies and Regulations</b>
Professional ethics	Cases of misconduct are dealt with effectively and promptly	Public Service Coordinating Bargaining Council Resolution 2 of 1999 Public Service Coordinating Bargaining Council Resolution 1 of 2003 Disciplinary Codes & Procedures Code of Conduct for the Public Service
Efficient economic and effective use of resources must be promoted	Expenditure is according to budget Programme objectives are achieved	Public Finance Management Act, 1999 Treasury Regulation. Part 3: Planning and Budgeting Public Service Regulations. Part III/B. Strategic Planning Treasury Guidelines on preparing budget submissions, 2002 Treasury Guide for the Preparation of Annual reports of departments of the financial year ended 31 March National Planning Framework
Public administration must be development orientated	The Department effectively initiates and/or implements development projects that aim to reduce poverty	Section 195(c) of the Constitution
Services must be provided impartially, fairly, equitably and without bias	The Promotion of the Administrative Justice Act is being effectively implemented	Promotion of Administrative Justice Act, 2000 Regulations on Fair Administrative Procedures, 2002
People's needs must be responded to and the public must be encouraged to participate in policy making	Public participation in policy making is actively facilitated	White Paper for Transforming Public Service Delivery (Batho Pele)
Public administration must be accountable	Adequate internal financial control is exerted over all departmental financial transactions Fraud prevention plans, based on thorough risk assessments, are in	Public Finance Management Act, 1999 White Paper for Transforming Public Service Delivery (Batho Pele) Public Service Act Public Service Regulations

	place and are implemented	
Transparency must be fostered by providing the public with timely, accessible and accurate information	The departmental annual report complies with the National Treasury's guideline on annual reporting	Public Finance Management Act, 1999 White Paper for Transforming Public Service Delivery (Batho Pele) National Treasury's guide for the preparation of Annual Reports The Department of Public Administration's guide for an Oversight report on Human Resources
Good human resource management and career development practices, to maximise human potential, must be cultivated	Vacant posts are filled in a timely and effective manner  The Department complies with the provisions of the Skills Development Act	Public Service Regulations, 2001 as amended  Public Service Act
Public administration must be broadly representative, with fair employment and personnel management practices	Departments are representative of the South African people  Diversity management measures are implemented	Part VI Public Service Regulations, 2001 as amended  Employment Equity Act, 1998 White Paper on the Transformation of Public Service, 15/11/1995 White Paper on Affirmative Action in the Public Service, 2001

Source: PSC (2007(a):3-4)

The Constitutional principles are expanded and related to improved public service performance in the Batho Pele White Paper (RSA 1997).

#### **4.3.2 The Batho Pele White Paper of 1997**

The *White Paper on Transforming Public Service Delivery (Batho Pele White Paper)*, 1997 (hereafter referred to as the Batho Pele White Paper), developed by the Department of Public Service and Administration, required national and provincial departments to develop PMS that include the setting of service delivery indicators and measurement of performance. The tools needed to attain a new system of public service management are:

- assignment to individual managers of responsibility for delivering specific results for a specified level of resources and for obtaining value for money in the use of those resources;
- individual responsibility for results matched with managerial authority for decisions about how resources should be used;
- delegation of managerial responsibility and authority to the lowest possible level; and
- transparency about the results achieved and resources consumed (RSA 1997: sections 1.2.6-1.2.7).

In implementing these tools, public service institutions were to be guided by the Batho Pele principles, namely consultation, service standards, access, courtesy, information, openness and transparency, redress, and value for money.

#### **4.3.3 Policy Framework for the Government-wide Monitoring and Evaluation System (GWM&ES)**

The GWM&ES is intended to coordinate a systematic programme of policy monitoring and evaluation throughout the public sector in South Africa. This programme is aimed at improving general public management in the country and will be the vehicle for reporting in 2014 on the implementation of the UN Millennium goals and targets to halve poverty according to a set of common indicators. (Cloete 2008:8)

The Presidency, after consultation with the National Treasury, the Public Administration Leadership and Management Academy (PALAMA), as well as various M&E experts) published the GWM&ES policy framework in November 2007 (RSA 2007).

The GWM&ES policy framework consists of four parts. Part one outlines the importance and principles of M&E and M&E systems, with part two explaining the GWM&ES and data terrains from which it draws. Part 3 gives guidelines for implementing M&E at institutional level in terms of its management; the division of

roles and responsibilities; practicing M&E; and building internal evaluation capacity. Part 4 provides the implementation process and division of roles for effecting the GWM&ES in government. “The overarching GWM&E System aims to provide an integrated, encompassing framework of M&E principles, practices and standards to be used throughout Government” to “increase effectiveness” and “developmental impact” (Presidency 2007:9). Cloete (2008:8) explains that the GWM&ES

is a secondary data assessment system that will not undertake primary research or data collection itself. It will rather draw on information gained from the above and other agencies, and interpret this data in the context of the national government’s strategic Programme of Action, in order to assess progress towards those strategic goals.

As illustration of the intent of government with the GWM&ES, the following excerpts from the document are provided:

- The GWM&ES will enhance the quality of performance information available for programmes, improve the “monitoring of outcomes and impact across the whole of government”, promote “sectoral and thematic evaluation reports”, improve the “M&E of national outcomes in relation to the Constitution and government’s Programme of Action, provincial outcomes and impact in relation to Provincial Growth and Development Plans, and municipal outcomes in relation to Integrated Development Plans”. Supporting these objectives, the GWM&ES will implement projects and capacity building initiatives to improve M&E practices, thereby fostering a governance culture that responds to M&E findings (Presidency 2007:11). The Presidency and National Treasury will develop an Evaluation Framework, guidelines and support material to promote the regular evaluation of public programmes, guide evaluation processes and provide for the publication of the results (Presidency 2007: 15).
- “The GWM&ES seeks to embed a management system within public sector organisations which articulates with other internal management systems” (Presidency 2007: 8). As such, “M&E strategies will outline how M&E findings will inform strategic and operational planning, budget formulation and execution as well as in-year and annual reporting” (Presidency 2007: 16).

- “Data and information from (institutional M&E) systems will also be used by other stakeholders in the GWM&E system to create an overall picture of national, provincial and local performance” (Presidency 2007: 8). Therefore, while “each institutional strategy must focus on monitoring and evaluating its own performance and impact, it should also adopt a sectoral perspective and develop the capacity to report on progress and challenges at that level” (Presidency 2007: 16).
- “This GWM&E Policy Framework will not result in a single automated IT system for the South African Government, but shape the policy context within which electronic IT-based systems will operate.” (Presidency 2007: 8)
- The responsibility for M&E should be distributed throughout the organisation, from the political and executive heads, to the programme managers, dedicated M&E units and accounting officers (Presidency 2007: 20). Organisations should incorporate M&E capacity-building initiatives in their skills development plan that enable “the users of M&E data ... to understand how to integrate M&E functions within their areas of responsibility and how to respond to M&E findings”, “M&E managers ... to set up an M&E system, manage that system, and produce the results required for M&E from it” and M&E practitioners to “gather and analyse data” (Presidency 2007:21-22).

The GWM&E framework states that “it is important that an institution’s M&E strategy encompasses the organization’s approach to implementing the *Programme Performance Information Framework* in preparation for audits of non-financial information, as well as to implementing SASQAF standards” (Presidency 2007:17). The next two sub-sections will focus on the requirements of these documents.

#### **4.3.4 National Treasury Framework for Managing Programme Performance Information (May 2007)**

The GWM&E framework provides a generic understanding of M&E; discusses M&E systems and management within the South African government context; and describes the components of the GWM&ES. The system seeks to enhance existing monitoring and evaluation systems within government by listing these systems;

enhancing links between systems; and filling in the existing information systems (National Treasury 2007:2). The system has three components, “programme performance information, social, economic and demographic statistics, and evaluations” (National Treasury 2007:2). The first component falls under the wings of National Treasury and is guided by the Framework for Managing Programme Performance Information.

The Framework for Managing Programme Performance Information aims to:

- “Clarify standards for performance information and support (sic) regular audits of non-financial information where appropriate
- Improve the structures, systems and processes required to manage performance information
- Define roles and responsibilities for performance information
- Promote accountability to Parliament, provincial legislatures and municipal councils and the public through timely, accessible and accurate publication of performance information.” (Presidency 2007:13; National Treasury 2007: Slide 3)

This framework provides detailed guidelines on performance information concepts, developing indicators, managing performance information and the division of roles and responsibilities (See the *Framework for Managing Programme Performance Information* by National Treasury 2007). It also makes accounting officers responsible for ensuring that the organisation has:

- Documentation that outlines the process for establishing integrated performance management systems that are integrated with existing management systems;
- Appropriate capacity to manage performance information;
- Appropriate systems and processes to collect, collate, verify, store, review and evaluate information for each service delivery period; and
- Consultation processes to select performance information elements, processes to integrate performance management responsibility into individual

performance agreements and appropriate indicators to report for oversight and publication purposes (National Treasury 2007: Slide 14-15).

#### **4.3.5 Stats SA South African Statistics Quality Assurance Framework (SASQAF), First and Second Edition**

The SASQAF promotes trust in official statistics by ensuring the quality of information produced by all organs of state through the establishment of standards, criteria and practices that protect the integrity of gathered information (Stats SA 2010: Foreword; Presidency 2007:14). The aim of the assessment framework is to decentralise the process of data collection to all government agencies; to include generated data and information in the national statistics system; to develop standards and build capacity not only internal to Stats SA, but for government as a whole (Stats SA 2010: Preface). It provides a flexible structure for the assessment of statistical products and the quality of produced data. Prior to the assessment, SASQAF requires, firstly, that “the producing agency should be a member of the NSS; [secondly, that] the statistics should meet user needs beyond those specific and internal to the producing agency, and [lastly, that] the statistics produced should be part of a sustainable series, not a once off collection” (Stats SA 2010:2; Stats SA 2008: preface).

While the draft to the first edition (2006) drew extensively on the International Monetary Fund’s Data Quality Assessment Framework, the first edition (2008) incorporated viewpoints from a range of users (Stats SA 2008: preface). The purpose of the document is to allow for the self-assessment of data quality by the producers of statistics; to provide a basis for reviews by the data quality assessment teams; and for data users and international agencies to assess the quality of data based on the quality declaration (Stats SA 2010:2, Stats SA 2008:2). Data quality is assessed against “eight dimensions of quality, namely, relevance, accuracy, timeliness, accessibility, interpretability, coherence, methodological soundness and integrity” by *Data Quality Assessment Teams* appointed by the Statistician-General (Stats SA 2008:2-3). SASQAF provides comprehensive indicators of success and minimum compliance standards for each of the eight quality requirements to assist

statistic-producing institutions to change their processes that they may deliver quality statistics, accepted by the Statistician-General as National Statistics, and fit for internal and external M&E. While the document has detailed indicators and standards within each of the quality dimensions, it acknowledges that not all indicators apply equally to all datasets (Stats SA 2008: preface).

The assessment process involves an agreement between the applicant and data quality assessment team on the set of relevant indicators before the actual study is conducted. After the study is completed, the applicant issues a quality declaration for the agreed upon indicators, verified by the data quality assessment team against the relevant standards before a quality level is assigned to the data set (Stats SA 2008:26). The four levels of certification that may be issued include Level Four: Quality Statistics, describing statistics that meet all requirements; Level Three: Acceptable Statistics, which describe statistics that meet most, but not all, quality requirements, but is still acceptable for the purposes for which it was generated; Level Two: Questionable Statistics, which meet few quality requirements and provide for limited deductions only; and, finally, Level One, Poor Statistics, which meet almost none of the quality requirements and provide for no deductions (Stats SA 2010:5, Stats SA 2008:3-4).

The second edition issued mid 2010 illustrates a commitment to the continual updating of the SASQAF indicators and standards to enhance clarity and uniform implementation. Table 4.2 below presents a summary of the differences between the indicators and standards of the first and second edition. The standards and quality levels in the second edition are formulated more clearly and are complemented by statistical formulas and responding targets that further enhance clarity.

**Table 4.2: Differences between SASQAF first and second edition**

Dimensions	First Edition	Second Edition	
	Indicators	Indicators	Standards
Prerequisites of quality	7	8	21
Relevance	7	5	5
Accuracy	7	7	36
Timeliness	5	4	10
Accessibility	13	12	13
Interpretability	3	3	3
Coherence and Comparability	5	5	12
Methodological soundness	6	6	14
Integrity	6	6	6
<b>Total</b>	<b>59</b>	<b>56</b>	<b>120</b>

Source: NNS 2010:3

To assist in implementation, the SASQAF is accompanied by an Operational Standards and Guidelines document available from the Stats SA web page.

#### **4.3.6 National Indicator Initiative**

The Presidency's Mid-term Development Indicators, a "series of 72 preliminary generic policy assessment indicators", revised slightly to contain 76 indicators in the 2008 and 2009 publications, provide the first coordinated national set of development indicators (Cloete 2008:12; Presidency 2009a). The 76 indicators cover the following sectors (Presidency 2009a):

- Economic growth and transformation
- Employment
- Poverty and inequality
- Household and community assets
- Health
- Education
- Social cohesion
- Safety and security
- International Relations

- Good Governance

The document provides a guideline to departments for tailoring their own M&E systems to provide feedback on these national indicators to the GWM&ES, so as to enable the compilation of national statistics on progress in terms of these sectors.

#### **4.3.7 Green Paper on National Performance**

The discussion paper entitled *Improving Government Performance: Our Approach* states that achieving outcomes starts with identifying the desired outcome; defining the output measures that must be monitored; describing the key activities to be completed; and listing crucial inputs.

Delivery requirements will be set out in a performance letter from the President to a Minister, group of Ministers or Sector including the MECs. Report-back meetings with the President every six months will evaluate progress and provide guidance on how to overcome obstacles to delivery. Reports will comment on all four aspects of the Delivery Chain – Outcomes; Outputs; Activities and Inputs. (Presidency 2009b:3)

The performance management process is based on the priorities in the MTSF 5-year plan, which is translated into 25 to 30 outcomes with corresponding indicators. From here, critical outputs (and output indicators) are identified, key activities are listed and essential inputs identified. The delivery chain is developed into delivery agreement between implementing partners and finally translated into Performance Agreement between the President and relevant Minister(s) (Presidency 2009b:7-8).

#### **4.3.8 Public Service Commission's Guide on Basic M&E Concepts**

The Public Service Commission has a statutory watchdog role in assessing the performance of government institutions. As such, it undertakes series of studies, culminating in reports, to assess the performance of government institutions in areas such as applying Batho Pele principles in service delivery, and responding to the Presidential call for the establishment of M&E structures in all government

institutions. Although not a formal policy directive by government, the PSC's *Basic Concepts in Monitoring and Evaluation* (February 2008) provides a valuable resource to public sector institutions for understanding the basic concepts, problems and approaches to M&E generally, as well as specifically, in the South African public sector context. The document provides an introduction with definitions, and explanation of the importance and purposes of M&E. It discusses M&E as a component of the developmental state and links it to planning and policy development, before providing an overview of the emerging GWM&ES and leading role players in M&E in the South African public sector context. It describes various evaluation perspectives that may be adopted and the values and principles that underpin M&E. The last two chapters provide practical guidelines for evaluating programme performance, including the establishment of programme logic; the design of indicators; designing M&E frameworks; formulating evaluation questions; and linking types of M&E studies to various evaluation perspectives.

The document's predecessor, *Towards a Common Understanding of Monitoring and Evaluation in the Public Service – A Guide on Basic M&E Concepts*, published in 2007, also provided useful guidelines for M&E. This document starts with a theoretical background to the importance, perspectives and types of M&E before discussing what constitutes good public service performance. It also discusses development of the M&E system through objective setting, indicator development and target specification and provides examples and critical questions that build M&E understanding. In addition, it contains a chapter on formal reporting as required by the Accountant-General and tries to reconcile these requirements with other M&E reporting. Finally, it advises on the development of IT systems to support M&E and concludes that effective information systems are "based on good administrative records", accurate and diligent information recording at the point of service delivery and are "built from the bottom up, not by IT specialists from the top down" (PSC 2007(b): Section 7.2).

The policies and legislations discussed in this section provide a generic guideline to all public sector organisations as part of a national commitment to monitor and evaluate the success of public service delivery and governance. The local government sphere is subject to further policies, legislation and regulations to

enforce local performance management, emerging mainly from the White Paper on Local Government 1998.

#### **4.4 Local government legislation for performance monitoring and evaluation**

Performance management and monitoring and evaluation at local government sphere is guided and instilled by the following policies, acts and regulations.

##### **4.4.1 The White Paper on Local Government of 1998**

The *White Paper on Local Government* (RSA 1998) outlines the vision for a more development-orientated local government system. It sets out the framework and programme for transforming the inherited local government system. The White Paper (1998: Section B, part 3) identifies the following tools for realising a developmental local government:

- integrated development planning and budgeting
- performance management
- partnerships with local citizens and partners

According to the White Paper (1998: section 3.2), performance management, linked to the IDP, can assist municipalities in developing an integrated perspective on development in their area. This will enable municipalities to direct resource allocations towards priorities, despite an increasingly complex and diverse set of demands. Performance management is critical in ensuring that development plans are implemented; resources are used efficiently and optimally; and ensuring that the desired effect is obtained through implementation. The content of the White Paper is currently being reviewed, which may render interesting changes and new direction. In giving effect to the White Paper, the Municipal Structures Act, 1998, emphasises

the need for the regular review of its local development mandate and performance in delivery.

#### **4.4.2 The Municipal Structures Act of 1998**

The *Local Government: Municipal Structures Act, 1998* (Act 117 of 1998) (hereafter referred to as the Municipal Structures Act) aims to institute a Performance Management System (PMS) in local government that *will facilitate access of service information to communities and thereby empower them to...demand better services and thereby cause municipalities to be more accountable* (DPLG (2) 2001:8).

Section 19 of the Municipal Structures Act stipulates that a municipality must annually review:

- a) The needs of the community.
- b) Its priorities to meet those needs.
- c) Its processes for involving the community.
- d) Its organisational and delivery mechanisms for meeting the needs of the community.
- e) Its overall performance.

The Municipal Systems Act provides the policy framework for the implementation of the PMS.

#### **4.4.3 The Municipal Systems Act of 2000**

The *Local Government: Municipal Systems Act, 2000* (Act 32 of 2000) (hereafter referred to as the Municipal Systems Act, 2000) provides the most comprehensive national framework for M&E in local authorities. Section 5 of the Act “requires municipalities to regularly disclose information regarding the affairs of the municipality to the public”, while section 11 compels municipalities to monitor “the

impact and effectiveness of its policies, programmes and plans” (Atkinson & Wellman 2003:4).

Chapter 6 requires municipalities to:

- Develop a PMS.
- Set targets, monitor and review performance based on indicators linked to their IDP.
- Publish an annual report on performance for the councillors, staff, the public and other spheres of government.
- Incorporate and report on a set of general indicators prescribed nationally by the Minister responsible for local government.
- Conduct an internal audit on performance before tabling the report.
- Involve the community in setting indicators and targets and reviewing municipal performance (RSA 2000: Sections 38 and 41).

Chapter 6 of the Act outlines the details of the PMS and identifies the core components. Sections 38 and 39 describe the establishment of a PMS, while Section 40 refers to the establishment of mechanisms for monitoring and adapting the system (Burger & Ducharme 2000:2). Section 41 outlines the core components of the performance management system:

- Set appropriate performance indicators to measure performance outcomes and impact.
- Specific, measurable targets.
- Regular monitoring of performance.
- Measurement and review of performance at least once a year.
- Ways to improve performance.
- An established process of regular reporting.

The system should be developed to function as an early warning system of under-performance so that it could be addressed through proactive and timely interventions

(Burger & Ducharme 2000:2 and Minister Fholisani Sydney Mufamadi in the foreword to DPLG (2) 2001:2).

The Municipal Systems Act, 2000, provides the most comprehensive guideline to enable local authorities to establish and implement a PMS that would fulfil the National Government's expectations of PM in the public sector. The guidelines provided in the Municipal Systems Act, 2000, are complemented by the PMS Regulations (2001) that highlight the involvement of the local community in the establishment, implementation and controlling of the PMS.

#### **4.4.4 The Performance Management Regulations of 2001**

The Local Government: Municipal Planning and Performance Management Regulations (hereafter referred to as the PM Regulations), published in August 2001, provides additional guidelines for the implementation of the Municipal Systems Act, 2000. The PM Regulations state that, in developing the PMS, a municipality must ensure that the system:

- “complies with all the requirements set out in the Act;
- demonstrates how it is to operate and be managed from the planning stage up to the stages of performance review and reporting;
- clarifies the roles and responsibilities of each role-player, including the local community, in the functioning of the system;
- clarifies the processes of implementing the system within the framework of the integrated development planning process;
- determines the frequency of reporting and the lines of accountability for performance;
- relates to the municipality's employee performance management processes; and
- provides for the procedure by which the system is linked to the municipality's integrated development planning processes” (RSA 2001:8-9).

With regard to KPIs, the PM Regulations prescribe seven general key performance indicators against which local government can measure its performance in achieving development:

- Access to basic services.
- Access to free basic services.
- Level of capital spending.
- Number of local jobs created.
- Progress on employment equity at senior management level.
- Level of municipal expenditure on the workplace skills plan.
- Financial viability with respect to: debt coverage; outstanding debtors in relation to revenue; and cost coverage (RSA 2001:9-10).

Furthermore, the PM Regulations require municipalities to appoint performance audit committees consisting of at least three members, the majority of whom may not be councillors or employees of the municipality (RSA 2001:13). Performance audit committees have powers to investigate municipal affairs and are required to:

- review the quarterly reports prepared by internal auditors
- review the PMS and make recommendations for its improvement; and
- submit biannual audit reports to the municipal council.

The PM Regulations also require each municipality to establish a community forum to enhance community participation in the drafting and implementation of the IDP; the development, implementation and review of the PMS; and monitoring municipal performance in relation to KPIs and performance targets.

A municipality must, after consultation with the local community, develop and implement mechanisms, systems and processes for the monitoring, measurement and review of performance in respect of the key performance indicators and performance targets set by it. The mechanisms, systems and processes for review must at least identify the strengths, weaknesses, opportunities and threats of the municipality in meeting the key performance

indicators and performance targets set by it, as well as the (prescribed) general key performance indicators (RSA 2001:11-12).

#### **4.4.5 The Municipal Finance Management Act of 2003**

Although the Local Government: Municipal Finance Management Act, 2003, does not refer directly to PM, it provides the framework for good financial management practices in local authorities. The financial practices and performance of the municipality has a direct bearing on the overall performance of the municipality, especially in terms of ensuring the effectiveness, efficiency and economy of all aspects of service delivery and municipal management. The Act also provides for a number of budgetary requirements for linking the budget of the municipality to the IDP (and thereby also to the PMS) as well as for assigning responsibility and accountability of financial performance to both managers and political representatives.

#### **4.5 South Africa's system: strengths, weaknesses and recommendations**

From the presented government-driven M&E systems at the beginning of this chapter that included both best practice case studies and those relevant because of similar development challenges, some best practice guidelines or elements of a good M&E system for the public sector can be distilled. These elements are summarised and substantiated as follows.

The M&E system should be driven from the top by a capable, respected ministry to ensure implementation and compliance. In some of the analysed cases (United Kingdom, Chile), the systems are driven by the Department of Finance (Treasury), which traditionally controlled financial performance and expanded their role to include outcome performance information. In other cases, the M&E system is driven directly from the Office or Department of the Prime Minister (Malaysia and Uganda).

In Colombia it is driven by the Department of National Planning and in Mexico by the Ministry of Social Development. Canada's Evaluation Plan is driven by the more independent Treasury Board of the Canada Secretariat. It is important, however, to ensure buy-in (rather than compliance) from other departments to ensure that findings are used for internal policy and strategic management decisions as well, thereby justifying the costs and efforts involved by maximising gains.

The general focus of M&E systems, as is most evident in the countries who have gone through the process to restructure and refine their M&E systems (see Australia, Mexico, United Kingdom and Uganda) is on outcomes or results of public programmes and policies. There is a move away from accepting output or financial performance as an indication of public programme success, although all of the systems still maintain a strong financial performance focus, as one might expect given the ever-present financial pressures to which government is subject.

There seems to be merit in ensuring institutionalisation of M&E by means of legislation or performance agreements at senior management level. In this, Australia, Chile and the United Kingdom provide valuable lessons. As Mackay concludes, Australia has digressed from a situation where almost all new spending proposals relied on evaluation findings, to a situation where evaluation findings are unreliable, of questionable quality and rarely used. Chile and the United Kingdom have two of the strongest M&E systems internationally. Both these systems are backed by Treasury legislation that emphasises evaluation practices. Mackay advises that the sustainability of the system can be ensured by merging and institutionalising M&E in core government processes such as budgeting and funding requests (Mackay 2007:24).

Linked to institutionalisation, it is critical that the M&E system gives guidelines to ensure the use of evaluation information. In most of the above cases, evaluation information was used to inform budget decisions (e.g. Australia, Chile, Canada). Many of the systems also use the information to determine whether departments progress adequately towards their strategic goals (e.g. the United Kingdom, Malaysia). The information can be used to determine the success of specific programmes which may inform future policy decisions (e.g. the United States of

America, Mexico) and for purposes of accountability to citizens (e.g. Colombia's presidential feedback). Mackay also emphasises the importance of using M&E information to ensure the sustainability of the system (Mackay 2007:24).

In addition to the above direct observations, the World Bank provides the following lessons from their efforts in assisting governments to institutionalise M&E systems:

1. Substantive demand from the government is a prerequisite to successful institutionalisation – key stakeholders must regard the generated information as valuable (Mackay 2008:93-96, Mackay 2009:175).
2. Over-engineering (e.g. excessive amount of indicators or multiple M&E systems, excessive collection of data) does not produce a successful system, as it is dependent not on the reliability of the information and evaluation findings, but rather on the extent of utilisation of generated information (Mackay 2008:93-96, Quesnel 2009:72, Mackay 2009:177).
3. Structural arrangements of the M&E system (data verification, in- or outsourcing and locating the M&E function within political tensions) are important. A powerful champion and stewardship by a capable ministry is critical to successful M&E systems (Mackay 2008:93-96, Mackay 2009:176).
4. A diagnosis should be done of the strengths and weaknesses of existing monitoring and evaluation efforts (Mackay 2008:93-96, Mackay 2009:176).
5. The M&E system must be aligned with the strategic goals of the intervention it evaluates (Quesnel 2009:72).
6. Incentives to ensure good M&E practices and utilisation of information should be introduced. Incentives may be in the form of 'carrots' that provide positive encouragement and rewards for conducting and utilisation findings, 'sticks' that may include penalties to ministries that fail to take M&E seriously, or 'sermons' which include high-level statements of endorsement and advocacy on the importance of M&E (Mackay 2009:175-176, 177, 180-181).
7. Reliable data systems should be built within ministries to ensure the good quality M&E information necessary to produce the verified, credible raw data needed for national evaluation reports (Mackay 2007:24, Mackay 2009:177).
8. The technical capacity of officials to apply M&E tools, methods, approaches and concepts must be continuously enhanced (Mackay 2009:178).

The implications of the above best practices and lessons for South Africa are as follows.

The South African system is championed from the President's Office. This lends high-level priority to the system, especially through the 2009 restructuring that placed two new Ministers in The Presidency, namely the Minister of the National Planning Commission and the Minister of Performance Monitoring and Evaluation. Attaching the well-respected past minister of Finance, Mr Trevor Manuel, to this office will also serve to strengthen the credibility of the system. In addition, the system also relies on the Treasury and Stats SA, both recognised as traditional depositories of performance information for implementation. These champions will need to work together in creating awareness of the system, and, more importantly, obtaining buy-in from all departments, to ensure the successful institutionalisation of M&E practices in the South African public sector.

Both the GWM&ES and the Treasury Guidelines place emphasis on outcomes and creating capacity to report on outcomes. While the GWM&ES aims to improve the "monitoring of outcomes and impact across the whole of government"; promote "sectoral and thematic evaluation reports"; improve the "M&E of national outcomes in relation to the Constitution and government's Programme of Action, provincial outcomes and impact in relation to Provincial Growth and Development Plans, and municipal outcomes in relation to Integrated Development Plans", it fails to give specific details on how this will be done. Similarly, the Framework for Managing Programme Performance Information supports the regular audits of non-financial information, but fails to provide information on when and how this will be accomplished. The Mid-Term Development Indicators lend an outcome focus to the M&E system, but for most departments these indicators are too 'far away' to give focus to their own evaluation efforts. A gap exists in transforming the principles of the GWM&ES into practice.

In terms of institutionalising M&E in government processes to ensure the generation and use of quality evaluation information, the South African system is vague. In general terms, the GWM&ES refers to improving the monitoring of outcomes and

impact across the whole of government in terms of various national, provincial and local outcomes to create an overall picture of performance. However, it does not state what the implications of good or poor performance will be, or how this will be communicated, used or improved. It also refers to promoting sectoral and thematic evaluation reports, but once again fails to specify the types, purpose and use of these reports. Lastly, it expects departments to formulate M&E strategies that outline how M&E findings will inform strategic and operational planning, budget formulation and execution, as well as in-year and annual reporting. However, most departments already conduct some programme evaluation and all departments are required to report on performance to various decision makers, the Treasury and the Auditor General.

The GWM&ES is too vague in specifying how M&E should be used to inform the planning and reporting processes of departments to ensure consistency across departments. The Treasury's Programme Performance Information guidelines refer to the "regular audits of non-financial information where appropriate" but fails to specify in any detail what this may entail. Lastly, Stats SA states that information will be used to expand national statistics, but there is no direct benefit (or negative consequence) to departments in failing to produce statistics at the level required for incorporation into national statistics.

The sad reality is that evaluation is, for most departments, an 'add-on' activity to be performed if the stretched budget allows for it. This situation will only change with the application of definite rules and procedures (rather than guidelines) that stipulate quality evaluation findings as a prerequisite for positive policy and strategic decisions and budget allocation. The current M&E system provides a softer approach to instilling an M&E culture in government, which may be an appropriate starting point for a more formal system, in later years, that draws on initial experiences and good practices. Within such a complex, adaptive system (see Cloete 2008:18-21), a decentralised, flexible system that acknowledges and provides for the adoption of systems that fit individual needs and capacities of organisations, such as is provided by the GWM&ES, is perhaps a good departure point, rather than a more formalised system. This is especially true given the current capacity constraints in terms of evaluation expertise in the public sector. The 2009 Green Paper on National

Performance seems to indicate a move towards a stronger enforced approach and it would be interesting to see if a strong approach is effected in the final White Paper and in the implementation of the final policy.

The discussion above also addresses the first, third, fifth and sixth recommendations from the World Bank experience. In terms of their second recommendation on over-engineering, which advises that the success of the system does not lie in the extensiveness of indicators or even the quality of the information, but rather in the extent to which evaluation findings are used, one may conclude that the Statistics Quality Assurance Framework from Stats SA is overcomplicated and unrealistic in terms of current capacity. The framework advises that, while evaluation findings that are rated as acceptable statistics may be used internally, the findings should not be distributed to other departments for their decision-making purposes. Evaluation findings that are rated questionable statistics or poor statistics should not be used at all in terms of their recommendation. While the criteria in the framework reflects good evaluation practice, the reality is that few evaluations conducted in the short to medium term will respond to all or most of the set criteria given the policy, culture and capacity changes required to truly instil M&E practices. However, in terms of the principles of evidence-based policy making, using imperfect evaluation findings cautiously to inform decisions are still better than basing decisions on no evidence and speculation only. Furthermore, dedicating time and resources to evaluations which are fruitless will undermine the credibility of evaluation as a management support tool.

There is a need for a phased implementation plan of the SASQAF as well. It is recommended that the document be retained as an implementation guideline for generating statistics and the desired end document against which the quality of future statistics will be assessed. However, given current capacity constraints (both internal to Stats SA and in data generating agencies) a phased in approach would entail identifying and incrementally expanding, on a bi-annual basis perhaps, the list of indicators and standards to which statistics should adhere to be judged as acceptable statistics. Whilst the second edition brought further clarity to the list of indicators and standards, it also further complicated its implications, as it demands even greater statistical competence on the part of the data generating agencies.

Another remark may be made on the choice and number of indicators included in the Mid-Term Development Indicators. In terms of the international comparison, 76 national indicators seem reasonable as a starting point. The indicators also reflect the most important sectors, although the document has been severely critiqued for its shortage of environmental sustainability indicators, greenhouse emissions being the only indicator included. This, however, is a symptom of a greater problem: “There is little or no mention of environmental sustainability in the ten year review, the MTSF, the Manifesto or the PoA and there are no goals or targets relating to this in the PoA except those that relate to international agreements or protocols to which South Africa is a signatory” and in which South Africa is regarded as a developing country and therefore not forced to comply (Scott *et al.* 2005:23). Although a substantive set of environmental indicators are tracked by the Department of Environmental Affairs, one would hope that future expansions of the national development indicators would give appropriate weight and importance to environmental sustainability as an indicator of national development progress. There should be better synchronisation and clear alignment between indicators at national level and local government indicators.

The World Bank recommends that a survey of existing M&E capacity precedes the development of an integrated M&E system. The Public Service Commission has issued a series of ‘Consolidated Public Service Monitoring and Evaluation Reports’ from 2003 to 2008, which reports on performance of departments in responding to the Batho Pele principles (available at <http://www.psc.gov.za/>). In the 2008 report, the PSC states that, while the measurability of service delivery indicators rose by 16% to 66% in the 2007/2008 year, many departments still have difficulty in formulating measurable indicators. The achievement of outcomes declined by 4%, attributed to the absence of proper alignment between departments’ strategic plans, estimates of national/provincial expenditure and the departmental annual report. Finally, the institutionalisation of M&E systems declined by a sharp 21% to 61% in the 2007/2008 year, despite the roll-out of the GWM&ES (PSC 2008:20). This demonstrates a remaining lack of commitment to M&E as a strategic management function.

Personal experience from teaching M&E to delegates from various departments reveals that pockets of M&E excellence do exist in some departments, but M&E systems are mostly fragmented and uncoordinated. Examples of excellence include the Department of Education's 'Whole School Evaluation', the Department of Water Affairs and Forestry's water and sanitation service provision monitoring systems, the Department of Provincial and Local Government's indicators for local government service delivery and the Department of Social Development's methodological expertise ascribed to their social sciences background. While M&E is taking place in the public sector, there is still a need for integrated M&E systems that deliver quality information for both internal and external decision making and performance improvement purposes.

In terms of data management systems, (recommendation seven), management information systems (MIS) are still lacking, fragmented and uncoordinated. Although all departments make use of Persal for personnel management and BAS for financial management and reporting, these systems function separately from other performance management systems that departments may have. While some departments have acquired or developed MIS systems with performance monitoring functions such as dashboards and scorecards that integrate performance information from various databases, many departments lack the financial resources to implement sophisticated management information systems (e.g. SAS) or the expertise to use specialised data analysis software (e.g. SPSS). The 'home-grown' systems that are in place are rarely compatible with systems employed by other departments, which hinders the sharing and synthesising of information for outcome evaluation purposes at sectoral level as envisioned in the GWM&ES.

Finally, the last recommendation advises on creating appropriate expertise and capacity for M&E for various users of the system. The coordinating institution for public sector management training is PALAMA, which has responded to the challenge with a 'massification' strategy to create appropriate evaluation capacity. The developed curriculum provides for the training of the users of M&E data with basic awareness workshops to understand the importance and place of M&E. It also provides for the training of managers to build and implement M&E systems, and, lastly, for training M&E specialists in the development of indicators; the policy

framework; designing M&E studies; conducting evaluations; various methods that may be used; and data analysis and interpretation (M&E Curriculum issued by the SAMDI, publishing date unknown). While the first round of training the trainers took place during 2008, the training of departments are still ad hoc on a request basis, rather than the expected 'massification' required to create sufficient M&E capacity and a performance improvement culture in the public sector.

The performance management system proposed for the local government sphere responds to some of the criticisms of the national system: It is based on legislation and regulations detailing the system; its linkage to planning and budgeting; specific indicators to be included; and requirements for external oversight and actions if found non-compliant. A rapid, unrepresentative survey conducted at the 2005 IMFO conference (Institute for Municipal Finance Officers) revealed that 44 of the 52 municipalities represented in the survey have a performance management system in place that assess performance against the IDP. In most cases (32 of the 52 responses) the performance management system is based on the balanced scorecard model. The questionnaire also captured some of the main problems experienced at local government level with the performance management system. Problems listed include lack of knowledge, skills and understanding of the system by various role-players; fear of victimisation leading to lack of buy-in; inappropriate targets and key performance indicators; the administrative burden of managing performance information; political interference; linking individual performance to organisational performance (and understanding the differences between the two systems); and meeting reporting deadlines.

The survey supports the current need for M&E capacity building and appropriate management support systems to enable the efficient management of data. On the positive side, respondents state that the implementation of the PMS seems to lead to better attainment of set targets and service delivery; commitment of staff to performance improvement; and common understanding and direction within the organisation (See Addendum A for the questions and a summary of the collected data from the assessment).

The implementation of the national M&E system reinforces the importance of the performance management system as this is the M&E system of the municipality. This implies that local government performance management systems must also adopt an outcome, sectoral perspective and develop the capacity to report at that level. Performance information captured in the performance management system must feed into other departments' evaluation systems to inform reports on sectoral or geographical performance.

#### **4.6 Summary and conclusion to Chapter 4**

The overview of the policy framework provided in this chapter serves as an indication of the sustained emphasis, interest and commitment of government to reform and improve public sector performance over the last 11 years. The emerging GWM&ES, together with the supportive policy frameworks from other role players, will set the stage for a paradigm shift towards evidence-based policy and management decision making. Public institutions in all three spheres will need to rethink and redesign (or start to develop) their systems for monitoring and evaluating the results of policies, programmes and projects. As the system is still emerging, the experience of other countries in instilling M&E systems may provide useful guidelines and best practices against which the potential success of the SA system may be judged.

Various countries that have embarked on the process of institutionalising M&E in government vary widely in terms of their formalisation and focus. Ranging from the formalised, legislated system driven by the UK Treasury or Chile's strong legislated focus on financial management, to the decentralised, principle-based M&E system within the national adopted outcome framework in Australia, it is clear that there is no one right way to introduce M&E practices in government.

The South African M&E system emanating from the constitutional principles and the Batho Pele White Paper is presented in several components as part of policy documents issued by the various role players in the system. At national level, the Office of the President has issued the Government-wide Monitoring and Evaluation System (GWM&ES) that seeks to instil the systematic and coordinated monitoring

and evaluation of public sector programmes and policies to improve the general management of the public sector. The National Treasury's Framework for Managing Programme Performance clarifies the concepts, standards, structures, systems and processes required to manage performance information, while the Stats SA SASQAF strives towards improving quality of statistics generated by different government agencies. The annual National Performance Indicators of the Presidency try to integrate the results of various spheres and sectors into a holistic picture of government outcomes and results with 76 national performance indicators. The Green Paper on National Performance represents a move towards a more formal institutionalised system geared towards delivering outcomes within and across development sectors.

At the local government sphere, a legislative process for performance planning and performance measurement is promulgated by the 1998 White Paper on Local Government, which sets the stage for developmental local government, and the Municipal Structures Act (1998), Municipal Systems Act (2000), the Performance Management Regulations (2001) and the Municipal Finance Management Act (2003) that provide the specific instructions for implementing developmental local government.

In comparing and analysing the best practice case studies for government-driven M&E systems, the following elements are identified as critical to a successful system:

- The system should be driven from the top by a capable, respected ministry
- The focus should be on outcomes or results
- The system must be merged and institutionalised in core government processes such as budgeting
- M&E results generated by the system must be used

In addition to these guidelines, the World Bank's lessons in institutionalising M&E systems advise that:

- substantive demand from the government is a prerequisite to successful institutionalisation
- over-engineering of the system does not guarantee success
- structural arrangements, the place and champion of the M&E system should be considered wisely
- existing monitoring and evaluation efforts should be investigated and strengths and problem areas identified
- the M&E system must be aligned to the strategic goals of the intervention it evaluates
- incentives, including rewards, punitive measures and motivation, should be used to encourage good M&E practices
- the use of generated information should be encouraged
- reliable data systems should be established to ensure good quality M&E information, and
- the technical capacity of officials to apply M&E tools, methods, approaches and concepts must be continuously enhanced.

In comparing South Africa's emerging M&E system with the identified best practice elements and guidelines, it is concluded that the system performs well on many of these guidelines, but requires more detail and action in others to optimise the potential success of the national M&E system. Strengths of the emerging system include the championing of the system from the President's Office and the establishment of the new Ministry for Performance Monitoring and Evaluation. The GWM&ES and Treasury Guidelines both depart from an outcome perspective, as do the Mid-Term National Development Indicators. However, the documents are vague with regard to providing guidelines for implementation of the outcome-based approach and in enforcing the use of generated evaluation information in the planning, management and reporting procedures of various departments. No reference is made to the implications of good or poor performance results generated by the M&E systems of departments, or how this will be communicated or used to improve public sector performance. The GWM&ES is too vague in specifying how M&E should be used to inform the planning and reporting processes of departments to ensure consistency across departments. While some reference is made in the

SASQAF document to using M&E information to expand national statistics, there seems to be no direct benefit (or negative consequence) for departments that fail to produce statistics at acceptable quality levels. Within the context of M&E as an 'add-on' activity secondary to the 'core' processes of government, it is concluded that M&E will only become instilled in public sector management practices if enforced by definite rules and procedures (rather than guidelines). Whilst the softer approach proposed by the GWM&ES may be an appropriate starting point, it should be succeeded by a more formalised system that stipulates consequences of non-compliance and non-performance. The 2009 Green Paper on National Performance seems to indicate a move towards a more strongly enforced approach and it would be interesting to see such an approach is adopted in the final White Paper (that is, if it does not follow the same route as its counterpart, the Green Paper on National Strategic Planning, that was adopted as a Green Paper only).

Against the guidelines presented by the World Bank, it may be said that the SASQAF represents an example of over-engineering, especially given the capacity constraints that currently prevail. A phased implementation approach is recommended to bridge the gap between the ideal situation presented in SASQAF and what is realistic, given the current statistical capacity constraints. The 76 national indicators are reasonable when compared to other international systems, though the content may be reconsidered to ensure the inclusion of all development sectors. Whilst the Public Service Commission regularly surveys the M&E capacity and practices of government, it is disconcerting that they found a decline in the institutionalisation of M&E systems following the roll-out of the GWM&ES. This alludes to a lingering lack of commitment to M&E as a strategic management function. While previous PSC reports highlighted pockets of M&E excellence in some departments, integrated M&E systems linked to planning, decision making and performance management systems are still largely absent. Similarly, management information systems (MIS) are still lacking, fragmented and uncoordinated, which will cause problems in implementing the data and statistics requirements proposed by the SASQAF. Finally, in creating the necessary expertise and capacity for M&E, PALAMA designed an appropriate curriculum and adopted a 'massification' strategy for the roll-out of required training, but the implementation thereof is still ad hoc and insufficient in fulfilling the identified need in the public sector.

Whilst the positive aspects of the system presented here bodes well, the real test will come during implementation, when the defined requirements of the 2009 Green Paper and SASQAF will need to be enforced. Failure to specify and enforce the use of M&E information in decision making and budget allocation may render M&E 'toothless' and result in no or minimal compliance, with the full potential of evidence-based policy and public management left unrealised.

Finally, whilst it may be assumed that the performance management systems of local government should generally be more in place, due to the earlier legalisation of the IDP and PMS processes, this is seldom the case. The reality is that many local governments, with the exception of the better resourced and capacitated municipalities, are barely managing to develop and adopt indicators and performance management systems that adequately track the implementation of their IDP, let alone the outcomes or results of the IDP. Adopted and implemented performance management systems are often riddled with technical errors, including poorly formulated or defined indicators; non-agreement between the indicator's unit of measurement and the unit of measurement of the target; and over-focus on inputs and outputs, with few process and almost no outcome indicators. In comparison to the daily service delivery crises of some of these municipalities, dedicating the required resources to improving internal monitoring and evaluation systems is not regarded as a priority. The performance management systems are often perceived as a threat that will accurately confirm the extent of existing problems, and not as a tool that will assist to address the problems experienced in service delivery.

In addition to overcoming the existing problems, the sectoral perspective promoted by the Presidency's GWM&E system, the 'what to measure' guidelines from the Treasury or the 'how to measure' guidelines from StatsSA will demand even greater sophistication from municipal performance management systems. Municipalities will need to rethink their performance management systems to adopt an outcome and sectoral focus and to put in place the necessary measures to ensure the generation of quality information and statistics to populate the system. This is to be preceded by a mind-shifting change about the importance and value of M&E systems for enhancing organisational performance.

Simultaneously, there should be a medium-term strategy to expand the capacity of local governments to enable managers to adopt appropriate indicators, given unavoidable resource constraints. This should be accompanied by a drive towards a more balanced perspective of local government performance by including, in addition to input and output indicators, also process and outcome indicators. It is within this focus that the current research has developed improved output and outcome indicators for local economic development to present local governments that have little capacity with examples of appropriate indicators that they may incorporate into their PMS.

## **Chapter 5**

### **Promoting local economic development: the role of government**

#### **5.1 Introduction**

The importance of economic development as one of the objectives of local government was described in Chapter 1. In the other preceding chapters, the importance of delivering measurable, observable and verifiable results for mostly vague developmental goals were emphasised. Economic development is, perhaps, the most critical requirement for the development of a country, provided that the benefits of economic development are used for shared human and social development. Inclusive economic development is especially critical in South Africa, given the wide development disparities that currently characterise the country. While most development policies and strategies claim to ultimately promote economic development, alleviate poverty or create jobs, these goals become political word-play in the absence of accurate evaluation systems that measure and demonstrate the results or outcomes of the adopted development goals. To promote the accurate measurement of LED outcomes, this chapter first explores the concept of LED from both an academic viewpoint and as a constitutional objective and responsibility of local government in South Africa.

This chapter contextualises LED within contemporary views on development and the changing role of the state. The concept 'local economic development' is discussed in terms of the need for LED; alternative definitions and objectives; problems with practice; and, finally, key stakeholders and role players in the process. An analysis of the definitions of LED reveals that the role that local government is to play in LED may range from a supportive, facilitative role when referring to market-driven LED, to a direct implementation and management role when referring to community-development LED. The varied definitions of the role

of local government in LED make it almost impossible to measure whether municipalities are indeed fulfilling their mandate, as it is dependent on the paradigm adopted for the evaluation. An analysis of the LED policy framework also reveals inconsistency between an outcome approach in terms of the goals and visions that are pursued, and an output approach whereby municipalities need to adopt specific strategies that will ensure economic development of the locality. Within the context of outcome-based governance, the former is regarded more important than the latter, although outcomes are the result of outputs. While outputs and outcomes are explored more fully in Chapters 6 and 7, the last part of this chapter attempts to clearly demarcate the role of local government in managing LED within the context of the various policies that try to delimit this responsibility.

## **5.2 The changing role of the state**

The Greek philosopher Aristotle in the 4th Century BC described the aims of the state as twofold; firstly to satisfy the social needs of mankind, and, secondly, to provide man with a good life. In his classification of governments, he said that “true forms of government are (those) who govern with a view to the common interests” (Jowett 2005:42). Earliest theoretical thought on government and the state therefore already referred to the obligation of the state to ensure the well-being of the community it served, and failure to meet this obligation was the motivation for citizen revolutions across the centuries. In modern day theory, the well-being of a nation is measured by the development status of the nation.

The past 60 years of development, starting with development initiatives after the First and Second World Wars, have been a testing period for many theories on what states should do in order to fulfil their development obligation. The modernisation theory focussed on technical modernisation, donor assistance and economic development as the drivers of development. This was based on the

assumption that “if economic growth and modernisation took place, social and other aspects of development would follow automatically” (Simon 2003:130). The dependency school of thought criticised the modernisation theory for its ability to deliver development through “capital-intensive industry-led development and import substitution” (Simon 2003:130). However, the few countries that applied the principle of the dependency school of thought and ceased interaction with international markets and old colonial trade relations paid dearly in price (Simon 2003:130). The key to successful economic development in a post World War II world perhaps lie in the examples of China, India, Japan, South Korea and Taiwan. The experience of these countries “shows that countries do not have to adopt, first and foremost, liberal trade...policies”. These countries “have experienced relatively fast growth behind protective barriers, [leading to] rapid trade expansion in capital and intermediate goods”. As the countries became richer they liberalised their trade policies (Held 2004:5). Today, “the narrow, technocratic orthodoxy of modernisation [is rejected] in favour of hybridities ... that integrate Western and indigenous ... systems” (Simon 2003:132). It becomes the challenging task of the state to test and determine the optimum balance between globalisation and market protection, and adopting or adapting Western systems versus local innovation and experimentation.

Trends in the management of a state create the milieu within which the (economic) development of a country takes place. One such trend focuses on the management of public organisations. In analysing public management theory and practice, the management of public organisations has progressed from public administration, to public management, to managing the ‘developmental state’, to a contemporary focus on public governance.

Public administration is characterised by procedures and processes in a bureaucratic system that promoted standardisation and efficiency. However, within the fast changing environment of the 21<sup>st</sup> century, bureaucratic systems have become less effective vehicles for managing development needs. Some

general critique that may be made against bureaucracies include slow adaptation to changing needs and political will; large, expensive and, at times, inefficient staff components; and an inability to cope readily with exceptions.

The advent of 'New Public Management' (NPM) focused on the application of a business-like mind set towards the public sector, with the emphasis on cutting costs and enhancing productivity through applying competition to public departments and implementing management processes. NPM intensified the focus on financial effectiveness and efficiency of public institutions, reforming the civil service through reductions and restructuring and increasing the focus on performance measurement and results (Barzelay 2001:3). Kettl (in Frederickson & Smith 2003:215) describes the core principles of NPM as:

- Increased productivity to do more with less
- Leveraging market mechanisms to overcome problems with traditional bureaucracy
- Increased service orientation connecting the state to customers
- Decentralisation of decision-making powers to lower state levels
- Improved government capacity to create, implement and administer policy, and
- Increased accountability of government for promises made.

After a decade of implementing New Public Management, the mid-1990s saw increasing dissatisfaction with the results of the approach. The dissatisfaction resulted from several sources, including the inability of government to address 'wicked problems'; to create sustainable trust rather than contract-based partnerships with the private sector for service delivery; the marginalisation of the role of citizens to consumers and not planning partners; the numerous scandals in government performance that related not to non-performance, but rather to the way government carried out its tasks; and an inability to maintain a holistic,

integrated viewpoint in strategy formulation away from a narrow focus on service-specific objectives (see Bovaird & Löffler 2003:315).

The notion of the 'developmental state' is based on the premise that the state should actively promote and ensure development of the country and its citizens. While Britain and other 'first' developed countries adopted a rather laissez-faire approach to economic development, allowing the free market to steer economic development of the country, the 'second developing' countries had a different experience. In countries like Japan, Taiwan and Korea, the state played a pivotal role in determining the nature and direction of the economic development of the country.

Central to the developmental state is the "understanding that a state has 'core' strategic capacities to plan, monitor and enforce key developmental objectives, which will shift the comparative advantage of national economies towards those sectors that are of strategic value in the global economy" (Jayasuriya 2005:382). It accepts that countries with restrictive market conditions require direct state intervention to successfully change over to capitalism (Freund 2006:3). This follows development trends after the 2nd World War, when strategies aimed at promoting rapid industrialisation through alliances between the state and emerging industrialists, with the state as the leading partner, were commonly employed (Chibber 2005:228-229). The leading role adopted by the state was critical in forcing investments through industrial policy and planning towards areas "best for long-term growth" and not only on "products that yielded high individual profits", thereby "ensuring that investments were consistent not only with immediate profits, but also with national economic development" (Chibber 2005:231).

From an ideological perspective, the developmental state is essentially one with an ideological underpinning of promoting economic development usually associated with high rates of wealth accumulation and industrialisation. The

legitimacy of the state is based on its ability to promote continuous economic growth and structural change in the economic production system, locally and in the global economy (Castells in Mkandawire 2001: 290).

In South Africa, the development state may be envisioned as successfully combining “extensive social redistribution with high economic growth, thereby effectively tackling poverty, overcoming historic racial divides, and generally rendering the economy more dynamic, innovative, just and equitable” (Southall 2007:1). The main instruments through which development is directed include the macro-economic policy and taxation policies of a country, which control aspects of investment, economic growth, employment and redistribution of wealth. Naidoo remarks that the developmental state is not so much an ideology in South Africa, but takes a very pragmatic focus as reflected in the numerous interventions effected through macro-economic policies that aim to increase funding available for social and infrastructure spending (Southall 2007:19).

To give effect to the objective of the developmental state, the first generation of developmental theorists focused on enhancing state capacity through “autonomous agencies insulated from the cut and thrust of political and social interests” (Jayasuriya 2005:382). Jayasuriya explains that “the state itself becomes an actor that intervenes in or acts upon society to produce certain desired outcomes”. For these developmental state theorists, developmental state institutions became “endowed with almost magical properties of social and industrial transformation” and the means to explaining developmental outcomes (Jayasuriya 2005:382-383). In East Asia, state agencies promoted trade, rationalised and modernised industry and even owned many of the important facilitative economic structures (Freund 2006:3). This emphasis on developmental state agencies was not supported by theorists only. A UNDP report found that “a majority of Latin Americans do not believe that the market will resolve their problems and do not automatically associate the market with democracy. The report shows that Latin Americans want their leaders to actively

intervene in the economy to promote social welfare. In fact, about 70% of Latin Americans believe in a strong role for the state in the economy while only 24% believe in the market” (Gibbs 2006:267). A similar situation is currently found in South Africa where “President Mbeki has rejected privatisation and accepted that the parastatals particularly must retain a key role in the economy” (Freund 2006:4).

The object of the developmental state, then, is to develop the necessary capacity to promote development, using both state and semi-state/private institutions. “To devise and implement long-term economic policies, isolated from social and private interest forces, capacity is required in four identifiable arenas, namely ideational, political, technical, and ... administrative or institutional capacity” (Mkandawire 2001:290 and Southall 2007:2-3). Unfortunately, as Chibber explains, many

states found themselves struggling to achieve what they had taken to be their central mission – directing the flow of domestic private investments into sectors with high social returns, and away from those in which returns on investment may have brought enormous private profits, but were of less developmental significance....Industrial policy requires a certain level of institutional capacity on the part of the policy apparatus. (Chibber 2005:229,230)

Many developing countries did not possess this capacity when they adopted their developmental strategy. A second problem saw technocrats avoiding equity issues and justifying elite decision making, believing that economic growth would address poverty through the trickle down of the benefits of progression (Gibbs 2006:268). “Although the marginalised masses are largely irrelevant to the macroeconomic health and stability indicators deemed important by the neoliberal right”, the experience of Venezuela illustrates that “their increasing potential to disrupt economic adjustment measures has made their political relevance clear even in these circles” (Gibbs 2006:265).

Freund (2006:5) warns that the same situation may arise in South Africa were the developmental state model is only superficially adopted. “Although South Africa has effective macro-management with an emphasis on global integration and exports ... the government has failed to substantially increase skill levels, to create jobs or to tackle poverty in a substantial way”. The lesson to be learned is that development is “a far more holistic and comprehensive road than simply success with exports or narrowly economic factors taken in isolation” (Freund 2006:6).

Jayasuriya proposes “a more constitutive conception of the state and policy capacity that recognises that the state is not an ‘entity’, but a complex and constituted set of relationships between frameworks of political authority and the international political economy, domestic social forces, and the broader ideational notions of authority or stateness” (Jayasuriya 2005:383). These thoughts coincide with the idea of a regulatory state “directed towards the production of economic and social order within a globalised economy” (Jayasuriya 2005:384).

Public governance or the regulatory state is the result of a more informed society and the failure of the state to rectify societal problems on its own. “Governance transcends the institution of government; it is a concept that deals with the ideals that the institution is supposed to promote” (Naidoo 2007:23). The paradigm limits the direct implementation role of the state to unalienable ‘government’ functions, which, according to Cloete *et al.* (2006) include protection of the country, providing and maintaining the regulatory framework, steering development and ensuring a social safety net. Other (previously) public service functions are performed by private and non-government actors within the policy framework provided by the state. “This model shifts the function of the state from the direct (production or) allocation of social and material goods and resources to the provision of regulatory frameworks within the economic order” (Jayasuriya 2005: 384). The regulatory state is characterised by:

- Separating policy from implementation by employing alternative service delivery mechanisms
- Creating new, autonomous regulatory institutions, e.g. the Independent Broadcasting Complaints Commission of South Africa
- Focusing the role of the state on regulating regulations and regulating institutions
- Limiting discretion in social and economic policy through institutionalising rules and procedures (Adapted from Jayasuriya 2005: 384).

“Governance in this sense becomes the very business of the state as it seeks to constitute new arenas of governance” (Jayasuriya 2005: 384). The governance state does not only use market-based management and private sector management techniques, but increasingly relies on private and non-government sector partnerships to deliver services and to downsize the administration and decentralise government service deliver (Frederickson & Smith 2003:208). Frederickson & Smith (2003:208) conclude that governance reform does not only change the nature of government, leaving the administrative state “less bureaucratic, less hierarchical and less reliant on central authority to mandate action”, but also questions the underlying division of powers and responsibilities between the state, subordinate government spheres, citizens and the private sector. The concept ‘public’ needs to be redefined to include an ever expanding variety of institutions and organisations traditionally outside the realm of government.

The governance reform shares many characteristics of former government reforms such as New Public Management. It supports the same six principles that NPM is based on, but builds and improves NPM with a focus on networks of service delivery role players; emphasis on bargaining and negotiation within the reality of a declining degree of central control; increased blending of public and

private resources; and the use of multiple and new instruments in making and implementing public policy (Peters & Pierre in Frederickson & Smith 2003:217).

To conclude the discussion on the changing role of the state, there is a clear movement towards delegated state functions away from central government control. Some functions are delegated to subordinate government levels, while other powers and functions are horizontally transferred and outsourced to private sector enterprises and community agencies. The trend characterises both developed and developing countries. In South Africa, particularly, the trend away from a state-led, interventionist approach to development to a focus on cooperative governance is evident in the South African Constitution, where independent functions and powers are transferred to the local government sphere [Simon, 2003:141]. “This type of planning may be more challenging to implement, but holds out the prospect of more sensitive and responsive local environments where individual circumstances, rather than national blueprints, determine outcomes” (Simon 2003:141).

In delimiting the role of local government in managing local economic development, the implications of the identified trends in development; the move towards accountable governance; and the management role of the state should be considered. However, before describing the role of government in local economic development, it is necessary to define LED.

### **5.3 Local economic development**

Within the context of the development state governments adopt and pursue various strategies to give effect to economic development. At South Africa local government level, the main policy to implement give direct economic development is called the local economic development strategy of the locality.

This section aims to unpack the concept local economic development through a review of local and international literature on the subject.

### **5.3.1 The need for local economic development**

The interest and focus on local economic development is the result of recent trends and failures. The first of these trends is globalisation. “Today, the literature and speeches of politicians in almost any country are replete with references to globalisation and the need for international competitiveness and comparative advantage” (Simon 2003:131). The elimination of boundaries and distance places a burden on localities to compete, not with local neighbours only, but internationally with locations anywhere in the world. In South Africa the negative effect of this trend has been felt very dramatically with the opening of the South African market to an already developed global economy, forcing cities to deal with powerful new forces (Hindson & Vicente 2005:3). In reality, this means that a relatively small town like Malmesbury in the Western Cape has to compete with big centres in Taiwan and Brazil in attracting business and productive resources to their area. The effect of globalisation on towns and cities is summarised in the ‘State of the World’s Cities’ report compiled by the UN Centre for Human Settlement as follows: “Cities are, ...the nexus of commerce, gateways to the world in one direction and focus of their own hinterland. Tied together in a vast web of communication and transport, cities are concentrations of energy in a global field” (Nel & Binns 2003:167). With the loosening of economic ties between nations and increased importance of economic linkages between regions, LED within the ambit of national and global development becomes increasingly important (Blair & Carrol 2009:20).

While globalisation is forcing localities and their local authorities to realign thinking to the bigger global system, the need for LED is intensified by a second trend that is changing the role of localities. International policy shifts are “enhancing the status, role and functions of local authorities, and simultaneously

devolving to them many of central governments' social and economic responsibilities" (Nel & Binns 2003:165). In line with this shift, decentralisation policies of national and provincial governments are delegating the responsibility for promoting LED to local government, with the hope that lower ethnic tensions and less "fragmentation of problems, policies and governmental institutions" will make governing on this level easier (Meyer-Stamer 2003(a):1).

Apart from these trends, some localities also embark on local economic development as a result of failures in the market place or national government's inability to address issues at the local level. Markets seldom operate as efficiently as depicted in economic theory. They generally fail to produce public goods for which there is inadequate payment structures and governments often need to intervene to prevent negative externalities (e.g. the pollution side effect of industry) or enhance positive externalities (provision of general education to all regardless of ability to pay) that markets and the private sector neglect because of the absence of a profit motive (Blair & Carroll 2009:9). Another failure relates to limited governance and delivery capacity at the national level, which prompts local actors to embark on economic development projects to address the problems of unemployment and poverty most urgently felt at local level (Meyer-Stamer 2003(a):1). In South Africa, "social assistance is nearing the boundaries of its ability to alleviate poverty" (Van der Berg, Burger, Burger, Louw & Yu 2005). This emphasises the need for alternative mechanisms for solving employment and poverty problems at the local level.

Greffe's summary of the evolution of local development (see Table 5.1 below) describes the life cycle of LED interventions from an initial kick-off phase characterised by informal and fragmented efforts and little evaluation efforts; to a gradual maturation phase characterised by increasing attempts to formalise the responsibilities and governance of LED and some informal attempts to gauge actual results; to culminate in an integrated network where LED responsibility is

delegated and governance and evaluation of the process becomes institutionalised in formal policies and procedures.

**Table 5.1: Life cycle of LED**

	<b>Kick-off phase</b>	<b>Lasso phase</b>	<b>Network phase</b>
<b>Focus</b>	Get LED projects moving	Get LED projects under control Formulate a strategy	Segment activities (sector initiatives, landmark projects) Delegate responsibilities Pro-forma strategy
<b>Governance pattern</b>	Informal	Clear distribution of tasks and responsibilities Possibly creation of central LED agency	Emerging formalisation
<b>Monitor and Evaluation pattern</b>	None	Informal	Emerging formalisation
<b>Reward system</b>	Excitement Personal motivation	Discipline and suffering Salary	Identification with project objectives Latitude of decision-making
<b>Crisis</b>	Fragmentation, lack of coordination	Exploding co-ordination efforts Increasing number of LED professional = rising fixed costs Time and energy consuming strategising efforts De-motivation of volunteers	Network failure

Source: Meyer-Stamer 2003(b):19

The significant emphasis on partnerships and collaboration reflected in the various definitions of LED necessitates an explicit statement on who should be involved in LED efforts. The next subsection will attempt to provide this, after

which the theoretical framework for LED will be concluded with an analysis of what LED is not.

### **5.3.2 Alternative objectives of LED**

An analysis of international theory and application of LED reveals that there are three reasons why local authorities embark on the process of formulating a LED strategy. The first reason relates to development of the formal economy and local markets. This motivation is more prevalent in northern, developed nations (as well as bigger centres in South Africa) and is characterised by formal, structured LED strategies (Nel & Rogerson in Nel & Rogerson, 2005:1). The second reason arises from a motivation to develop the local community in order to address poverty and improve local people's chances of access to employment and business opportunities. This motivation is more prevalent in southern, developing nations where LED is often initiated through community efforts and an empowered local government (Nel & Rogerson in Nel & Rogerson 2005:1). The third motivation for embarking on LED initiatives is to fulfil legislative and development mandates of local government. In this regard, Meyer-Stamer states that South Africa is in a somewhat unique situation. "Whereas in other countries LED tends to be a 'voluntary' activity of local government, often born out of necessity or desperation, in South Africa it is a mandatory activity" within the constitutional framework of developmental local government (Meyer-Stamer 2003(b):2). This last motivation is explored more fully in the last part of this chapter, whilst the first two is discussed below.

Depending on the motivation for formulating LED strategy, the objectives of the strategy will vary. Comparative international research has shown that, while LED strategies in different international regions have some similarity, "different emphasis exist particularly concerning the application of pro-business or market-

led approaches on the one hand and of pro-poor or market-critical variants on the other” (Scott & Pawson and Nel & Rogerson in Rogerson 2004:2).

Where business or market development is the main motivation for LED, the objectives of the strategy are aimed at ensuring business survival, attracting investment and increasing local profits. The ultimate goal of a market development strategy is to stimulate additional economic growth in the locality. In market development strategies, the private sector often takes a leading role in drafting and implementing the LED strategy. Various goals may be pursued, including cost minimising strategies and addressing failures in the local market.

“Cost minimising strategies aim to attract new business to the area by reducing business costs” (Blair & Carroll 2009:144). However, smaller localities may face a problem in competing with the cost structures of bigger centres or that developing countries may offer significantly reduced cost to actively attract business to the area (e.g. China) (Blair & Carroll 2009:144). Strategies directed as addressing market failures acknowledge that implementing a free market system will not necessarily deliver the best economic system. Hindson and Vicente point out that:

Market failure is generally understood as a situation in which free markets (those not encumbered by government intervention) fail to deliver the most efficient allocation of resources. This may be due to productive or allocative inefficiencies. It may be caused by a range of factors including externalities (divergence of private and public costs), imperfect information, the public or quasi-public nature of goods..., market power inequalities, factor immobility... and inequitable outcomes. (Hindson & Vicente 2005:9)

Other examples of market failure include:

- the unavailability of trustworthy business advice and information to improve business productivity;
- a lack of R&D investment, as the benefits of a break-through are lost somewhat to copycat firms;
- insufficient availability of venture capital as lender policy prevents funding potential high return, but high risk ventures;
- low property values that deprive potential borrowers from meeting collateral requirements;
- lack of qualified, experience people necessary for visionary planning and realising entrepreneurship opportunities;
- insufficient training of employees for fear of losing them to other companies;
- the unavailability of suitable land for development, due to zoning restrictions or private owners asking inflated prices; and
- low exchange of information between local stakeholders as a result of high unemployment and poorly functioning social networks.  
(See OECD 2005:43,179 and also Bartik 2003:13)

Within the South African context, one example of market failure is the racial composition of the unemployed, where the majority of unemployed are black citizens, and expressed in percentage, also the racial group with largest unemployment statistics. The situation is somewhat explained by changes in the global market and the demand for goods and services during the late 1980s that encouraged the adoption of information technology and machinery in South Africa. The result was that different sectors of the labour force were marginalised, based on “their skill and ability to find employment in sectors that are competitive in the global economy” (Tomlinson 2003:14). Citing reports in the Business Day during September and October 2000, Tomlinson summarised the reports in “a million mostly unskilled jobs were lost between 1993 and 1997, offset against

60,000 new skilled jobs and about a million informal sector jobs (77% of which earn less than \$140 per month). One million jobs represent over 10% of the formal sector labour force” (Tomlinson 2003:114). The final outcome of the economic changes after sanctions and joining the World Trade Organisation was a strengthening in sectors dominated by white and Indian workers, who were mostly employed in the skilled sector and thus suffered fewer job losses, while those dominated by black and coloured workers weakened (Tomlinson 2003:114).

Where market failure occurs, the chances that the situation will improve or correct itself without direct intervention by government are very slim. Correcting market failure, sometimes caused by government failure, involves the creation of “regulations or official behaviours that create excessive transaction costs and risks” (OECD 2005:236). Therefore, market manipulation and government intervention in the free market should be carefully considered and should be justified with results that clearly show an improvement to the baseline situation, to prevent the creation of further problems and skewed markets.

Pursuing economic development at all expense is not a viable option for sustainable development of the locality. LED strategies should promote an improvement in local living standards. Economic growth indicators, such as additional job opportunities, may provide “a skewed indicator of economic development if low-paying jobs are primarily created, leading to lower per capita incomes for residents in the area” (Blair & Carroll 2009:144). In line with this argument, a second or alternative aim of LED is community-based development and poverty reduction. Where this focus is the main motivator behind the LED strategy, the strategy will focus on creating job opportunities; improving the employability of the community through education; and improving access to resources. Blakely regards the stimulation of local employment opportunities in sectors that improve the community through the use of existing resources as the primary goal of LED (Nel 2001:1005). This focus often dominates the approach

of developing countries to LED, where the “core focus of LED planning ... often [is] on issues relating to community-based development, small enterprise development and locality development” (Zaaijer & Sara; Helmsing & Nel; and Rogerson in Rogerson 2004:3).

Blair and Carroll (2009:144) describe the rationale behind human development strategies as creating a high-quality labour force that may result in the creation of high-paying additional jobs leading to higher per capita income for local residents. However, a development plan that excludes the low skilled population by focusing only on creating skilled jobs is not appropriate to the current South African context. “Job training works best in a job growth environment or when an employer needs workers with skills that are not available among the unemployed persons in the community” as new trainees are readily absorbed into existing vacancies in the labour market, instead of just replacing an existing competent person resulting in a zero-sum net employment gain for the locality (Blair & Carroll 2009:144).

While the importance of pro-poor policies cannot be disputed in the developmental country context, pro-poor policies, as the name implies, are more interested in ensuring that the benefits of economic growth reach the poor, than in the creation of additional economic growth. It is, once again, not a sustainable approach to local economic development if applied divorced from economic growth strategies or from the broader economic context within which it is applied.

One attempt to reconcile the alternative aims of LED in South Africa is the REED (Rural Economic and Enterprise Development) framework developed by GTZ (the Deutsche Gesellschaft für Technische Zusammenarbeit). The aim of the REED framework is to develop appropriate ‘pro-poor’ local economic and enterprise development policies and interventions that will enhance economic development outcomes in a developing context. “The application of the Rural Economic and Enterprise Development (REED) framework will provide guidance

on pro-poor public policy and institutional support at local and national government levels specifically in South Africa.” (NRI 2004:1) Within this pro-poor focus, the framework provides 10 cornerstones for fostering rural and economic development, namely:

- An enabling environment that provides for an attractive investment climate and fosters dynamic entrepreneurship
- Adequate leverage processes and structures to address local needs
- Active private sector institutions and linkages
- Functioning and effective infrastructure (hard and soft)
- Access to integrated and open markets
- Access to effective and efficient support services and resources
- Adaptive management capacity and entrepreneurial competence within business and enterprises
- Local organisations, groups and associations (representing the poor) as building blocks
- Active participation in and ownership of development processes by well-linked stakeholders
- Ongoing learning from success and failure by all stakeholders (GTZ 2003:5).

The 10 cornerstones contain elements of both a market-driven and a community-driven approach to LED, which is appropriate to the developmental context and more sustainable in terms of development theory.

Research conducted by Nel and Rogerson and Gibb on LED efforts in South Africa over the past 10 years concludes that LED pursues both business development, and community development. Table 5.2 below depicts the goals and core focus of LED in South Africa, based on the extensive case study research of Nel, Rogerson and Gibb.

**Table 5.2: Goals and core focus of LED in South Africa**

<b>Goals of LED</b>	<b>Core focus of LED in SA</b>
Job creation	Development of partnerships
Empowerment	Promoting economic sustainability
Pursuit of economic growth	Job creation
Sustainability in the global market	Improved well-being at local level
Community development	Social capital development
Restoration of economic vitality	Specific skills training
Diversification	
Establishment of "locality"	

Source: Adapted from Nel & Rogerson in Nel & Rogerson (eds.) 2005:4, 10, 11 and Gibb in Nel & Rogerson (eds.) 2005:148 )

A survey undertaken by Nel and Binns in 2001/2 (see Nel & Binns 2003:170-171) to establish how the newly demarcated municipalities perceived their roles, found that 51% of the 87 municipalities that responded (from a total of 237 local and metropolitan authorities) identified prevailing levels of unemployment as the main reason for initiating LED. Business closures was cited by 18% and 23% cited the need to stimulate local economy. "Less important reasons included economic decline, poverty and the need to co-ordinate local initiatives." (Nel & Binns 2003:172).

The analysis of the various motivational forces behind LED initiatives presents the following two conclusions. First, although there are differences in the objectives of LED, these should not be regarded as mutually exclusive, but should rather be merged for a more sustainable development focus, where market-driven strategies create growth and community-driven strategies promote equal access to the benefits of growth. Secondly, the objectives provide scope for a broad range of initiatives under the LED label, including interventions that promote economic growth and business success; generic locality development

interventions; social development interventions; and interventions that enable the efficient governance and management of development in a locality. This needs to be explored further, and will be the focus of the next chapter (Chapter 6).

### **5.3.3 LED misconceptions and problems in practice**

A discussion of the objectives of LED also necessitates a discussion of what LED is not. This subsection briefly looks at common misconceptions about and problems with LED, especially those prevalent in developing countries.

One misconception that occurs frequently is that LED implies government initiating and managing job creation projects. “LED is often identified with small projects with an extremely limited impact which address marginalised groups of persons” (Meyer-Stamer 2003(b):2). Although local job creation is a vital objective of a LED strategy, government is not in the position to directly ensure job creation outside of the public sector, although they may indirectly influence opportunities created in the local job market. The misconception, however, prevails among communities, politicians and even government officials, that local government should create jobs for the unemployed. One example of this can be found in the *Local Government: Municipal Planning and Performance Management Regulations* (2001:9-10), which states as one of the seven national indicators of local government performance the “number of local jobs created”. Another example is found in the critique by Hindson and Vicente (2005:3) on the LED 2005 guidelines, which state that:

[D]uring the first decade of democracy, the focus of municipal LED initiatives was on community economic development projects, many of which proved economically unviable and had no lasting impact on poverty reduction. Cooperation between government, local businesses and the voluntary sector was often weak or inexistent and non-state actors felt sidelined from most government initiatives.

A prime illustration of the inefficiency of these development projects is found in the work of Tomlinson on the apartheid government's regional industrial decentralisation programme which paid higher subsidies to employers than the actual wage paid to the labourer – thereby making “job-creation” a profitable industry on its own (see Tomlinson 2002:113). In clearing up expectations and perceptions on LED and job creation it is important to emphasise again that LED is for the most part not about job creation, but rather about creating the enabling environment and providing strategic direction for economic development to take place, which, in turn, will (hopefully) contribute to local job creation.

A second common misconception is that “LED tends to be conceptualised as part of a social policy and an affirmative action agenda” (Meyer-Stamer 2003(b):2). This point of view is illustrated by the following statement that is not uncommon in development debates: “It may be more useful in a South African context ... to think of local development rather than merely local economic development” (Simon 2003:139). A distinction between economic and social development policy is important, as the target groups of the two policies often differ. “Community development is about supporting and empowering the weak and disadvantaged, whereas LED is about business and competitiveness” (Meyer-Stamer 2003(a):9). As discussed in the previous subsection regarding the objectives of LED, it is clear that the distinction between economic and social policy is not always absolute. Meyer-Stamer (2003(04):10) concurs that “the distinction between economic development and social development is less straightforward than one might expect [and that] .... both economically- and socially-driven approaches to local development are highly important”. This is nicely illustrated in the matrix presented in Table 5.3, below, that contrasts typical interventions under the auspices of economic or social policy and as part of business promotion or employment promotion. The synergy between the interventions is clear, despite the classification distinction of the matrix.

**Table 5.3: Economic vs social policy, business vs employment promotion**

	<b>Business promotion</b>	<b>Employment promotion</b>
<b>Economic policy</b>	SME promotion Promotion of entrepreneurship Investment promotion	Skills development Re-skilling and ongoing training Labour market information systems
<b>Social policy</b>	Support for “informal sector” (subsistence-oriented micro-enterprise)	Unemployment benefits Food for work

Source: Meyer-Stamer 2003(a):10

This overlap, and the constitutional objective that merges social and economic development, may, in practice, render it impossible to separate economic and social policy completely in the LED strategy of a local government. The LED strategy is part of the broader Integrated Development Plan of the municipality, however, where the balance between economic and social development should be established. This leaves the focus of LED on economic development, within the context of supporting social policies that may also impact on, or be affected by, the LED strategy. Deviation from this focus leads to vague economic development plans that struggle to obtain buy-in from critical role players (such as the business sector) and thereby become unsustainable in the long run.

In addition to the misconceptions on LED, there also are problems in practice that further hinder success and the delivery of positive outcomes. State failure, where municipalities are unable to govern and manage LED, is one problem. Hindson and Vicente (2005:9) explain that certain inherent factors to government, including the hierarchical nature of the organisation and human capacity shortages, may cause such state failure. This places a serious question on government’s ability to drive LED initiatives. Nel and Rogerson’s (2005) research in smaller South African towns shows incidence of state failure in terms of formulating or selecting sustainable LED projects; obtaining the necessary

buy-in and support from other role players; and assigning the necessary resources and staff to manage LED. Table 5.4 below summarises the challenges in each of these aspects.

**Table 5.4: Challenges of local government-driven LED initiatives**

<b>Problems relating to LED projects</b>	<b>Problems relating to participation in LED</b>	<b>Problems relating to internal capacity of the municipality</b>
<p>High failure rate of LED initiatives</p> <p>LED Projects tend to have a “life-cycle” and is not sustainable</p> <p>Economic sustainability underemphasised in planning phase</p> <p>Dependency on grants</p>	<p>Politicisation of development override common good</p> <p>Limited private sector involvement</p> <p>Difficult to sustain community-focused projects</p>	<p>LED is an unfunded mandate and therefore not implemented as legislated</p> <p>Lack of training, facilities and funds</p> <p>Little pro-poor planning</p> <p>Inadequate facilitation support</p>

Source: Adapted from Nel & Rogerson 2005:12

The findings from Nel and Rogerson are confirmed and expanded on by the World Bank-Netherlands Partnership Program (BNPP) study ‘Evaluating and Disseminating Experiences in Local Economic Development (LED) with emphasis on their relevance to poverty reduction and applicability to low income countries’ (2005). This study entailed a literature review, a survey of the top urban and regional centres in the country, and twenty case studies. It found that “despite the considerable thrust to give priority to LED in South African local government, there is still very fragmented and patchy delivery in programmes and projects” (BNPP 2005:8). Main problems relate to:

- different views on the focus of LED as either pro-poor or pro-market focused
- “a legacy of support for unsustainable, low skilled community projects which has negatively impacted on perceptions of the efficacy of LED”

- “limited private sector involvement in poverty relief projects”
- the devolution of power and mandates for LED to local municipalities which often lack the skills and capacity required to manage the responsibility
- LED being regarded as an unfunded mandate as it entails significant devolution of responsibility divorced from the financial quid pro quo necessary to manage the LED support function appropriately
- despite the real economic growth found in pro-market supported ventures, the challenge is to ensure pro-poor employment and development spin-offs from these successful ventures
- LED is perceived as marginal to the mainstream basic services delivery mandate of local government and is therefore not awarded the necessary staff and other resources (BNPP 2005:8).

The BNPP concludes that there is “an essential dichotomy between sophisticated pro-poor policy on the one hand and very real operational difficulties on the other and a tendency in many local governments to rely on pro-growth initiatives in which the private sector are more likely to participate” (BNPP 2005:8).

Fray (2006), from the oversight perspective of the provincial Department of Provincial and Local Government, presents the challenges of LED implementation in a municipality as:

- capacity constraints in (terms of) human resources and skills. This stands in stark contrast with Bartik’s findings in the USA where “local government staff who devote a majority of their time to economic development average 2 to 3.5 staff persons per 100,000 in the local population (2003:3). In smaller local governments in South Africa, LED is often an “add-on” function to either the IDP or planning and development officers in the municipality.
- existing LED strategies and plans (are) not linked to the local reality

- lack of participation of important stakeholders in the design of LED strategies and plans
- lack of clear strategies to deal with the informal economy
- no direct support from sector departments
- a welfarist approach to local economic development
- supply-side approaches to dealing with communities/ Local Government
- projects lacking financial viability, and
- National and Provincial Government Spheres parachuting into localities (Fray 2006).

State failure and the capacity problems of government may be overcome by drawing on non-state sources in implementing LED. Referring back to the formulated definition for LED, it is both the independent and collaborative efforts of government, non-government or private sector actors to promote and expand economic activity to enhance development and welfare. It is thus necessary to identify the various stakeholders and role players in LED and the roles that they play.

#### **5.3.4 LED stakeholders and role players**

Helmsing states that “LED is a multi-actor affair....There are important investment complementarities within the private and community sectors and between the public and private agents, which when properly managed, can result in important economic gains and external benefits that otherwise would not be forthcoming” (Helmsing 2003:74). These three sets of actors, government, non-government and the private sector, each have a vital role to play in ensuring the success of the final LED strategy.

In terms of the public sector, Helmsing (2003:67) warns that the general local economic context has been drastically changed through structural adjustment

and market liberalisation. The result is that government is no longer the main organising factor of the economy and should acknowledge the role especially of the private sector in ensuring economic growth and prosperity. This, however, does not mean that government has become redundant in shaping economic policy. In fact, government administration at all levels may have little say in dictating their role in terms of economic development, as political decision-makers who “have to deliver economic development to create jobs and income for their constituency” (Meyer-Stamer 2003(a):12-13) determine the objectives to be pursued. Within this context, what then is the role that government should play?

Nel proposes the role of government as “facilitating, supporting, part-financing and devolving control” (Nel 2001:1006). Local government, and especially local leadership (councillors), should take the leading role in facilitating discussions and cooperation between the main actors and stakeholders in the local economy. Local government should also enhance synergy in development by “coordinating its public investment programme with needs and investment priorities of communities and private firms” (Helmsing 2003:74).

Apart from these facilitative roles, there are also more direct roles that local government can play to promote local economic development. While “most local authorities spend a minor fraction of their budgets on direct economic development support...[what is more] important, however, is the manner in which they discharge their main functions and realise their significance as a source of economic opportunity and a service enhancing or inhibiting enterprise development and competitiveness” (Helmsing 2003:75). In a consultancy study conducted by Ackron it is actually proposed that LED is not a separate function to be placed in one unit of the municipality, but rather that it is a cross-cutting function that runs throughout all other programmes of the municipality. LED thus becomes not something that is independently implemented, but rather a vehicle or goal for the other functions of the municipality (Ackron 2010).

Appropriate and timely infrastructure development, efficient, reliable and accessible basic services, the allocation of public contracts and coordinated health and education services in the area will have a major impact on the local economy – benefiting both business and the broader community. In addition, local government should actively try to make it easier for local entrepreneurs and businesses to start and expand economic activities in the area through the reduction of red tape and the adoption of a pro-business or business-friendly approach. Here, municipal officials should take the leading role, but as they tend not to “have business experience” (Meyer-Stamer 2003(a):12-13) government procedures often hinder business development. In fact, one very negative perception is that “companies interact with local government because they have to, not because they want to. Local Government is primarily perceived as a problem by companies, not as a source of support” (Mesopartner 2005). Lastly, local government should also actively pursue relations with academic and research institutions that provide critical support functions to LED interventions (Bartik 2003:41).

The second set of actors that must be involved in LED to ensure its ultimate success is the private sector, including both organised and informal business. “The success of local economies depends heavily upon their capacity to establish and maintain effective linkages with dynamic centres of the global economy” (Hindson & Vicente 2005:14). However, it may not be an easy task to get the respective role players to discuss co-operative strategies as “local producers find it difficult to combine competition with cooperation” (Helmsing 2003:75). Bartik (2003:39-40) describes the advantages of LED in collaboration with the private sector as the availability of additional funding and more strategy choices (some which are prohibited under law for the public sector). However, he warns that if the local government is financially contributing to the LED effort, the advantages of the development must justify the public expenditure. This requires a delicate balancing act between public and private interests in the public-private

partnership. As a role-player in LED, the private sector brings critical elements to the table, such as:

- As most of the productive resources in the area are controlled by the private sector, their buy-in and support of the LED strategy will ensure that these resources will be managed in a manner that promotes the objectives of local economic development.
- The private sector often has access to more financial resources and more freedom in how they apply these resources. Attaining access to these resources will provide the necessary viability to physical and human development projects. However, businesses will mostly support those strategies and interventions that provide them with direct opportunities for greater profit. It may prove a significant challenge to convince business to invest in strategies that will improve the general economic environment and provide only indirect return on investment. An associated challenge is the short time frames within which the private sector operates as opposed to the longer time frames associated with development. “For a business, LED is only attractive if it leads to visible improvements within a short period of time” (Meyer-Stamer 2003(b):11).
- The private sector brings in business sense and experience to LED projects, skills often lacking in the other actors in the process. However, Meyer-Stamer warns that “business associations and chambers in developing countries often are little more than clubs of businesspeople, with little in terms of professional capabilities and services for member companies” (Meyer-Stamer 2003(a):12-13). The critical expertise needed for LED may therefore not always be found in the local business chamber, but needs to be actively sourced from the greater business community.
- Business associations, chambers and other collective actors may also contribute to locational quality by simply doing a good job, i.e. to be agile; in close contact with member firms; and constantly adjusting to new challenges. For instance, in the case of a Chamber it means providing

efficient, good quality and constantly updated real services to its member firms, and pursuing effective lobbying (Meyer-Stamer 2003(a):27). These associations therefore play a critical part in promoting cooperation within the business community and providing value-added services to its members.

- Certain institutions in the private sector play a more direct support role in the development of the local market and environment. These include institutions involved in training; market research; economic or agricultural sector research; export and import broker agencies; technology development and extension. These support institutions may play a very direct role in LED and should be involved in the effort. Here government may co-fund the services rendered by these institutions to increase the affordability of such services to the local (business) community. However, Meyer-Stamer (2003(04):27) warns that this may cause distortion in the market. The potential benefits of an intervention should be weighed against the negative consequences of market distortion before co-funded partnerships are undertaken.

The third set of actors in the LED process comprise non-governmental and community organisations, as well as individual community members who have an interest in the process. This set of actors provides feedback on the need and problems experienced on ground level and thereby direct the LED strategy to take these needs into consideration. “In the context of markets, self-selected community groups are important....In order to strengthen their position, the formation of second and third level organisations are important....second and third tier organisations can strengthen autonomy vis-à-vis the state as well as the market” (Helmsing 2003:75). The advantages of community development organisations are that they provide an effective communication medium for community needs; they are better placed for involving potential future entrepreneurs in the relevant intervention; they are well placed to assist with selecting and training of community members in job placement interventions; and

sometimes may be able to source additional funding for LED efforts for the locality (Bartik 2003:40). Involving the community enhances the legitimacy of the final LED strategy; more importantly, it provides feedback to the community on the focus areas of business. In this way, community members and informal business can prepare for upcoming opportunities in the business and labour market.

To conclude, the three sets of actors in the LED process may not be involved to the same degree in all the phases of the LED. However, it is critical that these role players work together in designing the overall LED strategy. Participative formulation of a local development strategy integrates the viewpoints of different stakeholders. "It identifies overall local development priorities, defines strategic issues and related action programmes, both for public and private sectors" (Helmsing 2003:74). This ensures that the potential benefits of LED reach all stakeholders and not just the powerful at the expense of the most vulnerable.

This concludes the theoretical framework for LED. The focus now turns to the mandated and assumed roles for the various spheres of government in South Africa in promoting local economic development. As this study is located in the public sector domain, it is of utmost importance to analyse the roles and responsibilities of the state in promoting LED. The remainder of this chapter will focus specifically on the policies that govern LED and the deduced responsibilities of various spheres of government in promoting LED in South Africa.

#### **5.4 LED policy framework in South Africa**

There are numerous policies, laws and official documents that provide guidelines to the role of local government in social and economic development. This section provides a brief overview of the main focus and intent of the documents to inform

the subsequent delimitation of the envisioned and mandated role of local government in LED, as well as of how this relates and differs from the government spheres.

#### **5.4.1 Overview of LED policies and legislation**

Local economic development in South Africa is implemented within the context of the national policy frameworks for macro-economic development and supportive policies that promote the notion of the developmental state at local level. This section provides a brief introduction to the national economic development policy framework since democracy before describing the policy framework for developmental local government in general, and the policies guiding local economic development in particular.

##### **5.4.1.1 National economic development policy framework**

LED takes place within the broader national economic development policy framework. Ackron (2002:1) traces the awakening interest in LED in South Africa to statements in the 1994 Reconstruction and Development Programme (RDP) that recognised that “development is much more than merely the expansion of aggregate income and wealth” and that, while economic growth is a critical part in development, it is not sufficient in itself. “The matter of how that growth is generated, who participates in economic processes and where its benefits are ultimately bestowed are crucial if economic growth is to translate into social benefits for the community at large” (Ackron 2002:1). Specifically, the RDP referred to the establishment of “broadly representative institutions ... to address local economic development needs. Their purpose would be to formulate strategies to address job creation and community development” (in Tomlinson 2003:114). Although envisioned to be led by government, the objective of these institutions was to provide for a “wide-ranging consultative and participatory

process for the preparation of LED strategies” (Tomlinson 2003:115). Together with the facilitation role, the RDP also maintained a strong community economic development focus with “programs to support and sustain emerging (black) informal and very small enterprises that, together with public works programs, were intended to foster job creation” (Tomlinson 2003:115).

The implementation of LED was greatly influenced by South Africa’s GEAR (Growth, Employment and Redistribution) macro-economic strategy for 1996 - 2000. “Essentially a self-imposed structural adjustment program, (GEAR) is a response to South Africa’s joining the World Trade Organization and is intended to promote the country’s export competitiveness” (Tomlinson 2003:115). The strategy “aimed to accommodate the forces of globalisation and ...ensure... re-entry into the global economy, making South Africa more attractive to international investors, enhancing the role of the private sector and reducing the role of the central state” (DPSA in Rogerson 2004:5). This forced local governments to reconsider their role in promoting growth while dealing with global influences. Attempts are now made to “ensure that economic development is not merely the consequence of traditional local government activities (regulation, service provision, infrastructure maintenance and planning). Rather, economic development has become a guiding rationale behind the myriad of existing, and host of new, responsibilities” (Hall & Robbins in Rogerson 2004:5).

The National Framework on Sustainable Development (NFSD) provides the strategic priorities to create a sustainable society. It provides five priorities, namely:

- Enhancing systems for integrated planning and implementation
- Sustaining ecosystems and using natural resources efficiently
- Economic development through investing in sustainable infrastructure
- Creating sustainable human settlements

- Responding appropriately to emerging human development, economic and environmental challenges (DWEA 2010:8).

The draft National Strategy on Sustainable Development and Action plan 2010 – 2014 (2010) provides the plan for creating a sustainable society. It seeks to implement the National Framework on Sustainable Development (NFSD) by specifying the strategic goals and interventions required in terms of the strategic priorities reflected in the NFSD. In doing so, it reformulates the 5 NFSD priorities and provides goals, interventions, targets and indicators for responding to (a) climate change; (b) effecting a green economy; (c) creating sustainable human settlements; (d) sustaining ecosystems and using natural resources efficiently; and (e) enhancing governance systems and capacity (DWEA 2010:12). These goals, interventions, targets and indicators bear relevance to local governments formulating their LED strategies, as these must support the national strategy. Perhaps most relevant are the interventions for effecting a green economy (which include increasing the contribution of the environmental goods and services sector in employment and GDP; reducing the resource intensity of the economy and promoting cleaner technologies; investing in sustainable infrastructure and promoting sustainable livelihoods; and building local economies (DWEA 2010:20)) and the interventions for building sustainable communities (which include enhanced special planning; universal access to basic and community services; improved quality of housing; better self-sufficiency; food security and equitable access to natural resources; and improved equity, security and social cohesion (DWEA 2010:21)), as well as the specific LED interventions in pursuit of these aims presented in Table 3.3 (DWEA 2010:23) of the Action Plan.

#### **5.4.1.2 The policy framework for developmental local government**

Economic development is one aspect of the greater developmental role that local government should achieve. The expanded expectations of local government are reflected in The Constitution of South Africa (Act 108 of 1996), which specifies the objects of local government as:

- Providing democratic and accountable local government
- Providing sustainable services
- Promoting social and economic development
- Promoting a safe and healthy environment, and
- Encouraging the involvement of the community in governmental matters (RSA 1996: Section 152).

It goes on to state that a municipality must “structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community” (RSA 1996: Section 153). This places South Africa in a somewhat unique situation. “Whereas in other countries LED tends to be a ‘voluntary’ activity of local government, often born out of necessity or desperation, in South Africa it is a mandatory activity” within the constitutional framework of developmental local government (Meyer-Stamer 2003(b):2). This, especially, becomes worrisome when analysing the available powers delegated to local government as set out in Schedule 4, Part B of the Constitution. These touch on LED only tangentially, for example, in regard to local tourism, municipal airports, municipal planning, trading regulations, beaches and amusement facilities, billboards and the display of advertisements in public places, local sport facilities, markets and street trading” (Tomlinson 2003:118). While local government needs to pursue the objective of economic development, it is provided with limited means to do so.

The objectives of the RDP and the Constitution are described more comprehensively in the White Paper on Local Government (1998) that stresses the developmental duty of local government. “Developmental local government is local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives” (RSA 1998:17). The White paper defines developmental local government in terms of four interrelated characteristics, namely maximising social development and economic growth; integrating and coordinating the efforts of various agencies through a clear vision and leadership; democratising development by actively promoting participation in government processes; and leading and learning to find sustainable solutions to development problems (RSA 1998: Section B 1.1-1.4). Local economic development is specifically mentioned as one of the outcomes of developmental local government. In this regard the White Paper states:

Local government can play an important role in promoting job creation and boosting the local economy. Investing in the basics – by providing good quality cost-effective services and by making the local area a pleasant place to live and work – is the key starting point. However, two other types of initiative are important [namely] reviewing existing policies and procedures to promote local economic development [and providing] special economic services (RSA 1998: Section B 2.3).

Sections 2.3.1 and 2.3.2 of the White Paper refer specifically to the following actions that local government may take to enhance economic development:

- Revising procurement procedures to maximise job creation
- Applying principles such as labour intensity and affirmative action to give preference to local suppliers and small businesses
- Providing targeted information and training to emerging business
- Allowing exemption from large securities

- Simplifying rezoning and building/development applications to reduce bureaucratic procedures
- Establishment of a spatial framework to provide clear guidelines for development
- Establishment of user-friendly one-stop shops for account and service management
- Provision of marketing and investment support to attract and secure potential investors
- Provision of small business support services to assist small entrepreneurs
- Provision of targeted assistance in terms of research and technology to high-growth potential economic sectors
- Provision of training and placement services in association with the Department of Labour (RSA 1998: Section B, sections 2.3.1 & 2.3.2).

It is with the provision of specialised economic services that serious problems arise, as illustrated by the discussed practical problems that manifest in local government in South Africa. Without the specialised skills and additional resources, it is seldom possible for smaller centres to provide these specialised services, while bigger centres are able to cope better due to their larger budgets and tax base.

In giving effect to the White Paper on Local Government, the Municipal Systems Act (Act 32 of 2000) describes the instruments and processes for bringing about developmental local government. The most important of these is the Integrated Development Plan (IDP) which every municipality must adopt in consultation with its residents. The IDP is a five-year comprehensive plan for the development of a local area and includes the long-term vision; the current level of development; development priorities; needs and objectives; and, finally, the development and operational strategies and spatial framework for the area (DPLG (4) 2000:4-5). Section 26 of the Municipal Systems Act (Act 32 of 2000) lists the core components of a municipal IDP, referring specifically to the council's

development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs (RSA 2000:38).

In terms of this, LED becomes one of the key outcomes that a municipality's IDP should work towards. However, the IDP focus on addressing scarcity leads Zaaier to warn that the IDP is first of all a social and welfare programme, and the objectives are not necessarily based on economic or business principles. The economic development component of the IDP is often limited only to infrastructure and buildings, while excluding other essential LED interventions like business networking and business development service programmes (Zaaier & Sara in Nel 2001:1005). Therefore, the IDP cannot replace local economic development planning as "a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each-other, to create new jobs and stimulate economic activity in an economic area" (Zaaier & Sara in Nel 2001:1005). Despite this, many local governments still regard their IDP plan as their LED plan as well, perhaps the result of misunderstanding that economic development needs special attention to enable economic growth and supportive social and human development.

#### **5.4.1.3 The policy framework for local economic development**

Simon (2003:128) states that the South African government's LED policies of the late 1990s strived toward a "neo-liberal conceptualisation and vision" of LED mostly embraced by developed countries. However, this was "generally insufficiently modified to local conditions ... or flexible enough to accommodate" (both) small, rural settlement (and) aspirant world cities". Confusion on LED roles and responsibilities was exacerbated by a lack of clear policy statements of legislation on LED. "Despite the great attention paid to LED, the many

government publications and the president's commitment to LED, there is presently no legislation that supports LED" (Tomlinson 2003:118). Several years later this is still the case. The previous Department of Provincial and Local Government (DPLG) published an LED manual in 2000, an LED discussion paper in 2001 and an LED guideline in 2005 which differed vastly from the first paper in terms of the general aims, objectives and strategies that a locality should adopt in pursuing local economic development. The National Framework for Local Economic Development (LED) in South Africa (2006 – 2011) in 2007 issued aims to support the development of sustainable local economies based on the content of the Constitution, Local Government White Paper and legislation, and previous LED guidelines and discussion papers. In 2009 the DPLG changed to the Department: Cooperative Governance and Traditional Affairs (COGTA) that issued a Turnaround Strategy for local government in 2009. The focus of the documents is briefly discussed here.

The DPLG LED Manual of 2000 states that "the aim of LED is to create jobs, alleviate poverty, and redistribute resources and opportunities to the benefit of all local residents" (in Tomlinson 2003:115). Tomlinson, however, states that "it is difficult to imagine how redistribution will be to the benefit of all local residents" as the focus of the document is clearly the poor (Tomlinson 2003:115). In the same year, however, the DPLG published the Local Economic Development Manual Series, a series of five manuals on LED. In the second volume (Strategies and Instruments: Transforming Localities), the DPLG adopts the conventional market-driven objectives for LED, namely:

- industrial recruitment and place marketing;
- small, medium and micro-enterprise promotion and support;
- community economic development;
- export promotion; and
- business retention and expansion (Tomlinson 2003:118).

The 2001 LED policy discussion paper adopted a pro-poor community development perspective for LED in South Africa. The policy document entitled 'Refocusing Development on the Poor' (2001) aimed to place the needs of the poor in the centre of development through community economic development; municipal infrastructure service delivery; human resource development; and promotion of local enterprises by means of the IDP processes (Hindson & Vicente 2005:3). "The pro-poor LED policy (is) focused primarily at meeting the unmet basic needs of the community, including employment" (Policy guidelines section 1.1.2. in Tomlinson 2003:115). The 2001 policy document was widely criticised for its failure to address the effects of economic globalisation faced by formal business; linkages between growth in the formal sector and the underdeveloped economy; and the core issues of market and enterprise development (Hindson & Vicente 2005:4). In interpreting the Department of Provincial and Local Government's 2002 draft LED policy, Meyer-Stamer (2003(04):8-9) concluded that the Department viewed LED as "bringing together employment policy, urban development policy, rural development policy, social policy, family policy and health policy. The E in LED, i.e. Local Economic Development, is marginalised." Even from a development perspective, Rogerson concluded, the strong pro-poor focus of the policy was rhetoric and not always implemented in practice (Rogerson 2000:408), where capacity problems undermined the pro-poor focus of LED and rather supported the market-driven interventions that are more readily supported by the local private sector.

The second LED policy guideline entitled 'Policy Guidelines for Implementing Local Economic Development in South Africa' and issued at the end of 2005 addressed poverty and economic development from almost the opposite perspective. It firstly rejects the concept of community economic development and places enterprise development with broad-based black economic empowerment (BBBEE) as the main focus of the LED policy. It advocates for a shift away from an "isolated project-based approach" to LED to rather support productive networks of enterprises linked to broader initiatives and markets

(DPLG 2005:4). The central focus of LED must be “creating an ideal environment for private sector investment through appropriate public sector investment” (DPLG 2005:5). LED interventions are to be based on real needs and competitive advantages of the locality and promote enterprises that are “job creating, promote environmental and ecological sustainability, promote social development” and support broad-based black economic empowerment (DPLG 2005:4-5). It further advocates for a “government-wide approach to development and supporting robust and inclusive municipal economies” by aligning national and provincial spatial plans with local IDPs (DPLG 2005:5).

The 2005 Guidelines focus specifically on integrating the first and second economy and emphasises territoriality and competitiveness in creating a local competitive advantage (Hindson & Vicente 2005:5-6). The emphasis placed on the second economy may be the effect of the President’s opening of parliament speech in the same year, which advocated measuring the success of the growing economy not only in terms of the profits rendered to investors and the number of skilled jobs created, but also to the extent that these benefits accrue to those marginalised in the Second Economy (Mbeki 2005). As the opening of Parliament is an opportunity for priorities to be defined and an instruction to focus attention on particular areas of national priority (Jewison 2003:368), the State of the Nation Address would have influenced the DPLG policy as well as a guideline for LED strategies formulated and adopted by local governments.

The document also tries to explain that, while LED is not listed as a function of the municipality in the constitution, municipalities play a facilitative role in connecting and synergising local resources in the locality to promote LED (DPLG 2005:9). As such, municipalities should “focus on establishing forums to build partnerships and network with a range of stakeholders” (DPLG 2005:9). Importantly, it advises that “LED should not be viewed only as a programme”, as everything that a municipality does impacts on the local economy (DPLG 2005:10). Bearing this in mind, different programmes aimed at infrastructure

development, procurement and social and human development can all be used to steer local economic development in the desired direction.

The strongest critique against the 2005 Guidelines is that it placed the central government, and to a lesser extent provincial government, at the centre-stage for driving local economic development through national initiatives and funding:

It gives to [central] government the driving role in LED....It presupposes that the central state is in the best position to 'analyse, quantify, package and communicate opportunities' to all other actors. This is in stark contrast to the rationale for LED, which is that local players are best positioned to assess local needs and opportunities. (Hindson & Vicente 2005:32)

"This approach runs counter to some important international trends, in which LED promotion is closely associated with political decentralisation, in which local actors and local resources are given centre-stage" (Hindson & Vicente 2005:6). Tied to this, a second point of critique was that the role of critical role players in the LED process, namely "business and business associations, communities, CBOs and NGOs and specialist service providers", were not clearly specified (Hindson & Vicente 2005:36).

The 2007 National Framework for Local Economic Development (LED) in South Africa (2006 – 2011) aims to support the development of sustainable local economies based on the content of the Constitution, Local Government White Paper and legislation, and previous LED guidelines and discussion. The framework is guided by ten principles that delimit government's approach to LED. These principles include a developmental approach where:

- "government has a decisive and unapologetic role to play in shaping the economic destiny of our country";
- government should create conducive economic and social environment to facilitate the creation of employment opportunities;

- locally owned, appropriate and sustainable solutions and strategies must be developed in support of national frameworks;
- localities are connected to a global world and must manage risks and exploit opportunities at global level; and
- private companies as the “heart of the economy ... have a crucial role to play as partners” in stimulating “robust and inclusive local economies” (DPLG 2007:7) .

The framework specifically strives towards “a more strategic approach to the development of local economies and [to] overcome challenges and failures in respect of instances where municipalities themselves try to manage [a] litany of non-viable projects or start-ups”. This is to be realised by supporting “local economies in realising their optimal potentials, making local communities active participants in the economy [and] elevating the importance and centrality of effectively functioning local economies in growing the national economy” (DPLG 2007:7).

The framework identifies the primary focus of municipalities in promoting the local economy as providing infrastructure and quality services; managing spatial policies; efficient and effective land-use regulation and development applications; managing service tariff policies; managing a progressive property tax system; and marketing the territory (DPLG 2007:19). With the exception of the last function, the focus is primarily on good governance and core service delivery. It continues to explain the municipal functions such as “infrastructure development, service delivery, municipal financial viability and local economic development” are interdependent and that municipalities “should develop strategies and management practices that take on a holistic and integrated approach” (DPLG 2007:20). To this point, the document strongly supports the 2005 LED Guidelines. However, it then contradicts itself in specifying very definite strategies and main actions to promote LED specifically, which has little bearing on the generic core governance function of local government.

The framework identifies four interrelated key strategic interventions (DPLG 2007:23) in attaining the vision of robust and inclusive local economies aimed at “stimulating additional investment in local economies as a basis for sustainable growth”. The first of the strategic interventions still maintains the focus on improving good governance, service delivery, and public and market confidence in municipalities. “Municipalities will focus on providing good local governance, reliable and effective services and sound administration.” (DPLG 2007:23) The remaining interventions, however, are very definite in actively managing and steering LED through specific effort and interventions. The second intervention specifies that spatial development analysis and planning should be undertaken to identify and allow for the exploitation of the comparative advantage and competitiveness of the specific locality. “The aim should be to heighten growth in those areas growing above the national average and in the sluggish areas, and to arrest the decline of the negative growth areas by putting in place the conditions for turnaround that would point to minimum critical infrastructure investment.” (DPLG 2007:23,25) Thirdly, municipalities should “intensify enterprise support and business infrastructure development in local areas”. “Business development should be a part of the customised sector programmes and monitored. Business development interventions are linked to productivity, skills development, and technology choices. A consolidated approach to business develop should be a total package from government.” (DPLG 2007:23, 28) Finally, municipalities should “introduce sustainable developmental community investment programming” to enable moving beyond project-based community economic development to a more empowering approach that “systematically build[s] community competence and capacity” (DPLG 2007:23,29).

The document provides specific “main actions” to be taken in promoting each of these strategic interventions over the next few years, as summarised in Table 5.5. Here, the sophisticated approach to LED, not just a general governance

approach where the economic consequences are considered, becomes most evident.

**Table 5.5: Main actions per strategic LED intervention**

<b>Strategy 1</b>	<b>Strategy 2</b>	<b>Strategy 3</b>	<b>Strategy 4</b>
Improve Market and Public Confidence in Municipalities	Identify and Exploit Competitive Advantage of 52 Municipal regions	Intensify Enterprise Support in local areas	Introduce Community Investment Programming
Intensify support to municipalities under Project Consolidate	Analyse the 52 municipal economies	Implement the new small business development strategy (including promotion and support for cooperatives)	Promote community organisation through development trusts, partnerships, cooperatives, etc.
Monitor and Report on Implementation of MFMA and Property Rates Act.	Target growth sectors and industry clustering		Encourage community or third tier banking
Finalise appropriate spatial policies in IDPs linked to a municipal-wide land-use management system.	Build capability for a knowledge economy	Improve Access to Finance	Improve trading markets and ring market system
Improve infrastructure investment and intergovernmental coordination	Market the 52 Regions and their Products		Improve local multiplier of government spend
Support Municipal-Business Forums	Establish Innovative Funding Instruments		State and Social Actor Capability and Institutional Arrangements

Source: DPLG 2007:32

The 2007 LED framework is the most recent policy document specifically dedicated to LED. Following the 2009 elections and the resultant change in ministries and government structure, the functions of the former DPLG were conferred on the Department: Cooperative Governance and Traditional Affairs (CoGTA). The new department issued the CoGTA Turnaround Strategy (2009) to overcome service delivery problems at local government level. In the spirit of

cooperative governance, the main aim of the document is to distribute and delimit development responsibilities among the three spheres of government. With regard to LED, it gives local government the responsibility of developing an LED support programme that works with Ward Committees in facilitating ward-based economic planning and delivering at least one economic product per ward (CoGTA 2009:38). In 2010 the Department underwent another name change and now pursues the goal of good intergovernmental relations under the auspices of the Department of Cooperative Governance (DCoG).

The various LED policies differ dramatically in terms of what LED entails and what the focus of LED efforts should be, ranging from a facilitative governance approach, where everything the municipality do has an economic impact, to a specialised LED approach where municipalities should develop specific strategies and interventions that provide specialised support to the private sector and local communities to ensure that the competitive advantage of the area is fully exploited in an inclusive, sustainable and robust manner. The LED approach of the policies jumps from community-driven development (as prevalent in developing countries) to business- or market-driven development (as prevalent in developed countries). Although the dual focus is not inappropriate, given South Africa's dual development situation and history, it does present certain problems concerned with providing clear guidelines to local government on what is expected in terms of LED. Tomlinson concludes that:

neo-liberal policies and global competition are shaping and limiting LED, while apartheid-era inheritances lead to the LED focus on poverty alleviation and black empowerment through support for small enterprises. LED, presented as a progressive government policy, is becoming ever more marginalized. It is also my view that references to LED are becoming ever more confused. (Tomlinson 2003:113).

This is further exacerbated by another problem with the various LED policies: the division of roles and responsibilities for LED among the various government

spheres. At times, local government is seen as the main driver, with national and provincial government providing support and aligning to IDPs. At other times the ball is in the other court, with local government not in the driving seat, but seen as an implementation extension of national government priorities at local level.

Within this confusion in the policy framework, local governments are expected to turn around current service delivery and governance problems and simultaneously embark on complex and sophisticated economic planning that will enhance their locality in the context of provincial and national spatial and economic development strategies. This is presented in the absence of dedicated financial resources for LED at the discretion of the municipality, for while all of the LED policies stress the importance of financial resources, and that LED should not be an unfunded mandate, none of the policy frameworks present a solution to the financial limitations that plague most municipalities. The conclusion from this analysis is that, while government has attempted to provide clear guidelines for LED, the contradictions between and within documents will probably result in municipalities adopting LED strategies that may render little result, but provide reading material for the auditor general and possibly avoid qualifications. It is doubtful, however, whether LED strategies will lead to any real results in realising the vision of robust and inclusive economies, sustainable development and social and economic development, as depicted in the various documents. These results speak to outcomes that should be achieved, and not to specific actions or interventions that, if realised, will ensure success.

With such inconsistent policy frameworks that specify different foci, actions and responsibilities, the need for an outcome-driven approach becomes more urgent to ensure the generation of accurate information that may be used to assess which approaches and interventions are more successful. The next two chapters will therefore be focused on more specific analysis of alternative LED interventions that a local authority may pursue before developing output and outcome indicators from the underpinning logic of each intervention that can

demonstrate the results of LED. This will allow municipalities to determine success in realising the vision and strategic goals of the various policy documents while identifying which LED interventions would work best for their locality. However, in order to develop LED output indicators which respond to the administrative or functional deliverables of the municipality (from which LED outcome indicators can be derived by expanding the underpinning logic of a LED intervention), it is necessary to delimit the exact role of local government in managing local economic development from the roles of provincial and national government.

In the final part of this chapter, an attempt to clarify the role and responsibilities of local government in LED is presented, together with attempts to clarify the respective roles and responsibilities of national and provincial government, as deduced from the policies and legislation briefly presented here, as well as other relevant programmes and initiatives at national and provincial level that impact on the economic development of a locality.

#### **5.4.2 Three spheres of government: Roles and responsibilities**

The overview of LED directed policies and legislation reveals a strong emphasis on the role of local governments. Nel (2001:1018) confirms that “policy tends to assume that local government, rightly or wrongly, should be the key change-agent in localities and policy is developing along these lines, regardless of the very real difficulties which many local governments face in addressing their current responsibilities, let alone [in] taking on additional responsibilities.” In addition to the capacity challenges within a local government, LED efforts are always orchestrated within a global context and are not limited to a geographically defined jurisdictional area. It is therefore important that national and provincial government take joint responsibility, as LED cannot be effected by local government alone. Although “LED should, in principle, be locally driven and

led, there are numerous examples around the world where limited ‘top-down’ support, direction and advice can unlock local-level potential and initiative” (Nel 2001:1019, Stöhr in Nel 2001:1016). Policy makers should realise that LED cannot always be locally initiated without external support, but that independence and sustainability should be promoted to prevent an overdependence on external support (Nel 1997:291). Shared responsibility is also evident from the Organisation for Economic Cooperation and Development (OECD) publications for Local Economic and Employment Development which, firstly, recognise that several drivers of growth are not the responsibility of a single public entity and, secondly, that the drivers cannot be fuelled at national level exclusively (OECD 2005:20).

The DPLG 2005 LED Guidelines acknowledge this shared role by various spheres of government. Specifically, it states that:

[T]here are two key drivers for LED in the context of a developmental state. The first is what national and provincial government do within district and metropolitan areas (supply-side measures). The second is what district and metropolitan municipalities together with local role players do to grow the local economy (self-driven measures). These two drivers can work at odds with each other and lead to ineffective resource use and implementation. The more desirable approach and the ingredient for success is when these two drivers act in synergy (DPLG 2005:5).

The draft version of the 2005 LED Guidelines (see the draft 2003 version of the South Africa Local Economic Development Policy and Strategy as cited in Davis 2006:7, presented in Table 5.6) provided an envisioned breakdown of roles and functions of key institutions in LED. However, the final policy document contained less detail. It made national government responsible for ensuring integrated macroeconomic planning; coordinating access to funding for LED initiatives; ensuring sufficient electricity is available; and coordinating aspects of skills

development, national job creation programmes and access by the poor to the benefits of economic growth (DPLG 2005:25). The provincial government is made responsible for integrated provincial development and providing technical LED support to municipalities (DPLG 2005:26-28). Local government should ensure a conducive socio-economic environment; plug the leaks in the local economy; develop human and social capital; enhance community economic development and SMME development; identify and support business clusters and business opportunities; facilitate community participation in created opportunities; organise local actors into functional networks and business associations; establish necessary links with other government spheres; maintain a database of available support mechanisms and grants for LED; market the area and provide marketing assistance to businesses; promote local business expansion and retention strategies; encourage the formation of appropriate partnership and coalition structures; and, through preferential procurement policies, promote broad-based black economic empowerment (DPLG 2005:31).

To this daunting list of responsibilities, the CoGTA Local government 2009 Turnaround Strategy (now managed by the Department of Cooperative Governance) adds the facilitation of ward-based economic planning in association with ward committees (CoGTA 2009:38). The CoGTA strategy does place the responsibility on national government to ensure LED guidelines and oversee the process of LED in municipalities, and ascribes to provincial government the task of intergovernmental support and alignment of provincial and local economic development plans. While these are important support functions, it does not begin to address the real capacity problems that local governments face in fulfilling the tasks assigned to them in the DPLG 2005 LED Guidelines, and the practical problems that manifest during implementation as already discussed elsewhere in this chapter.

Rogerson (2008:308) in an overview of the recent LED practice and policies in South Africa concludes that after 10 years that LED has been a requirement of

local government, there is finally a definite set of instructions for their activities in the 2006 DPLG document.

**Table 5.6: The role and function of the key institutions in LED**

<i>National Government</i>	<ul style="list-style-type: none"> <li>• Provide an overall policy and strategic framework for economic development at national, provincial and local government levels</li> <li>• Provide a legislative framework for local economic development</li> <li>• Provide a framework for Provincial and Municipal capacity building and support systems</li> <li>• Support of key economic institutions</li> <li>• Support for local economic development finance</li> <li>• Monitor and evaluate local economic development at national level</li> </ul>
<i>Provincial Government</i>	<ul style="list-style-type: none"> <li>• Provide a strategic vision and strategy for integrated economic, social and community development the Provincial Growth and Development Strategy</li> <li>• Is responsible for the formulation of the Provincial Economic Development Plan that is aligned to PGDS</li> <li>• Vertical and horizontal integration of the Municipal IDPs and the district economic development strategies</li> <li>• Train and build capacity for local economic development</li> <li>• Facilitate LED financial support to municipalities</li> <li>• Monitor and evaluate role at provincial level</li> </ul>
<i>Metro and district Municipalities</i>	<ul style="list-style-type: none"> <li>• Strategic planning by means of IDPs</li> <li>• Vertical and horizontal co-ordination the preparation of district economic plans and sectorally based cluster plans</li> <li>• Implementation of the public sector component of economic intervention actions</li> <li>• Initiation of economic development opportunities when appropriate special purpose vehicles created for the initiatives</li> <li>• Management and control of local economic initiatives in accordance with the expressed role an function of the municipality</li> <li>• Monitoring and review of economic development initiatives at local government</li> <li>• District municipalities create the guiding framework for local economic development initiatives at local government level</li> <li>• Metro and local municipalities, as the owners of land and assets, are responsible for local economic development projects implementation</li> </ul>
<i>Local Municipalities</i>	<ul style="list-style-type: none"> <li>• Strategic planning by means of the IDPs</li> <li>• Participation in the formulation of the district economic development plans</li> <li>• Participation in the implementation of economic projects special purpose vehicles that are established including local government established development agencies</li> <li>• Responsible for the formulation of local municipal economic development initiatives and the alignment and integration thereof with the district development initiatives</li> </ul>
<i>Private Sector/Enterprises</i>	<ul style="list-style-type: none"> <li>• The establishment, management and operation of business enterprises to the benefit of enterprise and community at large</li> <li>• Sustainable employment creation, income generation and investment as part of the execution of the business practices</li> <li>• Capacity building of the personnel</li> <li>• Contribution to sustainable development business practices in support of the Triple-Bottom line principles</li> </ul>
<i>Labour, NGOs and CBOs</i>	<ul style="list-style-type: none"> <li>• Provide support to economic growth and development policies, strategies, and the implementation of opportunities in accordance with the expressed constitution of the organization and within the context of sustainable development</li> </ul>
<i>National and International Donor organisations</i>	<ul style="list-style-type: none"> <li>• Provides funding and economic development support and services within the legislative and institutional context of economic development at national, provincial and local levels. The funding and services are to be integrated with the local, provincial and national growth and development plans. Specific attention should be given by donor organizations to capacity building knowledge transfer, exposure to international experiences and innovative local economic development practices</li> </ul>
<i>National and Provincial development Agencies</i>	<ul style="list-style-type: none"> <li>• Provide responsible support to economic growth and development policies, strategies and the implementation of opportunities in accordance with the expressed constitution of the organization and within the context of sustainable development</li> </ul>

Source: SA LED Policy and Strategy Draft (in Davis 2006:7)

Rogerson however also highlights the need for further development in terms of the following to ensure the consolidation of LED practice:

- “the alignment of LED planning within wider spatial planning initiatives;
- learning from good practice, especially regarding the building of successful clusters;
- improved data for LED planning in general and the identification of local competitive advantage in particular;
- the appropriate role of LED in South Africa’s urban future; and
- capacity building for the consolidation of LED” (Rogerson, 2008: 313).

Local government’s limited scope of action is often further impeded by initiatives by national and provincial government that not only do not support local economic development efforts, but actually adversely affect such efforts. The following discussion analyses the key roles of each sphere in directly or indirectly promoting LED. Possible problem areas are highlighted before the remarks are consolidated in the improved division of LED-related roles and responsibilities among the three spheres of government that is suggested to enhance synergy between the respective tasks and actions.

#### **5.4.2.1 Role of national government**

National government performs a number of actions that influence the context within which municipalities implement LED strategies. These include:

- a) Formulation and implementation of the country’s macro-economic development strategies.
- b) Setting of national vision, priorities and directives to which all levels of government must respond.

- c) The programmes and initiatives of national departments which pursue objectives similar to LED.

The macroeconomic development framework of central government provides the focus of development, including economic development efforts within the country. Apart from the direct economic policies aimed at “creating a stable economic environment, with low inflation, interest rates and unemployment” a number of other national policies also impact on the degree of movement available at local economic development level. These policies include SME and entrepreneurship policies for creating new firms and promoting SMEs, business and individual “taxation policy, unemployment benefits; business regulation policies (licensing policies), immigration/ emigration policies (and) competition and public policies (OECD 2007:94).

The overview of the important strategies in South Africa since democratisation in the preceding subsection indicates a shift towards enhanced economic growth as means of achieving the development objectives of the country. The key public policies and investment programmes formulated by national government include the GEAR strategy, the RDP, the Medium Term Expenditure Framework and MERS, Broad-Based Black Economic Empowerment, the Extended Public Works Programme and Municipal Infrastructure Grants (DPLG 2005:23-24 and Hindson & Vicente 2005:32). To this is added the responsibilities of interacting with finance, education, and energy-provision institutions to ensure that the resources necessary for grasping LED opportunities at the local level are in place, as well as the capacitation and support of local governments to identify and optimally exploit local economic development opportunities (DPLG 2005:24-26). However, National Government needs to explain the relevance of each of these strategies in terms of LED to all stakeholders to ensure that efforts are directed towards the same outcomes (DPLG 2005:24).

In terms of setting a national vision, priorities and directives, the 2009 Revised Green Paper for National Strategic Planning (December 2009) makes provision for the establishment of a National Planning Commission that will formulate a 2025 Vision for the country (The Presidency 2009(d)). As explained in the first Green Paper on National Strategic Planning (September 2009), the 2025 vision would set out where the country wishes to be in terms of alleviating poverty; employment patterns; the nature and level of crime; health statistics and management; education statistics and management; transport management; urban and regional planning and human settlement patterns; and the envisioned economic growth rate to sustain development plans (The Presidency 2009(c):17).

The Medium Term Strategic Framework for 2009–2014: Together Doing More and Better, identifies the priorities and key programmes of government for the 5-year term of office of the Government. It sets out a vision that sees “the country’s natural wealth and its human resources ... harnessed to ensure a growing economy which benefits all, and uses natural resources and modern technology ... in a beneficial and sustainable manner”, where “the private sector is afforded an environment to invest and make competitive returns while promoting the common interests of the nation, including decent work opportunities and an improving quality of life for all” and where “people who are able to work have access to decent jobs” (The Presidency 2009(d):6-7).

To give effect to this vision, a number of strategic priorities are identified, which include enhanced economic growth and transformation of the economy to ensure decent work and sustainable livelihoods; vast expansion of economic and social infrastructure; and a strengthened skills and human resource base (The Presidency 2009(d):7). In promoting economic growth, the strategy focus on maintaining a stable pro-employment macroeconomic environment; implementing trade and industrial policy that create decent work on a large scale; ensuring an inclusive economy that expands labour market opportunities to the

poor, promotes and strengthens the competitiveness of Small and Medium-sized enterprises (SMEs); and promotes science and technological innovation and development (The Presidency 2009(d):12-15).

Strategic infrastructure investment priorities are identified in addition to a commitment to improve “provincial and local government capacity to plan for and maintain infrastructure to ensure continued efficient delivery of economic and social services” (The Presidency 2009(d):18). Enhancing the human resource and skills base refers to various public education reforms that aim to ensure “that training and skills development initiatives in the country respond to increase the number of skilled personnel”, thereby meeting the “requirements of the economy, rural development challenges and social integration” (The Presidency 2009(d):28). This vision provides the guiding parameters for the formulation of local economic development strategies that support the attainment of the national vision.

While the new Planning Ministry in the Office of the President has taken on the task of formulated integrated development plans and policies for government at large, economic development at the grass-roots level are influenced by various other national departments. “Many government departments, including DTI [Department of Trade and Industry], Social Development, Agriculture, Arts and Culture, Environment and Tourism, have strategies and resources for schemes to enhance employment creation and retention measures at local level and to stimulate local economies” (DPLG 2005:24). Specific mention can be made of the following national government initiatives aimed at supporting LED at municipal level:

- LED Fund (1999) to provide poverty relief (see Binns & Nel 2002a in Rogerson 2004:12)
- Urban Renewal Programme focusing on urban regeneration and township support (Rogerson 2004:12)

- Integrated Sustainable Rural Development Strategy – (See South Africa 2000b:vii in Rogerson 2004:12)
- Expanded Public Works Programme which applies labour intensive methods to upgrade infrastructure (Nel & Rogerson in Rogerson 2004:12)
- Integrated Small Business Development Strategy (2004) to support the SMME economy, final details still to be released (Rogerson 2004:12)
- Pilot Programme on LED focusing on support for capacity building and micro-finance (Rogerson 2004:13)
- Project Consolidate and the Municipal Infrastructure Grants which aim to upgrade dated municipal infrastructure which cannot be financed at local level alone.

The lead actors in developing a national framework for LED are the Department of Provincial and Local Government and the Department of Trade and Industry, with smaller inputs from the Department of Environmental Affairs and Tourism who provides the framework for tourism-led LED initiatives, and the Department of Public Works responsible for the rollout of infrastructure programmes (Rogerson 2004:6) and also the Department Cooperative Governance and Traditional Affairs with the 2009 Local Government Turnaround Strategy. Although both DPLG and DTI have established LED units, the objectives pursued by the departments are disconcertingly different. The objectives of DPLG as reflected in the LED Manuals and publications by the DPLG (for example Linking Local Economic Development to Poverty Alleviation, available from [www.dplg.gov.za/publications](http://www.dplg.gov.za/publications)) focus on poverty reduction, SMME development, job creation and redistribution, local partnerships and local development. This seems to tie directly to the position of the ANC Cabinet: "We are faced with the stubborn reality of unacceptable levels of unemployment and poverty... due attention needs to be given to the second economy.... All South Africans are invited to 'think outside the box' if we are to tackle unemployment." (Deputy President Phumzile Mlambo-Ngcuka, speaking at NEDLAC on 27 August 2005, in Fray 2006).

The main focus of the LED unit of DTI is on small business development. The unit pays greatest attention to “unpackaging” the investments of large companies to provide market opportunities for small enterprises through value chain promotion. This involves the “scoping of . . . opportunities in and around the project. This is a centrally determined and implemented programme that was not set up to promote development within a locality or to assist local LED stakeholders to do so” (Tomlinson 2003:116). The second focus of the LED unit, in association with National Treasury, is on what Tomlinson describes as “the important stuff”, such as industry promotion, cluster initiatives such as Spatial Development Initiatives (SDIs), Industry Development Zones (IDZs) and tax holidays (Bloch in Rogerson 2004:6; Tomlinson 2003:115). “Most Department of Trade and Industry capital expenditure and hoped-for leveraging of private sector investors has been located in the Spatial Development Initiatives (SDIs) and Industrial Development Zones (IDZs)” as SDIs are regarded by the DTI as “the practical implementation of the government’s economic strategy as set out in its GEAR policy” (Tomlinson 2003:115). LED, as approached by the DTI, is not about developing locally or promoting local partnerships, but rather about the development of value-chains and the national economy by establishing optimum import-export balances.

Although it cannot be disputed that the DTI is contributing to economic development, the conceptual difference in terms of what is called “LED” and managed by an “LED unit” leads to the disempowerment of local government in realising the LED objectives as set out by the DPLG. Tomlinson warns that “(p)resenting national economic strategies in the guise of LED does not create space for LED, quite the contrary. Most of these strategies are devised and implemented at the national level and only by happenstance benefit a particular locality” (Tomlinson 2003:119). Conceptual differences aside, what will truly undermine the DPLG’s objectives is the stark differences in the amount of resources made available for LED purposes through the DPLG LED Fund (R42

million), as opposed to the more than R800 million that DTI may spend on infrastructure development for a single IDZ (Tomlinson 2003:115&116). In order to access the larger resources available for economic development, and in the spirit of cooperative governance, municipalities are encouraged by the DTI to adjust their own development plans to “fit” with national and provincial Spatial Development Initiatives and regional and industry investments. This practice fits poorly with the theory of LED and the vision of DPLG which places the locality in the driving seat of LED. It leaves LED and local municipalities that fall outside of the provincial and national focus areas little role, funding and political leverage to shape the economic direction of their locality (Tomlinson 2003:113&119). Other problems with IDT’s approach to LED are that the restructuring forces of GEAR and SDIs in enhancing local export competitiveness render little benefit for LED to address poverty or focus LED strategies on poverty alleviation. The export focus of regional programmes works against LED efforts focused on the poor and unskilled (Tomlinson 2003:113, 120-121).

Despite the criticism, the approach followed by DTI is in line with the mainstream of the economic policy, perhaps more so than the current vision upheld by the DPLG.

On the one hand, following on the depredations of apartheid and the RDP policy agenda, the Department of Provincial and Local Government has steered local governments to focus on poverty in their integrated development plans and their LED strategies. On the other hand, in their focusing on poverty to such an extent, they have stepped outside the mainstream of economic policy. Departments such as Trade and Industry and the National Treasury, with far greater resources, focus on GEAR and export competitiveness, foreign direct investment, tax incentives and major infrastructure programs. (Tomlinson 2003:120)

This balancing act forms part of a larger debate within South Africa in terms of finding the optimal balance between promoting economic development and

promoting the welfare state. This balance needs to be found at both national and local level, so as to direct and coordinate the efforts of all departments working towards achieving these goals. In this regard, the roles of national government in terms of LED are to:

- Promote a national economic climate that supports economic growth in an inclusive manner
- Interact and consult with independent local governments on matters that will have a large impact on their locality, such as the establishment of IDZs.
- Research and mitigate the possible negative spin-off effects of national investment initiatives on localities that fall outside the National Spatial Development Plan in collaboration with other national, provincial and local governments.

#### **5.4.2.2 Role of provincial government**

The efforts of provincial governments are characterised by the same challenges and problems faced by the national government when trying to get involved in local economic development, although one can expect it to be less pronounced as financial differences between provincial departments are smaller and efforts are concentrated on a more homogeneous spatial environment. Once again, lead roles in provinces are played by the respective departments for economic development (different names and structures apply in the various provinces) responsible for the economic strategy of the province; departments steering development planning through the Provincial Spatial Development Framework; and departments for local government who play a supportive role to local municipalities. If the Western Cape Province is taken as a case study, the provincial growth and development strategy of the province, the iKapa Elihlumayo, also identifies several smaller roles of various departments that

impact indirectly on local economic development efforts undertaken by the municipalities in the province:

- The Department of the Premier that leads the implementation of the iKapa Elihlumayo strategic vision;
- The Department of Agriculture that coordinates reform of the agricultural sector and the establishment of agricultural value chains;
- The Department of Social Services that coordinates the payment of social grants. These grants are an indisputable cash injection into the economic spending power, especially of poorer, rural localities;
- The Department of Education responsible for development of human resources in the province; and
- The Department of Transport and Public Works responsible for transport and infrastructure development (PAWC 2004:5, 6, 9).

The central role of the provincial government sphere in terms of local economic development as envisioned by the 2005 LED Guidelines is the coordination and reconciliation of national resources with the priorities and initiatives of local government IDPs (Hindson & Vicente 2005:33). “This coordination is to take place within the framework of the NSDP, PGDSs and municipal IDPs as mutually adapted” (Hindson & Vicente 2005: 33). A question arises around how ‘mutual’ the adaptation of strategies is. Tomlinson expresses his concern that “provinces also implement and prepare their own SDIs and IDZs and, in the spirit of co-operative governance, are entitled to expect that municipalities will align their strategies with higher spheres of government” (2003:118). This, once again, leads to the marginalisation of local actors in directing the economic development of the locality. A second concern arises from the role divisions in the 2005 LED Guidelines which “[regard] provincial government, through provincial growth and development strategies, in the ideal position to support cluster and value chain development....However in many circumstances it is local or global actors that may make the greatest difference” (Hindson & Vicente 2005:17).

In essence, the key role of the provincial government in LED is to coordinate and promote economic development of the province as a whole through interventions in key economic sectors through:

- Identifying provincial priorities and promoting the development of key economic sectors in the province
- Liaise with national government to identify opportunities and linkages to national programmes and initiatives
- Liaise with local government to support local LED initiatives and ensure that provincial and national initiatives support local efforts where possible, but at the least does not undermine local initiatives.

This requires a fundamental mind shift in the conceptualisation of intergovernmental relations away from a centrally driven strategy, to a locally driven, bottom-up formulated strategy supported by top-down responses. While this approach is in line with international best practice in LED, it necessitates a capacitated, motivated local government to take the driving seat for development, an aspect that cannot be taken for granted in many smaller local authorities in South Africa where the ability to deal with assigned mandates is missing. The next subsection will focus on what the “driving role” entails before amalgamating the roles of the three spheres of government.

#### **5.4.2.3 Role of local government**

The DPLG 2005 Guidelines for implementing local economic development states that municipalities are the appropriate territorial areas for developing the local economy as it contains “sufficient ‘critical mass’ of economic activity to enable the development of ‘viable economies’ and because ‘all state and economic activity converges in one or another municipal [area]” (DPLG 2005 Guidelines as

cited by Hindson & Vicente 2005:11). The United Nations Millennium Declaration on Cities and other Human Settlements states that “cities and towns hold the potential to maximize the benefits and to offset the negative consequences of globalization. Well-managed cities can provide an economic opportunity capable of generating employment opportunities as well as offering a diversity of goods and services” (Nel & Binns 2003:168). International best practice research indicates that local government, in collaboration with the local community, is in the best position to recognise local economic development potential and devise appropriate strategies to realise this potential. However, in communities and local municipalities where capacity and knowledge constraints exist, this assumption that ‘local knows best’ becomes questionable. The scope of leadership by local government is also restricted by the legislative framework within which this role is undertaken. South Africa’s constitution stipulates the independent authority of each of the spheres of government, but ‘cooperative governance’ at the same time bears similarity to a centrally driven, unitary state. Furthermore, the objectives in section 152 and the limited powers specified in schedule B warn that too high expectations of local governments in terms of influencing and controlling local economic development will be unrealistic, especially amidst national economic restructuring and the increasing influences of the global market.

Despite the extensive capacity problems faced by local government in implementing LED, there are roles and tasks that the local authority may perform which will greatly assist local development, while requiring little effort or resources. Practice demonstrates that bureaucratic processes pertaining to private sector regulation often discourages development and new investments. It is suggested that “the initial and most important, and effective, local economic development activity that municipalities can undertake is to improve the processes and procedures that businesses have to go through with the local government authority” itself (Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002:7). The ‘State of the World’s Cities’ report released by the

United Nations Centre for Human Settlement in 2001 identifies “interventions in the areas of city management, governance, public participation, support for emerging businesses and infrastructural support” as key priorities (Nel & Binns 2003:168) while the OECD states that “Governance, at both national and local levels, is a growing factor in determining and improving the local investment climate. Local institutions need to be effective, responsive, accountable and resourced if they are to act in the best interests of local development” (OECD 2005:234). This leads to the conclusion that the first and simplest action that a local government can take to influence LED is to reassess and simplify its own procedures and regulations governing elements that influence economic development in the area. This may include, amongst others, regulations governing business start-ups, business expansion, rezoning of land, taxation policies, communication policies and interactions with council. Meyer-Stamer refers to this as adopting a “business-friendly disposition, think[ng] in all sorts of contexts about ways to make the life of business easier ....[by removing] government-induced obstacles, in particular in terms of clumsy and complicated licensing and permit processes” (Meyer-Stamer 2003(a):26). He recommends the adoption of a “generic locational policy” that creates “favourable overall conditions for business, without specifically targeting companies or sectors” (Meyer-Stamer 2003(a):25).

Related to the creation of a favourable environment, the second critical role of local government is the provision of hard infrastructure that enables not only economic development, but all aspects of development in the locality. The DPLG 2005 LED Guidelines (2005:31) instructs that local government should “render operational the local socio-economic environment in order to stimulate and facilitate the creation and the development of local economic activities”. Rogerson (in Nel & Rogerson 2005:80) states that local government should promote access to municipal services, while Helmsing (2003:68) emphasises provision of appropriate and reliable basic infrastructure by pointing out that “[w]ithout electricity, tools and equipment cannot function” and erratic transport

services cause considerable losses. The economic growth advantage of an area depends greatly upon the quality of policies and management that affect the availability of electricity, water, sanitation, transport and telecommunication infrastructure. Factors that affect labour productivity include “housing, health and education services, skills availability, security, training opportunities and public transport” (Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002:7). This hard and soft infrastructure provides the backbone to creating a successful economic environment and is increasingly, as a result of decentralisation, becoming the authority and responsibility of local governments (Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002:7).

The third role of local government entails liaison with other government institutions, local business and the community. Local government should take the leading role in facilitating cooperation between the main actors and stakeholders in the local economy, as “local government ...[is] not in the driver’s seat” (Helmsing 2003:69). Local government can be seen as a ‘back-seat’ driver who reads the roadmap to the LED destination, while directing the efforts of the private sector, entrepreneurs and community members who drive the vehicle. Local government should try to convince business to support strategies aimed at improving the general economic environment and should actively source critical expertise and support needed for LED from the greater business community. “Economic clustering processes bring into being a range of non-state actors that are important in determining the course of economic development....The local state will continue to play important roles, but is not necessarily or even usually the best placed to drive these kinds of initiatives” (Hindson & Vicente 2005:15). Apart from interactions within the locality, local government should also liaise with other government spheres to coordinate development initiatives and make “national and provincial resources accessible to local actors” (Hindson & Vicente 2005: 34). Local governments should take on the role of a moderator to select those national (and provincial).programmes and funds that may assist the locality and help with the local administration of such programmes. This requires

“sufficient capacity to follow through with the policies devolved and decentralised by the national government” (OECD 2005:223).

To fulfil these three roles, local government will need to:

- Regularly analyse the local environment. Enhancing the competitiveness of an area requires in-depth understanding of the strengths, opportunities, weaknesses and threats, as these form the basis for a local economic development strategy. “Their contribution ... lies within their ability to assess the needs of their local area, devise a strategy that effectively meets those needs, and demonstrate the management skills and professional expertise to administer the programmes effectively” (OECD 2005:224).
- Promote the development of social capital through “encouraging and developing the presence and capacity of all relevant collective stakeholders in the local economy, e.g. Chambers of Commerce, organised communities, NGOs, CBOs, etc.” (Fray 2006), and “(facilitate) capacity building and skills development” in collaboration with specialist providers (Hindson & Vicente 2005: 34).
- Ensure that economic growth converts into poverty reduction. In this regard, local government must develop a spatial plan that addresses past inequalities and integrates sustainable human settlements; expand employment opportunities to poorer groups; assist the informal economy and urban agriculture; and promote labour-based public employment (Fray 2006 and Rogerson in Nel & Rogerson 2005:80).

Cross-cutting the three roles described above, Hudson describes four approaches by local governments to LED, ranging from low-level regulation to high-level intervention. The four approaches outlined by Hudson (1993:84) are:

- Facilitation/ Accommodation where local government takes a fairly passive role in LED. The focus is on industrial land, buildings and infrastructure, as well as on establishing organisational structures and processes that will better respond to local business and citizen needs and demands (Hudson 1993:85-86).
- Stimulation/ Attraction where the local government “attempts to attract or stimulate economic activity and/ or private investment rather than just passively responding to demands from the private/business sector”. Activities include industrial promotion and providing direct finance or loans to private sector firms (Hudson 1993:88).
- Activation/ Instigation sees the local government actively trying to influence the structure and functioning of the local economy by acting as a guarantor for loans; manipulating the labour force characteristics (e.g. through skills development); or by assisting with business development and capacity building (Hudson 1993:91).
- Intervention, where the local government intervenes “in the local economy to improve its functioning in some way, e.g. to diversify the economic base, to encourage the development or spread of new technology, to support alternative forms of production and/or employment” (Hudson 1993:93).

The range of approaches presented by Hudson demonstrates that local government can choose to take an active, fairly autonomous role in steering local economic development of the particular area. This active role represents the more sophisticated roles in LED assigned to local government by the DPLG and the 2005 LED Guidelines. To fulfil the more sophisticated roles, Helmsing advises local governments to create an appropriate institutional environment such as:

- establishing economic institutions to “reduce the cost of doing business. If these costs become very high, few people will be interested in starting or expanding a business”;
- creating local institutions to shape markets in terms of “the practices and norms and standards that are specific to particular products, industries or occupations. These institutions regulate, spread information, reduce risks and in general contribute to lower transaction costs”; and
- organising local support systems to “remove barriers to innovation” (Helmsing 2003:67-68).

#### **5.4.2.4 Role of private and non-governmental role players**

As LED is a multi-actor affair, dependent not only on government actions that create opportunities for economic development, but also on the response of the business sector to these opportunities and the efforts of civil society in extending governments’ arm to empower the marginalised to take up available opportunities, it is important to include the role of the non-government actors in this discussion. While the LED policy framework does not assign mandatory responsibilities to these actors, reference to the important role that these players are to assume are found and implied in many national, provincial and local economic development policies, such as:

- Enterprise support and development policies (e.g. the Western Cape Province RED Door policy): these public policies concentrate on supporting new businesses, acknowledging that a thriving business sector is critical to both economic and social development
- Business infrastructure development policies (e.g. Provincial Industrial Development Zones): these policies encourage both local and

international business investment, again promoting the business sector in enabling economic and social development of an area.

- Local government investment encouragement policies (e.g. local tax rebates): these policies try to attract additional businesses to the locality, as this brings additional financial resources and job opportunities to the locality.
- Policies that support civil society (e.g. Department of Social Development grants to non-government agencies): these policies acknowledge the important role that NGOs and CBOs play in extending government's reach to assist those that should be assisted, but are not, due to government's limited capacity.
- Skills development policies (e.g. Joint Initiative for Priority Skills Acquisition (JIPSA) and the Expanded Public Works Programme (EPWP)): these policies acknowledge the importance of a capacitated labour market that may take up job opportunities created through economic growth.
- Continuous education and training policies (e.g. Sectoral Education and Training Agencies): these policies acknowledge the importance of continuous investment in human capital development for those who are currently employed, to enhance productivity and therefore encourage businesses to ensure the development of their personnel.
- Policies that encourage the role of community governance structures (e.g. Section 21 companies and the CoGTA Strategy in terms of the role of ward committees in economic development): these policies acknowledge the importance of organised civil society in ensuring balanced social and economic development.

The examples cited here are by no means finite, but serve as illustration of the implied acknowledgement of the importance of non-government actors in ensuring economic development. These policies actively encourage private and

civic sector engagement in created opportunities, thereby steering development rather than commanding it.

#### **5.4.2.5 Proposed improved role division for LED by various role players**

LED experience in South African in the past 20 years has shown promise in areas with strong, capacitated municipalities operating within areas with high economic potential. Unfortunately, the need for coordinated local economic development is most severe in areas with low economic potential, with little competitive resources, high unemployment of mainly unskilled labour and poorly capacitated local governments. Within this context, local government alone will not be able to lead economic development efforts in the area, as it is too overcome by the many basic development challenges it faces. This is not unique to South Africa.

It is the simple truth that those areas that need economic development assistance the most have the least financial means to fund economic development efforts....(L)ocal governments would unwisely stretch their limited resources if they tried on their own to rejuvenate their distressed areas, jeopardising even further their ability to provide basic services....Arguably, investment in infrastructure...may yield a return that could pay off the debt or reduce taxes in the future, but it is difficult for residents of distressed areas to sacrifice personal consumption in return for a vague promise of future improvement in their local economy. (OECD 2005:223)

Where this is the case, provincial and national government need to play a more prominent role in kick-starting local economic development efforts. This should be done in a manner that does not impede the efforts of other local governments capable of tackling LED, nor that of assisted local governments to, in time,

develop the necessary capacity to lead LED efforts in their area. The involvement of non-government actors in the process is also indispensable in ensuring the ultimate success of LED efforts. To this effect, Table 5.7 presents a proposed improved role division for LED for the various role players in the process.

The table emphasises the role of national government in setting the broader context and direction for economic development. Intergovernmental liaison is emphasised throughout to ensure that national efforts do not impede on provincial or local efforts.

**Table 5.7: Proposed improved role division for LED for various role players**

National Government	Provincial Government	Local Government	Non-Government actors
<p>Promote a national economic climate that supports economic growth in an inclusive manner.</p> <p>Ensure that economic growth converts into poverty reduction.</p>	<p>Identify provincial priorities and promote the development of key economic sectors in the province.</p> <p>Ensure that economic growth converts into poverty reduction.</p>	<p>Analyse the local environment and identify potential strengths, weaknesses, opportunities or threats.</p> <p>Review and improve bureaucratic processes and procedures to become more business friendly.</p> <p>Ensure that economic growth converts into poverty reduction.</p>	<p>Utilise the created opportunities to generate economic growth and prosperity</p>
<p>Establish and implement the Macro economic development framework.</p> <p>Set the national vision, priorities and directive for programmes and initiatives.</p>	<p>Establish an economic growth vision for the province.</p> <p>Implement provincial SDIs and IDZs.</p> <p>Support cluster and value chain development.</p>	<p>Devise appropriate LED (facilitative or interventionist) interventions to respond to the SWOT analysis.</p> <p>Provide infrastructure necessary for economic development</p> <p>Promote the development of social capital.</p>	<p>Support the efforts of local government in implementing LED interventions and providing additional resources to this effect.</p>
<p>Interact and consult with local governments on matters that will impact on their locality.</p> <p>In collaboration with other spheres, mitigate potential negative effects of national initiatives on localities that fall outside the National Spatial Development Plan.</p>	<p>Liaise with national government to identify opportunities and linkages to national programmes.</p> <p>Liaise with local government and support local initiatives or at minimum do no undermine local initiatives.</p> <p>Coordinate and reconcile national resources with the priorities and initiatives in local government IDPs.</p>	<p>Liaise with other government institutions, local business and the community to promote and coordinate LED.</p>	<p>Interact with local government in formulating and implementing a strategy for LED.</p>

The proposed role division tasks provincial government is tasked with coordinating development in the province and promoting a fit between top-down and bottom-up efforts. This is in line with the DPLG guidelines and CoGTA strategy, in placing additional emphasis on identifying provincial growth nodes and responding to those with appropriate industrial development support that local government can rarely afford.

Local government is responsible for a local environmental analysis, formulation of appropriate LED strategies and interventions and maintaining a business focus, while ensuring that economic growth is used to develop the locality. Once again, liaison and intergovernmental coordination is emphasised.

Non-government actors should work with local governments both in formulating and implementing LED strategies, thereby enhancing the capacity of local government and avoiding state failure.

The proposed role division presented here does not contradict the content of the various LED policy documents presented in this chapter. However, it assists in providing clarity with regard to the various documents which present different foci on LED and the role of local government. Within these more concrete parameters, it becomes possible to identify the various LED interventions that a locality may pursue, and the specific role of the local authority in each intervention. In the next chapter, 15 different LED interventions are identified and discussed in terms of goals, objectives and, within the framework of roles presented here, the specific roles and tasks of local government in implementing the respective interventions.

## **5.5 Summary and conclusion to Chapter 5**

Local economic development takes place within the framework of contemporary development theory and the changing role of the state. Promoting development in the modern era requires a balance between globalisation and local market development and protection. The effect of global competition for markets and resources spills over onto the grass-roots level, forcing local governments to

compete with both local and global players. Local responses are also demanded by delegating sophisticated development responsibilities to lower government levels in accordance with international public management trends. Local economic development is one response to greater development responsibility at local level, and a medium through which local governments can stimulate local business and market development with the aim of promoting community development, reducing poverty and fulfilling their development roles.

Local economic development is defined as the independent or collaborative efforts of government, non-government or private sector actors to promote and expand economic activity in a specific or in multiple sectors in a defined geographical area to benefit (all) residents of the area. It reflects international trends in public governance where development becomes the shared responsibility of the state and the citizens. International best practice indicates that the success rate of LED efforts is higher and the benefits more sustainable when based on the collaborative efforts of various actors in the locality. LED may be motivated by a need either for enhanced business or for market development or aimed at (social) community development and poverty reduction. Where market and business development is the main motivation, LED strives to stimulate additional economic growth in the locality by ensuring business survival; attracting investment; increasing local profits; lowering business operation costs; and addressing market failures. Where LED is driven by community development considerations, objectives include creating additional job opportunities; improving the employability of the community; emphasising education and skills development; and enhancing access to resources by the poor. These different perspectives on LED provide alternative explanations on the underpinning assumptions of how LED should work and what is required to deliver LED results.

LED is characterised by various misconceptions and problems in practice. In South Africa, the main problems include LED as an unfunded mandate; severe financial, capacity and skills constraints; different viewpoints on the aim of LED; strategies that are inappropriate to the local reality; projects that lack financial viability; a welfarist approach to LED; limited private sector involvement; lack of participation by important stakeholders; and provincial and national initiatives that undermine local

initiatives. Misconceptions include LED being viewed as a government job creation exercise or as identical to the objectives of societal development.

Many of the problems around LED implementation may be overcome by adopting a participative approach to LED which includes role players from the public sector, private sector and organised civil society. Integrating the resources available among different role players can facilitate important economic gains and external benefits that otherwise would not be forthcoming. Collaborative efforts, however, must start with a clarification of the purpose of LED and the subsequent goals and objectives to be pursued under the auspices of LED.

Various policies, laws and official documents describe the economic development role of local government. This includes macro-economic and development frameworks such as the RDP, GEAR, the NSDF and the NSSD, as well as policies and legislation that tries to instil a developmental governance approach in local government, including the Constitution, the White Paper on Local Government and the Municipal Systems Act. The former DPLG and CoGTA and new DCoG have also issued policies and formal documents that address LED specifically. These include the 2001 LED discussion paper 'Refocusing Development on the Poor', the 2005 'Policy Guidelines for Implementing Local Economic Development in South Africa', the 2007 National Framework for Local Economic Development (LED) in South Africa (2006–2011), the 2009 CoGTA Local Government Turnaround Strategy and the DCoG Small Towns Regeneration Project.

The various LED policies differ dramatically in terms of what LED entails and what the focus of LED efforts should be, ranging from a facilitative governance approach in which everything the municipality does has an economic impact, to a specialised LED approach in which municipalities should develop specific strategies and interventions that provide specialised support to the private sector and local communities to ensure that the competitive advantage of the area is fully exploited in an inclusive, sustainable and robust manner. The LED approach of the policies jumps from community-driven development (as prevalent in developing countries) to business or market-driven development (as prevalent in developed countries). Although the dual focus is not inappropriate, given South Africa's dual development

status, conflicting and unclear policy guidelines leave municipalities with limited resources and capacity (where the need for LED action inevitably is usually greatest) with the sophisticated task of defining LED, selecting amongst numerous LED strategies and dealing with local expectations, while barely coping with the more basic development challenges in the locality. Whilst the 2005 LED Guidelines provides for an optimistic delegation of developmental obligations to the local level sphere, the constitutional powers, development efforts of other government spheres and limited resource base render many local governments unable to respond to the challenge.

The result is that many local governments avoid the LED challenge, or adopt inappropriate LED strategies (such as tourism promotion in a locality that does not offer the potential for it), often for the wrong purpose (e.g. creating a handful of short-term jobs) just to have a LED component in their IDP. When this happens, LED efforts waste resources that could be spent better on other developmental needs. There is an attendant need in poorly resourced and capacitated local governments for both provincial and national government to provide strong support and guidelines that would assist struggling local governments without further undermining their capacity. This, however, links to a further problem with current LED policy documents, namely the contradictory division of roles and responsibilities among the various government spheres with regard to LED. While local governments are seen as the main driver in some documents, their role is reduced to that of an implementation agency of national government priorities.

Within this confusing policy framework, local governments are expected to turn around current service delivery and governance problems and embark on complex and sophisticated economic planning efforts, with little financial resources dedicated for LED. This leads to the conclusion that the attempt to provide clear guidelines for LED has failed and that contradictions between and within documents will probably result in municipalities adopting LED strategies that may render little result on developmental goals and visions. Within the inconsistent policy frameworks that specify different foci, actions and responsibilities, the need for an outcome-driven approach becomes more critical, as an outcome-driven approach will allow municipalities to determine success in realising the vision and strategic goals of the

various policy documents while identifying which LED interventions work best for their locality.

In order to identify realistic LED interventions and deliverables, it is necessary to determine the exact role of local government in managing local economic development as implied and presented in relevant policies and legislations. In a supportive multi-actor approach to local economic development, national government is responsible for the macroeconomic planning and climate; establishing national priorities to which local authorities must respond; and ensuring that national investment initiatives do not impede local efforts. Provincial government should identify a provincial vision; identify and promote key economic sectors through industrial zones; cluster development and value chain development; enhance synergy between provincial and local efforts; and coordinate and reconcile national and local initiatives. Local government should adopt a business-friendly approach and actively try to simplify bureaucratic processes; develop an appropriate LED strategy based on the locality's strengths and weaknesses; provide and promote the supportive hard and soft infrastructure needed for economic development; and, lastly, ensure that the benefits of growth converts to poverty reduction in the locality. All three spheres are responsible for liaison as this is integral to the success of LED and integration of roles. Finally, the role of non-government players in the successful implementation of LED interventions is also acknowledged.

While the improved division of roles does not contradict the guidelines in the various policy documents for LED, it clarifies the scope of control and role of local governments within the context of the policy guidelines and the literature study on international best practice and theory on LED. This role clarification provides a critical base for a discussion on alternative interventions that a locality may adopt in pursuing LED, and the specific role of the local authority in managing and implementing these interventions. It also provides the basis for the development of realistic output indicators for alternative LED interventions.

The next two chapters provide specific analyses of alternative LED interventions that a local authority would pursue before developing output and outcome indicators from the underpinning logic of each intervention that would be able to demonstrate the

results of LED. Chapter 6 presents 15 LED interventions that a locality may adopt as part of their LED strategy, including the goals and objectives of the intervention and the role that the local authorities would play in the intervention. This will become the basis for developing LED output indicators linked to the administrative or functional deliverables of the municipality. Chapter 7 will expand the underpinning logic of a LED intervention to develop both output and outcome indicators that may be used to assess actual results in terms of the goals and vision for LED that may assist municipalities in identifying the most successful interventions for their particular municipality, thereby ensuring best results within limited capacity and resources.

## **Chapter 6**

### **Local Economic Development Interventions**

#### **6.1 Introduction**

Within the context of the roles of local government as identified in the preceding chapter, various municipal interventions for LED are categorised and discussed in this chapter, with reference to both South African and international experiences. The LED strategy of a local government is adopted by its council and forms an integral part of the municipality's IDP. It outlines the general vision for the economic development of the locality and should refer to specific target areas (sectoral and geographical). To give effect to the adopted LED strategy, it is necessary to formulate specific LED interventions that aim to address identified market, development or infrastructure deficiencies. It is important to note that not only projects that are specifically developed as 'LED projects' have an impact on the local economy, but that all infrastructure, social development and planning activities of the municipality impact on the local economy and should therefore be considered in terms of the LED strategy of the municipality. LED interventions are executed through specific programmes and/ or projects involving public-, private- and community-sector actors. Figure 6.1 has been developed as a visual illustration of the roll-out of an LED strategy.

The LED strategy, as part of the IDP, may refer to 'addressing unemployment and poverty in the area through the promotion of labour-intensive industries'. To attain this broad goal, specific LED interventions must be designed, such as supporting SMMEs with start-up funding, or 'right-skilling' unemployed persons in the area to meet the vacancy requirements of expanding industries. The interventions are executed through specific programmes and projects, which may be rolled out by the municipality, independently or in collaboration with other public, private or NGO organisations. In the provided illustration, the municipality may come to an agreement with finance institutions to provide the collateral on behalf of SMMEs, or

form a partnership with training institutions to design and implement an appropriate training programme.

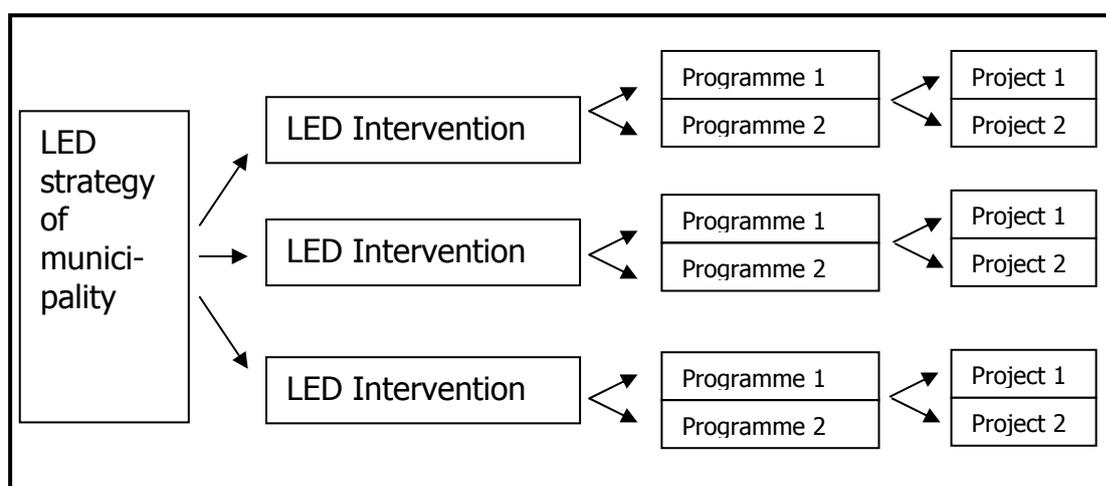


Figure 6.1: The relationship between LED strategy, interventions, programmes and projects

The described LED strategy roll-out process concurs with the five stages presented in the strategic LED planning process of the World Bank LED Primer. These are:

1. Organising the effort to ensure the collective participation of public, private and non-governmental sector agents with vested interests in the local economy (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:10).
2. Conducting a competitive assessment using quantitative and qualitative knowledge of the economy and available skills and other resources in order to identify the strategic direction of the local economy (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:10).
3. Formulating the LED strategy, encompassing the following elements:
  - Shared vision on the desired future economy
  - Goals specifying the desired outcome of the economic planning process
  - Objectives with set performance standards and targets
  - Programmes for achieving realistic economic development goals
  - Projects and action plans to implement specific programme components (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:10).

4. Implementing the LED strategy through action plans that include the division of tasks, responsible persons, deadlines, resources and performance measures and systems for each selected project (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:10).
5. Annual review of the LED strategy in terms of established monitoring and evaluation indicators of the local economy and available resources. The review should cover inputs, outputs, outcomes and impact, as well as the implementation and participation processes and the relationship and dynamics within the local economy and national and international markets (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:10-11).

The roll-out processes to a large extent are also incorporated in the Integrated Development Planning and Performance Management processes of local governments, as prescribed in the Municipal Systems Act (See Chapter 5 of Act 32 of 2000). Ensuring the interrelatedness of these systems is critical to avoid duplication of efforts and focus on integrated delivery.

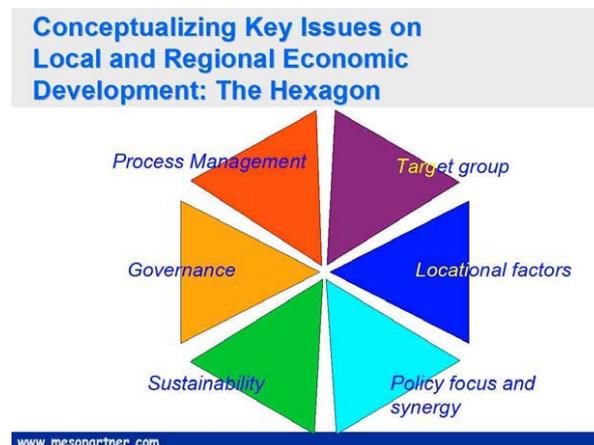
This chapter commences with a classification system of the various LED interventions employed. This is followed by a discussion of interventions in the respective categories, supported with practical examples. The chapter concludes with the acknowledgement that every intervention can potentially be of benefit to the local economy of a locality; in practice, however, local authorities are limited regarding what can successfully be implemented in terms of their capacity and the resource base of a locality. The chapter also provides the practical background for the development of indicators that local authorities may use to measure the relative success of the various interventions presented here.

## **6.2 Classification of LED interventions**

Although the LED strategy of a local government should be based on the needs and strengths of the locality and adopt economic development objectives and interventions specific to the locality, there is a degree of similarity, in practice, between the interventions adopted. In this academic analysis, it is therefore useful to

classify the various LED interventions employed by local governments into categories to emphasise the similarities and differences between alternative interventions. Previous attempts to categorise LED interventions include Meyer-Stamer's "Hexagon of LED" and Helmsing's categories of LED, while Hindson & Vicente focused on the role of governance in LED. A brief discussion of these classification systems is useful before proposing a classification system appropriate to the purposes of this research.

Meyer-Stamer (2003:1-2) developed a "Hexagon of LED" as a conceptual framework for integrating the main elements of LED (See Figure 6.2). The hexagon envisions six triangles under three main headings. "The first and second triangles are about the hard core conventional local economic development, i.e. the key instruments. The third and fourth triangles are...useful...in adding...a wider perspective and broader scope to LED. The fifth and sixth triangle(s) are about practical issues in implementing an LED initiative."



**Figure 6.2: The Hexagon of LED**

Source: Meyer-Stamer 2003(b):3

Hard core economic development focuses on the traditional goal of LED efforts, namely attracting new investors to the locality, or, as Bartik (2003:2) phrases it, to provide customised "assistance targeted at individual businesses that are thought to provide greater economic development benefits." Meyer-Stamer (2003(05):3) distinguishes between three types of companies which may be targeted, namely "local companies, external investors and start-up companies". The three target

groups should not be conceptualised in an either/or manner, though, but synergies should be realised between them (Meyer-Stamer 2003(b):3). Locations with strong local entrepreneurial dynamics and existing companies tend to focus on “promoting the competitiveness of existing companies”. This may include efforts to develop the local economic base of the area, supporting the development of agglomeration economies and commodity chains; providing specialist business development services or launching special programmes such as growth nodes, cluster formation, group learning for new competencies (e.g. in the agro-export sector); or generating collective learning through interactions “between enterprises, research and training institutes, other BDS organisations and local authorities” (Helmsing 2003:72-73). Within the sphere of enterprise development, the focus is on the promotion of especially SMMEs in an area; developing linkages between internal and external enterprises; and providing micro-finance to the poor (Hindson & Vicente 2005: 20-21). However, in areas where a strong local business and entrepreneurial base is lacking, strategies aimed at attracting external investors become more prominent (Meyer-Stamer 2003(b):3).

The locality’s success in attracting new investors and businesses to the area is often dependent on its locational factors – the “features which determine whether a given city or region qualifies as a favourable setting for doing business”. It includes both tangible, quantifiable factors, intangible, qualitative factors and the general “quality of life” in the location (Meyer-Stamer 2003(b):6). Developing the locality may include participatory LED planning; physical planning and development controls; urban planning and design; infrastructure development and management; and the creation and expansion of local socio-economic capital (Helmsing 2003:74). Hindson and Vicente (2005: 22-23) identify “the most important roles for government in terms of locality development [as] streamlining the regulatory regime for business activity, provision of public or quasi public goods and providing integrated planning frameworks.

Helmsing (2003:69-70) describes community economic development as “actions that facilitate household diversification of economic activity ... to improve livelihood and reduce poverty and vulnerability” (Helmsing 2003:69). The aims of community economic development are “(i) to stimulate a sense of community; (ii) to promote

self-help and empowerment; (iii) to contribute to the generation of (self-)employment; (iv) to improve living and working conditions in settlements; and (v) to create public and community services” (Helmsing 2003:71). In this regard, the local government may create local safety nets, improve housing, deliver basic services and stimulate the creation of micro-enterprises that provide credit, training and technical assistance (Helmsing 2003:71). “An important area and potential focus for local government in community economic development is to support efforts aimed at the organisation of the poor” through renegotiating the position of poor and marginalised groups in the markets and working jointly with non-governmental organisations to improve the functioning of the markets through the provision of micro-credit, training, capacity development and market analysis (Hindson & Vicente 2005: 27).

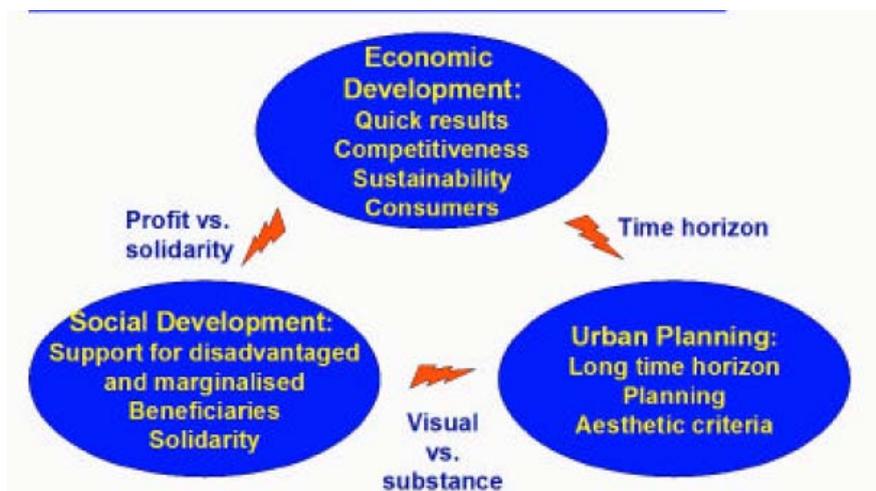
Meyer-Stamer also includes linking economic development efforts to social development objectives in the Hexagon on LED. However, while he acknowledges that “poor people with little or no education need and deserve the support of the society”, he stresses that these activities should not be called “LED projects” or “businesses” as “these projects are the outcome of social policy (and) do not primarily have an economic rationale.” (Meyer-Stamer 2003(b):10).

These viewpoints are also reflected locally in a 2003 study by Hugo Noble. He compared the perceptions of LED practitioners in metropolitan and larger B municipalities with those of a representative from DPLG. His findings recorded that:

[T]he majority of respondents did not support the theoretical and applied view of development and LED as defined by the official from DPLF and the national departments’ interpretation of legislative and constitutional frameworks dealing with Local Government and development (i.e. growth versus sustainable human development). The notion of ‘participation’ by civil society, which is central to the definition of LED by DPLG, is not supported by the majority of respondents....The flexible specialisation model presented as a means of reconceptualising LED through the process of reformulating land use and zoning regulation (i.e. as a means of stimulating household-based economic activity for wealth and asset generation) was accepted by all respondents, with the exception of the DPLG official. (Noble 2003:190-191)

Despite these viewpoints, the principle of coordinated development forms the backbone of international best practice in formulating LED strategies. The World Bank LED Primer states that LED strategies must be holistic and “balance economic development with environmental and social needs” (Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002:10).

Figure 6.3 illustrates how synergy may be obtained between economic development, community (social) development and locality development (urban planning).



**Figure 6.3: Obtaining synergy between LED categories**

Source: Meyer-Stamer (2003(05):9)

Interventions that promote this synergy are illustrated in the green circles in Figure 6.4 below.



**Figure 6.4: Interventions that promote synergy between LED categories**

Source: Meyer-Stamer (2003(05):10)

Governance and administration of LED is defined by Hindson and Vicente (2005: 19, 28) as the process through which “government creates a favorable environment and provides support measures to help all public and private actors contribute to the best of their ability to LED”. In terms of the first, it was reported in the previous chapter that local governments are advised to become more business friendly by promoting economic activities in the area and reducing red tape (see also Meyer-Stamer 2003(a):12-13). Bartik (2003:2) refers to this as any “strategic initiatives in which more general tax, spending, and regulatory policies of government are changed to promote local economic development”. Support measures focus on the enablement of the political, market, business and community role players to partake and influence LED in the locality. Political enablement means “changing the roles for government and building governance capacities rather than merely shrinking the scope of the state” (Hindson & Vicente 2005: 28).

The 2005 LED Guidelines refers to political enablement in terms of inter-governmental coordination to deliver goods and services. However, the “involvement of business, community and other actors ...as initiators, contributors, implementers, monitors and evaluators of development in their area” is not addressed by the Guidelines (Hindson & Vicente 2005:29). With market and business development, the general “trend is away from direct state provision of business development services towards their private provision, which may entail the use of state funds”

(Hindson & Vicente 2005: 29). In contrast to this trend, the 2005 LED Guidelines still envision a more direct role for the state through the provision of financial and non-financial support services. It is questionable whether local government will be able to promote market development directly, but it is positioned well for a more facilitative role (Hindson & Vicente 2005: 30). Community enablement “aims to strengthen the capacities of individuals and groups in poor communities to support their own development. It does this by deepening democracy ... and encouraging direct involvement in construction and maintenance of public infrastructure and service provision programmes” (Hindson & Vicente 2005: 30). This necessitates a paradigm shift, by which LED is seen as a learning process through a continuous cycle of “participatory diagnostic, participatory planning and participatory monitoring, evaluation and benchmarking” (Meyer-Stamer 2003(b):17).

These classification systems are all useful in expanding thinking on the variant focuses on LED interventions, but were unsuited to the aims of the current research. The system proposed by Meyer-Stamer is too abstract for this purpose as the various categories overlap substantially and do not focus on single improvement areas for LED. The system proposed by Helmsing is biased towards community development and does not assign equal value to business development strategies, whilst Hindson and Vicente focused solely on the governance role of government in promoting LED, neglecting the non-government aspects of LED. For the purposes of this research, a classification system that puts primary focus on the intended or envisioned outcome(s) of each intervention was required. Shared outcomes became the basis for classifying interventions and were ideal for the subsequent development of output and outcome indicators as presented in Chapter 7.

The categorisation proposed here combines the perspectives proposed by previous systems in a coordinated whole based on the shared outcomes of LED interventions. The proposed classification system provides for four categories of LED interventions, namely:

- Category A: Interventions aimed at strengthening and expanding the local business market.

- Category B: Interventions aimed at promoting the image of the locality as a whole to attract both investors and visitors to the area.
- Category C: Interventions aimed at community (economic) development, including both direct economic programmes, such as ‘right-skilling’ or entrepreneurial development, as well as social development programmes.
- Category D: Interventions aimed at improving the governance and administration processes of the local government to support the objectives of strategies in the other categories.

These four categories were used to explore examples of LED interventions that are adopted in practice by local authorities internationally. Unique to the analysis presented here is the focus on the intended or envisioned outcomes of each intervention, and the specific roles and tasks that the local government could perform in order to promote each specific intervention. This focus is necessary to make provision for the development of output and outcome indicators (discussed in the next chapter) whereby the output and outcome results of each respective intervention may be measured.

### **6.3 Four categories of LED interventions**

There are many interventions that a local government may pursue in order to positively influence local economic development in its locality. This section provides some examples of the specific interventions that local and international municipalities pursue in order to promote local economic development in the various categories. It is acknowledged that the discussion does not provide an exhaustive illustration of the LED interventions that may be pursued. Rather, the aim of the discussion and cited cases is to illustrate the diversity of specific interventions that a municipality may adopt, which, ultimately, regardless of the context-specific projects, activities or outputs selected by the municipality, strives towards a more generic outcome shared amongst all localities. This section thus provides an overview of programmes, projects and outputs to inform the development of more generic outcome indicators in the subsequent chapter.

### **6.3.1 Business and market development interventions**

Within the category of business and market development, the following interventions are explored:

- Advise and support existing businesses through technical assistance, and preferential procurement policies and local support campaigns
- Attract, advise and support new and emerging businesses
- Cluster and sector targeting

#### **6.3.1.1 Intervention 1(A): Advise and support existing businesses**

The main aim of this intervention is to retain current businesses in the area and assist them to grow and expand (DPLG 2000(A):7). The kind of support that may be required will differ from area and sector. The first step should therefore be to conduct a survey or interviews with existing businesses to identify problems and gather information about its sources and expansion potential (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 25). Bartik explains:

Visits and surveys typically focus on a broad range of issues, such as the local business climate, the quality or availability of local labor, the business's need for help with exporting or government procurement, financing problems, and local regulations. Effective and timely follow-up to business visitation and surveying is essential for such programs to have more than a short term P.R. effect on local economic development. (Bartik 2003:21)

Programmes and projects adopted under this intervention include the following.

##### **6.3.1.1.1 Providing technical assistance to businesses**

Technical assistance includes generic management and marketing training and advice; supplying information and providing marketing assistance; offering specialised accredited export and research and development training programmes;

collating and interpreting economic intelligence and maintaining databases and city indices; providing low-cost general and specialised private-sector consulting advice on technology improvement; workforce development; management improvement; and marketing planning to mostly SMMEs (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 25; Nel 2001:1007; Bartik 2003:21, DPLG (1) 2000:27). Projects within this intervention may focus on enabling export clubs and promoting international trade. With these projects municipalities provide "targeted support to local businesses to help them produce (globally) competitive products and services" that may be exported to foreign markets (DPLG 2000(A):6). Export clubs target both formal and informal businesses to share experiences and marketing efforts (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 25). In South Africa, there especially is a need for the support of small businesses. "Around the world, small businesses are a big part of the economy. In developed countries small businesses contribute up to 60% to GDP; in South Africa, small businesses only contribute about 35% to GDP." This relatively low percentage is ascribed to low levels of entrepreneurship and low survival rates of new businesses (Cape Gateway 2008a).

Selected examples of programmes and projects that aim to support businesses include the RED (Real Enterprise Development) Door project, an initiative of the Western Cape Department of Economic Development and Tourism. The RED Doors are spread across towns in the Western Cape Province and provide a "one-stop shop for new and existing businesses looking for help and advice" (Cape Gateway 2008a). Services include help with drafting business plans; problem-solving business weak points; obtaining access to finance services and government incentives; finding affordable business support services (including accounting and legal services); applying for government tenders; understanding how to import and export; and developing business skills, customer relations and research skills. The centres also provide internet, conference and mentoring facilities, as well as specific reading resources relevant to small businesses (Cape Gateway 2008a).

Similar one-stop business solutions are found internationally at municipal level as local LED initiatives (e.g. Drenas Municipality in Kosovo, see Drenas Municipality 2005:21) or at regional level (e.g. the Industrial Resource Centre in the state of

Pennsylvania, which consists of seven regional centres that provide “small- and medium-sized manufacturers with advice from the centre itself, or third party referrals by the centre, on a wide variety of issues, including human resources, business management and business systems, product quality, process improvements, and market development. Bartik points out that the ‘interventions’ with firms are not time-consuming. The IRC staff spend less than eight hours with most, while one-quarter of those assisted require more than 40 hours of time (Bartik 2003:22). ‘One-stop’ solutions simplify the process of starting up a new business, which can be a daunting task for a new entrepreneur. The advisory cost of a few hours is little in comparison to the positive effect of a feasible business plan or the advantage attained through basic business management skills.

The cost of the advisory service may be reduced by encouraging successful business owners to voluntarily act as mentors for new entrepreneurs as a community service initiative, or by partnering with business support centres provided by the provincial government or NGOs. Various private sector, non-governmental sector or partially public sector institutions offer support and advice to businesses at their own cost. A list of resources for small businesses is available, for instance, from the Cape Gateway website (Cape Gateway 2010). In promoting LED, local authorities should play a facilitative and coordinating role to make their communities aware of affordable supportive services and help them gain access to these services.

A number of provincial and national business support services are provided at district level and thereby contribute to local economic development in these localities. The Tourism Business Development initiative of the Department of Economic Development and Tourism, Provincial Government of the Western Cape, provides advice and support to entrepreneurs who wish to enter the tourism market. The provided information pack includes an overview of policies impacting on tourism businesses; advice on starting the business; support services and contact details per region; and advanced help on achieving break-even and entering the mainstream tourism industry (Department of Economic Development and Tourism 2005).

Similarly, the Small Enterprise Development Agency ([www.seda.org.za](http://www.seda.org.za)) funded by the National Department of Trade and Industry has district-based centres which

provide entrepreneurs with start-up and ongoing support to enable the sustainability of the enterprise. The Umsobomvu Youth Fund ([www.youthportal.org.za](http://www.youthportal.org.za)) provides emerging youth (18-35 years) entrepreneurs with entrepreneurship training; SMME start-up capital (R100 000 – R5 million) at discounted interest rates; as well as business consulting services vouchers for legal, financial forecasting and other specialised support services at selected service delivery partners. Local governments need to be aware of provincial and national initiatives such as these to, firstly, develop service delivery partnerships with these agencies and, secondly, to raise awareness and direct potential beneficiaries towards these services. These services provide support to emerging businesses which contribute towards local economic development, but apart from the municipality's struggling budget.

Emerging entrepreneurs in the Johannesburg SMME clothing industry have emphasised the need for training institutions and business advice and support centres that may assist them to cost goods correctly, keep adequate business records and market produced goods (Rogerson 2004:24-25). The result was a municipal co-funded training programme aimed at retraining laid off employees from the shrinking clothing industry to become SMME entrepreneurs in the designer and African clothes industry. The training project enabled the municipality to turn some of the job loss in a positive direction by steering the beneficiaries towards a new sustainable source of income using their clothing manufacturing skills.

The Business Development Programme of Istog Municipality (Kosovo) includes the drafting of a manual for business investments; the initiation and creation of a database for business financing; utilising the local radio station as a communication channel with the business community; and conducting a survey of the local business community (Istog 2003:16). A structured programme for supporting and developing businesses potentially could include details on training and funding opportunities for new businesses and potential entrepreneurs, a market breakdown structure and recent statistics on the market trends including strengths, weaknesses and opportunities in the locality, future infrastructure development plans by government and the contact details and procedures of relevant departments for the maintenance of infrastructure and services. Regular surveys of the operational and development problems encountered by existing businesses would also enable the municipality to

respond better (where possible) to these problems and contribute towards a business environment conducive to local development. Regular communication by the municipality with the business community on upcoming opportunities, market trends, new developments and changing administration procedures and costs will enable businesses to operate and respond more efficiently.

The choice to support specific economic centres should be based on the potential of the locality as identified in the SWOT analysis of the locality, and not on the “flavour of the month” industry (as has happened with the tourism industry in South Africa where municipalities far removed from regular tourist routes adopt tourism promotion as a main LED programme. Different localities have different strengths, and care should be taken to select business sectors that have sustainable viability in the area. For example, the support given by the Department of Economic Development and Tourism to AgriBusinesses at present emphasises the development and marketing of organic produce as market demand, both locally and internationally, is strong for these commodities, and organic produce is ideal for small-scale farming (Cape Gateway 2008b). The Durrës Municipality in Albania with its coastal location opted for the establishment of a fish market (2006:42), while the Zoar Dried Fruit Project of Kannaland Municipality builds on the strength of the Kannaland region in producing dried fruit and expanding existing product lines into new markets (PGWC Dpmt Local Government & Housing 2003:6). Selecting business sectors that are well-supported by the strengths of the locality ensures the long-term viability of the economic development to be derived from the initiative and investment costs.

#### **6.3.1.1.2 Procurement policies and ‘buy-local’ campaigns**

The object of ‘buy-local’ campaigns is to plug leaks in the local economy to ensure that money generated in the local economy, stays within the locality to enhance the survival of other local businesses. Linked to this is the awareness of the substantial impact that public procurement contracts have on job creation and injecting money into the economy. Initiatives include readjusting contracts to enable smaller companies, or conglomerates of companies, to bid and giving preference to local

companies when selecting from amongst tenders (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 25).

Examples of programmes and projects in this intervention include 'Local is lekker' and 'Proudly South African' as two of the national initiatives promoting support for local businesses. Similar 'buy local' initiatives are also found at local level (e.g. Witzenberg Municipality in the Ceres district has a 'buy local' marketing campaign to raise awareness of the advantages of supporting local businesses). Public procurement policies of both provincial departments and local municipalities advantage local companies as one of its selection criteria, which usually also include the price, quality of product and representativeness of the tenderer. Buy local campaigns at locality level are only viable, however, if local businesses can competitively compete with products offered by businesses in neighbouring (or accessible) areas. If the costs of transporting and storing a product escalate dramatically, the cost of purchasing the product locally as opposed to 'importing' it from elsewhere, the 'buy local' campaign will not be economically sustainable. 'Buy local' campaigns cannot contradict the realities of the locality within which they are implemented. This realisation is especially important in awarding government contracts: while it is noble to support local businesses, it cannot be at an unreasonable, higher purchase price in comparison with purchases from non-local businesses.

The Business Support Office of Shtime Municipality (2007:48) undertook to publish a four-monthly updated Information Bulletin on businesses to promote producers and services active in the area by providing information on the type of products, services, quality, prices, and company addresses of local businesses. This type of initiative helps to overcome one of the biggest setbacks of small and informal business: the ability to advertise services beyond its operational perimeter. In addition to the direct marketing advantage, this initiative also assists in developing local value chains, through which businesses can form partnerships to produce goods faster and cheaper by linking up with other local businesses which they otherwise would not have been aware of. While the municipality does not create these value chains, it provides the catalyst that promotes such developments. While a published manual may be expensive, costs may be reduced by publishing the information electronically

on the internet or by e-mail distribution lists (with the disadvantage of excluding some), or by finding co-sponsors for the publication of the Information Bulletin (big business, NGOs, other government spheres or international donors).

### **6.3.1.2 Intervention 2(A): Attract, advise and support new and emerging formal businesses**

The aim of this type of intervention is to promote foreign direct and domestic inward investment. In this regard, the World Bank LED Primer advises that investors look for “a stable macro-economic climate, a stable political and regulatory environment, market access and open competition, a welcoming environment, available sites and/or premises, appropriate, available and reliable utilities and transportation, available skilled workforce, available local suppliers and resources, appropriate education, training and research facilities, a good quality of life, especially when bringing ex-patriots [sic], manageable regulation and taxation systems (and) incentive schemes” when investigating a potential location (Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002: 28). This list serves as a reminder that the successful attraction of new businesses requires a balanced approach between various LED interventions, while studies by the Department of Provincial and Local Government on the LED strategies employed by eight local municipalities warn that industrial incentives and industrial promotion have yielded little result in small towns (DPLG 2000(B):30-31), reminding us that inward investment strategies are part of a broader LED strategy which works towards a fit between the requirements of investors, the available hard and soft infrastructure, as well as the competitive advantage(s) of the locality and community (Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002: 28).

Interventions aimed at improving the hard infrastructure are discussed separately in section 6.3.2.1. Soft infrastructure refers to the availability of appropriately competent job-seekers (see section 6.3.3.2), information and research facilities (see section 6.3.1.1.1) and business networks (see section 6.3.4.1).

### **6.3.1.2.1 Providing incubator space**

Related to providing suitable physical supportive infrastructure (see section 6.3.2.1), some municipalities opt to develop business premises (offices, manufacturing space) which is then rented or sold directly to businesses. This type of intervention ensures the availability of suitable premises at reasonable costs to the local business market, especially in providing micro and managed workspace (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 26). The provision of 'incubator space' or business 'hives' often involves the regeneration or construction of a warehouse or factory into small, self-contained units which are rented to SMMEs. Small and medium enterprises often do not have the capital to construct or obtain appropriate infrastructure in the limited well-located business areas. Sharing of bigger buildings enables these businesses to attain critical position, and attract more potential customers as a result of the joint attraction of multiple businesses, and finally to grow into sustainable enterprises that can move on from the incubator space to another suitable location. The provision of worksites may be linked to training and mentoring programmes, cluster programmes or social support programmes which further enhances its success ratio.

Selected examples of business hives include the Khayelitsha Local Business Service Centre Project (City of Cape Town), which involved the refurbishment of old administration buildings into business hives with an additional business support office; the resource centre and the display area (PGWC, Department of Local Government and Housing 2003: 3); the Vredendal North Bee-Hive Project, which offered entrepreneurs workspace at a quarter of private rental rates, but with the annual evaluation of entrepreneurs against set performance criteria to determine the renewal of their rental contract for another year (Impumelelo Innovations Award Trust 2003c), and the 'Women on the Move' micro-manufacturing project for unemployed women in the rural village of Kurland (close to Plettenberg Bay), which involved the construction of a safe, central centre where women can manufacture and sell their wares (Impumelelo Innovations Award Trust 2002). Some international examples include the Drenas Municipality, which provided assistance to

entrepreneurs and created industrial parks and business incubators as well as a business advice centre (Drenas Municipality 2005:22).

Similarly, Shtime Municipality (2007:51) also established a business incubator to promote new businesses, and aimed to transfer 'best-practice' knowledge to both the municipal officials and the businesses involved in the incubator initiative. In Greece, Science Parks are established with the aim of establishing formal and informal links between SMMEs and Universities (OECD 2007:49). Ann Arbor in the USA offers an extensive website with information and on-line application forms for available incubator space, an Entrepreneur Resource Guide, Entrepreneur Boot Camp, Online Business Planning eCourse, links to venture capitalists and Angel investors for start-up funding and a Business Accelerator with services that speed up the attraction of capital, customers and other resources (see <http://www.annarborusa.org/start-ups/>).

While business incubators play a critical part in overcoming market failure by providing suitable premises to smaller and start-up businesses at affordable lease rates, and thus create an environment conducive to economic development, it is critical that the initiatives should not operate at a loss to the municipality (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 25) but are managed along business principles. One success story includes the Liquorice Processing Plant Project (Oudtshoorn Municipality) which produces liquorice from invader plants on farms in the Dysselsdorp area. Operating on business principles, it finally offered permanent employment to seven persons, and temporary work to a further 35 employees, and has been cited as a best practice in evaluation reports (PGWC Dpmt of Local Government and Housing 2003:4; Impumelelo Innovations Award Trust 2001a; Impumelelo Innovations Award Trust 2001b).

A study conducted by private consultants (Ackron 2010) on the 11 incubators managed by the City of Cape Town found that incubators managed on the principle that government provides funding and institutional support without clear contractual deliverables expected from the assisted businesses, and a clear 'end-date' for the support lead to the long-term dependency on government of the assisted businesses. The study redefined incubators as a 'factory that produces small businesses' and recommended an incubator strategy to the City of Cape Town that

provides for both virtual and physical incubators. Physical incubator space should only be provided to small businesses in need of special, discounted production space, while virtual incubators provide for an outreach and support programme to other small businesses that do not require physical incubator space, but still require business support.

The study also recommended that a contract be signed with all supported businesses to stipulate the requirements for receiving the subsidy, which should gradually diminish over time and phase out completely after four years. Businesses that are not self-sufficient after four years should die a natural death, and should no longer be sustained from incubator subsidies. The contract should also compel supported entrepreneurs to engage in SMME development programmes and, finally, to regularly provide updated financial statements and ledgers to their mentors to ensure appropriate guidance and support. The study found that the principles outlined above were successfully applied in the Vishoek Incubator, which forced unsustainable small businesses to move out of the incubator once their support period came to an end, so that the opportunity could be provided to another SMME.

The UTHANGO Enterprise project in the Masiphumelele informal settlement (Noordhoek Valley, Cape Town) provides “students with entrepreneurial potential, as well as owners of community-based businesses with growth potential” with assistance, including business training, placement in incubator units, access to new markets and business networks and a unique micro-enterprise loan fund to “enable emerging entrepreneurs to fast-track their businesses. [Specifically], the integrated components of the project include access to Infrastructure, Micro-Enterprise Funding, one-on-one Business Coaching, Business Services, Networking and Market Development, and Access, as well as life-skills development and technical training if required” (Impumelelo Innovations Award Trust 2005a).

Gibb summarises the benefits of the Noordhoek Valley Training Centre as follows: The Centre provides local companies with on-site production units. The companies employ students from the training centre who then ‘earn while they learn’, while also being exposed to the practical side of contract, time and quality management. Graduate students are provided the opportunity to also start their own business in

the 'business hive' on the premises, which provides them with a supportive environment to start their business. Two added advantages are the Two Oceans Crafts and Culture centre situated close to the Training Centre, which provides a set-off point for produced goods, and a crèche on premises, which provides parent-students with safe day-care for their children, and practical exposure for the students studying childcare (Gibb in Nel & Rogerson 2005:149-157). It becomes clear from this case study that the provision of suitable workspace is but one element of a successful business incubator. By linking the incubator to training opportunities, marketing, networking and business support and appropriate social support for entrepreneurs caught in the poverty trap, the success of the incubator may be dramatically improved.

The Vredendal case study adds the importance of objective assessment of businesses provided with incubator space to ensure counter performance which will ultimately allow the business to become independent.

#### **6.3.1.2.2 Providing tax breaks and facilitating micro-credit**

Amongst the traditional mechanisms for attracting businesses to a locality are tax breaks, incentives and subsidised service schemes. Reasonable tax and service rates and medium-term rebates are amongst the decision criteria that businesses consider when choosing their business location. A key advantage of this strategy is that the decision-making power resides within the municipality, with little need for the partnerships and agreements critical to many other strategies. However, the financial trade-off of short-term revenue cuts as a result of the tax scheme versus long-term or secondary benefits still demand extensive research and budgeting to ensure the success of this strategy. In terms of this strategy, the World Bank Primer advises that "Inward investment strategies are likely to be successful when incentive programs are (well) considered, varied and not excessive" (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 28). Local government must be cautious in choosing incentives that will ensure sustainable business and market development, in contrast with incentive schemes that produces short-term growth spikes, but sees the businesses relocating or closing down once the incentive period ends.

Municipalities should refrain from ‘competing’ against neighbouring localities in the provision of tax breaks and incentives. Smaller municipalities, especially, should be cautious, as economy of scale makes it impossible to compete against a bigger metropolis. Local government must also be aware of the initiatives of provincial departments to ensure that they work with, rather than against, these initiatives. A local municipality cannot compete against the budget of the Department of Trade and Industry and should therefore take cognisance of the developmental nodes and sectoral development initiatives of such departments. In offering incentives; local government should focus on promoting growth within sectors that relate to the competitive advantages of the locality, which, in time, will lead to a self-sustained and competitive business market.

Bartik also advises that many firms are not only persuaded by the financial incentive scheme, but base the final choice on the availability of required infrastructure; suitable or desirable premises; and local skilled, reasonably priced labour (Bartik 2003:14). Incentive schemes should therefore also not be considered in isolation, but should form part of a broader LED strategy that simultaneously promotes the business friendliness of the locality in terms of the hard and soft infrastructure that it offers.

Examples of incentive programmes include the South African Income Tax Act, which provides an Urban Development Zone tax incentive which “aims to stimulate capital investment in buildings in declining areas....[by allowing] property-owners/ developers to offset building costs against income in defined Urban Development Zones” (Cape Town Partnership, 2010).

The City of Johannesburg offers an urban renewal tax incentive that allows for the rapid depreciation of new and renovated buildings purchased in the inner city, which leads to lower property tax. To qualify for the incentive, properties must be used to generate income as either rental accommodation or used for manufacturing or business purposes (TradeInvest South Africa, 2010). This requirement is critical to any inner city regeneration scheme, to ensure that property is not purchased by passive investors, but that these purchases lead to an increase in business activity in

the inner city. Further examples of energy subsidies for big enterprises and incentives to promote foreign investment in South Africa are discussed at <http://www.sabusinesswarrior.com>. The City of Tswane's Business Retention, Expansion and Attraction strategy comprises a number of programmes aimed at supporting and attracting businesses to the city (See <http://www.tshwane.gov.za/documents/econdev/breastrategy.pdf> for details of the strategy).

On the international level, in order to encourage the production sector, Shtime Municipality (2007:66) in reduced municipal business taxes by 50%, with a 30% reduction in building permits for applications in the business-designated area. Berat Municipality (Albania) provided special tax concessions to traditional artisans and the training of potential apprentices for traditional artisan businesses (Berat Municipality 2006:50-51). The Town of Assiniboia provides various incentive schemes. One provides 100% exemption on property tax for new business property developments for the first two years, with a further 50% exemption for three further years. A second incentive provides a 50% exemption on property tax for a new business that is not similar to an existing business in the town, with a further 25% exemption for two further years. A third incentive provides partial exemption on expanding or renovating existing property development, another incentive provides credit for each permanent full-time job created for three years, while a final incentive provides rebates on residential property developments to encourage people to relocate to the area (See <http://www.assiniboia.net/html/business/ecoincentives.html>).

It is important that the provision of concessions are linked to clear terms and conditions to ensure that the development objectives of the locality are met by the concessions granted. Finally, the Indiana enterprise zone programme aimed to "induce investment and enhance employment opportunities for residents in 15 distressed urban areas in Indiana State by providing tax preferences to capital and labour." As a result, unemployment claims in the state declined by about 19%. However, an evaluation of Enterprise Zone programmes in California, Kentucky, New York, Pennsylvania and Virginia found no significant impact on local employment (OECD 2007:61-62).

A secondary analysis of the International City/ County Management Association's ICMA Economic Development Surveys conducted every five years in 1994, 1999, and 2004 revealed a gradual shift away from business incentives. "More than 45% of the survey respondents in 2004 indicated that they no longer used any incentives, while in 1994, less than 12% of the survey respondents claimed so." (Zheng 2009:3) The local authorities that still provided incentives have a stronger "perception of external competition and more economic development barriers" (Zheng 2009:4). Zheng's research confirms a gradual move away from 'first wave' LED strategies towards the second and third wave strategies (see Table 5.1 for a summary of LED reforms) in the localities that formed part of ICMA study . Local authorities should take cognisance of this move and adopt incentive schemes only if the benefit in economic activity outweighs the cost in loss of revenue.

While tax breaks and incentive schemes are mostly aimed at larger, formal business enterprises, the facilitation of access to micro-credit is specifically aimed at assisting smaller emerging businesses. Many micro-enterprises, challenged for conventional collateral, cannot access funding through traditional financial institutions. Research on the constraints faced by entrepreneurs in the Johannesburg SMME clothing industry highlighted the need for micro-credit (Rogerson 2004:24-25). To respond to this market failure and promote LED, local authorities may facilitate the provision of start-up funding by encouraging institutions and private sector micro-enterprise institutions to intervene (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 26) or by providing direct financial support to new businesses (Nel 2001:1007).

Programmes that assists with access to micro credit include the "United States' Small Business Administration's (SBA) program which guarantees loans made by financial institutions to small businesses, [while] the Capital Access Programs subsidises a 'loan loss reserve' for banks lending to businesses with above-normal risk" (Bartik 2003:29). Under this programme, banks and government both contribute a percentage of the loan amount to the reserve, from which the bank may claim any incurred losses. The conditions of the programme deter banks from putting acceptable risk ventures onto the scheme, and from financing too risky ventures (Bartik 2003:30). The Japanese Credit Supplementation Scheme contributes to the

smooth flow of funds by guaranteeing loans that are advanced to SMEs by banks or other financial institutions (OECD 2007:39). In similar fashion, the Central Bank of Nigeria manages an Agricultural Credit Guarantee Scheme Fund which “guarantees credit facilities extended to farmers by banks up to 75% of the amount in default net of any security realized”. In addition, there is also an Agricultural Credit Support Scheme which provides loans at single-digit interest rates to both small-scale and large-scale farmers. “At the commencement of the project support, banks will grant loans to qualified applicants at 14.0 per cent interest rate. Applicants who pay back their facilities on schedule are to enjoy a rebate of 6.0 per cent, thus reducing the effective rate of interest to be paid by farmers to 8.0 per cent” (Central Bank of Nigeria 2008a). The Podujeva SME Investment Fund Program of the Podujeva Municipality in Kosovo involves the establishment of a modest investment fund to assist in creating new businesses (Podujeva Municipality 2003:14). Drenas Municipality (2005:21) created a website to market available investment opportunities in the locality similar to <http://www.tradeinvestsa.co.za> in South Africa.

Although financial constraints and compliance with the Municipal Finance Management Act prevents municipalities from directly providing loans or guaranteeing loans offered by private financial institutions to businesses, local authorities should be aware of available credit schemes to direct businesses to potential funding opportunities.

Examples of available micro and macro credit schemes in South Africa include:

- The Agricultural Credit Scheme (The Presidency – Republic of South Africa 2006) and the Micro-agricultural Financial Institutions of South Africa (MAFISA), which allow access to affordable financial services (loans and banking facilities) through selected financial institutions (Department of Agriculture 2005).
- The Umsobomvu Youth Fund, which provides funding to young entrepreneurs (online at [www.youthportal.org.za](http://www.youthportal.org.za)).
- Business Partners assists existing medium and big businesses in the manufacturing, retail and service sectors through debt and equity financing,

mentorship and property management services. Business Partners becomes a partner in the business until the loan has been paid off or until the owner of the business buys them out. Loans are repaid at variable interest rates, dependent on the risk involved (Small Enterprise Development Agency (Seda) 2010; Business Partners 2010).

- Khula Enterprise Finance Limited, an agency of the Department of Trade and Industry, is a wholesale finance institution which facilitates access to credit for SMMEs from commercial banks, retail financial intermediaries and micro credit outlets (Seda 2010; Khula Enterprise Finance Ltd 2007). The Khula Credit Guarantee Scheme assists SMMEs without adequate security to access finance from various major and small commercial banks by providing a guarantee of 80% on the loan approved by a commercial bank (Seda 2010). Joint venture funding and funding from non-bank financial intermediaries can also be obtained through Khula (Khula Enterprise Finance Ltd 2007).
- The Industrial Development Corporation (IDC) of South Africa Ltd targets big industrial development projects (Seda 2010). “IDC is a self-financing, state-owned national development finance institution that provides financing to entrepreneurs and businesses engaged in competitive industries” (Industrial Development Corporation (IDC) 2009).
- The Innovation Fund (funded by the Department of Science and Technology and managed through the National Research Foundation) “promotes technological innovation through investing in late-stage research and development, Intellectual Property protection and commercialisation of novel and inventive South African technologies” (Innovation Fund 2008).
- Sizanani Advisory Services business advisors “assists SMEs in obtaining business finance from participating banks and financial intermediaries by appointing an accredited business advisor....to assist with bank negotiations, provide one year’s mentorship and assist with completion of business plan, income statement, balance sheet and cash flow projections” at a third of the market price of the advisory service (Seda 2010).
- The South African Micro-Finance Apex Fund accounting to the Department of Trade and Industry finances Micro Financial Institutions and other partner organisations for the small loans (<R10 000) they provide to self-employed

and group-owned SMMEs who depend on the micro enterprise for survival and meet the required equity targets in terms of women, the disabled and youth (Seda 2010; Department of Trade and Industry(DTI) 2006).

- The Gauteng Enterprise Propeller (GEP) provides financial and non-financial support to SMMEs in Gauteng (Gauteng Enterprise Propeller. 2007)

The Small and Medium Enterprises Equity Investment scheme is a voluntary initiative of the Nigerian Bankers' Committee. The initiative promotes "Small and Medium Enterprises (SMEs) as vehicles for rapid industrialisation, sustainable economic development, poverty alleviation and employment generation. The Scheme requires all banks in Nigeria to set aside ten (10) percent of their Profit After Tax (PAT) for equity investment and promotion of small and medium enterprises. The 10% of the Profit After Tax (PAT) to be set aside annually shall be invested in small and medium enterprises as the banking industry's contribution to the Federal Government's efforts towards stimulating economic growth, developing local technology and generating employment. The funding to be provided under the scheme shall be in the form of equity investment in eligible enterprises and or loans at single digit interest rate in order to reduce the burden of interest and other financial charges under normal bank lending, as well as provide financial, advisory, technical and managerial support from the banking industry. Every legal business activity is covered under the Scheme with the exception of trading/merchandising and financial services. Ten percent (10%) of the funds set aside has been earmarked for lending to microfinance enterprises." (Central Bank of Nigeria 2008b).

Locally, the Ikapa ABSA Entrepreneurial Programme provides "financial support to small, micro and medium enterprises....owned by women, the disabled and community organisations." It also includes "a range of support services such as mentoring programmes, marketing assistance, business management training, business idea development, intellectual property registration and networking opportunities" (Cape Gateway 2008d). Most of the bigger South African banks offer loans to businesses, although they generally prefer funding existing businesses to start-ups and require collateral for the loan amount

(<http://www.seda.org.za/content.asp?subId=165>). Local authorities should be aware of these private sector initiatives to direct businesses to potential financing partners. Further assistance could include helping entrepreneurs in compiling their business plan: a critical success factor in obtaining funding.

### **6.3.1.3 Intervention 3(A): Cluster and sector targeting**

“An industry cluster is a loose, geographically bounded collection of similar and/or related firms that together create competitive advantages for member firms and the regional economy.” (Barkley & Henry 2001:1). Cluster development aims to establish a group of dependent businesses whose competitive advantage is strengthened through proximate location, inter-firm collaboration and integration into existing industrial webs (Blair & Carroll 2009:151). Cluster development at its boldest encourages institutional development and supports targeted industrial sectors. This type of intervention must be based on in-depth research and should be targeted at sectors that offer the most local economic development potential (Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002: 33).

The distinguishing feature of a cluster is that there is an extensive flow of workers and information about technology and other business issues across the firms in a cluster; this both provides an incentive for these firms to cluster, as well as a common interest for these firms in the quality of specific types of labour and specific local information (Bartik 2003:24). Advantages of clustering are a strengthening of local economy of scale; promotion of industrial reorganisation and new value chains; encouragement of networking and greater focusing of public resources. Shortcomings, however, are difficulty in deciding which sectors to promote; difficulty for late comers to the locality to compete with established businesses; and problems in creating supportive infrastructure and services (Barkley & Henry 2001:5-7).

The South African tourism sector offers much potential in terms of the country’s cultural and natural heritage. Expanding local tourism markets have been the focus of many local government LED strategies, as the resources required (cultural and

natural heritage) are readily available and the labour-intensive industry offers much potential for job-creation. A few examples of tourism-directed projects are the Bird Island Project (Cederberg Municipality), Griqua Ratelgat Development Project (West Coast District Municipality), Khulani Women's Project (George Municipality) with traditional handcrafts and Xhosa dances and singing and the Swellendam Alive Project (Swellendam Municipality) (PGWC Department of Local Government and Housing 2003:2, 4, 5).

The City of Johannesburg have focussed their tourism efforts on attracting business tourists coming for meetings or conferences, as well as African tourists who regard Johannesburg as a shopping Mecca (Rogerson in Nel & Rogerson 2005:84–95). The City of Cape Town's Economic Development and Tourism Department operates a Community-Based Tourism Development Fund to develop and promote community-based tourism within the City of Cape Town. "The objective of the CBTDF is to increase the number of local people involved in providing services to tourists and the tourism industry so as to foster local ownership, power, and participation in various tourist-related enterprises....Since 1999, 16 community-based tourism projects have been funded." (Impumelelo Innovations Award Trust 2003a).

Berat Municipality promotes tourism development through the "development of a joint action plan between the Municipality and private and state agencies operating in the field of tourism, setting up of a Municipal structure to collect and distribute data concerning tourism potential offered by the city, establishing a Tourist Information Centre, preparing and distributing a tourist guide book and developing a digital portal for the city". Other tourism promotion projects include a survey and maintenance plan for historical attractions in the locality and training programmes for hotels to raise the level of services offered in local hotels (Berat Municipality 2006:50). A simpler, but critical initiative to promote tourism is the erection of tourism information signs to attractions within the locality.

Agricultural development is another sector that has wide-spread potential. International examples of agricultural development include Berat Municipality, which promotes agribusiness by integrating agribusiness environments into the urban planning for the city; rehabilitating infrastructure in the areas where agribusiness

already exists; and providing support, help with and training in the administrative procedures and fiscal obligations of agribusiness SMEs, as well as information on loans for agribusiness SMEs. The municipality also seeks new markets for the export of produced goods and compiled information of both local and international common standards for produce (Berat Municipality 2006:49). To support local agriculture, Shtime Municipality (2007:63) undertook to construct an irrigation system to areas with high agricultural potential, but a shortage of water. Another initiative (Shtime Municipality 2007:65) involves changing cropping patterns by encouraging and training farmers to switch to more profitable crops (which entail the use of greenhouses) and smaller production units that can increase yield and improve profits.

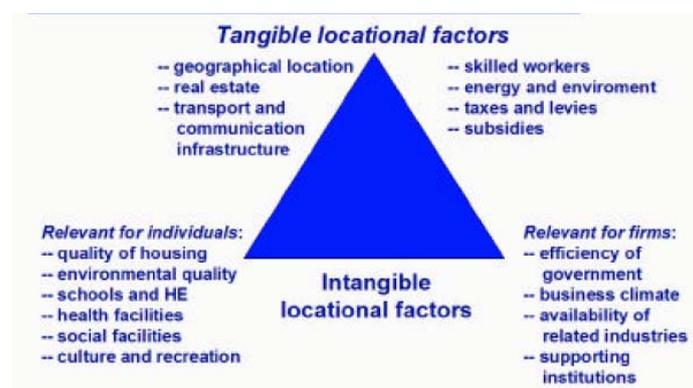
The decision to target a specific sector should be based on the strengths and opportunities offered by the locality. Usually, a good indicator of viable sectors in a locality is that these sectors are already vibrant and dominant in the locality. Municipalities should do environmental scanning to determine the top sectors that contribute to local GDP, which may then be further analysed for potential expansion and development through sector-specific support. In agricultural localities, promoting activities that support the farming activities that dominate the local GDP or providing sector-specific support will render best results, while promoting the manufacturing, retail or services sectors may render better results in urban centres. Examples include the organising of local festivals such as the Caledon Meat Festival, the Stellenbosch Wine Festival or Upington Agricultural Fair; enhancing access to markets, such as the upgrading of the road between Ceres and the Cape Town harbour to prevent damage to transported fruits; or the development of a 'fashion industry' in the inner city of Johannesburg for small and medium clothing enterprises after the closing down of large-scale clothing manufacturers. International examples of cluster developments include software development in Silicon Valley, film production in Hollywood and the automobile industry in Detroit.

Research findings from Barkley and Henry (2001:8) indicate that a cluster LED strategy is most successful in localities with existing well-developed industry clusters, and may be a viable option for localities with small industry clusters if implementation of the strategy is not too costly, but localities with no distinct industry clusters are not

likely to find success from a clustering strategy. Barkley and Henry conclude that “the promotion of industry clusters is not an industrial development solution for all areas. The clustering approach is most promising for areas with existing, well-developed clusters in growing industries [while] regions with concentrations in declining sectors or areas with diverse industrial bases probably should continue to concentrate their industry development resources in the more traditional program areas -- recruitment, small business development, retention and expansion.” (Barkley & Henry 2001:8-9).

### 6.3.2 Locality development interventions

Locality development strives to improve the general desirability of the locality as a place to live and invest in. Interventions in this category may be directed to improving either tangible or intangible characteristics of the area. Tangible factors include the hard and soft infrastructure required to achieve a good standard of living, e.g. transport infrastructure, potable water, power supply, and medical and educational services. Intangible factors focus on people’s perception of the area as a good place to live. Figure 6.5 identifies selected tangible and intangible factors that may be targeted by locality development interventions.



**Figure 6.5: Tangible and intangible locational factors**

Source: Meyer-Stamer 2003(b):6

Interventions in this category include:

- Improving physical supportive infrastructure
- Regeneration of abandoned areas
- Place marketing and generic locational policy
- Crime prevention measures

### **6.3.2.1 Intervention 4(B): Improving physical supportive infrastructure**

Local authorities need to prepare industrial and commercial sites with basic infrastructure in order to attract businesses to the area (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 35). A well-developed built environment is more attractive for business seeking to locate, expand or settle its employees and owners in the locality. Even SMMEs are dependent on good supportive infrastructure for growth, as illustrated by entrepreneurs in the Johannesburg SMME clothing industry who highlight the need for better or bigger premises as one of their biggest expansion constraints (Rogerson 2004:24-25).

Programmes and projects may include improving key roads, railways, airports, ports, sites and buildings, water, sewerage, energy and telecommunications systems and crime prevention equipment. The World Bank Primer advises that, since these projects involve considerable expense, it is imperative that "local governments prioritise infrastructure investments according to need, potential for cost-recovery, opportunities for leveraging additional resources." (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:30). The maintenance of hard infrastructure to ensure its continued service is also an important aspect in ensuring supportive infrastructure environment (GTZ 2003:35).

A practical example of a South African physical infrastructure improvement programme is the Municipal Infrastructure Grant (MIG). As a new municipal infrastructure funding arrangement, it combines existing capital grants (Consolidated Municipal Infrastructure Programme, Local Economic Development Fund, Community Based Public Works Programme, Water Services Projects, Urban

Transport Fund, Building for Sport and Recreation Programme, and National Electrification Programme) for municipal infrastructure into a single consolidated grant (DPLG 2004-2007:6). The aim of the programme is to provide “all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance to cover the capital cost of basic infrastructure for the poor” This is aimed at eradicating poverty and creating conditions for local economic development by maximising “opportunities for employment creation and enterprise development” (DPLG 2004-2007:3).

The main difference between the MIG and preceding municipal service grants is that it is managed by the municipality as a coordinated part of the integrated development planning process. “Whilst national and provincial government are responsible for creating an enabling policy, financial and institutional (support) environment for MIG, municipalities are responsible for planning municipal infrastructure and for utilising MIG to deliver the infrastructure.” (DPLG 2004-2007:7,25). Municipalities can apply to the MIG for projects that enhance access to infrastructure to the poor, to upgrade and build new infrastructure or to rehabilitate existing infrastructure as long as the infrastructure provides basic services to the poor (DPLG 2004-2007:7-8).

Internationally, London’s Economic Development Strategy dedicates a chapter to planned investments in infrastructure, which includes transport infrastructure, housing development, social infrastructure (schools, health and cultural facilities), business and specialised workspace, communication infrastructure, key utility services (water, electricity) and parks (London Development Agency 2005:32-35). Other examples of physical improvement programmes may include road resurfacing and improvement programmes, water supply improvement programmes, power supply improvement programmes, sanitation improvement programmes, telecommunication infrastructure, construction, upgrading or maintenance of buildings such as schools, sport facilities, clinics, community centres or other physical infrastructure that leads to improved service delivery (see for example development strategies of the following municipalities in Kosovo: Istog Municipality (2003:15-16), Berat Municipality (2006:51), Dragashi Municipality (2007:31),

Podujeva Municipality (2003:16), Drenas Municipality (2005:22) and in Albania: Durrës Municipality (2006:44)).

Sometimes, localities can derive benefit from infrastructure developments initiated by other spheres of government. A good example is the Mbombela Local Municipality (Nelspruit) which experienced historical service backlogs, urban land tenure issues, high unemployment and low economic opportunities like many other South African towns. The nearby development of the Maputo Development Corridor SDI (a DTI initiative) however boosted the economic growth of the locality. To maximise spin-offs from these initiatives, the Mbombela Local Municipality decided to focus investment “in the protection and expansion of existing economic nodes (to) ensure corridor development [and] identify viable projects, which can serve as a catalyst for Mbombela as well as the corridor initiatives” (Adams & Moila 2004(2):9).

One spin-off of the Maputu Corridor was the building of the Kruger Mpumalanga International Airport, a unique partnership between an international company and the Mbuyane community who provided the land on which the airport was built. For their contribution, the community holds not only 10% of the shares in the airport but also receives a fee for each departure that are used to fund development of the community. to develop the community. In addition, the community has benefited from the many temporary and permanent jobs created through the construction and management of the airport (Adams & Moila (1) 2004:4). Another initiative to maximise spin-offs from the corridor is the construction of housing projects in close proximity of the corridor, the promotion of SMME development that may feed into value chains and conducting a full business audit to determine and exploit emerging trends (Adams & Moila (1) 2004:2 & Adams & Moila (2) 2004:2-3).

Local authorities need to ensure that the supportive infrastructure and services needed for successful business are in place as this is a main prerequisite for business attraction, retention and expansion. While the integrated development strategy of the municipality is the main instrument for planning and implementing infrastructure developments (in coordination with other economic and social development priorities), its time-frames in responding to emerging infrastructure needs is often too long for the fast pace of a competitive business environment. To

overcome this problem, local authorities need to be aware of provincial and national infrastructure projects and grants and derive strategies to maximise the potential gains of these projects and grants for their locality and their communities. In addition, local authorities should consider private sector partners for infrastructure development that will benefit the broader locality and community (and not just the pocket of the investor), which cannot be financed in the short to medium term by the municipality's budget.

### **6.3.2.2 Intervention 5(B): Regeneration of abandoned areas**

As localities develop and residential areas move to the more desirable peripheral areas, businesses relocate to follow this movement away from the centre. As the previous Central Business Districts fall into disuse, expensively developed and potentially productive sites and buildings are abandoned. Regeneration programmes aim to reclaim derelict sites, adapt disused buildings and revamp industrial and commercial sites. Programmes and projects may “include town centre enhancements, upgrading abandoned industrial premises, developing business parks, encouraging investment into corridors and growth nodes” (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 34).

The Urban Development Zone Tax Incentive is an innovative incentive directed at stimulating investment to refurbish existing buildings and promote the construction of new buildings in the inner city areas. It provides for an accelerated depreciation allowance and was introduced by the National Treasury in terms of Section 13(4) of the Income Tax Act, 1962 (as amended by Section 33 of the Revenue Laws Amendment Act, 2003 (Act 45 of 2003) and Section 23 of the Revenue Laws Amendment Act, 2005 (Act 31 of 2005)).

This incentive is quite novel in that it allows the accelerated depreciation to be set off against any other income (including personal income tax) and not only income from that particular building (as long as the building is receiving an income or is used for the owner's trade). For individuals and companies, this incentive offers a great opportunity to invest in inner cities, or to maintain their current investments and participate in urban renewal and development. The

incentive will also support government's housing policy, because it encourages private investments in affordable rental housing in the inner city (City of Tshwane 2010).

The Johannesburg metropolitan area, which houses the third highest number of manufacturers in the South African clothing industry, has faced steady decline in the number of factories and job industries since the 1960s due to low productivity and the rise in cheaper imports. The result has been that many factories in the inner city shut down, leaving the premises vacant. The clothing industry however offers much potential for the SMME economy, potentially benefiting both laid off workers from the big manufacturers as well as immigrant entrepreneurs. New SMMEs tend to start up in the informal settlements, but soon look to relocate to affordable, appropriate and low criminal risk premises. The City of Johannesburg adopted a regeneration project that transforms existing industrial sites in the inner city to small-scale, affordable premises suitable for SMMEs. The City of Johannesburg provided the South African entrepreneurs (but not migrant entrepreneurs, although some spill-over effect was witnessed) with basic training in business skills and assisted them with marketing and networking to develop markets for the goods. The municipality also developed part of the inner city as a 'fashion district' and provided housing nearby (Rogerson in Nel & Rogerson 2005: 84-95). To further assist the development of the SMMEs, Rogerson proposes the following interventions:

- Facilitating the formation of associations and networks amongst SMMEs, to assist with large contracts and skills transfer;
- Dissemination of information on potential partners and exporters;
- Facilitating contact between small and large firms and retailers and producers; and
- Encouraging visits between SMMEs to encourage the transfer of best practices (Rogerson in Nel & Rogerson 2005:169-179).

In aiming to revamp abandoned business districts, local authorities could offer additional tax incentives (the Urban Development Zone Tax Incentive covers only those areas proclaimed by National Treasury) to encourage relocation of businesses

to these areas. Furthermore, local authorities should strive to improve the service infrastructure in the inner city; improve transport and public transport infrastructure; overcome problems related to commuting and parking in the inner city; and improve security and personal and property safety in the central business district. Great synergy can also be attained by simultaneously promoting residential reuse of the central business district.

### **6.3.2.3 Intervention 6(B): Place marketing and generic locational policy**

Place marketing includes activities that promote and advertise the local area, “so that people, business and industries see the area as a desirable place to visit, live and work in” and to attract new businesses to the area, which increases local job opportunities and the municipal tax base (DPLG 2000(A):3-4). Meyer-Stamer advises local authorities without a clear niche or competitive advantage to adopt a generic locational policy. “The goal of generic locational policy is to create favourable overall conditions for business, without specifically targeting companies or sectors....[It] may, for some time and to some extent, i.e. as long as other locations are too disorganised to do the same, create a locational advantage.” (Meyer-Stamer 2003(a):25)

Examples of place marketing programmes include Colchester, which proclaims itself the jewel of the Eastern Cape. The website describes the locality as “unspoilt South African nature at its best. This town on the banks of the Sundays River provides the perfect setting for relaxed, easy living. Here, your children can grow up like children should” (as illustration, see <http://www.colchester.co.za/>). Stilbaai markets itself as the ‘Bay of Sleeping Beauty’, a word play on the local mountain that resembles a person sleeping.

Cape Town takes a functional approach in overcoming the negative association with bigger centres when it markets itself under ‘this city works for you’ (although local politics, and not economic development, played a substantive role in the selection of the slogan). Mbombela (Nelspruit) markets itself as ‘a model African city of

Excellence' (see <http://www.mbombela.gov.za/>). Some localities pool their marketing and attraction efforts for a larger effect. 'Route 46' and 'the Garden Route' in the Western Cape, 'the Wild Coast' in the Eastern Cape and 'Limpopo Province' are examples of different localities with similar characteristics collaborating their marketing efforts based on their shared identity. In today's tourism market, tourists often try to experience more in a short time, and the joint marketing of a district may attract more tourists to the district than the single marketing efforts of one locality with limited tourist attraction.

Municipalities use alternative communication media to market their locality, including websites, local radio and television stations, and printed media. The organisation of fairs to promote local produce, business fairs to market the locality or hosting of conferences or international sport teams (for example prior and during the 2010 Soccer World Cup) also serves to market the locality as an investment option (See for example Dragashi Municipality 2007:36-37, Durrës Municipality 2006:40).

To support place marketing, localities often adopt 'city beautification' projects, such as the extension of greenery (often in collaboration with businesses; see, for example, Durrës Municipality's 'one business one tree' initiative), the painting of public facades (see, for example, Durrës Municipality 2006:43), establishing city parks, cleaning public open spaces, parks and river beds (see Shtime Municipality 2007:72,74). Programmes aimed at reducing air, water and land pollution in the locality and cleaning up waste also promote the general attractiveness of the locality (see, for example, Dragashi Municipality 2007:36, Berat Municipality 2006:52, and Drenas Municipality 2005:24). In addition to natural resources, local authorities can also implement programmes to protect and enhance the cultural resources of the locality, sometimes in partnerships with community organisations (e.g. the Stellenbosch Heritage Foundation) or on own initiative (Durrës Municipality established guidelines for the administration of underground artefacts of archaeological, historical and cultural importance and organises a number of annual carnivals to promote the cultural heritage of the city (see, e.g., Durrës Municipality 2006:46,43).

A generic locational policy would focus on ensuring that the locality provides sufficient opportunities and supportive infrastructure to ensure a good standard of living in the area. This includes ensuring quality and sustainable basic service (water, power and sanitation) at affordable rates; sufficient education, health and safety infrastructure; diverse cultural and recreational attractions; competitive taxes; variable housing options to cater for varied household affordability; affordable cost of living; a healthy physical environment; sustainable land use patterns; sustainable business and industry development; opportunities for further development and training of workers to enhance productivity, all of which contribute towards a good quality of life of the inhabitants in the area. Although many of these factors are not within the decision and implementation power of the local authority alone, local authorities could benefit from adopting an integrated human development strategy for the locality to ensure desirable development and growth trends in the area, and to build good intergovernmental relations with other implementing public sector actors to ensure holistic service delivery.

#### **6.3.2.4 Intervention 7(B): Crime prevention measures**

Crime trends and statistics have a definite impact on people's perception of an area as a desirable place to live. Local government needs to employ measures that will deter crime in the area. Programmes and projects may be large-scale, like the deployment of local government policemen in bigger cities (Cape Town Metropolitan Police, Cape Town Ghost Squad, New York City Police Department) or erecting surveillance cameras in high-risk business districts, or on a smaller scale, like the establishment of community police safety forums and neighbourhood watches in residential areas, or the provision of public street lighting in high risk areas.

Other examples of programmes include Project Chrysalis (initiated by the Provincial Government of the Western Cape) which combats "crime and gang activities in the Western Cape through skills development and social upliftment" through education and development of the youth. The project has demonstrated success in that "53% of the graduates have found permanent or casual employment and 11 students have qualified as lifesavers" (Impumelelo Innovation Award Trust 2001). "Bobbies on the

Beat" is a community policing project in the Western Cape. It involves the training and recruitment of police reservists as patrolling officers under supervision of police officers (Impumelelo Innovation Award Trust 2000b).

The Make it Better (MIB) Youth Development Programme "offers training and support for local youth throughout the country in order for them to gain the skills necessary for them to start their own CBO's and to become marketable employees in government and NGO markets. MIB will work with one community at a time and train about 30 youth in a 9 month (average) programme". The participants are trained in leadership, conflict management, team building, communication, public speaking and other skills necessary for leadership positions, together with specific skills training such as drug prevention and HIV/AIDS. Twenty-one courses which have resulted in 30-40 local programmes have been held since 2000 (Impumelelo Innovations Award Trust 2006d).

In promoting an area as a safe place, localities should strive to improve both actual statistics as well as people's subjective perception on the area. Localities should also actively promote partnerships with other service delivery agencies, businesses and communities to promote safety and security in the locality.

### **6.3.3 Community or poverty alleviation interventions**

As explained in Chapter 5, community economic development interventions tend to be more prevalent in developing countries, where dire circumstances and poverty often inhibits citizens' ability to participate and benefit from economic opportunities and growth. Chapter 5 also illustrated that this type of intervention became more popular during the 1990s. Community economic development aims to alleviate poverty by "improving the capabilities of disadvantaged communities to create sustainable livelihoods for themselves" and by providing basic services to the disadvantaged to free up time spent fulfilling these needs. Interventions in this category include:

- Assisting socially and economically disadvantaged groups

- Skills training and education
- Informal sector SMME and entrepreneurship promotion and support
- Extending local government capacity through partnerships with NGOs and CBOs

### **6.3.3.1 Intervention 8(C): Assisting socially and economically disadvantaged citizens to exploit economic opportunities by reducing poverty**

Communities trapped in the vicious cycle of poverty as described by Stan Burkey in his book “People First” are often unable to break out of their circumstances and utilise opportunities presented through local economic development initiatives. Poverty reduction programmes, often directed at specific disadvantaged groups (the urban poor, women, the unemployed, the untrained and youth (see Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002:31-32)), aim to break the poverty trap, thereby enabling beneficiaries to utilise other opportunities. While the end result of programmes aimed at providing basic services, housing and infrastructure to the disadvantaged have the direct benefit of improving their living conditions, it also has the indirect benefit during implementation of creating job opportunities, opportunities for skills transfer and building local confidence through success stories (DPLG 2000(B):30-31 and the Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002:36). However, the most important economic development outcome is that these initiatives should enable the previously disadvantaged to participate in the economic development initiatives of the locality to attain employment and self-reliance.

The Reconstruction and Development Plan (RDP), Growth, Employment and Redistribution Strategy (GEAR), Accelerated and Shared Growth Initiative for South Africa (AsgiSA), the Joint Initiative for Priority Skills Acquisition (JIPSA), the Expanded Public Works Programme (EPWP) and the various social welfare grants are examples of national strategies aiming to address poverty and the development needs of the South African poor and marginalised. At local level, the Integrated

Development Plan (IDP) and the Municipal Infrastructure Grant (MIG) are the main planning strategies of the local authority for addressing the development needs of the locality and the people that reside in the area. In addition to these macro and micro development strategies, local authorities may embark on projects that target specific basic needs, such as food security, housing security and social assistance.

Food security projects, such as the Permaculture vegetable garden project operated by the former Department of Poverty Alleviation provides the poor with seeds, equipment and training to enable them to grow their own vegetables so as to support themselves (Impumelelo Innovations Award Trust 2003b). The Western Cape Department of Agriculture's Food Security Programme provides grants to previously disadvantaged groups to start a food garden, with successful projects exempted from repayment of the grant (Cape Gateway 2008c). The Winterveldt Citrus Project (Tshwane Municipality and the National Department of Agriculture) involves planting 100 000 orange trees on plots owned by 200 black rural farmers and the training of the farmers in farming and business skills and hydroponics vegetable cultivation. In 2006, 112 farmers were farming 20 000 trees, with another 20 000 on the way. The net income (which excludes the original cost of the trees which were sponsored, and lease of land, as this is self-owned) is estimated at between R10 000 and R 15 000 per farmer per annum for the 20 000 trees (Impumelelo Innovations Award Trust 2006c).

The Enviro-Permaculture Project in the rural village of Lebowakgomo obtained funds from the Department of Agriculture, the Department of Environment Affairs and Tourism, the Department of Water Affairs and Forestry, the Premier's Office, Rotary International, the Anglo-American Chairman's Fund, Sasol and Food and Trees for Africa through negotiation by the school headmaster. The school has established gardens to grow vegetables, fruit and herbs and serves as a Resource Centre for Permaculture, providing training to neighbouring schools and the community. Food security is provided to over 1000 families, neighbouring schools, the old age home and hospital. "The project is in its fourth year of operation and costs an estimated R250 000 per annum" (Impumelelo Innovations Award Trust. 2005c). The success of food gardens are dependent on dedicated drivers and motivators for the programme;

start-up and ongoing training and mentoring; and either the ability to become self-reliant in the market or to facilitate a constant stream of funding for the programme.

The South African government provides a subsidy of between R40 000 and R45 000 to households with an income of less than R3 500 for the purchase or construction of a house that complies with minimum technical and environmental norms and standards. Grant amounts are not paid to the beneficiary, but to the seller or developer (Department of Human Settlements 2010). Durrës Municipality (2006:47) constructed low-cost housing for the poor, apartments for the unsheltered, shelters for street children, a day-care centre for abandoned persons and transformed non-functioning public buildings into residences.

Social assistance may include programmes that facilitate access to the workplace by removing other obstacles. Improving the accessibility, availability and affordability of childcare is a key action identified in London's Economic Development Strategy to assist women (mothers) especially to enter the job market, thereby reducing unemployment and poverty (London Development Agency 2005:76). The Noordhoek Valley Training Centre also provides parent-students with safe day-care for their children (Gibb in Nel & Rogerson 2005:149-157) while the need for child care facilities is also a constraint faced by entrepreneurs in the Johannesburg SMME clothing industry (Rogerson 2004:24-25).

Two related strategies comprise working with businesses to promote equality in the workplace and encouraging flexible and family-friendly employment practices. The Mapila Hydroponics Community Cooperative involved "the development of a high-technology hydroponics plant in the dry, arid and poverty stricken rural Northern Province" with start-up funding from the Department of Agriculture and Public Works and extensive funding from Eskom and Safcol. The result is five state-of-the-art greenhouse tunnels that employ 23 people and supply high quality vegetable produce to big retail companies, with an annual turnover of R1 to R1,5 million per year. In addition to the direct employment, some of the profits are used for social upliftment projects like a local crèche, upgrading the primary school and constructing a road to the neighbouring settlements that will further enhance the economic

development potential of the area and its residents (Impumelelo Innovations Award Trust. 1999a).

Finally, local authorities could try to integrate low-income or hard-to-employ workers through language programmes for ethnic minority communities, helping women in/back to work or to self-employment through handcraft or sewing projects and raising awareness of health issues, the importance of education and family planning, and, finally, encouraging the recruitment of disabled people (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:31-32; Dragashi Municipality 2007:30; Drenas Municipality). Support for new small businesses also promotes human capital development. Helping individuals become entrepreneurs develops human skills and, when encouraged in minority groups, may enhance social equity (Bartik 2003:26-27).

### **6.3.3.2 Intervention 9(C): Skills training and education**

Training and education programmes assist both workers and employers. On the one hand, it could benefit socially and economically disadvantaged groups through the of retraining redundant workers, curriculum vitae and job interview preparation, job search and employment outreach programmes, and entrepreneurship mentorship programmes (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:31, Nel 2001:1007). On the other hand, training and development of the local skills base improves the attractiveness of the locality as a viable business location as it offers an appropriately qualified and productive workforce. Training programmes and projects may include general education; business-specific and basic entrepreneurship education; specific skills development, e.g. information technology literacy, language development or building skills; training in work ethics; and health awareness programmes (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:35). Since training and skills development promote the success of other LED initiatives (DPLG 2000(B):30), local authorities must search for initiatives that link employment training to business development, and offers underutilised and disadvantaged residents access to new and available job opportunities (DPLG 2000(A):5).

The South African national government has developed a range of training programmes to address skills shortages and assist citizens surviving by means of hand-to-mouth activities in the Second Economy to gradually progress through training to better opportunities and permanent employment in the formal economy. Training programmes range from basic skills (e.g. the Adult Basic Education and Training programme and the Centre for Early Childhood Development), to practical skills (e.g. the Expanded Public Works Programme that uses “labour intensive methods in the construction of housing, schools, clinics, sports facilities, community centres and the services infrastructure” (The Presidency – Republic of South Africa 2006) or the Umsobomvu Fund that provides training in market access services, accounting and booking services, human resource development, contract drafting, market research, business plan development (Cape Gateway 2008d)), to special, scarce skills (e.g. the Joint Initiative for Priority Skills Acquisition).

At provincial level there are also various initiatives and training programmes aimed at the previously disadvantaged groups. The Khanya project of the Western Cape Provincial Education Department has coordinated and funded the installation of computers in schools “across the province, particularly in the previously disadvantaged communities”. The project’s success is attributed to partnerships between community members, local authorities and the Education department, which resulted in communities regarding the schools as “theirs” as they have contributed to the building and installation of the computers. The project has resulted in providing 447 038 learners with access to computers (Impumelelo Innovations Award Trust 2006b). Another programme is ‘Learn to Earn’, which focuses on training, developing and assisting unemployed persons in various skills so that they may become self-supporting, employed and financially independent. Partnerships with the Department of Labour, the Sector Education Training Authority, and the Western Cape Cultural Commission have enabled the programme to run accredited courses with 6 500 students. Additional structured support to access the job market is provided through the Business Resource Centre “which assists graduates in coping with the transition from being unemployed to being employed and the related stresses. This Learning for Life pre-employment course is used as a basis for Learn

to Earn's life-skills module, which each student attends" (Impumelelo Innovations Award Trust 2006b).

Examples of programmes in the local sphere include 'Dance for All', a programme that offers classes in various styles of dance to poor and disadvantaged youth. "While the training programs offer serious training for aspiring dancers to find careers in dance, the outreach program offers a fun, positive, after-school activity that helps strengthen youths' confidence, self discipline, self esteem and life skills, while keeping them from less productive activities." The programme has resulted in limited full-time employment in the dancing industry for some students, but its biggest advantage is in providing youth with constructive alternatives to crime and gangs (Impumelelo Innovations Award Trust 2006a).

The Swartland Municipality created an 'unemployment database' containing contact details and information on skills of unemployed persons in the area. The database is made available to businesses seeking to employ specific skills, with the objective of encouraging local employment rather than 'hiring in' of skills from the neighbouring City of Cape Town. Internationally, Podujeva Municipality offers "financial incentive to high performing students to complete their studies in sectors where the municipality experiences a lack of qualified personnel so as to ensure competent staff in the future" (Podujeva 2003:27). Drenas Municipality started a 'Professional Qualifications Centre' which liaises with local businesses, especially SMEs, to determine the personnel skill requirement. High school students are then taught the necessary theory as part of the school curriculum, while the centre equips them with the practical skills required (Drenas Municipality 2005:66).

A similar initiative by Shtime Municipality (2007:44) grants scholarships to secondary students who perform well in high-need fields identified in the labour market. Another initiative involves advisory workshops with graduating primary school children to help them select desired subjects at secondary level that will benefit the local economy (Shtime Municipality 2007:78). Durrës Municipality (2006:42) conducted a survey of the training needs of local businesses and subsequently developed a training programme that will bring local skills in line with the identified needs. The Shtime Municipality (2007:43) also plans for the construction of a private vocational technical

school that may provide suitable technical training to the community to fit the needs of the labour market, as opposed to the theoretical curriculum taught at school.

The London Economic Development Strategy has programmes to support persons who return to work; to assist businesses to correctly identify skills needs; and to improve the standard and accessibility of training (London Development Agency 2005:80).

Berkeley's First Source Employment Program requires employers who have directly or indirectly received some assistance from the city to enter into "First Source" agreements promising to consider workers referred to the employers through the First Source Program from over 20 training providers and community groups. The First Source requirements apply for virtually any city assistance: city financing, city contracts, and city permits to build for new non-residential construction of over 7,500 square feet, with the last requirement applying to both the construction firm and the business tenants. On the other hand, the hiring is voluntary and the program works with employers to try to find workers who meet the employer's requirements. (Bartik 2003:12)

Universities, colleges and other training institutions also play an important part in education and skills training. The 'Strengthening Poultry Development in the RSA through Education, Technical Assistance & Demonstration to Black South Africans' Project of the Stellenbosch University has provided training courses in poultry production, record keeping and personal financial management to more than one hundred people who went on to start small-scale poultry units (Impumelelo Innovation Award Trust 2000a).

Internationally, the University of Wisconsin-Milwaukee has a Center for Economic Development that applies "university-based research and technical expertise to improve the quality of life" in the metropole and region (UWMCED 2006). The centre conducts research on economic and development trends and problems and the (potential) impact of (economic) development interventions in Milwaukee. The centre's services, which is mainly directed at minority neighbourhoods, CBOs or multi-neighbourhoods, include "data analysis, economic development planning, feasibility studies, grant preparation, labor market research, market analysis,

neighborhood economic revitalization analysis and planning, policy research, program evaluation, project design and implementation, resource identification, strategic planning, survey research and workshops and short courses” (UWMCED 2006). Fees for services are calculated in accordance with the ability of the client to pay. The centre also provides input to the Consortium for Economic Opportunity “dedicated to building partnerships with non-profit organizations and small businesses to extend the benefits of economic growth ... (through) increasing family supporting jobs and employment generating business” (UWMCED 2006).

North Carolina College offers a ‘New and Expanding Industry Training program’ which provides “customised training to firms that are creating at least 12 jobs in some industry that exports goods or services outside the state”. While the college places advertisements for new positions and screens applicants, the firm chooses trainees from the shortlist. The firm also provides the necessary equipment for training while the community college provides the facilities and trainers. Finally, after completion of the training programme, the firm decides which trainees are hired (Bartik 2003:7).

Local authorities can adopt a wide array of initiatives to promote local skills development. This includes facilitating access of local residents to programmes offered by national and provincial government departments; fostering partnerships with training institutions that offer appropriate training linked to local business demands; playing a facilitating role in linking skills and demands through surveys and databases; providing scholarships to students; developing skills through short-term employment contracts and on-the-job training; and developing and conducting training programmes that will bring local skills in line with local business needs. This may be implemented by the municipality directly, or in partnership with local NGOs and training institutions or through public-private partnerships.

### **6.3.3.3 Intervention 10(C): Informal sector SMME and entrepreneurship promotion and support**

SMME promotion and support sees local authorities providing direct support or indirect support through creating an environment conducive to the growth and development of Small, Micro and Medium Enterprises (DPLG 2000(A):5). The South African Presidency differentiates between a 'first' economy (the formal, taxed segment) and a 'second' economy (the informal, often survivalist, non-taxed segment). "The Second Economy comprises low-key economic activities such as spaza shops, hawking, brewing traditional beer, selling second-hand clothes and other hand-to-mouth economic activities." Disproportionately large, with a low tax base and a tiny turn-over per annum, this economy imposes a burden on the First Economy that needs to be addressed simultaneously with challenges in the First Economy to ensure growth in both economies and ultimately integrate them into one economy (The Presidency – Republic of South Africa 2006).

The promotion of SMMEs does not necessarily lead to an increase in economic development. Bartik (2003:26-27) argues that, if new small businesses that sell locally reduce the sales of other local businesses in the same sector, there is little net effect on the size of the local economy. However, new small businesses do expand the local economy if their sales replace previous 'imports'. New small businesses can also expand the local economy by hiring persons who are hard to employ. Supporting SMMEs should not be a holistic strategy where any development is assumed positive, but should be a targeted approach addressing specific gaps in the market. SMMEs that assist in reducing imports to the locality by providing goods that were not previously available or locally affordable, or are more likely to hire non-employed minorities (which is one rationale for aid to new minority-owned businesses), will promote local economic development rather than just redistributing current economic activities in the locality.

Supportive programmes and projects include many of the interventions already discussed in the preceding sections. The provision of suitable infrastructure (e.g. business hives) to conduct business; entrepreneurship and financial management

training; addressing issues relating to access to credit and providing necessary collateral; tax breaks and amnesties; and supportive public procurement policies are all initiatives that may be used to support SMME development. Table 6.1 provides examples of typical small business support programmes.

**Table 6.1: Typical small business support**

Financial assistance	Enterprise culture	Advice and assistance	Technology	Management training
Loan Guarantee Schemes.	Programmes to encourage young disadvantaged individuals to start businesses.	Provision of Marketing Advice.	Subsidies to New Technology Based firms.	Subsidies to stimulate the take up of management training in SMEs.
Subsidising the creation of businesses and growth of SMEs – perhaps by “disadvantaged” groups.	Programmes to encourage graduates to start businesses.	Provision of general business advice.	Creation of Science Parks.	
Tax relief to business angels.	Enhancing Investment readiness of SME owners.	Encouraging SMEs to export.		

**Source: OECD 2007:38**

The OECD list of projects that may encourage SMMEs includes loan guarantee schemes; programmes to encourage young disadvantaged individuals to start businesses; provision of marketing advice; subsidies to new technology-based firms; subsidies to stimulate taking up management training in SMMEs; subsidising the creation of businesses and growth of SMMEs by “disadvantaged” groups; programmes to encourage graduates to start businesses; provision of general business advice; creation of science parks; tax relief to businesses; enhancing investment readiness of SMMEs owners; and encouraging SMMEs to export (OECD 2007:38). Projects that enhance SMME capacity and skills range from start-up training in “formulating business plans, identifying markets, hiring skilled workers and complying with government regulations” to training for more established SMEs in “marketing and exporting, product development and process improvements; identification and use of new technology, and increasing co-operation among staff and promoting internal teamwork, enhancing networking with suppliers, clients and

other firms and generally improving adaptability and flexibility to respond to changing market conditions and client needs” (OECD 2002:20).

An examples of an international programme aimed at assisting SMME development is STEP (Shell Technology Enterprise Programme) in the United Kingdom, which provides undergraduates with the experience of working in an SMME for eight weeks to raise awareness of the possibility of working in, or starting an SMME after graduation and to give SMMEs the advantage of having graduates in their business (OECD 2007:43). Also in the United Kingdom, the Barclays Bank SMME Team provides advice and assistance to individuals before or at the time of starting a business to enhance their chances, post start-up, of survival and growth (OECD 2007:45). Podujeva Municipality offers a demand-led SME training programme in aspects such as propriety business, administration, IT; accounting, management; and business finance (Podujeva Municipality 2003:14).

London’s Economic Development Strategy supports SMMEs through the development of appropriate workspace for smaller businesses; promoting access to start-up funding; simplifying start-up procedures and increasing support in the process; and building the capacity of minority-owned enterprises to bid for public contracts (London Development Agency 2005:78). Finally, in Southern Italy, the SMME start-up programme supports the creation of new firms by young people (< 35 years old) through a subsidy of up to 60% of initial investment; loans at 30% of market rates and for a subsidy on variable costs for the first three years (OECD,2007:40).

Studies by the Department of Provincial and Local Government on the LED strategies employed by eight local municipalities found that strategies (aimed at promoting the craft industry) generated only limited employment (DPLG 2000(B):30). The study found that few municipalities are realising their own objectives for SMME development. If SMME support initiatives are to contribute to the outcomes of LED, it is of critical importance that these initiatives are well researched and linked to market opportunities to ensure contribution to the sustainable economic growth of the locality.

#### **6.3.3.4 Intervention 11(C): Extending local government capacity through partnerships with NGOs and CBOs**

The nature of social economy organisations allows them to adapt readily to changing local development needs. Driven by non-profit motivations, social economy organisations consider the values and expectations of various stakeholders in the locality and the long-term effects of decisions. Social economy organisations contribute to local economic development by considering external costs and encouraging integration between social and economic development, addressing information asymmetries and building trust and social capital (Grefe in Noya & Clarence 2007:91). Social capital is defined as networks that bound individuals together through trust, reciprocity and shared values. The creation and use of social capital help to overcome problems of vertical barriers, minimising negative externalities and overcoming problems with ‘free-riders’ or the misuse of public assets regarded as common property (Blair & Carroll 2009:145).

Partnerships with NGOs and CBOs extend the ability of local government to analyse the various needs and values of various groups in the locality and to ensure the delivery of appropriate services that respond to specific needs through the additional service delivery capacity of partnering organisations. Social organisations are trusted by communities as they consider various utilities and expectations; are well-placed to reach disadvantaged groups; analyse new market needs and the local population’s aspirations; assist in creating employment solutions aimed at the interests and activities of the target group; and gather evidence of successful development and change (Grefe in Noya & Clarence 2007:112).

Disempowered communities often do not possess the capacity to launch and fund LED initiatives without external support and advice. This role can be played readily by a well-intentioned facilitating NGO (Nel 1997:291). Local authorities should foster and support social economic organisations through initiatives that encourage the establishment of new ‘niche’ social organisations and can provide financial or infrastructure assistance to promote the short-, medium- and long-term sustainability

of these organisations. Support should however be in line with the historical, cultural and political characteristics of the organisation (Noya & Clarence 2007:20).

Examples of social organisations that promote local economic development are WIRE-Net (Westside Industrial Retention and Expansion Network) in Cleveland, which offers services that include “consulting help, referrals on business management; helping manufacturers find new sites in the neighborhood; and lobbying the city for improved infrastructure and services”. WIRE-Net has a ‘Hire Locally’ programme to help firms find qualified local residents for job vacancies. WIRE-Net also runs a Precision Machining Training programme to help local residents meet the skill needs of local manufacturers (Bartik 2003:23).

In the town of Kei Road, a church intervention led to a variety of community-based initiatives with the church acting as a broker between community members and large parastatals to secure contracts; in Hertzog a CBO revived the local economy through a community agricultural co-operative; and in Seymour an NGO provided the necessary expertise and contacts with donor organisations to assist LED in the town (Nel 2000:153, Nel 1997:291).

Khanya African Institute for Community-Driven Development focuses on assisting and empowering local communities and local governments to plan and manage local social and economic development in a participatory manner to promote community-driven development. “Community-driven development (CDD) is based on the empowerment of local communities, whereby local governments and rural and urban communities drive forward development with a new set of powers, rights and obligations” (Khanya-aicdd. 2010).

#### **6.3.4 LED Governance and Administration**

Efficient governance and administration are critical to support other listed LED interventions and enhances the outcomes of local economic development strategies. The Local Economic Development Series (DPLG 2000) refers to four roles to be performed by municipalities in assisting LED, namely that of facilitator, to improve

the investment environment; a stimulator, to encourage business development; or an entrepreneur or “business-man”, directly responsible for operating a business (DPLG (1) 2000:2). However, the most critical role is that of coordinator, merging “the developmental objectives, priorities, strategies and programmes of the municipality” into a coherent whole (DPLG (1) 2000:2). It is what the OECD refers to as organising the institutional design (the platform enabling interaction between shareholders) and the regulation of governance (good management of project implementation) (OECD 2005:40). This speaks to the core functions of local government, namely policy formulation, leadership, co-ordinating local initiatives and improving operational efficiency (DPLG (1) 2000:27).

Interventions in this category for most part are under the direct sphere of influence and control of the local authority, and seldom incur high capital or maintenance costs. It is the type of interventions that Meyer-Stamer (see Chapter 5) refers to when he states that local government should promote entrepreneurs and businesses by adopting a ‘business-friendly’ approach. The importance of interventions in this category is best described by the DPLG LED Manual series which states that, while the specific LED interventions of a municipality (such as tax incentives) may serve to attract new businesses to the area, the final choice of the business are often based on a combination of “social and economic factors, quality of life considerations, and the reputation of the municipal council for good governance and efficient administration” (DPLG 2000(A):4). Efficient governance and administration requires an introspection of government modus operandi with the aim of enhancing the efficiency of processes and the sustainable management of interventions and partnerships that ensures the realisation of the outcomes of the LED interventions in the other three categories.

Specifically, local governments should focus on:

- Encouraging stakeholder involvement in LED
- Creating a regulatory environment conducive to LED
- Ensuring efficient administration
- Institutionalising LED coordination

#### **6.3.4.1 Intervention 12(D): Encouraging stakeholder involvement in LED**

The constitutional object of local government is to promote social and economic development. Within the new democratic paradigm, local government cannot fulfil this objective in isolation, but needs to liaise formally and informally with community stakeholders, the private sector, the non-government sector, other government spheres and institutions, donor organisations and even other international government bodies.

Local economic development programs are carried out by local governments, state economic development agencies, small business development centers, organizations providing business or manufacturing extension services, university efforts for technology transfer, customized training programs at community colleges, chambers of commerce, utility companies, and a wide variety of independent non-profit organizations. (Bartik 2003:39)

In June 1996, a special LED session organised by the Development Chamber of the National Economic Development and Labour Council (NEDLAC) established a task team to draft guidelines for the implementation of development structures at local government level. The problem was not necessarily that such structures did not exist, but more that a range of development structures, such as “local reconstruction and development committees, local development forums, local economic development forums, RDP forums” existed which functioned mostly independently, and often in competition with each other.

The result [of such independence] is that local development is often characterised by tension, confusion and conflict between such structures, over scarce resources. This proliferation of structures further results in local authorities, national and provincial government, and other stakeholders, being unable to easily identify the legitimate and representative structures with which they should liaise. (NEDLAC 1996).

Although it is unclear whether the guidelines developed by NEDLAC were ever implemented, the reality is that local authorities need to establish networks with relevant role-players to identify needs and problems in terms of economic

development; to generate and evaluate alternative courses of action; to attract development funding and disseminate information on LED (see DPLG (1) 2000:27); to execute strategies; and to realise the economic development vision for the area. Local governments should analyse the existing forums, networks and structures that function in the area to ascertain whether these may be used for the municipality's LED consultation requirements, or whether there is a need for a more representative structure that includes all critical stakeholders for LED to be established. In establishing such a structure, the municipality should play a facilitative role in approaching and motivating important stakeholders to participate in the LED structure and provide credibility and momentum to the established structure through continuous interaction and consultation with the structure on LED matters in the locality (see also section 6.3.4.4 below).

Local governments should actively strive to involve the private sector in the economic development of the area. One example of a private sector initiative that could potentially support LED includes the Business opportunities Network of the Western Cape that "provides information to the aspiring entrepreneur on business opportunities available and what is required to go into business." It provides an opportunity for businesses to advertise their business or franchise opportunity on the Bon website (<http://bon.co.za/>) so as to attract potential business and business partners (Bon 2008). In addition, Bon provides tender training workshops; tender completion assistance; and costing and estimation on business plans (Cape Gateway 2008d). In addition to the private sector, the previous section highlighted the importance of community organisations in promoting LED. "Local convergence among actors is central to local economic development initiatives. This requires information exchange and broad based procedures for decision-making." (Helmsing 2003:74). The local authority should encourage the formation of networks between formal and informal business as well as community based organisations, to integrate the efforts of various stakeholders towards a holistic vision for LED in the locality.

The World Bank LED Primer also emphasises "the establishment and implementation of formal and informal business networks" and "business mentoring programmes [to link] new and small business owners with established businesses" (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 26).

During the initial consultations with formal and informal business on LED for the Witzenberg Municipality, informal business highlighted the need for advice in terms of tax reports, financial planning and drafting of business plans. The formal business community offered to set up a voluntary help desk on Saturday mornings to assist in the expressed needs by offering free advice. The initiative is an excellent example of the synergy to be obtained in integrating formal and informal business networks. Another viable suggestion was the implementation of joint marketing campaigns, with formal business paying for brochure but giving informal business free advertising space on the back of the brochure (Rabie 2004-2005). Facilitating and catalysing initiatives that link various economic contributors in the locality is a critical role that the local authorities can play to maximise the potential benefits from these initiatives for various stakeholders in the community.

A last initiative that promotes the active participation of stakeholders in local economic development of the locality is found in the “Business Association Development Program” of Podujeva. The programme aims to “identify sector and regional linkages for possible sector specific business forums” and identify, train and support key actors to take part in the association’s development programme (Podujeva Municipality 2003:14). In addition, a public-private partnership programme trains businesses in LED principles and how to work with local government, and trains local government personnel in project development and management skills (finance and governance) to better understand the business environment (Podujeva Municipality 2003:14). Similarly, Dragashi Municipality tries to improve “services and creation of partnership between local government and business community (through) training for municipal administrative staff in communication skills and servicing of business community, training for business community in developmental planning, [and the] establishment of business associations” (Dragashi Municipality 2007:30).

Creating understanding of the operational environment of partnership organisations is critical to facilitating involvement of private, public and social sector organisations. To quote Helmsing again (see section 5.4.4), LED is a “multi-actor affair” where synergy is obtained when public, private and community sector actors work together. Local authorities should organise training or workshop opportunities where understanding of other stakeholders’ environments may be gained.

#### **6.3.4.2 Intervention 13(D): Conducive regulatory environment**

The perception of potential investors regarding the functionality of the regulatory environment provided by the municipality is among the deciding factors when choosing a particular locality for a business. For this reason, “local government [should] develop a business-friendly disposition, and think in all sorts of contexts about ways to make the life of business easier ....[by removing] government-induced obstacles, in particular in terms of clumsy and complicated licensing and permit processes” (Meyer-Stamer 2003(a):26). Realistic taxation, efficient licensing and the removal of tariff barriers also form part of a conducive regulatory environment (GTZ 2003:13).

Ensuring a regulatory environment conducive to LED starts with a survey of local business “necessities, goals, obstacles and other issues that concern businesses” so as to identify and prioritise problem areas and develop possible solutions (to illustrate, see Shtime 2007:45). In South Africa, important national legislation that affects the setting up and running of a business ... includes the Companies Act, the Banks Act, the Income Tax and Value Added Tax Acts, Broad Based Black Economic Empowerment Act, Competition Act, Preferential Procurement Act, Minerals Act, the Labour Relations Act, Basic Conditions of Employment Act, Employment Equity Act, Skills Development Act, Promotion of Equality and Prevention of Unfair Discrimination Act, Occupational Health and Safety Act, Compensation for Occupational Injuries and Diseases Act, Unemployment Insurance Act, Environmental Conservation Act, and laws pertaining to intellectual property (Xpat 2009). Within labour management, “the National Economic Development and Labour Council (NEDLAC) and the Commission for Conciliation, Mediation and Arbitration (CCMA) provide forums for negotiation and settlement of disputes” (Xpat 2009).

Attributes that enhance the attractiveness of a specific locality are:

- A stable political environment
- Sound economic policy

- A growing local market
- Modern transport and communications
- Access to local and international markets
- Rich natural resources (if relevant to the business operations)
- Cheap and reliable electrical power
- Modern banking and financial services
- Low crime
- Availability of appropriately qualified labour force and skilled professionals, and
- Opportunity for a good quality of life (South Africa at a glance 2010).

Local authorities should embark on initiatives and adopt local policies that promote these attributes to enhance the attractiveness of the area to current and new businesses. One initiative that a local authority may take is conducting a regulatory impact assessment (RIA) of local ordinances.

The role of an RIA is to provide a detailed and systematic appraisal of the potential impacts of a new regulation in order to assess whether the regulation is likely to achieve the desired objectives. The need for RIA arises from the fact that regulation commonly has numerous impacts and that these are often difficult to foresee without detailed study and consultation with affected parties (Wikipedia 2009: 'Regulatory Impact Analysis').

The aim of the Regulatory Impact Assessment is to improve the quality of regulations. Because of the "complexity of the tool" it is mainly used for national and provincial level regulatory issues, but the principles behind it and some of the methodology might also be transferable to local level interventions. Regulatory impact assessments help policy and law makers to know whether particular groups are likely to be disproportionately or unfairly affected by a proposed new policy or law. However, the assessment method is hampered by the difficulties in compiling a detailed list of the costs and benefits for a particular regulation, and difficulties in applying such assessments in settings "where the primary purpose of proposed regulation is to redistribute wealth rather than wealth-maximisation" as cost-benefit ratios are not suited for this purpose (SBP 2005:9). Nevertheless, local authorities may use the principles of a regulatory impact assessment to systematically assess

local ordinances that affect, promote or hinder business operations in the locality to determine the appropriateness of the ordinances to the development goals of the local government and make required revisions to create a more conducive environment.

The REED (Rural Economic and Enterprise Development (REED) framework lists seven components of an environment that is conducive to development, namely securing governance through the devolution of resources and decision-making powers to local government level; improving regulation to promote competition; developing a realistic taxation regime; ensuring an effective business registration and licensing system; addressing tariff constraints which prevents access to markets; creating a supportive legal framework; and creating incentives for private investment (Davis 2006:8). This framework provides a good basis for conducting an assessment of the conduciveness of the local environment and implementing policies and changes that may increase the desirability of the locality as a business friendly location.

#### **6.3.4.3 Intervention 14(D): Efficient administration of processes**

While the regulatory environment provides the rules of the game, the administrative processes encompass all processes and procedures that give effect to the regulations. Ensuring efficient administration requires that the local government evaluate its performance “in terms of those aspects of the investment climate that it has control over”, including:

- Land title and property registration procedures
- Planning and development control (approval of business and development plans)
- Business registration and licensing
- Tax collection procedures
- Provision and maintenance of road, electricity, water, sewerage and garbage collection infrastructure

- Control of health and safety aspects, including environmental standards, occupational health standards and health support programmes
- Efficient internal operations and procedures in the passing of by-laws, the user friendliness of guiding documents, and clearly communicated “responsible persons” for various approvals
- Enhancing transparency and reducing corruption (Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002:27).

The World Bank (Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002:27) also advises that “streamlining local government processes may also include a lobbying programme to reduce bureaucracy in other government areas” that may hinder the efficient administration of processes and impede economic growth in the locality.

Examples of programmes aimed at enhancing the efficient management of processes and projects include a ‘Local Business Enabling Environment Program’ which includes an entrepreneurship promotion campaign that regularly updates the community on initiatives by the municipality through the local media, a “One-Stop Shop to facilitate government business relations and training, measures to improve the municipal legislation and services through a full review of business regulations and requirements (and the production) and distribution of a Guide to Doing Business with the Council” document (Podujeva Municipality 2003:14). The Durrës Municipality (2006:42) also established a ‘one-stop shop’ to assist businesses and compiled a “database of local businesses and potential sites and facilities where new businesses might locate”, while the Drenas municipality (2005:21) trains the local business community in the administrative procedures for starting a new business.

The 1999–2000 International City/County Management Association (ICMA) survey found that “74 percent of the chief administrative officers of local governments said they had local government representatives call on local business in order to improve business retention, 60 percent said they surveyed local businesses to improve business retention, and 22 percent offered an “ombudsman” program to retain local

businesses by [help] overcome problems with local government regulations or other issues” (Bartik 2003:21).

The last initiative that local authorities should implement to enhance the efficient management of the process is the implementation of electronic governance. This entails connecting the municipality to electronic systems that facilitate the offering of services to citizens and businesses and appropriate training for citizens and businesses in the use of these services (See for example Dragashi Municipality 2007:30-31). E-governance offers great potential for cutting service costs and delivery times through the immediate relay and automatic processing of information. Although the digital divide in South Africa prevents municipalities from adopting e-governance as the only service delivery mechanism, training in the use of e-services has the added benefit of empowering persons with skills that will enable them to be more competitive in a global, digitised environment, which can have a spin-off in local economic development in the locality.

#### **6.3.4.4 Intervention 15(D): Institutionalising LED within the municipality**

Institutionalisation is the process of entrenching new processes and customs in an organisation. Municipalities need to establish appropriate institutional arrangements to fulfil their role in terms of LED. Nel identifies the adoption of new planning and organising structures as one of the five most common formal LED strategies adopted by local governments (Nel 2001:1007).

In South Africa, various options exist for institutionalising LED in the municipality, namely:

- Municipal LED Units, positioned either in the office of the Municipal Manager with a highly strategic role, within a line department with a more operational role, or within the planning and development department with a policy development and implementation role (DPLG (1) 2000:7-8). These units represent local government initiatives, in line with Western thinking and the requirements of local government legislation (Nel 2000:152).

- Community based initiatives, which often result from community and NGO support (Nel 2000:152). Community Development Trusts act as “channel(s) and administrator(s) of funds or other assets for the implementation of LED initiatives” (DPLG (1) 2000:10).
- Section 21 companies with not-for-profit companies promoting LED. These companies are “formed for the purposes of implementing LED ... (reinvesting) any profits back into LED implementation (DPLG (1) 2000:14; Nel 2000:152).
- Ad hoc partnerships with other stakeholders to assist with the co-ordination of programme-level LED interventions and improve service provision at project-level LED interventions (DPLG (1) 2000:20).
- Top-down LED where provincial or national departments try to catalyze LED (Nel 2000:152).

The DPLG Manual also states that certain institutional arrangements are more suited for certain roles to be performed by the municipality. As example it states that the roles of “coordinator, facilitator and stimulator are usually within the capacity of municipal LED units” while the role of entrepreneur/developer is usually fulfilled in “partnership with a private sector enterprise” (DPLG (1) 2000:26). Since institutional arrangements may lead to bias towards certain types of LED interventions and impact on the success of other interventions, it should not be made light-heartedly.

Examples of institutional arrangements adopted by municipalities include the Lephalale Strategic Development Steering Committee established by the Lephalale Municipality. The committee consists of government, private sector and community role players with a LDC Section 21 company directed by representatives from the business sector and the mayor (ex officio) who provides information to potential investors, promotes local supply of goods and services and acts as project manager for social and infrastructural projects. The LDC is used as platform to discuss government and business initiatives in process to facilitate maximum impact of activities on LED objectives. To ensure financial viability of LDC, all partners contribute, with the largest contributions coming from the private sector and the provincial government (Ackron 2006).

The Durrës Municipality (2006:41) undertook to establish a business council, as well as a group consisting of representatives from both the municipality and the business community to facilitate the implementation of the LED strategy. In the Witzenberg Municipality (Ceres), a steering committee consisting of representatives of the municipality, the business community, the agricultural sector and the community was constituted from delegated representatives from similar steering committees established in the various areas/towns within the locality (Rabie 2004-2005). Addendum B provides a schematic representation of the proposed community governance model for LED in the Witzenberg area.

A survey conducted by Nel and Binns (see Nel & Binns (2003:170-171) found that “LED is often overseen by more than one agency, department or committee” where in practice the “task appears to be divided primarily between ... Municipal Managers (40%), LED departments (18%), LED officers (16%) or town planners (23%), depending on local structures and personnel resources” (Nel & Binns 2003:172). “However, in all 13 cases (including the six metropolises) where dedicated LED departments had been created, the local authorities were large, powerful and relatively well-resourced. In the smaller towns and cities, with more limited budgets and staffing constraints, LED is generally overseen by the municipal manager and/or the town planner.” (Nel & Binns 2003:173) Establishing appropriate institutional arrangements for the management of LED in the locality is thus dependent on the resources and ability of the local authority to take initiative and steer LED, as well as the availability (and willingness) of expertise in the locality to take part in joint public-private-civil society steering committees.

The advantage of managing LED within the municipality is that the municipality has more control over planning the broad economic direction of the locality, but it requires an understanding of economic principles, the advantages and disadvantages of the locality and dedicated staff to perform the role. The advantage of joint steering committees is greater participation and buy-in into the economic development direction of the locality and added expertise and knowledge about the driving sectors in the economy with stakeholders from various backgrounds. However, the disadvantage is that it is dependent on volunteers that may lose

interest in the process and momentum, and discussions may result in stalemates where joint vision for LED cannot be attained amongst various stakeholders.

## **6.4 Summary and Conclusion to Chapter 6**

This chapter commences by clarifying the relationship between a LED strategy, LED interventions, and LED programmes and projects, in which the LED strategy outlines the general vision for economic development of the locality while the LED interventions give effect to the strategy and address identified market- or development-related deficiencies through delimited and specified programmes and/or projects. LED interventions may aim at economic development directly or may create the necessary hard and soft infrastructure that facilitates economic development indirectly.

The World Bank LED Primer describes the LED planning process in five steps, commencing with organising the effort, conducting a competitive assessment, formulating the LED strategy, implementing the LED strategy and the annual review of the LED strategy by monitoring and evaluating selected input, output, outcome and impact indicators of the local economy. This process is incorporated in the Integrated Development Planning and Performance Management processes of local governments. Ensuring the interrelatedness of these systems is critical to avoid duplication of efforts and focus on integrated delivery.

There are many alternative interventions that local authorities may adopt in pursuing local economic development and fulfilling the developmental mandates imposed on them in the policy guidelines summarised in the preceding chapter. Although the LED strategy of a local government should be based on the specific needs and strengths of the locality, in practice it is possible to group together interventions with similar aims. This provides a basis for the classification of various LED interventions employed by local governments according to their similarities and differences. Previous attempts in categorising LED interventions include Meyer-Stamer's "Hexagon of LED", Helmsing's categories of LED, and Hindson and Vicente's focus on the role of governance in LED. These classification systems are all useful with

regard to expanding thinking on the variant focuses of LED interventions, but are unsuited to the aims of the current research. The abstract Meyer-Stamer Hexagon is not conducive to easy categorisation of LED interventions based on different envisioned outcomes, while Helmsing demonstrates clear bias towards community development at the expense of business development strategies. Similarly, Hindson and Vicente focus solely on the governance role of government in promoting LED, neglecting the non-government aspects affecting LED.

For the purposes of this research, a classification system that puts primary focus on the intended or envisioned outcome(s) of each intervention is required. Shared outcomes become the basis for classifying interventions together. This focus is necessary to provide for the development of output and outcome indicators in the next chapter whereby the output and outcome results of each respective intervention may be measured. The categorisation proposed here combines the perspectives proposed by previous systems into a coordinated whole based on the shared outcomes of LED interventions.

The proposed classification system makes provision for four categories of LED interventions, namely:

- Category A: Interventions aimed at strengthening and expanding the local business market
- Category B: Interventions aimed at promoting the image of the locality as a whole to attract both investors and visitors to the area
- Category C: Interventions aimed at community (economic) development, including both direct economic programmes, such as “right-skilling” or entrepreneurial development, as well as social development programmes
- Category D: Interventions aimed at improving the governance and administration processes of the local government to support the objectives of strategies in the other categories

The four categories were used to discuss the various LED interventions that government employ with extensive examples from both local and international LED

practice. While the discussion does not provide an exhaustive illustration of the LED interventions, it enables the identification of potential generic outcomes and objectives for each LED intervention from the context-specific projects, activities or outputs that municipalities employ.

Within the category of business and market development, the first intervention comprises advice and support to existing businesses through technical assistance, preferential procurement policies and local support campaigns. The ultimate goal of the intervention is to retain current businesses in the area and assist them to grow and expand. This may be done by providing technical assistance to businesses or through procurement policies that favour local business and general buy-local campaigns. This will plug leaks in the local economy to ensure that money generated in the local economy, stays within the locality to enhance the survival of other local businesses.

The second intervention under business and market development attracts, advises and supports new and emerging formal businesses. The general goal of this intervention is to promote foreign direct and domestic inward investment. This is done by creating a stable macro-economic, political and regulatory environment; ensuring free market access and competition; and appropriate, available and affordable hard and soft infrastructure required by investors when considering a potential location. Provision of tax breaks and facilitating access to micro credit also attract potential investors, but municipalities can provide tax breaks at own discretion; the financial trade-off of short-term revenue cuts as a result of the tax scheme versus long-term or secondary benefits require intensive research and cost-benefit forecasts to ensure the viability of this strategy.

The third intervention under business and market development is cluster and sector targeting. The goal with cluster development is to establish a group of businesses with similar interests whose competitive advantage is strengthened through proximate location, inter-firm collaboration and integration into existing industrial webs. Cluster development at its boldest encourages institutional development and provides specialised support to targeted industrial sectors.

The second category comprises locality development interventions that strive to improve the general desirability of the locality as a place to live and invest. Interventions in this category may be directed to improving either tangible hard and soft infrastructure development, or intangible perceptions of the desirability of the area. . The first intervention in this category involves improving physical supportive infrastructure. A well-developed built environment is more attractive for business seeking to locate, expand or settle its employees and owners in the locality. Local authorities therefore need to prepare industrial and commercial sites with basic infrastructure in order to attract businesses to the area. While the integrated development strategy of the municipality is the main instrument for planning and implementing infrastructure developments its time frames may be unrealistic for rapid adaptation to changing market needs. Provincial and national infrastructure projects and grants or private sector partners may offer a solution of additional targeted resources to facilitate appropriate and timely infrastructure development in the locality.

The second intervention in the locality development category entails the regeneration of areas abandoned when businesses and residential areas move to more desirable areas and leave old Central Business Districts to fall into disuse. This natural process leaves expensively developed and potentially productive sites and buildings abandoned. The goal with regeneration interventions is to reclaim derelict sites, adapt disused buildings and revamp abandoned industrial and commercial sites.

The third intervention in the locality development category is place marketing and a generic locational policy. Place marketing includes activities that promote and advertise the local area to promote it as a desirable place to visit, live and work in. The goal is to create favourable overall conditions for persons and business in general, by ensuring that the locality provides sufficient opportunities and supportive infrastructure to ensure a good standard of living. This may include quality and sustainable basic and communal services; competitive taxes; variable housing options; affordable cost of living; a healthy physical environment; and enhanced labour productivity, all of which contribute towards a good quality of life of inhabitants in the area. Although deciding about and implementing many of these factors are not within the power of the local authority alone, local authorities should adopt an

integrated human development strategy for the locality to ensure desirable development and growth trends in the area and should build good intergovernmental relations with other implementing public sector actors to ensure holistic service delivery.

The final intervention in the locality development category focuses on crime prevention measures. Crime trends and statistics have a definite impact on people's perception of an area as desirable, and the goal of this intervention is to limit crime and its negative effect on the perceived desirability of the locality. Local government needs to employ measures that will deter crime in the area. This may range from local government law enforcement, to crime deterrent infrastructure and organised community safety forums. In promoting the locality as a safe place to work and live in, localities should strive to improve both actual statistics as well as people's subjective perception on the area.

The third category comprises community or poverty alleviation interventions. Community economic development aims to alleviate poverty by improving the ability and the access of disadvantaged communities to sustainable livelihoods, which includes fulfilling basic needs. The first intervention in this category aims to assist socially and economically disadvantaged citizens to exploit economic opportunities by reducing poverty. Poverty reduction programmes, often directed at specific disadvantaged groups, aim to break the poverty trap and thereby enable beneficiaries to utilise other opportunities. The deliverable outputs of poverty reduction programmes have both direct and indirect benefits to the targeted group. However, the most important economic goals are to enable the previously disadvantaged to participate in economic opportunities (thereby providing secondary support to other economic development initiatives) and to attain self-reliance, thereby freeing up state resources for other purposes.

The second intervention in the community development category is skills training and education. The goal is to enhance access to economic opportunities for specific groups by retraining redundant workers; assisting in job search and application processes; or starting a new business. It further aims to improve the local skills base, thereby improving the attractiveness of the locality as a viable business location with

a qualified and productive workforce. Training and skills development also enhances the success of many other LED initiatives. Local authorities can adopt a wide array of initiatives to directly or in partnership with other government agencies, private, or community stakeholders, promote local skills development.

The third intervention in the community development category focuses on promotion and support of informal sector SMMEs and entrepreneurship. Support may be direct or indirect through creating a conducive environment to support the goal of increased growth and success of Small, Micro and Medium Enterprises. Supporting SMMEs should not be a holistic strategy where any development is assumed positive, but should be a targeted approach addressing specific gaps in the market. SMMEs that assist in reducing imports to the locality by providing goods that was not previously available or locally affordable will have a better effect than those that deliver a zero economic sum of increased local economic activity.

The final intervention in the community development category extends local government capacity through partnerships with NGOs and CBOs. The aim is to extend the ability of local government to analyse various needs and values of various groups in the locality and to ensure the delivery of appropriate services that respond to specific needs through the additional service delivery capacity of partnering organisations, by forming strategic partnerships with NGOs and CBOs. Social organisations are trusted by communities as they consider various utilities and expectations; are well-placed to reach disadvantaged groups, analyse new market needs and the local population's aspirations; assist in creating employment solutions aimed at the interests and activities of the target group; and gather evidence of successful development and change.

The last category comprises LED Governance and Administration interventions. Efficient governance and administration are critical to support other listed LED interventions and enhances the outcomes of local economic development strategies. Municipalities may guide LED as a facilitator that improves the investment environment; as a stimulator that encourages business development; as an entrepreneur that directly operates a business; or as a co-ordinator that merges the developmental objectives, priorities, strategies and programmes of the municipality

into a coherent whole. This addresses the core functions of local government, namely policy formulation, leadership, co-ordinating local initiatives and improving operational efficiency.

The first intervention in the LED Governance and Administration category focuses on encouraging stakeholder involvement in LED. While constitutionally the object of local government is to promote social and economic development, local government cannot do this in isolation. It requires liaison with community stakeholders, the private sector, the non-government sector, other government spheres and institutions, donor organisations and even other international government bodies. Local governments should actively strive to involve these stakeholders, especially the organised private sector, in the economic development of the area.

The second intervention in the LED Governance and Administration category focuses on enabling a conducive regulatory environment. The perceptions of potential investors regarding the functionality of the regulatory environment provided by the municipality is amongst the deciding factors when choosing a particular locality for a business. The goal is to adopt a business-friendly approach where complicated processes are simplified, taxation is realistic and policies and by-laws are conducive to the functionality of the locality.

The third intervention in the LED Governance and Administration category focuses on the efficient administration of processes. While the regulatory environment provides the rules of the game, the administrative processes encompass all processes and procedures that give effect to the regulations. The goal with this intervention is to streamline local government processes, reduce bureaucracy and enhance the efficient administration of processes.

The final intervention in the LED Governance and Administration category focuses on institutionalising LED in the municipality. Institutionalisation is the process of entrenching new processes and customs in an organisation. The aim with the intervention is the establishment of appropriate and functional institutional arrangements to steer economic development initiatives in the locality. This may be done through a municipal-based LED Unit, structured community-based initiatives,

section 21 companies, ad hoc partnerships with other stakeholders, or through provincial or national departments that act as a catalyst for economic development in an area.

While each of the 15 LED interventions presented and the multiple examples of practical programmes and projects that a local authority may embark on to benefit the locality, limited capacity and resources require that municipalities adopt those interventions that render best results for their locality. The choice amongst LED interventions should be based on the needs and the economic strengths, weaknesses and opportunities inherent to the locality. The World Bank LED Primer document advises that the number of programme areas should ideally be limited to six or fewer key areas. In general, early priorities for LED “include programmes that aim to improve the business enabling environment and those that support the development of micro, small and medium sized businesses. Thereafter the selection will be very dependent upon the results of the competitive assessment” (Bertlesmann Foundation & World Bank’s Cities of Change Initiative 2002: 38). The discussion here, however, also indicated that many of the interventions are complementary and synergistic and should be adopted in conjunction to maximise the potential gains and spin-offs.

The numerous LED interventions in practice and the uncertainty of selecting a strategy tailor-made to the locality (and not copied from elsewhere) necessitates the evaluation of the results or outcomes of adopted LED interventions. It requires an outcome focus where feedback on the measured performance of alternative strategies provides concrete evidence to decide on the continuation or abandonment of adopted programmes, projects and interventions. The importance of providing concrete proof of LED results are emphasised by Meyer-Stamer who takes in a more pessimistic stance:

In those developing countries where LED has been going on for a number of years, it is difficult to discern stunning success stories; the collection of case studies ... gives little evidence of the outcomes and impact of the initiatives described....One cannot help but wonder: Is the popularity of LED perhaps more due to desperation than to a convincing track record? (Meyer-Stamer 2003(a):2)

In South Africa there has been no coordinated effort to measure LED results. While municipalities do measure the performance of their administrative processes and actions as part of the legislation performance management system, these seldom focus on the results of government interventions in the community. Within the context of outcomes-based governance, demonstrating results is as critical as is evidenced-based policy and decision making. To enable the measurement of LED outputs and outcomes, the next chapter of this dissertation suggests promising output and outcome indicators for each of the LED interventions discussed here. It is trusted that the indicator framework will encourage the evaluation of LED output and outcomes in practice, and thereby enhance results-based governance and evidence-based policy making.

## Chapter 7

### Proposed indicators for measuring local economic development

#### 7.1 Introduction

Chapter 6 provided an outline of the various interventions with examples of programmes and projects that local governments may incorporate as part of their LED strategy. Although the collection of case studies and success stories presents a positive picture that things are happening on the ground, it presents no conclusion on the actual impact or difference that these interventions are making in enhancing local economic development. In order to assess the intermediate and final success of an intervention, it is necessary to systematically monitor and evaluate the outputs and outcomes of the intervention against specific indicators that may indicate progress and the attainment of goals. This chapter commences with an analysis of the constraints that often inhibit LED monitoring and evaluation. It continues by emphasising the importance of measuring LED interventions before proposing a systematic framework or system for LED monitoring and evaluation developed from the World Bank's guidelines on *'Establishing Outcomes based Monitoring and Evaluation Systems'* (see Kusek & Rist 2004), as well as the OECD guidelines on *'Making local strategies work: Building the evidence base'* (see Potter 2008). The proposed system is followed by a proposed matrix of outcome and output indicators for each of the interventions described in Chapter 6, including a description of how these indicators were selected and/or designed, explanatory remarks where appropriate and examples of the indicators in practice, both locally and internationally.

#### 7.2 Constraints that inhibit LED performance measurement

Foley (1992:558) cites a number of authors and bodies that have called for an increase in evaluation studies on economic policy in developing countries in the late 1980s and early 1990s. Given the importance of economic development in developing countries where unemployment is often cited as the most important

impediment to development, one has to investigate the constraints which inhibit the measurement of the performance of LED interventions, so as to devise a strategy that may address these constraints. While there is unanimous clamour for evaluation, the fact is that practice generally runs in the other direction. Various explanations are offered to explain this deviance:

### **7.2.1 Resource and motivational constraints**

Resource constraints refer to the shortage of funding, time, personnel, commitment and political support. Evaluations are associated with risk that funding may be stopped; some partners may be reproached; the boldest partners may be criticised for their initiatives. (OECD 2005:74) LED is still fairly new, with newly appointed staff focusing on getting implementation under way, with little thought spared for the evaluation of LED interventions (Gibb & Goldman 2006:3). The difficulty of getting started and obtaining optimum involvement means that there is sometimes very little to monitor during the start-up phase. During implementation, monitoring and evaluation takes time and effort. "It can become costly, it can become bureaucratic, and (in conjunction with budget constraints) ... can distract from actually doing LED." (Meyer-Stamer & Harmes-Liedtke 2004:1-2) After programme success and when the "problem has been fixed, the actors involved often don't see the point in monitoring and evaluation" (Meyer-Stamer & Harmes-Liedtke 2004:1-2).

Practitioners may be threatened by an evaluation system that focuses on outcomes, as past performance measures focused on outputs, which is within the direct control and influence of the government employee. Similarly, for elected officials motivated by a "short-term perspective dictated by an election cycle, consideration of policy outcomes and impacts may lie beyond their frame of reference" (Reese & Fassenfest 1997). "Political actors launch economic promotion activities to respond to the problems and demands of their constituency....It is unlikely that this politician has an interest in investigating how effective the funds have been used: unless an evaluation paints an unambiguously positive picture, it provides ammunition for his political opponents." (Meyer-Stamer 2003(a):2) Ferguson in Simon (2003:131-132) states that "development is a convenient vehicle

for a state to increase its influence, authority and legitimacy – improving the lot of the poor may be incidental.”

### **7.2.2 Technical constraints**

“Local economic development is a highly complex matter, and there is no clear conceptual model available that incorporates all of its potentially important dimensions”. (Smoke 1997) There may be several factors in the local development environment that make it difficult to identify cause-and-effect linkages (OECD 2005:74). The lack of a clear conceptual model inhibits accurate the formulation of goals and supportive evaluation exercises. Finally, once “an evaluation of local economic development policy is structured, how can the variables under consideration be measured and aggregated to give analysts an overall sense of progress with ‘development’?” (Smoke 1997).

Meyer-Stamer & Harmes-Liedtke explain that “LED is often conducted in a pragmatic and ad-hoc way that makes monitoring and evaluation difficult” (2004:1-2) and Storey regards economic policies as too diverse, and too new, to evaluate accurately (in Foley 1992:559). A good measure of local economic development in a municipality will depend on which sectors they identify for growth in their municipal area. According to Pollanen’s study of Canadian Municipalities (2007: 17), “the three top-rated and ranked factors that impede the development, use, and reporting of efficiency and effectiveness measures .... are the difficulty in identifying appropriate measures, the difficulty in meaningful use of measures, and the ambiguity of performance objectives”. Locally the DPLG indicators for local government excludes indicators for LED, as the development of such indicators will depend on the economic sectors that each municipality prioritises, and can therefore not be covered comprehensively as part of the national set of indicators (DPLG (3) 2001:34). Within municipalities, there is a “lack of specific indicators hampering the identification of clear benchmarks for evaluating outcomes and output” (Gibb & Goldman 2006:3). Absence of data and weak evaluation instruments also hinder evaluation. National census data is seldom sufficiently focused to reflect localised LED impacts (or where available are disputed) with few

municipalities conducting their own research and collecting local data (Gibb & Goldman 2006:2-3).

Fasenfest and Reese (1997) identify the market paradigm, which embraces marketplace and price-signalling mechanisms and beliefs that any “nonprice/nonmarket allocation of resources leaves the community worse off”, as the worse restriction to economic policy evaluations, because “the market paradigm is characterized by a rejection of planning and of the possibility of managed growth by governments”. A two-year debate on critical LED interventions concluded in 1999 that robust LED evaluations are difficult to design and implement, especially where the focus is on the outcomes, and not the process of LED (Reese & Fasenfest 1999:3). Alternative and social economy indicators, the debate between ultimate and proximate outcomes and what is regarded as appropriate or reasonable LED outcomes further complicate the debate (Reese & Fasenfest 1999:4).

### **7.2.3 Previous study results**

Some of the studies on LED that were conducted conclude that LED made little difference, for example:

- German research on the main regional policy programme, the “Gemeinschaftsaufgabe”, found that, despite substantial efforts, the regional disparities still increased (Deutscher Bundestag in Meyer-Stamer 2003(a):3)
- Enright (Meyer-Stamer 2003(a):4) found that government action in terms of cluster promotion is irrelevant, except for training- and education-related activities.
- Success through tax breaks and enterprise zone development in disadvantaged communities has been extremely limited (Ladd in Meyer-Stamer 2003(a):3)
- A German study found little difference between companies in protected incubators and those in a control group (Elle *et al.* in Meyer-Stamer 2003(a):3).

- The OECD's OECD Framework for the Evaluation of SME and Entrepreneurship Policies and Programmes (2007) summarised the results of various evaluation studies of national, regional and local policies aimed at enhancing SMME performance, but, although most programmes were received very positively by the SMMEs, very few were able to demonstrate an improvement on the bottom line.
- The World Bank-Netherlands Partnership Program (BNPP) study on 'Evaluating and Disseminating Experiences in Local Economic Development' (2005) found that, while most South African municipalities recognise their developmental responsibilities and the urgency of addressing poverty, results obtained from (pro-poor and other) LED interventions were "patchy and often very little has been achieved on the ground". Reasons for limited success seem most obviously to be related to capacity and funding constraints, as well as issues such as poor partnership formation and the reality that many projects are not economically sustainable (BNPP 2005:16).
- The same World Bank LED study found little evidence of impact on growth by the LED interventions that had been implemented. While some success in terms of employment outcomes were perceived in the bigger centres (Cape Town, Johannesburg), the often temporary nature of these jobs raises doubts on the long-term impact on livelihoods. Mixed results were also found in capacity building programmes, ranging from low impact to sustainable enterprises. The cost effectiveness of directly-funded LED interventions was difficult to determine given the absence of cost and impact data (BNPP 2005:16-17).

These constraints darken the prospective for systematic and committed measurement of LED performance. However, the next section motivates why it is important to dedicate time and resources to both output and outcome measurement, despite the motivational resistance that one may encounter and practice, while the subsequent section provides some guidelines for overcoming some of the technical constraints.

### 7.3 The importance of measuring LED performance

Local governments are faced with the challenge of dealing with ‘wicked problems’ such as economic deprivation, globalisation and a differentiated civil society. This implies a greater need for collaboration with private, voluntary and other public sector agencies in policy-making, strategic planning, implementation and service delivery (Bovaird & Löffler 2002:11). Recent public demonstrations of dissatisfaction with government service delivery in relation to political promises mirrors an international drive for results-based governance where the state must provide ‘proof’ of the success of development interventions.

Bartik (2002:10) argues that policy makers can only make informed choices from among various policy options to maximise social benefits through regular outcome evaluation and impact assessment. Foley (1992:559) confirms the main reasons for greater evaluation of economic policy as enhancing accountability; understanding policy impact; and increasing cost-efficiency and cost-effectiveness. Smoke (1997) adds that, despite the problems that exist with local economic development evaluation,

there should...be greater genuine focus on multidisciplinary ex-ante evaluation of policies and programs designed to stimulate local economic development. If goals and their origin are made clear from the start, evaluators can understand what is important in a particular case and focus on these concerns in the ex-post evaluation.

Gibb & Goldman (2006:3) also emphasise that M&E is a priority for maximising positive outcomes and outputs from the various LED policies, programmes and projects aimed at increasing localised economic growth.

One of the complementary processes required in planning for improvements in qualities of life, incomes, employment, and livelihoods, is the need to assess whether economic growth and poverty reduction targets will be and have been met and to modify interventions based on an assessment of past success. For this reason it is important that processes of M&E remain ongoing priorities in municipal LED policy. (Gibb & Goldman 2005:1)

The World Bank-Netherlands Partnership Program also comments:

This is an important area for further work, as it can help to guide policy, for example on the balance between high-cost investment in infrastructure, versus lower cost investment in SMME support. In parallel over and above cost considerations one also needs to bear in mind social gains and the long-term impacts of training, empowerment and exposure in association with principles of self-actualisation. In terms of coherence in policy and practice, there are pro-poor statements in the policies of many municipalities, but this is often not translated into significant LED budgets, nor the actions of other municipal departments. (BNPP 2005:16-17)

Despite methodological and political problems, local government in South Africa must find ways and resources to evaluate the success of their LED interventions for both accountability and performance improvement purposes.

The Bertlesmann Foundation and World Bank's Cities of Change Initiative states that a strategy review, monitoring and evaluation plan should form a key component of the implementation plan, which includes input, output, outcome and impact indications for each project within the LED strategy (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 43). Measurement of these indicators may be consolidated into an assessment of the overall LED progress.

The OECD (2008:76) cites the following purposes in determining the value of competing LED strategies:

- It helps to clarify objectives and design appropriate interventions
- It ensures realistic objectives and effective interventions
- It assists in setting targets for improvement
- It assist in choosing between policy alternatives
- It helps decisions on appropriate expenditure levels

Locally, "measuring the impact of LED projects allows municipal councils to assess which LED projects and instruments are working well, and which are failing. By measuring the impact of LED projects and instruments, municipalities can learn

which approaches work in their particular circumstances, and which do not.” (DPLG (4) 2000:3) Meyer-Stamer and Harmes-Liedtke motivate LED monitoring and evaluation as important as “documented LED success stories are crucial for sustained funding for initiatives, evaluation provides the necessary learning opportunity to increase the effectiveness and efficiency of LED initiatives (and) evaluation helps us to focus efforts on activities that deliver the most or best outcomes.” (2004:2) LED monitoring and evaluation also “emphasises the importance of life-long learning as an important principle on which to base the LED initiatives of a locality” and thus requires “the development of measurement and evaluation tools to determine the success of LED efforts.” (Meyer-Stamer 2003(b):17).

In developing the system and indicators, it is important to consider each of the four focus areas of LED interventions as outlined in Chapter 6. Local economic development is not a simple endeavour, and the M&E system and indicators should reflect that. As President Mbeki implied in his 2004 Budget Speech, the success of the growth of the economy should not only be measured in terms of the profits rendered to investors or the number of skilled jobs created, but also to the extent that these benefits accrue to those marginalised in the Second Economy. This emphasises the dual nature of what would be regarded as the ‘success’ of LED interventions, and should therefore be accommodated in the developed LED indicators.

## **7.4 A system for LED monitoring and evaluation**

The ten steps to outcome-based monitoring and evaluation by Kusek and Rist (discussed in Chapter 3, section 3.2.1) can be used to develop an LED M&E system for a municipality. To recap, the ten steps are:

- i. Conduct a readiness assessment to assess the institutional capacity and political willingness to monitor and evaluate goals
- ii. Agree on outcomes to monitor and evaluate
- iii. Select key indicators to monitor outcomes
- iv. Collect baseline data on indicators

- v. Plan for improvement and select targets
- vi. Monitor for results
- vii. Evaluate results
- viii. Report findings
- ix. Use findings
- x. Sustain the M&E systems within the organisation

In terms of these steps, it is not possible to provide a 'generic recipe' for how it should take place within the organisation, as it is dependent on the characteristics and capacities of the municipality. However, general remarks may be made for each of the steps, before focusing on the main contribution of this research, namely the identification and development of indicators for LED.

Looking at the readiness assessment, there must be buy-in and capacity at both local level (the municipality and councillors), provincial level (Department of Provincial and Local Government) and community level (stakeholders and role-players in the local community) to objectively assess the effect of LED interventions. Without the willingness and capacity at local level, monitoring and evaluation cannot take place, whilst provincial and community oversight will provide the necessary checks and balances to ensure the validity and use of findings.

The second step provides the basis for the rest of the M&E system. It may seem simple, but provides a challenge in finding an outcome that is generic so as to obtain widespread support, but at the same time specific enough to allow for the identification of output and outcome indicators whereby the success can be measured. Bartik (2002:10) defines the final outcome of local economic development as the "impact on the economic well-being of local residents". However, local development is often complex, with conflicting strategies followed in different areas; conflicting priorities of various stakeholders; and apathy on the part of the private sector or affluent sections in the locality (OECD 2008:36). Poor goal clarification often explains bad evaluation measures. "If the purpose of evaluation is to determine whether programs are meeting goals, the question of which goals or whose goals becomes critical. At issue is whether economic development efforts have been successful, under what conditions, and for whose benefit." (Reese & Fassenfest 1997) Because of this, Jenkins and Bennet (Reese & Fassenfest 1999:5)

advocate for involvement of the community in setting the goals against which LED success can be measured to allow for the identification of multiple objectives and outcomes. While broad and unclear goals for complicated 'wicked problems' may render poor results if measured by traditional outcome indicators, changing the outcome story by incorporating community views and values may assist in identifying more realistic outcomes and criteria for measurement (Jenkins & Bennet in Reese & Fasenfest 1999:5).

Foley (1992) agrees that clear policy objectives enable the evaluator to measure the attainment of these objectives. The explicit expression of these often unstated values in the LED outcome statement is critical for ensuring shared understanding and ultimately creating a basis for evaluation of what would be considered success. The word choice in formulating outcome statements must be carefully considered, as demonstrated in the nuanced differences between 'all' (including foreigners and migrants living in an area), 'citizens' (South Africans only), or 'residents' (excluding temporary migrants).

The third step entails the development of indicators for the various levels of the system. The logical framework (logframe) approach that is typically used in indicator development distinguishes between input, process, output, outcome and impact indicators.

As described in Chapter 3, input indicators measure the availability of the financial, human, physical and information resources, as well as more intangible resources such as time and commitment, which is necessary to implement the LED intervention. Conducting a competitive assessment for the locality enables the municipality to determine the resources available for local economic development and forms the basis for the selection of appropriate interventions and programmes playing to the strengths and addressing the weaknesses in the area. (Two noteworthy publications on LED input indicators are City Alliance 2007 and Wong 2002)

Process indicators measure the efficiency and manner with which the local government performs the functions, tasks and activities involved in adopting, implementing and managing a LED intervention. Process indicators reflect mostly internal aspects over which the municipality has direct control. The policy life cycle

depicted in Chapter 2 indicated the continuous and interactive nature of the various phases of policies and programmes, where the outputs of one process become the inputs to another. One may therefore find process indicators that refer to the tangible output of a particular process and therefore looks like an output indicator. (For example, a LED intervention that aims to promote inter-firm cooperation may have as a process indicator “the number of inter-firm meetings arranged”. While this refers to a tangible deliverable and can be confused as an output indicator, the distinction is that it does not reflect the original objective, namely inter-firm cooperation. An actual output indicator may then refer to “the number of inter-firm agreements that result from the arranged meetings”, referring back to the stated objective.)

In Chapter 5 it was made clear that LED is a multi-actor affair that cannot be implemented or managed by the local government in isolation. It requires buy-in and effort from the private sector, from the community, and from other government bodies operating in and around the locality, to support the adopted LED strategies of the municipality and ensure the ultimate success. It therefore stands to reason that the role of the municipality in effecting the adopted LED interventions will be limited, and the ultimate success of the strategy will be dependent on and influenced by factors that may be beyond the control of the local government. Acknowledging this enhances the importance of developing process indicators that reflect activities within the direct scope of control of the municipality and also reflect where failure to attain the targets is directly attributable to underperformance by the municipality.

Output indicators measure the observable or tangible deliverables of the project against the specified objectives of a policy, programme or project. Outputs are generated through the set of activities or processes that comprise the intervention (OECD 2008:79). Output indicators measure changes in the economic environment that relate to the *objective* of the particular LED intervention. The advantages of measuring outputs include feedback in the short to medium term, ‘easier’ measurement due to visibility of results and contribute to measuring efficiency (the comparison of inputs to outputs). Outputs are only stepping stones for the attainment of outcomes, however, and one should not assume that positive outputs are indications of goal attainment.

Outcome indicators aim to measure progress in the attainment of the stated goal or outcome of local economic development. It tries to measure the actual improvement or 'difference made' by the LED intervention in terms of the stated or implied goal of the intervention or broader strategy. Described as "an indicator of the desired condition or result, outcome indicators are used to understand the progress toward the overall outcome" (Baltimore Neighbourhood Indicator Alliance 2006:5). The OECD defines outcomes as "the short-term effect experience by the agents or markets directly affected by the strategy" (OECD 2008:79). However, the OECD acknowledges that some outcomes may occur only years into the future, and therefore recommends distinguishing between intermediate and final outcomes; an intermediate outcome is "an outcome that occurs in the chain of cause and effect before the final outcome" (OECD 2008:89). Intermediate outcomes enable prior assessment of final outcomes through the theory of change of the intervention, thereby enabling the prediction of final outcome performance that may only be measured accurately in the distant future.

Impact indicators try to measure the longer term, wider spill-over benefits (or losses) of the intervention on society, or, as the OECD defines it the "longer-run economy-wide effect experienced by all agents or markets within the local area" (OECD 2008:79). This concurs with Reese and Fasenfest's (1997) view that impacts are the "longer range, broader societal consequences, more tied to and defined by the values implicit in them." Impact indicators, and to some extent outcome indicators as well, are often not dependent on one government programme only, but on the combined outputs and outcomes of various public programmes. In terms of local economic development, this often means that envisioned impacts are dependent on factors and efforts from actors beyond the direct control of the local government. In measuring LED impacts, LED evaluators need to consider indirect effects such as:

- displacement: reflecting effects occurring elsewhere in the local market
- linkage: reflecting effects in markets linked to the local market
- feedback: reflecting longer-run effect from linkages to other markets
- multiplier effects: occurring in subsequent years as a result of increased factor incomes, and

- externalities: non-priced effects that may occur

Reese and Fasenfest (1997) explain that, in a practical example of these indicators, in economic development, inputs are the resources (budget, staff time, personnel) allocated toward economic development. Outputs are the activities that result: the creation of a Downtown Development Authority, visits to local businesses, the production of a brochure, the development of new water lines. It is the relationship between these inputs and outputs that is considered in assessing the efficiency of development efforts. Development outcomes are the resulting change in conditions; for example, businesses move to the community, foot traffic increases in the downtown, new firms are created. If effectiveness is the major criterion for assessing what works, inputs must be related to outcomes rather than outputs. Finally, the impacts of local development are long-range improvements in attractiveness and, ultimately, the quality of life in the community.

Step 4 entails the collection of baseline data on the selected indicators to serve as a point of reference for future evaluations. Although national statistics may be helpful in populating the indicators, these statistics are often not disaggregated to the local level and therefore are not that helpful to assess local changes. Municipalities may need to conduct research to obtain baseline data on the indicators, or start without baseline data, with the first evaluation results then becoming the baseline for future measurements. In conducting research, it is important to bear in mind the specifications of the SASQAF (Stats SA 2007) to ensure the production of quality statistics.

Step 5 attaches specific targets and time deadlines to the adopted indicators. Targets must be expressed in the same measurement unit as the indicators, e.g. an indicator that measures a percentage change should be linked to a target expressed as a percentage. Targets must be set in collaboration with the various key role-players involved in the particular LED intervention to ensure realism and buy-in.

Steps 6 and 7 involve the identification of appropriate evaluation methods to accurately assess the implementation and outcomes of local economic strategies.

Bartik (2002) argues for the adoption of random experimental approaches and statistical analysis to evaluate the contribution of the local economic development intervention to the ultimate economic changes of the locality. He argues that, with experimental approaches, some beneficiaries in a programme may be given more support to assess whether more intensive support renders better outcomes (thereby not withholding support from anyone who may potentially benefit) or selecting a control group not supported by a similar programme from a neighbouring locality. These techniques allow for a more accurate measurement than gross generalisations. In his 1992 paper, Foley summarised the 'popular' economic evaluation methodologies, namely cost-benefit analysis; utilisation of macro- and micro-economic theories, which informs shift-share analysis studies; input-output analysis and econometric studies; interviews with key role-players in the economy; case-study analysis and comparison; efficiency and effectiveness studies; and, finally, cost-effectiveness studies (See Foley 1992:560-562).

As part of steps 6 and 7, it is also necessary to assess the availability of the internal and external capacity that the municipality can draw on in monitoring and evaluating the results of LED interventions against the developed indicators. 'Capacity' includes human capacity, financial capacity and dedicated time – three of the most cited impediments in conducting evaluations. In enhancing internal human capacity, the South African Management Development Institution (SAMDI) will be rolling out an extensive monitoring and evaluation training programme to managers in the various public sector spheres. To ensure financial and time capacity, monitoring and evaluation must be included as specific phases in the programme or project plan of the LED intervention, as this will ensure the assignment of finances and time to the activities. Turning to external capacity, evaluations must be conducted in a participatory and empowering manner to build the capacity of both role players and stakeholders to meaningfully understand and influence the evaluations. Professional external evaluators also have a role to play in confirming (or disputing) the evaluation results of the municipality, thereby contributing to constructive dialogue and learning.

In concluding his paper on available methodologies for economic policy evaluation studies, Foley warns that overly sophistication of complex evaluation studies should be avoided as this is the main reason for the decline in evaluation studies

commissioned in the late 1970s. Evaluations should be supportive of the policy processes they inform, and therefore should refrain from unrealistic and artificial degrees of precision (Foley 1992:592). Bartik (2003:42) agrees that while “rigorous methodologies, such as random assignment, can be used to evaluate economic development programs.... such evaluation is expensive and technically demanding, and most of the benefits would accrue throughout the state and nation”. He states that cheaper and easier evaluations are helpful to local economic development organizations in that they provide useful feedback to local programme managers and local funders on how well different programmes are working, and how they can be improved (Bartik 2003:41). Regular surveys that gather data on a programme’s effect on the business operations and success which can then be incorporated into local models determining multiplier, employment, and fiscal effects of the programme can provide rough but sufficiently accurate estimates of the effect of the LED programme (Bartik 2003:41). However, the OECD (2007:27) warns that less sophisticated evaluation methods may be more likely to ‘apparently’ demonstrate benefits. The quest is to obtain the appropriate balance and sophistication of methods that will provide reliable results for policy decision making, but fit the circumstances within which (and reasons for which) the evaluation study is performed.

Step 8 refers to the reporting of evaluation findings to council, provincial and national government as well as the community. Reports should be presented in the right format, to the right person at the right time to ensure that the results are used to inform future decisions (Step 9). To increase the use of results, the OECD (2008:108-109) recommends that LED managers should involve stakeholders in the evaluation process, link the results to the strategic planning process and ensure targeted communication of the results. The final step (Step 10) describes the use of results, creation of external and internal capacity and ensuring the reliability of the information as critical components to ensuring the sustainability of the LED M&E system in the organisation.

The generic guidelines provided here may be used by a municipality when developing an LED M&E system for the organisation. Most of the steps outlined here are performed as part of the ‘normal’ management processes of an organisation. The two exceptions perhaps are the formulation of outcomes and the

development of indicators, which are more specialised M&E functions. In the last part of this chapter, a framework of potential output and outcome indicators that may be used to measure the relative success of the various LED interventions is proposed to assist municipalities in this specialised M&E function.

## **7.5 Indicators for LED measurement**

In terms of the logframe approach, performance indicators must be formulated for all levels (input, process, output, outcome and impact) of an intervention to allow for continuous assessment of progress, as well as the attainment of results. However, the conducted study '*Assessment of integrated indicator framework for ten year policy review*' found that there is an insufficient use of indicators that effectively measure the longer-term outcomes and impact of programmes of South African governments (Cloete, Møller, Dzengwa & Davids 2003:26). This may largely be ascribed to lack of national research in this field and the difficulty involved in measuring mostly intangible, cross-sectoral outcomes that can only be determined after several years of implementing a specific programme.

In attempting to address the current deficiency in terms of indicators for LED programmes, *this study attempts to develop outcome indicators from the more tangible output indicators of LED programmes or strategies* as these two levels of indicators are most important, and most neglected, in assessing LED. The indicator framework will therefore exclude input and process indicators which are more easily discernable and controllable at organisational level. Input indicators, or the resources that they measure, are often relatively 'fixed' in the municipal sphere through the annual budget, the prescribed organisation organogram and the physical assets within the direct and indirect scope of control of the municipality and its locality. While input indicators may track changes in terms of the available resources, it is of more interest to know what the resources are converted to (outputs). Process indicators are also important in assessing internal efficiency, but enhanced efficiency in processes is often driven by a demand for increased or faster output, thereby again underlining outputs and outcomes as the critical indicators of success.

Distinctions may be made between different types of output and outcome indicators. Relating to output indicators, a distinction may be made between the output of an administrative or management process, and the output of the programme objectives. To illustrate: a local government wishing to attract new businesses and investors to the area may formulate an incentive policy for the locality (output of administrative process). The output of the programme is the number of businesses that locate to the area (output of the programme). At output level, both the outputs of key administrative processes and the outputs of the programme are important. Therefore, the developed indicator framework includes both administrative and programme output indicators.

Modell and Grönlund (2007:277) make a distinction between outcome indicators that evaluate the effect of an intervention on the intended group of beneficiaries, and outcome indicators that measure the effect (or impact) of the intervention on the greater community. Another important distinction in outcomes by Modell and Grönlund (2007:277) is between the subjective, user-perceived outcomes (best measurable from the community's perspective –, see Callahan's (2008) research on community-based performance indicators and [www.communityindicators.net](http://www.communityindicators.net) – and the administrative, expert-defined outcomes (measured from the municipality's perspective). The OECD (2008:90-91) regards "proximate (immediate) outcome indicators as narrower than distal outcome indicators as they only capture short-run direct effects....An intervention may have several final outcomes, which may imply several chains of intermediate outcomes....Where relevant, similar indicators may be used to assess different interventions to allow for comparability". The distinction between ultimate distal outcomes (e.g. poverty alleviation or a better life through economic prosperity) versus proximate outcomes, more related to the specific intervention and measurable in the shorter to intermediate term has also been discussed elsewhere. The developed indicator framework primarily concentrates on proximate indicators although some distal outcomes are included, where relevant to the logic model of the intervention.

### **7.5.1 The process of developing the LED indicator framework**

The indicator framework presented here uses the discussion of the various LED interventions identified in Chapter 6 to derive generic outcomes and selected objectives for each LED intervention. The classification system developed in Chapter 6 reflects the various perspectives (from LED as pure economic development to LED as a strategy for community upliftment and poverty alleviation, to LED as providing an environment conducive to development through generic location policy and good governance). Using the various LED interventions within different categories as departure points allows for the development of indicators that speak to the multiple, diverse and often conflicting outcomes and objectives pursued in LED. It therefore allows for measurement of LED strategies from different perspectives which will enhance evaluation results, as a particular LED strategy may be regarded as having failed from one perspective, but regarded a success from another perspective.

A list of indicators was compiled for each intervention by harvesting existing indicators from various international sources, including literature on local economic and social development, public performance management and development indicators, as well as from reviewing both local and international policies and strategies, at both local and national/federal level, that inform local economic development. While some indicators measure local economic development specifically, many indicators had a more general developmental or national focus and were adapted to the local economic development context. These indicators were used to reflect on the identified outcomes and objectives for each LED intervention and systematically develop context-specific output and outcome indicators for each LED intervention.

The first draft LED indicator framework was reviewed by M&E and LED experts. Most of the expert reviewers were purposively identified as experts in the field and directly contacted by the researcher with a request to participate in the research. These individual requests for assistance were supplemented by an all-call for reviewers on the South African and African Evaluation Associations (SAMEA and AFREA) web-lists, to which a few further reviewers responded. All persons who

responded was requested to send a brief CV detailing their expertise and interest in the subject field and asked to treat the material provided as confidential. A few persons who expressed interest did not reply to this response and no further contact was made. Respondents that provided the required CV and agreed to the restricted use of material were requested to choose from the four LED categories two that they would like to review. This was done for several reasons: firstly it focused reviewers attention on those interventions that was within their own area of interest or expertise, secondly it attempted to limit the burden on reviewers so as to avoid receiving cursory comments on all interventions rather than an in-depth scrutiny of a few interventions, and finally to protect the integrity of the research by not releasing the entire product to a single person. The request for assistance as well as the first draft indicator framework (from which relevant interventions were selected and e-mailed to the respective reviewers) can be found in Addendum D.

The nine final reviewers were from divergent backgrounds and included prominent academics in the M&E and LED field in South Africa, independent or LEDA associated consultants working in the LED and M&E field, and, finally, practitioners working with LED in local government or on M&E in the national government. While most reviewers were South African citizens, one reviewer from Canada and another from Nigeria added international perspective.

In addition to the supervisor for the dissertation (Prof Fanie Cloete, Professor in Policy Analysis and Evaluation at the University of Johannesburg School of Government), the following experts reviewed the developed framework of indicators:

- Mr Johan Ackron, M&E expert, Development Economist and associate lecturer in Local Economic Development, Local Governance and M&E at the School of Public Leadership, Stellenbosch University
- Mr Errol Goetsch, Director: Centre for Social Impact, a non-profit management consultancy focusing on measuring impact, excellence and sustainability in the development sector
- Dr Emem Bassey Inyang, development scientist and lecturer in Development Programming, Measurement, Monitoring and Evaluation at the Department

of Agricultural Economics and Extension, Faculty of Agriculture, University of Uyo, Akwa Ibom State, Nigeria

- Mr Jeremy Marillier, Head: Economic Research at the City of Cape Town
- Ms Riana Meiring, Director: Local Economic Development at Makana Local Municipality
- Prof. Etienne Nel, currently Professor in Geography at Otago University in New Zealand and former Professor in Geography at Rhodes University and prominent writer on Local Economic Development in South Africa
- Dr Andy Rowe, economist and evaluation consultant in North America, Europe, South Asia, the Western Pacific and the Caribbean and former President of the Canadian Evaluation Society
- Dr Marius Venter, currently Chief Executive Officer: Overstrand Local Economic Development Agency (PTY) Ltd and senior lecturer in development economics specialising in local economic and small business development at the University of Johannesburg
- Ms Carol Wright, Manager: Strategic Information in the Strategic Development Information & GIS Department at the City of Cape Town

The abridged CVs of the expert reviewers can be found in Addendum C.

The different paradigms of the participating expert reviewers allowed for a rich tapestry of comments that approached the issue of LED evaluation from different perspectives. The comments that were received ranged from overview remarks on the structure and purpose of the framework or the nature of the indicators to be included in the framework, to the in-depth questioning of specific words chosen to phrase each outcome/output statement and outcome/output indicator. These comments were used to reassess and augment the framework of developed outcomes, outputs and indicators and further refine the information in the framework and clarify aspects on its use and purpose. It must be stated, however, that, as reviewers were presented with the final set of indicators only, they did not have the advantage of reading the preceding chapters and explanations that provided the foundation, rationale and purpose of the framework of indicators. This resulted in a few of the comments received not being fully relevant to the research product. All comments received from reviewers were either included directly in the

framework to form part of the final framework presented here. Comments that were deemed not directly relevant to the context were included in the section containing clarifying comments that follows directly after the framework of indicators (section 7.5.4).

The indicator framework presented here does not comprise an infinitive list, as there are many potential outcomes and unlimited interventions and outputs that a local municipality may adopt in order to pursue these outcomes. The indicators that are finally proposed comprise a combination of practice and theoretical thinking to select and develop indicators appropriate to the most dominant outcomes and objectives of that particular intervention in the South African context.

The developed set of indicators is presented in the format of tables comprising three columns. Table 7.1 below provides the key to the tables presenting the developed indicator framework.

**Table 7.1: Key to indicator tables**

<b>Intervention number and category indication:</b> States the LED intervention within the LED category (category A – D relating to the categorisation in Chapter 6) to which the outcomes, objectives and indicators are related.		
<b>Generic outcome(s) of intervention:</b> Describes alternative outcomes (or goals) of the LED intervention as derived from the discussion in Chapter 6. Where multiple goals are presented, the developed outcome indicators are organised into various lines, with line 1 reflecting outcome 1, line 2 reflecting outcome 2, continuing in the same fashion with the final line reflecting the final outcome.		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Presents the context specific outcome indicators for outcome 1 of the intervention.	Provides explanatory remarks on the developed outcome indicator and its relevance, including relevant citations or comments from the expert reviewers.	- Provides in an unranked bulleted list selected examples as found in international theoretical and practical documents that reflect to some extent the identified outcome statement.
Presents the context specific	Same as above	- Same as above

<i>outcome indicators for outcome 2 of the intervention.</i>		
<p><b>Generic outputs or deliverables of the intervention:</b></p> <p><i>Describes alternative outputs (deliverables or objectives) of the LED intervention as derived from the discussion in Chapter 6. Where multiple outputs are presented, the developed output indicators were organised into various lines, with line 1 reflecting output 1, line 2 reflecting output 2, continuing in the same fashion with the final line reflecting the final output.</i></p>		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<i>Presents the context specific output indicators for output 1 of the intervention.</i>	<i>Provides explanatory remarks on the developed output indicator and its relevance, including relevant citations or comments from the expert reviewers.</i>	- <i>Provides in an unranked bulleted list selected examples as found in international theoretical and practical documents that reflect to some extent the identified objective.</i>
<i>Presents the context specific output indicators for output 2 of the intervention.</i>	<i>Same as above</i>	- <i>Same as above</i>

## 7.5.2 Purpose and content of the framework

For each LED intervention discussed in Chapter 6, a table with promising outcome and output indicators is presented with clarifying notes and examples of indicators in practice. It should however be seen in context: as one reviewer pointed out, measuring outcomes is but one part of a successful M&E system for LED and a final set of adopted indicators for a LED intervention should include a core set of input, process, output and outcome indicators that will sufficiently and holistically allow the measurement of the intervention. The reviewer emphasised that results-based management is not an evolution, but rather a consummation of all aspects of the intervention to be measured. Without this balanced perspective on the full production function, from inputs and work to outputs and outcomes, one may have projects that achieve their results, but at twice the price.

This advocacy for a balanced perspective agrees with Pawson's information matrix for the systematic review of selected variables (indicators) which includes indicators that describe the intervention (process), its intermediate outputs and outcomes and

the population to which it applies (distal or final outcomes). Whilst Pawson describes this matrix for meta-analysis of indicators as useful, he also critiques it for omitting a crucial explanation of how the programme works as “it is always necessary to know what goes on within the black box of an intervention to understand its outcomes” (Pawson 2006:52). Pawson thus stresses, from a realist perspective, that, while outcomes are important, it is always critical to understand the inner workings of the programme and to supplement statistical indicators with measurements that capture the narrative, qualitative aspects as well (see Pawson 2006:49-54). Supporting the view for a balanced set of indicators, Duignan explains that the process for ensuring a balanced set of indicators for an intervention starts with a detailed breakdown of the underpinning logic to the intervention, including the logic for each sub-component of the main intervention. Using this visual representation of the intervention and its sub-components, indicators are then identified for each part of the logic model to ensure an integrated, holistic and complete monitoring and evaluation framework for the intervention (see Duignan 2010).

This research does not dispute the importance of an integrated or ‘core set of indicators’ framework, but rather supports it in concentrating on developing outcome indicators, as this aspect of LED performance measurement is neglected in current research and practice. As one reviewer nicely summarised it, the indicators are best suited for periodic takes on (outcome) progress rather than allowing for an adaptive (implementation) management approach. By formulating various outcome statements and responding indicators for alternative LED interventions, this framework enables practitioners to select outcome indicators that will complement and expand existing input, process and output indicators to a holistic measurement framework.

To maintain this focus, additional indicators suggested by the reviewers, which were regarded as input indicators (e.g. the amount approved on the budget for a particular intervention), were not included in the output/outcome indicator framework, but the researcher does acknowledge that these indicators would play a critical part in an integrated M&E framework. It is further acknowledged that, from a practitioner’s perspective, it can be argued that these input indicators do reflect potential outputs (or rather the predicted lack thereof) as no implementation and

output can manifest in the absence of financial, human, customer and other inputs. However, to maintain the theoretical distinction between types of indicators and not to confuse the underpinning aim of this research, it was still maintained that these indicators should not be included in the framework.

As economic development does not have the same meaning for everyone, it is natural that a variety of indicators of economic development exists on a national scale (Booyesen 2000: Abstract). Earliest notions of development were equated with an increase in aggregate output, measured in terms of income and economic growth expressed in monetary terms (Booyesen 2000:8). The apparent failure of sustained economic growth to eliminate income inequality and poverty sparked the development of alternative development indicators, such as indicators of employment, unemployment and underemployment; indicators of poverty and inequality; and indicators of basic needs fulfilment and human development (Booyesen 2000:8-12). The same applies for economic development measurement at the local level. While aggregate indicators of economic development relate fairly well to income-based measures, alternative indicators present another view on development not reflected in traditional income-based measures. The combination makes way for a more holistic view on economic development (Booyesen 2000:381).

The framework therefore includes both 'traditional' economic measures, but also extends the focus to include broader development and governance indicators that can be used to measure progress towards LED outcomes and objectives. This dual focus is also evident in the proposed distal outcomes for the LED strategy, which includes both traditional economic indicators as well as broader political indicators (see 7.4.3.1 below). The indicators further are mostly theory driven, are focused on the proximate, rather than distal, outcomes of each respective intervention, and the outcome indicators are dynamic indicators measuring the development trend and not a static point-in-time measurement. The rationale for these focus choices should be briefly explained as introduction to the framework.

In terms of Niemeijer's distinction, the researcher opted for theory-driven indicators that entail the development of the indicators based on the underpinning assumptions of each intervention as deduced from the discussed practical examples in the previous chapter. The deduced assumptions are presented as

formulated generic outcomes and outputs for each intervention at the top of each table. Adopting Niemeijer's theory-driven approach, the indicators included in the framework strives towards the 'ideal' indicators for measuring progress against the outcomes and outputs.

The outcome indicators for the interventions focus on the proximate, shorter-term, more direct consequences or results of the intervention. The proximate outcomes can more readily be ascribed to the intervention and not some other development initiative or effect. As one starts to measure distal or ultimate development outcomes of LED or any other intervention, the underpinning theory of change that guides the evaluation becomes more complex due to interdependencies, externalities and the interdependence between various development initiatives. This makes it more difficult to accurately determine the causality of distal outcomes on a limited evaluation budget and with no control or comparison groups.

Other difficulties with distal outcomes include the time delay in the realisation of results which implies a longer evaluation time frame. Due to their holistic cross-sectoral nature, the distal outcomes may also not be readily measurable at local level only. To illustrate and include distal outcomes, the framework commences with four distal outcomes of LED interventions, which capture the more generic aims of the LED strategy and the long-term goal of various or all of the LED interventions included in the rest of the framework. However, as this research is primarily interested in the effectiveness of LED interventions, the rest of the framework concentrates only on the proximate outcomes (and the responding indicators) of each specific intervention where causality between the intervention's activities, outputs and outcomes can be defended with a simple linear logic model, as opposed to the complex logic model that underpins the distal outcomes.

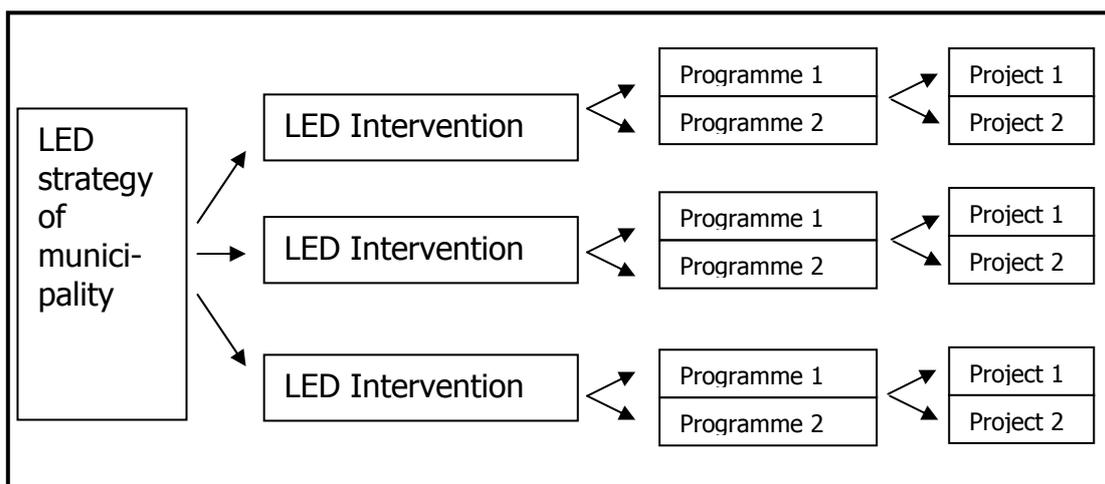
Most of the outcome indicators in the framework are dynamic indicators that attempt to measure the trend towards the proximate outcomes as formulated for the intervention (e.g. *increase* in local investment, measuring the trend in the Rand value allocated to investment). The measurement of dynamic indicators however require static measures as a basis (e.g. rand value of investment for each specific year), which makes dynamic indicators more useful, but also more timely, to institutionalise in the M&E framework and systems of an organisation. One can thus

pose the argument that static indicators could be more appropriate, given the capacity problems and current absence of data in many local authorities in South Africa. However, static indicators insufficiently reflect the outcome statement that indicates a specific desired trend. Therefore, although it is acknowledged that the dynamic indicators or sustained performance trends can be measured only once in every few years of static measurements having been captured, these indicators more appropriately reflect the theory of change of the intervention and thus support the theory-driven indicator approach adopted for this study. In contrast, many of the output indicators included in the framework are static indicators. As outputs are inextricably linked to budget allocation (inputs) which may vary as priorities change from year to year, there may not be a measurable trend. Static indicators were deemed sufficient to measure the output indicators and as in line with current practice of performance measurement in local authorities.

### 7.5.3 Framework of LED output and outcome indicators

#### 7.5.3.1 Distal outcomes of Local Economic Development

In Chapter 6, the relationship between LED strategy, interventions, programmes and projects was depicted as follows:



Linking this to monitoring and evaluation and different levels of indicators, from the right to left, ‘projects’ and ‘programmes’ are measured against the tangible deliverables or outputs of the programme using output indicators. LED interventions are measured against generic outcomes, using proximate outcome indicators whereas the LED strategy can be measured against the overall economic development goals of the municipality using distal outcome indicators.

The term ‘economic development’ in modern economic studies comprises two parts: pure economic growth (primary economicus) and broader development focusing on human and social development (supporting economic or politicus factors). Economic development is thus not equated to economic growth as in first-generation capitalist ‘trickle down’ theory, but acknowledges the importance of ensuring that economic growth translates into human and social growth. As such, the macro goals of a LED strategy as integral part of the IDP of the municipality are four-fold:

- Growth or increase in the total of all goods and services produced in the locality
- Greater capacity, exploitation or productivity of existing production factors
- Enhancement in the human development characteristics of individuals and groups (Although poverty alleviation is often cited as the ultimate aim of LED, LED does not address poverty directly, but rather addressed it in a sustainable manner by ensuring economic growth and individuals' access to the opportunities created)
- Greater social development of civil society and governance institutions

Although this is not the primary interest of this dissertation, these macro goals are listed briefly in the first table of the indicator framework and linked to existing proximate distal outcome indicators, before turning to the development and identification of promising proximate output and outcome indicators for the 15 LED interventions that contribute in the short to medium term to the distal goals.

<b>Distal outcomes of local economic development</b>		
<b>Generic distal outcome(s):</b>		
To increase economic growth of the locality by increasing the number of productive entities or by enhancing the productivity of existing entities		
To increase the economic capacity of the locality by maximising the productivity of the local factors of production.		
To enhance the level of human development in the locality.		
To enhance the level of social development in the locality.		
<b>Promising distal outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p><b>Growth:</b></p> <p>Percentage sustained positive increase in Gross Geographic Product (Rand per capita)</p> <p>Real percentage GGP (Gross Geographic Product) in relation to Provincial and/or National Gross Domestic Product through shift-share analysis</p> <p>Sustained percent increase per economic sector</p>	<p>One reviewer predicted difficulty in measuring the sustainability of the GDP growth trend. However, given the fluctuating effect of economic cycles, it must be acknowledged that local GDP will be affected by recessions and may in certain years reduce rather than grow. As a distal indicator, however, progress is measured over longer periods of time towards the distal outcome of an increased or maintained GDP.</p>	<ul style="list-style-type: none"> <li>- Gross Domestic Product (GDP)</li> <li>- Growth of Gross State Product (Minnesota Milestones 1998: 47)</li> <li>- Shift-and-share analysis (determining the extent to which local growth is attributable to national/regional growth, dominant industry growth and the conduciveness of the specific locality) (Blair &amp; Carroll 2009:115-117)</li> <li>- Economic growth of locality compared to district or national economic growth. (Adapted from London Development Agency 2008:5)</li> <li>- Regional productivity measures (overall and by sector) (Cities Alliance 2007:22)</li> <li>- Total retail sales in \$ millions (Baltimore Neighbourhood Indicators Alliance 2006:49)</li> <li>- OECD Economic Outlook (OECD 2010)</li> </ul>
<p><b>Productivity:</b></p> <p><u>Land/Space productivity:</u> Productivity per square metre compared to industry standard</p> <p>Percentage of land or property that is productively usable</p>	<p>The economic production function is the combined effect of land (natural resources), labour, capital and entrepreneurship exploitation in the locality:</p> <ul style="list-style-type: none"> <li>• <u>Land</u> productivity is dependent on the level of</li> </ul>	<ul style="list-style-type: none"> <li>- National productivity index (NPI 2010)</li> <li>- Ranking in the World Economic Forum's Global Competitiveness Report (World Economic Forum 2010)</li> <li>- Various international sectoral productivity indexes</li> </ul>

<p>Percentage of productive infrastructure vacant (total usable – total in use)</p> <p><u>Labour productivity:</u> GDP per hour worked Technical skills of labour Per capita remuneration per sector: Average income/remuneration per sector (total wage divided by total persons in sector) Increase in the long term job sustainability in the area (measured by number of percentage of job positions older than 4 years)</p> <p><u>Capital productivity:</u> Financial Return On Investment</p> <p><u>Entrepreneurship:</u> Number of start-up businesses (does not accurately measure productivity, but provides proxy indicator of level of entrepreneurship in locality) Improvement reported in the annual Global Entrepreneurship Monitor South Africa Report</p>	<p>development of land or other natural resources.</p> <ul style="list-style-type: none"> <li>• <u>Labour</u> productivity is dependent on the technical skills and productivity of labourers. ‘GDP per hour worked’ is made up of the capital-labour ratio (the amount of capital per unit of work) and multifactor productivity (which measures the amount of output produced in relation to inputs of labour and capital). Increase in wage is a proximate indicator of productivity that assumes that higher productivity is rewarded with higher remuneration levels. ‘Long-term job sustainability’ is dependent on productivity or it would be deleted.</li> <li>• <u>Capital</u> productivity measures improvement in local capacity as a result of investment or increases in local business or public capital layout (includes private sector foreign direct investment or direct inward investment and public sector economic hard infrastructure or social soft infrastructure investment).</li> <li>• <u>Entrepreneurship</u> measures the ability to innovate.</li> </ul> <p><i>The promotion and measurement of each of the factors of productivity are discussed in separate interventions. The composite effect of these multiple interventions comprises the distal outcome or goal of enhanced productivity of the production factors in the locality.</i></p>	<p>are found for the respective economic sectors. For example, agriculture productivity is tracked by the <u>Food and Agriculture Organization of the United Nations (www.fao.org)</u>, while the OECD Department for Trade and Agriculture: Food, Agriculture and Fisheries predicts agricultural outputs (<a href="http://www.agri-outlook.org">www.agri-outlook.org</a>). Similar indexes exist of all major economic sectors.</p> <ul style="list-style-type: none"> <li>- Global Entrepreneurship Monitor report (GEM, 2010)</li> </ul>
<p><b>Human development:</b> Local Human Development Index (Real per</p>	<p>Human development is measured against the personal income levels, education status and health status</p>	<ul style="list-style-type: none"> <li>- Human Development Index</li> <li>- Percentage of persons living below the absolute</li> </ul>

<p>capita GDP, life expectancy and literacy levels)</p> <p>Sustained decrease in the percentage of citizens living below the absolute poverty line of \$1 per day (<i>while it is possible to translate the \$1 to Rand equivalent, the dollar unit of measurement is retained to ensure alignment to the Millennium Development Goals and allow for international comparison uninfluenced by changes in the Rand currency strength</i>)</p> <p>Household Livelihood Security Index (economic , food , health and educational security and empowerment level)</p>	<p>(longevity) of citizens.</p> <p>Using 'percentage of citizens below the poverty line' as a static indicator can be deceptive as the poverty line tends to be relative and dynamic. An individual's status can change quickly due to short-term shock or windfall. The indicator is furthermore complicated by the availability of past information only. To overcome this problem, a dynamic indicator measuring the sustained trend in decreasing poverty over time is suggested, also focusing on the distal rather than immediate outcome of LED interventions.</p> <p><i>Household Livelihood Security Index is a composite distal indicator. Various LED interventions contribute to the separate sections of the composite indicator and deliver proximate results that jointly advance the overall aim.</i></p>	<p>poverty line</p> <ul style="list-style-type: none"> <li>- Gini coefficient</li> <li>- Percentage of Minnesotans with income below the federal poverty level (Minnesota Milestones 1998: 52)</li> <li>- Comparison of average incomes of top 5th families to lowest 5th families (Oregon Progress Board 2003:62)</li> <li>- Income distribution: Share of Income by Income Group over time (Seattle 1998:37)</li> </ul>
<p><b><u>Social development:</u></b></p> <p>Strength of civil society can be measured in terms of civil society's accountability, its relationship to the state and corporate sector and its role in governance and development (see CIVICUS Global Survey of the State of Civil Society)</p> <p>Freedom: Status in the Freedom House annual Freedom in the World Report</p>	<p>Social development is measured by the vitality of various structures of civil society (business associations, producer bodies, NGOs, CBOs, forums, associations), as well as the functionality of society (crime and criminality, social capital) and its governing institutions (representativeness, legitimacy and accountability of government).</p>	<ul style="list-style-type: none"> <li>- Civil Society Index (see Civil Society Index 2010 at <a href="http://civilsocietyindex.wordpress.com/">http://civilsocietyindex.wordpress.com/</a>)</li> <li>- Freedom House annual Freedom in the World Report (see <a href="http://freedomhouse.org">http://freedomhouse.org</a>)</li> <li>- World Bank Worldwide Governance Indicators (World Bank 2010)</li> <li>- King III report on corporate governance principles</li> <li>- Annual ranking in the International corruption index (Transparency International 2010)</li> </ul>

<p>Governance: Country score against the World Bank Worldwide Governance Indicators</p> <p>Adherence to the King Principles of Good Governance</p> <p>Annual ranking in the International corruption index</p>		
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### 7.5.3.2 Category A: Indicators for business and market development interventions

The first category of LED interventions identified in Chapter 6 comprised business and market development interventions. For each intervention in this category, the generic outcomes, objectives and responding indicators are provided in this section.

#### 7.5.3.2.1 Indicators for advising and supporting existing businesses

<b>Intervention 1(A): Advise and support existing businesses through technical assistance and local-support procurement policies</b>		
<p><b>Generic outcome(s) of intervention 1(A):</b></p> <p>To enhance the productivity of local businesses</p> <p>To retain current businesses in the area</p> <p>To eliminate economic leaks in the local economy</p>		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Increase in the productivity per square metre compared to industry standard	This intervention focuses on increasing the productivity of existing entities in the locality, thus the same number of enterprises producing more.	<ul style="list-style-type: none"> <li>- Regional productivity measures (overall and by sector) (Cities Alliance 2007:22)</li> <li>- Total retail sales in \$ millions (Baltimore)</li> </ul>

<p>Increase in the percentage of land, property or specific natural resource in the locality that is productively usable</p> <p>Decrease in the percentage of productive infrastructure vacant (total usable – total in use)</p> <p>Increase in the relative competitiveness of businesses in the locality in comparison to comparable localities (net profit of local businesses in ratio to net profit of other businesses in the same industry)</p>		<p>Neighbourhood Indicators Alliance 2006:49)</p> <ul style="list-style-type: none"> <li>- Sectoral productivity indexes (calculates the value of one input, e.g. one litre of water, between two industries in terms of the output produced with the same input)</li> </ul>
<p>Increase in company income tax generated by local businesses (per size category: small, medium and large business)</p> <p>Increase in investment expenditure of local businesses (Direct inward investment: Rand value of further investment in the locality)</p> <p>Improvement in business performance six months after visit to business support and advice centre:</p> <ul style="list-style-type: none"> <li>- Percentage of business advice centre clients whose turnover has increased</li> <li>- Percentage of business advice centre clients whose net profit has increased</li> </ul>	<p>Taxes can provide an indication of greater turnover and profit, which reflects successful businesses, in the absence of accurate Gross Geographic Product data. However, as one reviewer also pointed out, this information may be difficult to obtain from SARS and independent studies to collect the information may not warrant the cost incurred. However, if the business advice centre of the municipality is assisting new businesses in compiling their SARS returns, analysis of the centre's client records may provide cost-effective information of those companies supported by the municipality's LED initiatives. It will, however, not provide feedback on companies not directly supported through this LED initiative, but which still have the benefit of other LED-support initiatives such as the generic location development initiatives of the locality.</p>	<ul style="list-style-type: none"> <li>- Total RSC Levies (DPLG (3) 2001:34)</li> <li>- Business income tax (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- These include total annual investment flows by business and government, net national savings, and indicators of financial market development. (New Zealand 2005:5)</li> <li>- Percentage venture capital in comparison to state invested in locality (San Diego 2005: 10)</li> <li>- Number of companies that export, including target market and volumes shifted (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Business performance six months after visit to business support and advice centre (Cities Alliance 2007:22)</li> </ul>

<p>Increase in the percentage of VAT registered businesses in the locality older than 4 years</p> <p>Decrease in number of business closures in relation to the number of business start-ups</p>	<p>Investment expenditure may provide a proximate indicator of business expansion and growth.</p> <p>The time period for measuring business improvement after receiving business support will depend on the type of support provided and the life cycle stage of the business.</p> <p>Businesses may be regarded as sustainable if they survive longer than four years. Statistically, most unviable companies fail within the first two years of establishment.</p> <p>VAT registration is an existing SARS database which will allow secondary data analysis for measurement of this indicator.</p> <p>Not all business closures can be prevented. Ideally, data should be obtained on the reasons for business closure to eliminate unavoidable or 'natural' business death (e.g. deceased owner)</p>	<ul style="list-style-type: none"> <li>- Percentage of clients satisfied with quality of Seda services</li> <li>- Number and percentage of established SE clients whose turnover has increased</li> <li>- Number and percentage of established SE clients whose gross profits have increased (Seda 2009)</li> <li>- Percent of all businesses over 4 years old as of the 4th quarter of year (Baltimore Neighbourhood Indicators Alliance 2006:49)</li> <li>- Number and type of business closures in the last 10 years (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> </ul>
<p>Decrease in the percentage of local businesses that procure goods that is available at the same or better price and quality from businesses in the locality</p> <p>Increase in the Rand value of local content manufactured goods offered by businesses</p> <p>Decrease in the percentage of local jobs held by non-residents of the area</p>	<p>Income of an area is determined by adding local consumption spending and the net monetary inflows (subtracting monetary outflows from monetary inflows into the locality) (Blair &amp; Carroll 2009:100). More money is retained in the economy where the content of offered products is produced locally, compared to products sourced from outside the area where only the mark-up fee is retained in the local economy.</p> <p>'External employees' contribute towards leaks in the economy. This should perhaps move to community</p>	<ul style="list-style-type: none"> <li>- Percentage of Oregonians employed outside the Willamette Valley and the Portland tri-county area (Oregon Progress Board 2003:61)</li> </ul>

	development / training intervention indicators	
<b>Generic outputs or deliverables of intervention 1(A):</b>		
Provision of specialised information and business support		
Provision of training and advice		
Preferential public procurement policies		
Encourage support of local businesses		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Functional business information and tender advice centre.	Advice centres may be provided in conjunction with provincial government, NGOs or the private sector	- Research and development expenditure per capita / as percent of GRDP (Cities Alliance 2007:26)
Number of local businesses that utilise the business support and advice centre per month	To tailor the services of the business advice centre, municipalities should have regular surveys of and visits to local businesses, which will enable the creation of an accurate database of local businesses, typical needs and problems and the support required. The output of these surveys and visits may also be measured, but this information typically becomes the input to further activities and is thus beyond the scope of this indicator framework.	- Research & development expenditures as a percent of gross state product (Oregon Progress Board 2007:61)
Diversity of technical advice services offered by the business centre		- Accessibility to quality science and engineering research in higher education institutes (Wong 2002: 1839)
Percentage of clients satisfied with quality of business support services		- Percentage of clients satisfied with quality of Seda services (Seda 2009)
		- Business retention visits and surveys (how long individual businesses have been established, information on employees, skills, products, exports, supply chain information) (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 22,25)
		- Regular interaction with business to assess level of satisfaction and discover possible problems (DPLG 2000(A):8)
		- North West Birmingham employment hub - service to become operational to support the delivery of

		the LPSA target. (City of Birmingham 2006:31)
<p>Number of local entrepreneurs trained through general or sector specific accredited training programmes</p> <p>Diversity of the training programmes available to local entrepreneurs</p>		
<p>Approved preferential public procurement policies</p> <p>Increase in the percentage of tenders that prescribe local content manufacture</p> <p>Increase in the percentage of municipal contracts awarded to local businesses</p>		- Percentage of municipal contracts awarded to local businesses Baltimore Neighbourhood Indicators Alliance 2006:49)
<p>Percentage of businesses and individuals committed to a buy local campaign</p> <p>Percentage of chain stores committed to purchasing from local producers</p> <p>Increase or maintenance in the number of business partnership or growth coalitions active in the locality</p>	<p>Although the municipality has limited direct control in establishing business partnerships or growth coalitions, these serve as an indicator of the support among local businesses. Local authorities should provide opportunities for these structures to establish and may even provide infrastructure support. See also intervention 11.</p> <p>'Buy local' has limited effect if it only involves the retail sale of products procured from outside the economy. However, if the products are manufactured locally, this effect increases dramatically. The aim is to encourage the sale of locally manufactured products where both the mark-up and the core production costs are maintained in the local</p>	

	economy by the merchant and the producer/manufacturer respectively.	
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### 7.5.3.2.2 Indicators for attracting, advising and supporting new formal businesses

<b>Intervention 2(A): Attract, advise and support new and emerging formal businesses</b> ( <i>informal business included in intervention 10</i> )		
<b>Generic outcome(s) of intervention 2(A):</b> To increase (create additional) economic activity in the locality To create additional or improved employment opportunities To diversify the composition of the local economy		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Increase in the number of local businesses per firm-size category  Increase in the number of productive entities per economic sector: agriculture, chemicals, energy, financial services, information technology, manufacturing, mining, telecommunications, tourism, automotive, forestry; trade & commerce  Sustained increase in the number of local businesses per economic-sector category  Increase in the rand value of foreign and domestic inward investments	Firm-size and economic sector categories enable measurement of the diversity of economic activity in the locality. More diverse economies are better enabled to withstand negative impacts to specific economic sectors, but more homogeneous economies sometimes allow greater economy of scale, collaboration and shared services and, therefore, a reduction in cost of goods and services.  'Sustainable' implies not only a short-term increase, but a sustainable upwards trend over time. It may be viable to use as unit to measure only businesses that are four years old and older, rather than new start-ups that have a higher failure rate.  The locality's ranking in the province is an indicator of its ability to attract businesses in relation to the abilities of	- Numbers and sizes of firms (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:21) - Number of new business start-ups (by size, sector) (Cities Alliance 2007:22) - Number of potential entrepreneurs turned into trading businesses (Seda 2009) - Percent of all businesses with 50 employees or less that are over 4 years old (Baltimore Neighbourhood Indicators Alliance 2006:49) - Number of inward investments, foreign and domestic, by employee size and sector (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:21) - The number of Foreign Direct Investment (FDI)

<p>Improvement in the locality's rank in province in attracting new businesses (number of OR investment Rand value of new businesses in locality compared to the number of OR investment Rand value of new businesses in province)</p> <p>Increase or maintenance in the percentage of businesses supported through incubator facilities that graduate to self-sufficiency within the determined time frame</p>	<p>neighbouring localities</p>	<p>projects (London Development Agency 2008:6)</p> <ul style="list-style-type: none"> <li>- Oregon's national rank in new Companies, Oregon's national rank in venture capital investments, Oregon's national rank in economic diversification (1st = most diversified) (Oregon Progress Board 2007:61)</li> <li>- Number of counties where business start-ups exceed business closures (Minnesota Milestones 1998:56)</li> <li>- Percentage of new businesses that survive to their third year (CTSIP 2004:60)</li> <li>- Indicators of enterprise include firm entry and exit, cost and time to register a new firm, and firm survival and employment growth (New Zealand 2005:6)</li> </ul>
<p>Employment rate per economic sector: agriculture, chemicals, energy, financial services, information technology, manufacturing, mining, telecommunications, tourism, automotive, forestry; trade &amp; commerce</p> <p>Sustained decrease in local unemployment statistics</p> <p>Sustained increase in the average wage and salary trend over time (excluding annual inflationary effect)</p>	<p>As each job created in the market results in a chain reaction of people moving into new jobs, the simple measurement of 'number of jobs created' will overestimate the effect created (Falsenstein &amp; Persky in Reese &amp; Fasenfest 1999:5). All jobs also do not count the same: a job at the lower end of the value chain may provide greater local welfare and therefore should be weighted heavier than jobs at the end of the value chain. The measurement of the job chain and creation of additional job opportunities within the job chain can provide a more accurate reflection of job creation for LED (see Falsenstein &amp; Persky in Reese &amp; Fasenfest 1999:5) The ratio of fiscal benefits (increased business taxes) compared to fiscal cost (infrastructure</p>	<ul style="list-style-type: none"> <li>- Creation of additional jobs for local unemployed (as appose to in-migrants) (Adapted from Bartik 2003:10)</li> <li>- Employment levels by sector and type of occupation (professional, technical, semi-skilled) (Cities Alliance 2007:23)</li> <li>- Employment levels per age / race group / geographical area (to promote employment levels of designated groups and communities). (Adapted from London Development Agency 2008:5)</li> <li>- Employment of working-age population (Minnesota Milestones 1998: 47)</li> <li>- Annual job growth accounted for by the top ten</li> </ul>

<p>Increased positive ration between the fiscal benefits of new businesses and jobs (increased taxes and less state dependency) and the fiscal cost of attracting new businesses and persons (cost of economic and social infrastructure)</p>	<p>development) of attracting new businesses to the area, considering that if new business result in new persons moving into the area, the fiscal cost becomes higher as a result of the social infrastructure (e.g. schools) that must be created, especially if the in-migrating labour is of lower income levels; or that the fiscal cost of social infrastructure may be ignored if the current capacity can accommodate the in-migrating labour. (Adapted from Bartik 2003:8)</p> <p>“The available research suggests that, for every ten jobs created in a local labour market, such as a metropolitan area, about eight go to persons who otherwise would have lived elsewhere, not to local residents. This in-migration effect of new jobs enormously reduces the potential employment benefits from economic development.” (Bartik 2003:12) “An employment increase of 10 percent in a metropolitan area increases average real earnings in the metropolitan area by about four percent per person.” (Bartik 2003:11)</p> <p>While these indicators are desirable, the absence of accurate local data may hinder the usefulness of adopting these indicators, as accurate measurement may be impossible.</p>	<p>employers in the region. (CTSIP 2004:55)</p> <ul style="list-style-type: none"> <li>- Employment status, including <ul style="list-style-type: none"> <li>o Age structure of the employed</li> <li>o Occupational breakdown of the employed and unemployed</li> <li>o Structure of employment (full/part-time)</li> <li>o Unemployment figures, by numbers, age, duration</li> <li>o (Bertlesmann Foundation &amp; World Bank’s Cities of Change Initiative 2002:20)</li> </ul> </li> <li>- Percent of population ages 16-64 that is employed (Baltimore Neighbourhood Indicators Alliance 2006:49)</li> <li>- Percent of population ages 16-64 that is unemployed and looking for work (Baltimore Neighbourhood Indicators Alliance 2006:49)</li> <li>- Percent of population ages 16-64 that is not in the labor force (Baltimore Neighbourhood Indicators Alliance 2006:49)</li> <li>- Percent employment and unemployment by age, gender, race, sector, type of occupation (Cities Alliance 2007:23)</li> <li>- Unemployment of locality compared to district or national unemployment levels. (Adapted from London Development Agency 2008:5)</li> <li>- Recorded vs Estimated Unemployment (Seattle 2008:36)</li> <li>- Percentage of adults who want to work full time</li> </ul>
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		<p>who actually work full time (Minnesota Milestones 1998:52)</p> <ul style="list-style-type: none"> <li>- Creation of better paying job positions for local residents (Adapted from Bartik 2003:10)</li> <li>- Employment by sector (City of Albuquerque 2004: xv)</li> <li>- Job Growth Trends Compared with U.S. and Other Metropolitan Areas in the Southwest (City of Albuquerque 2004: xv)</li> </ul>
<p>Increase or maintenance of the diversity of economic sectors present in the economy</p>		<ul style="list-style-type: none"> <li>- Diversity of Industries: Annual job growth occurring in each year's ten largest private industry sectors. (CTSIP 2004:53)</li> <li>- Diversity of economy: % persons employed at 10 biggest companies / industries / sectors (Adapted from Seattle,1998:35)</li> <li>- m<sup>2</sup> businesses premises rented by desired industries and/or SMMEs (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 25)</li> <li>- Coefficient of specialization (the extent to which a region's industrial structure differs in relation to another area's industrial structure) (Blair &amp; Carroll 2009:86)</li> </ul>
<p><b>Generic outputs or deliverables of intervention 2(A):</b></p> <p>To promote the attraction ('pull') factors of the locality, including market access and production input availability.</p> <p>Adoption of an investment attraction and support policy or strategy to encourage desirable businesses to establish in the locality</p> <p>Incubator facilities for vulnerable or market sensitive businesses</p> <p>Facilitate access to start-up funding</p>		

<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Mean cost of available transport raw or final products from production sites to final markets.</p> <p>Mean cost of production factors at a location (physical resources, utilities, premises, labour, taxes) in relation to transport cost to and from that location</p>	<p>Transportation cost influences the choice of location and as it is easily quantified, this factor has been extensively researched. Businesses sensitive to transport cost tend to establish close to their market or raw material or in dispersed economies try to locate within the transportation-cost minimising centre of the market (Blair &amp; Carroll 2009:25-26).</p>	
<p>Availability of a fully functional investment promotion desk</p> <p>Approved and implemented investment incentive policy</p> <p>The perceived competitiveness of the investment offerings of the locality compared to comparable local authorities</p> <p>Increase or maintenance in the number of potential applicants or delegations assisted by the investment promotion desk of the municipality.</p>	<p>The first indicator is not an indicator of success, but a prerequisite to establishing the necessary dedicated capacity in the local authority to investigate viable investment support options and provide an interface for interested businesses to deal with the local authority. The second indicator is based on the subjective opinion of either officials or (potential) applicants and could be readily obtained through a short survey.</p> <p>The investment strategy should also encourage businesses assisted through economic development programmes to fill a higher proportion of their job vacancies with unemployed or underemployed local residents, through positive incentives such as providing better training to local job seekers, and helping to screen them. (Bartik 2003:11)</p>	<ul style="list-style-type: none"> <li>- Initial Public Offerings in comparison to other states (San Diego 2005: 9)</li> <li>- Offered tax incentives, loan incentives, land incentives, land support (water &amp; sewer infrastructure) and transportation (improved roads and parking) (DPLG 2000(A):4)</li> <li>- Manageable regulation and taxation schemes, incentive schemes (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 28)</li> </ul>

Number of businesses supported in physical or virtual incubators	Physical incubators should be provided for businesses that are location sensitive, while virtual indicators provide technical and specialised support to businesses, but not physical infrastructure	
Number of businesses supported that successfully gain access to start-up loans and funding	The availability of local finance to businesses is influenced by the number of financial institutions (banks, microfinance schemes) in the locality and the average value of loan funding that can be provided. However, the municipality has little scope in influencing the availability of these institutions, apart from attracting them to the locality through sector-specific incentives.	<ul style="list-style-type: none"> <li>- Provision of finance to new businesses, provision of micro and managed workspace, technical advice centres, establishment of formal and informal business networks, conducting business mentoring programmes (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 26)</li> <li>- Number of individuals and firms covered by a private credit bureau (or public credit, but not used in SA) as a percentage of the adult population (World Bank 2007:27)</li> <li>- (Over) dependency on external loans from outside the locality (Nel 1997:291)</li> </ul>

### 7.5.3.2.3 Indicators for cluster and sector targeting

<b>Intervention 3(A): Cluster and sector targeting</b>		
<b>Generic outcome(s) of intervention: 3(A)</b>		
To create a strong competitive advantage in a high-potential niche market Increased innovation in sector through collaboration and new value chains		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Increase in local and foreign market share for the identified sector (position of local	Growth in high tech industries are more desirable as it pays better, pollutes less and enables better growth in modern	- Oregon's national rank in traded sector strength (1st = best)

<p>businesses in market, percentage of local businesses' share of local/foreign market)</p> <p>Increased growth in selected sector measured by an increase in the rand value of goods/services produced by sector</p> <p>Improved local balance of trade: Ratio of imports to exports (Rand value)</p> <p>Increase in ratio of knowledge-based to resource-based industries in the locality</p>	<p>society (London Development Agency 2008:6). However, the selection of a niche should be in line with the competitive advantage offered by the locality (including natural and skills resources, location, current and potential infrastructure).</p> <p>The Presidency's National Development Indicators state under economic growth the goal of "transforming South Africa from a resource-based economy to become a knowledge-based economy. The four pillars of Knowledge-based economy are Economic Incentive and institutional regime; education and training; innovation and technology adoption; and Information and communications technologies infrastructure." (Presidency 2009:16)</p>	<ul style="list-style-type: none"> <li>- Oregon's concentration in professional services relative to the U.S. concentration in professional services (U.S.=100%)</li> <li>- Exports to non-primary partners as a percentage of total exports (Oregon Progress Board 2003:61)</li> <li>- Net job growth: Urban and Rural Counties (Oregon Progress Board 2003:61)</li> <li>- Exporting Industries: Job growth in select industries selling goods and services outside of the region. (CTSIP 2004:54)</li> <li>- Indicators of international connections cover trade, investment (both inwards and outwards), migration flows, and science and innovation linkages (New Zealand 2005:7)</li> <li>- Tourism sector: Nights spent, visits and spending by national and international tourists (London Development Agency 2008:6)</li> </ul>
<p>Increased or sustained investment in research and development (Rand value over time)</p> <p>Increased number of patents registered by local businesses and individuals</p>		<ul style="list-style-type: none"> <li>- Number of utility patents issued to institutions (including corporations) and individuals (CTSIP 2004:61)</li> <li>- Patents registered per millions of population (San Diego 2005:11)</li> <li>- Indicators of innovation: investment in research and development (R&amp;D); levels of patenting; firm level innovation; technology adoption; technology content of exports; publications and citations; and innovation linkages. (New Zealand 2005:6)</li> </ul>

<b>Generic outputs or deliverables of intervention 3(A):</b>		
Identify and promote viable sectors and clusters		
Economic provision of specialised infrastructure and services required by the cluster or sector		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Completed SIC identifying prominent sectors in the locality</p> <p>Adoption of policies and incentive schemes to encourage growth in identified sectors and clusters</p> <p>Employment location quotients for prominent industrial sections (where employment location quotients relates the percentage of persons employed in a sector to the percentage employed in the same sector in a comparable benchmark such as the province or national statistics)</p> <p>Provision of specialised support to sector or cluster</p>	<p>Identifying viable clusters and sectors entails identifying the dominant economic sectors in the local GDP, isolating those in growing industries, testing whether the locality offers a competitive advantage to this industry, and finally whether the sector or cluster will lend itself to further expansion with additional support.</p> <p>To determine which sectors are dominant in the locality, local authority may analyse businesses using the SIC (Standard Industry Codes) to determine the type of business activities most prevalent in the area. Location quotients are useful to further assess the locality's specialisation in a particular industry (Blair &amp; Carroll 2009:79-80).</p> <p>Special support may include developing networks, supporting joint research, providing specialised information, developing joint marketing effort, developing special skills training programmes.</p>	<ul style="list-style-type: none"> <li>- Share of GDP per sector (output and employment) (Cities Alliance 2007:22)</li> <li>- Top 50 companies (in terms of employment and turnover) by sector and named (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Percent of Total Job Creation by Select Industry (CTSIP 2004:59)</li> <li>- Average Monthly Earnings by Select Industry (CTSIP 2004:59)</li> <li>- Employees by industrial activity, compared regionally and nationally, as well as changes over time (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Policies to encourage high tech industry (Adapted from Bartik 2003:32)</li> <li>- Development of broke and network agencies, supporting joint research, developing cluster-focused procurement and local purchasing agreements, providing cluster specific information, developing cluster related marketing efforts, developing demand-led skills and education training programmes (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 33)</li> </ul>

		<ul style="list-style-type: none"> <li>- Input-output analysis to understand industry linkages and regional structures (Blair &amp; Carroll 2009:125-130)</li> </ul>
<p>Cost of sector/cluster specialised infrastructure and services compared to cost of similar services and infrastructure in neighbouring localities</p> <p>Reduction in the cost of specialised services required by the cluster / sector</p> <p>Rand value of improvements to the direct and indirect infrastructure that support the specific industry</p>	<p>Infrastructure may include both that which is required by the industry itself, or supportive infrastructure that enhances the desirability of the area to employees of the sector/cluster.</p> <p>Agglomeration economies share parking space, physical location (to attract more customers that bundle together trips), roads and transportation systems to reduce cost and obtain shared advantages (Blair &amp; Carrol 2009:52). Furthermore, businesses that have direct sale and purchase linkages (part of same value chain) tend to cluster together (Blair &amp; Carrol 2009:72).</p>	<ul style="list-style-type: none"> <li>- Importance – strength analysis (survey determining the attributes needed to foster growth in a specific industry) (Blair &amp; Carroll 2009:124)</li> <li>- Amenities that appeal to workers of high-tech industries (high school with science centre) (Adapted from Bartik 2003:32)</li> <li>- Establish research centres &amp; attract venture capital for the particular industry (Adapted from Bartik 2003:32)</li> <li>- Attract telecommunication investment (Adapted from Bartik 2003:32)</li> <li>- Train and prepare locals for entry jobs in high-tech industry (Adapted from Bartik 2003:32)</li> </ul>

### 7.5.3.3 Category B: Indicators relating to locality development interventions

The second category of LED interventions identified in Chapter 6 comprised generic locality development interventions. For each intervention in this category, the generic outcomes, objectives and responding indicators are provided in this section.

### 7.5.3.3.1 Indicators for improving physical supportive infrastructure

<b>Intervention 4(B): Improving physical supportive infrastructure</b>		
<b>Generic outcome(s) of intervention 4(B):</b>		
Sustainable investment in new and current infrastructure to ensure a supportive physical environment to businesses in the locality.		
Sustainable investment in new and current infrastructure to ensure a supportive physical environment to persons seeking to live in the locality		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Increase in the availability of public service physical infrastructure per 1000 of population</p> <p>Improvement in the quality of physical infrastructure (measured against national and sectoral standards)</p> <p>Decrease in the vacancy rates of industrial and commercial space by size and location</p> <p>Improvement in the perception of value for money of industrial and commercial infrastructure</p> <p>Percentage decrease in mean travel time to markets</p>	<p>Vacancy rates provide an indication of the availability of business premises accommodation. A low vacancy rate is ideal, as it provides potential for new businesses or business expansion.</p>	<p>Hard infrastructure information typically gathered in a research study includes:</p> <ul style="list-style-type: none"> <li>- The condition of water, electricity and wastewater provision, per area (commercial, industrial, private residential) (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Numbers and types of schools and clinics, per locality, population density, number of staff, number of pupils/patients (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Identified gaps and shortages, and predicted cost for addressing shortages (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Vacancy rates in commercial and office accommodation, Vacancy rates of industrial and commercial space by size and location (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Factory floor space per 1000 economically active persons (Wong 2002: 1838)</li> </ul>

		<ul style="list-style-type: none"> <li>- Perception of value for money of municipal premises (Baltimore Neighbourhood Indicators Alliance 2006:49)</li> <li>- Availability and quality of land and premises (by type and size) (Cities Alliance 2007:22)</li> </ul>
<p>Increase in the availability of integrated transport infrastructure to markets, job centres, residential areas and public amenities</p> <p>Improvement in the quality of transport infrastructure (measured against national and sectoral standards)</p> <p>Improved affordability of various transport modalities</p> <p>Decrease in the mean travel time to job centres</p>		<ul style="list-style-type: none"> <li>- Availability and quality of road and other transport modalities to nearest and major markets, job centres, educational and health facilities (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Investment on goods movement infrastructure (San Diego 2005: 11)</li> <li>- Mean Travel Time to Work</li> <li>- Vehicles Miles Travelled (City of Albuquerque 2004:xii)</li> <li>- Miles of Twin Cities area freeways that are congested during an average rush hour (traffic slowed to less than 45 miles per hour for 45 minutes or longer during rush hour.) (Minnesota Milestones 1998:58)</li> <li>- Hours of travel delay per capita per year in urbanized areas. (Oregon Progress Board 2003:68)</li> <li>- Percent of Oregonians who commute during peak hours by means other than a single occupancy vehicle (Oregon Progress Board 2003:68)</li> <li>- Miles of Bike Lanes, Routes, and Trails (City of Albuquerque 2004:xii)</li> </ul>

		- Street Conditions (City of Albuquerque 2004:xii)
<b>Generic outputs or deliverables of intervention 4(B):</b>		
<p>Improve the built environment to make it more attractive for businesses and individuals to settle in the locality</p> <p>Prepare industrial and commercial sites with basic infrastructure in order to attract businesses to the area</p> <p>To ensure the affordability and appropriateness of infrastructure investment</p>		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Inventory of hard infrastructure</p> <p>Prioritised list of additional required infrastructure (with cost-benefit assessment of each item)</p> <p>Optimal percentage of total area available as parks/recreational open spaces</p>	<p>An analysis of the hard infrastructure of the locality aims to identify potential shortages that may hinder both business and private development. Although local governments are often required to work through other public and semi-public institutions to develop hard infrastructure in the area, it is important that councillors and local public managers understand the current status, identify predicted shortages, and pro-actively liaise with other public institutions to direct infrastructure development to those areas where the need or the potential benefits are the greatest.</p>	<p><i>A divergent list of indicators tracking the construction of physical infrastructure may be found in different local development plans and strategies. Due to the wide variance of the specific infrastructure required by each locality, examples of these indicators are not included here.</i></p> <p><i>Programmes and projects may include improving key roads, railways, airports, ports, sites and buildings, water, sewerage, energy and telecommunications systems and crime prevention equipment.</i></p>
Increase in the number of commercial and industrial sites fully serviced		
<p>Approval of a revenue raising strategy for infrastructure development and maintenance</p> <p>Rand value of infrastructure development and maintenance of existing infrastructure</p> <p>Cost recovery time frame for new municipal infrastructure</p>	<p>These indicators all aim to ensure the affordability, appropriateness and value for money of infrastructure investment. It is seen as an output of municipal processes and responsibility before infrastructure is developed. The outcomes measure the effect of the infrastructure, but the outputs link it to the available resources. These assessments are critical before infrastructure development is undertaken, as a new intervention may lead to the outcome (decrease in travel time) but may not be viable in</p>	

Predicted cost of infrastructure maintenance expressed as a ratio of the predicted budget allocated for infrastructure maintenance	terms of the cost.	
Cost benefit ratio for new infrastructure		
Affordability of new infrastructure maintenance: Predicted cost of infrastructure maintenance expressed as a ratio of the predicted budget allocated for infrastructure maintenance		

### 7.5.3.3.2 Indicators for regeneration of abandoned areas

<b>Intervention 5(B): Regeneration of abandoned areas</b>		
<b>Generic outcome(s) of intervention 5(B):</b> To reclaim and ensure the optimum use of derelict industrial and commercial sites in the CBD or other relevant business areas.		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Decrease in the vacancy rate (%) in the CBD, inner city or relevant business area	Based on a comment from one reviewer, the indicator was expanded from a narrow focus on the CBD and inner city only to any relevant business area which may, amongst others, include harbour sites or sites in formal and informal (township) residential areas.  Bartik (2003:37) asks the important question whether the regeneration of down-town / abandoned areas lead to increased economic activity or just the redistribution of current activities. Answering this question has implications	<ul style="list-style-type: none"> <li>- Proportion of Downtown Housing to Jobs (City of Albuquerque 2004:xiii)</li> <li>- Hectares of derelict land (Wong 2002: 1838)</li> <li>- Availability and quality of land and premises (by type and size) (Cities Alliance 2007:22)</li> <li>- Percent of commercial properties with building permits for rehab investment over \$5,000</li> <li>- Percentage of commercial properties that are vacant and abandoned at year's end (Baltimore</li> </ul>
Increase in the percentage of sites that is used optimally (best use of premises versus actual use of premises)		
Improved integrated use of CBD (ratio of residential and commercial use of land)		

Improved affordability (rental rate per square metre) of available sites in CBD, inner city or relevant business area	for further indicators not included here: Increase in economic activity to justify the cost of upgrading; AND the distribution of economic activities throughout the area.	Neighbourhood Indicators Alliance 2006: 49) - Hectares of derelict land (Wong 2002: 1838) - Vacancy rates of industrial and commercial space by size and location (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:21) - Port/airport/railway statistics (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002:21)
<p><b>Generic outputs or deliverables of intervention 5(B):</b></p> <p>Refurbish existing buildings and promote the construction of new buildings in the inner city areas</p> <p>Provision of tax incentives for rehabilitation of inner city sites</p> <p>Improve the service infrastructure in the inner city</p> <p>Resolve problems relating to commuting, parking and personal and property safety in the inner city.</p> <p>Encourage residential resettlement in the inner city.</p>		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Approved Business District / inner city improvement and enhancement programme and implementation strategy</p> <p>Approved densification strategy along identified economic growth corridors of the locality</p> <p>Approved crime prevention plan</p>		<ul style="list-style-type: none"> <li>- Develop proposals for a Retail Birmingham Business Improvement District in the city centre: Develop Business Improvement District proposals (City of Birmingham 2006: 29)</li> <li>- Percent of commercial properties with building permits for rehab investment over \$5,000</li> <li>- Percent of commercial properties that are vacant and abandoned at year's end (Baltimore Neighbourhood Indicators Alliance 2006: 49)</li> </ul>
Approved and implemented tax incentive schemes to encourage inner city rehabilitation or reoccupation		<ul style="list-style-type: none"> <li>- Urban development zone (UDZ) tax incentive (<a href="http://www.joburg.org.za">www.joburg.org.za</a>)</li> </ul>
Percentage of derelict sites redeveloped for		<ul style="list-style-type: none"> <li>- Derelict site reclamation programmes, adaptation</li> </ul>

flexible use that meet the requirements from diverse potential users		<p>of disused buildings, industrial and commercial site preparation, street scene enhancement programmes, provision of public parks, (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 35-36)</p> <ul style="list-style-type: none"> <li>- To develop abandoned areas: restore sight-worthy areas for tourism attraction, develop suitable housing in area and attract attention through big investments / marketing (Bartik 2003:37-38)</li> <li>- Town centre enhancement schemes, upgrading of abandoned or out-of-date industrial premises, developing industrial estates, business parks or science parks, encouraging investment into growth nodes and corridors (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:34)</li> </ul>
<p>Improvement in the access of CBD and inner city (average travel time)</p> <p>Reduction of crime rates in CBD and inner city</p> <p>Investment in multiple transport modes' infrastructure</p>		
<p>Percentage of inner city developed for residential use</p> <p>Affordability of inner city residential accommodation</p>		

### 7.5.3.3.3 Indicators for place marketing

<b>Intervention 6(B): Place marketing / Generic locational policy</b>		
<b>Generic outcome(s) of intervention 6(B):</b>		
To promote the local area as a desirable place to visit, live and work in To attract new businesses and residents to the area		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Improvement in the perceived quality of life that the locality offers  Level of business confidence in the locality as a viable location for the future	Questions such as “How do you rate (the locality) as a place to live?” provide answers reflecting how we feel about our jobs, homes, and neighbourhoods. ‘Perceived quality of life’ is a highly individual and subjective judgment, but it involves issues relating to the overall cultural, economic, environmental, and social sustainability of life in the region. However, this indicator should not be considered in a vacuum, for high ratings on ‘perceived quality of life’ in the face of rising problems could be a sign of denial or complacency.(Seattle 1998:67).	<ul style="list-style-type: none"> <li>- Perceived Quality of Life (Seattle 1998:67)</li> <li>- Perception of quality of life (Cities Alliance 2007:27)</li> <li>- Increase the percentage of people who would like to remain living in their neighbourhood from 54% in 2004/05 to 62% in 2008/09 (City of Birmingham 2006:28)</li> <li>- Number of counties with net population loss (Minnesota Milestones 1998: 55)</li> </ul>
Improvement in the perceived affordability of the area  Increase, decrease or maintenance of local population number	Economic difficulties tend to increase the number of people moving out of an area and decrease the number moving in. Population loss, in turn, often weakens the local economy by softening the housing market and hurting retail and service businesses (Minnesota Milestones 1998:55).	<ul style="list-style-type: none"> <li>- Affordability of the area: Rate of change in income compared to rate of change in the Consumer Price Index. (CTSIP 2004: 52)</li> <li>- Local cost structure (affordability of housing, cost of living, taxes) (Cities Alliance 2007:27)</li> <li>- State and local government taxes and fees, as a percentage of personal income (Minnesota Milestones 1998: 43)</li> </ul>

		<ul style="list-style-type: none"> <li>- Rental/Purchase cost for vacant land (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Housing "unaffordability ratio"—the average price of housing divided by the affordable housing costs. The higher the ratio, the less affordable the housing. Affordability for median buyers assumes a 20% down payment, a 30-year mortgage, and a median income. (Seattle 1998:40)</li> </ul>
<p>Increase in the perceived liveability of the locality</p> <p>Increase or maintenance of available job and business opportunities in the locality</p> <p>Increase in the perceived competitiveness of the locality</p>	<p>Liveability is a composite indicator that considers the state of poverty, basic public services, environmental standards, housing, security and safety, amenity and culture and learning institutions in the locality (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:44).</p> <p>Competitiveness is a composite indicator that considers the locality's economic structure and productivity, business environment, access to markets, access to modern technology, availability of business credit and quality of human resources (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 44).</p>	
<p>Improvement in the levels and status of natural resources</p> <p>Decrease in pollution levels in the locality</p>	<p>Environmental information refers to aspects of the natural environment such as water, soil, air and minerals that are not brought about through human effort (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21).</p>	<ul style="list-style-type: none"> <li>- Statistics on the levels and status of various natural resources, statistics and levels of pollution, trends over the last 20 years, predicted trends over the next 20 years (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> </ul>
<p><b>Generic outputs or deliverables of intervention 6(B):</b></p> <p>To advertise the locality through place marketing</p>		

To increase the relative competitiveness and desirability of the locality to competing localities		
To improve service delivery through an increased municipal tax base		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Increase in the perceived effectiveness and appropriateness of town and regional spatial development planning (ratio and layout of various land uses)</p> <p>Area (km<sup>2</sup>) allocated to various land uses and supporting infrastructure</p>	<p>Statistics on land usage provides the ratio of land allocated (zoned) for agricultural purposes, mining purposes, industrial and manufacturing use, trade purposes, transport provision, residential usage and other activities conducted in the area. The spatial development plan also provides an indication of how the zoning may change and the planned expansion, regeneration and upgrading of specific zones (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21).</p>	<ul style="list-style-type: none"> <li>- Produce a strategy for South West Birmingham to support the sustainable growth of the City. (City of Birmingham 2006:31)</li> <li>- Spatial development information typically gathered in a research study includes: <ul style="list-style-type: none"> <li>o Area (km<sup>2</sup>) allocated for commercial and small-scale farming, including location</li> <li>o Area (km<sup>2</sup>) allocated for commercial and small-scale industrial and manufacturing, including location</li> <li>o Area (km<sup>2</sup>) allocated for formal and informal trading, including location</li> <li>o Area (km<sup>2</sup>) allocated for housing development, including type of development (size of house, apartments, informal housing) and location</li> <li>o Space allocated for expansion of transport system, including type of transport, predicted usage and predicted time of construction (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> </ul> </li> <li>- Annual opinion survey satisfaction levels with parks and open spaces (City of Birmingham 2006: 31)</li> <li>- Number of Parks; Distribution of Parks (City of</li> </ul>

		Albuquerque 2004:xiii)
<p>Completed SWOT analysis reflecting potential opportunities for growth and collaboration, threats from other localities, and strategies for promoting the locality.</p> <p>Number of major national and international events attracted annually to the area</p> <p>Rand value of rebates offered to promote a green local economy</p>		<ul style="list-style-type: none"> <li>- Increase in levels of investment in culture events (City of Birmingham 2006: 38)</li> <li>- Develop and implement a policy to attract major national and international events (City of Birmingham 2006: 38)</li> <li>- Agree a city region growth plan with partner authorities, ensuring Birmingham's position is fully represented (City of Birmingham 2006:29)</li> <li>- Analysis of the development activities and experiences of neighbouring towns and cities (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Analysis of competition offered by other towns and cities in terms of economic and social development (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Analysis of potential collaboration with other towns and cities (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Opportunities available through the national and provincial governments (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Major international/global trends that may impact on the local area (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> </ul>
Relative cost of services to local population and businesses (Rand per unit compared to		<ul style="list-style-type: none"> <li>- Cost and quality of services to local population and businesses (electricity, water, waste water</li> </ul>

<p>competing localities)</p> <p>Benchmark rating in respect of the quality of services to local population and businesses compared to competing localities</p> <p>Reliability of services to local population and businesses (hours downtime per month)</p>		<p>disposal, solid waste collection, telecommunication) (Cities Alliance 2007:23)</p> <ul style="list-style-type: none"> <li>- City Emergency Operations: Plan to respond to disasters in place (City of Albuquerque 2004:xii)</li> </ul>
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#### 7.5.3.3.4 Indicators for crime prevention

<b>Intervention 7(B): Crime prevention measures</b>		
<p><b>Generic outcome(s) of intervention 7(B):</b> To increase the perception of the area as a safe place in which to work and live</p>		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Decrease in local crime rates: Decrease in the number of reported crimes per 1000 of the population per crime category (residential and business theft, destruction of property, traffic and workplace accidents, violent crimes, fraud)</p> <p>Increase, decrease or maintenance in the percentage of residents reporting a feeling of safety</p> <p>Decrease in the crime-related insurance premiums paid in the locality (rand value per</p>	<p>Insurance premiums provide a proxy measure of residents' perception of safety. However, it cannot be used in poor communities where insurance is an unaffordable luxury.</p>	<ul style="list-style-type: none"> <li>- Crime, theft and disorder rates (crime levels per 1000 population; incidences of major social unrest) (Cities Alliance 2007:24)</li> <li>- Insurance premiums (proxy measure for crime risks) (Wong 2002: 1839)</li> <li>- Overall reported crimes per 1,000 Oregonians (Property / Person / Behaviour crime) (Oregon Progress Board 2003:67)</li> <li>- Residents Reporting a Feeling of Safety (City of Albuquerque 2004:xi)</li> <li>- Serious Crimes against Persons (City of</li> </ul>

1000 population)		Albuquerque 2004:xi) - Serious Crimes against Property (City of Albuquerque 2004:xi)
<b>Generic outputs or deliverables of intervention 7(B):</b>		
To decrease and prevent crime in the locality through partnerships with crime prevention agencies and communities		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Approved crime prevention programme and implementation strategy  Percentage of high risk areas equipped with crime deterrent technology and infrastructure  Number of partnership agreements with public and private security agencies to address identified problems and prevent crime  Number of neighbourhood watches facilitated  Summative cost of crime to various stakeholders in the locality	Crime deterrent technology and infrastructure may range from street lights to sophisticated video surveillance	- Percentage of counties that have completed a strategic cooperative policing agreement (Oregon Progress Board 2003:67)  - Percentage of Oregon counties and communities prepared for natural and technological emergencies or disasters: o With hazard data and risk reduction o With response and recovery capabilities (Oregon Progress Board 2003:67)  - Number of Neighborhood Watches Organized (City of Albuquerque 2004:xi)  - Common crime imposes costs on business (Kaufmann, Kraay & Mastruzzi 2003:77-78)  - Organized crime imposes costs on business (Kaufmann, Kraay & Mastruzzi 2003:77-78)  - Quality of Police (Kaufmann, Kraay & Mastruzzi 2003:77-78)

### 7.5.3.4 Category C: Indicators relating to community or poverty alleviation

The third category of LED interventions identified in Chapter 6 comprised community development and poverty alleviation interventions. For each intervention in this category, the generic outcomes, objectives and responding indicators are provided in this section.

#### 7.5.3.4.1 Indicators for assisting socially and economically disadvantaged citizens

<b>Intervention 8(C): Assisting socially and economically disadvantaged citizens to exploit economic opportunities by reducing poverty</b>		
<p><b>Generic outcome(s) of intervention 8(C):</b>            Enabling the poor to utilise local economic opportunities by breaking the cycle of poverty through basic service delivery thereby empowering, and improving the living conditions of the poor.            Empowered citizens that can actively influence decisions that affect their social and economic development (<i>The indicators in this section originally referred to residents rather than citizens. However, in line the Social Development policies, the focus is changing to citizens and individuals (population census data), rather than residents and households except where appropriate), which are more difficult to define and measure unambiguously.</i>)</p>		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Increase in the number of households that have the means to pay for basic public services (water, sanitation, electricity, basic health care, basic education)</p> <p>Increase in the locality's average Household Livelihood Security Index score, as measured in the short to medium term i.t.o.:</p> <ul style="list-style-type: none"> <li>- economic security (income and asset levels)</li> <li>- food security (accessibility and quality of</li> </ul>	<p>"HDI and real GDP per capita are national measures based on aggregate statistics. They do not tell us much about human progress at the family, household and community level." (Lindenberg 2002:303) "Household livelihood security is defined as a family's or community's ability to maintain and improve its income, assets and social well-being from year to year (Frankenberger in Lindenberg 2002:304). Livelihood implies a focus on economic units such as households, neighbourhoods, or communities and is broader than 'politically defined' standard-of-living measures or income-based definitions of well-being, which</p>	<ul style="list-style-type: none"> <li>- Median Family Income and Household Income (City of Albuquerque 2004:xv)</li> <li>- Median household income and the poverty level for a family of four. (CTSIP 2004:50)</li> <li>- Minnesota median family income as a percentage of U.S. median family income (Minnesota Milestones 1998: 51)</li> <li>- Average gross weekly earnings by gender and full- and part-time employment (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:20)</li> </ul>

<p>food)</p> <ul style="list-style-type: none"> <li>- health security (accessibility and quality of water, sanitation and primary health care services)</li> <li>- educational security (accessibility and quality of educational infrastructure)</li> <li>- empowerment (levels of community participation and civic organisations)</li> </ul>	<p>skew the 'physical quality of life' (Howes &amp; Markusen in Lindenberg 2002:304). Such measures go beyond employment and economic growth to include economic empowerment, sustainable improvements in income levels, income stability for large numbers of people, and redirection of resources to the poorest segments of the population (Reese &amp; Fasenfest 1997).</p> <p>Household livelihood security index (five areas):</p> <ul style="list-style-type: none"> <li>- economic security (questionnaires that establish annual income and asset levels for a sample of households)</li> <li>- food security (composite measure of the availability, accessibility, quality and impact of these elements of household livelihood security)</li> <li>- health security (composite measure of the availability, accessibility, quality and impact of water, sanitation, primary health care and reproductive health delivery elements of household livelihood security)</li> <li>- educational security (composite measure of the availability, accessibility, quality and impact of these elements of household livelihood security)</li> <li>- empowerment (measures of community participation (in decision making and elections) and the density of civic organizations) (Lindenberg 2002:307).</li> </ul> <p>Household Livelihood Security Index may be tracked for all households in the locality, or may focus only on the most</p>	<ul style="list-style-type: none"> <li>- Percent of families with incomes below the state median income for whom child care is affordable (Oregon Progress Board 2003:65)</li> <li>- Local Human Development Index (Real per capita GDP, life expectancy and literacy levels) (Lindenberg 2002:303)</li> <li>- Literacy levels, numeracy levels and health status (Alsop &amp; Heinsohn 2005:63)</li> <li>- Percent of adults whose self-perceived health status is very good or excellent (Oregon Progress Board 2003:65)</li> <li>- Percent of Oregonians without health Insurance (Oregon Progress Board 2003:66) <ul style="list-style-type: none"> <li>o Employment history</li> <li>o Level of indebtedness</li> <li>o Sources of credit</li> <li>o Household expenses</li> <li>o Food expenditure</li> <li>o Occupation (Alsop &amp; Heinsohn 2005:63)</li> </ul> </li> <li>- Ratio of women vs. men who control their cash income (Alsop &amp; Heinsohn 2005:51)</li> </ul>
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	vulnerable, to prevent better off residents from 'averaging out' the most vulnerable.	
<p>Increase in the percentage of citizens that own property, assets or production tools</p> <p>Increase in the percentage of citizens that have access to communication technology (citizens with mobile phones and citizens with internet connectivity)</p> <p>Increase in the percentage of employed citizens who negotiate working conditions (salary, working hours, training and benefits) with their employers (<i>include negotiated contracts, union negotiated agreements</i>)</p> <p>Increase in the percentage of citizens who believe that they can influence decisions on local development issues</p> <p>Increase in the percentage of citizens who participate in development issues</p>	<p>Economic empowerment builds further on employment and unemployment statistics (see the indicators identified in the intervention 2(A)). Assessments of local economic development outcomes must include not only indicators of employment and economic growth but also empowerment and systemic change. The former represent whether populations in need have a role in collective action; the latter indicate whether power and resource patterns are altered in a sustainable manner (McKee in Reese &amp; Fasenfest 1997) Bania, Leete and Coulton (2008:2197) agree that "job access did not seem to play a significant role in determining labour market outcomes such as employment, earnings, hourly wage and weekly hours worked for women leaving welfare in Cuyahoga County, Ohio".</p> <p>The World Bank defines empowerment as "the capacity to make effective choices; that is, to translate their choices into desired actions and outcomes". Three levels of empowerment is identified, namely opportunity to choose, using the provided opportunity to make a choice and making choices that bring desired outcomes (Alsop &amp; Heinsohn 2005:5-6). The suggested indicators include both cognitive recognition of empowerment (but not necessarily making use of opportunities to participate) and actual</p>	<ul style="list-style-type: none"> <li>- Percent of households that are owner occupied. (Oregon Progress Board 2003:68); (Minnesota Milestones 1998)</li> <li>- Percent of Oregon households below median income spending more than 30% of their income on housing (including utilities) (Oregon Progress Board 2003:68)</li> <li>- Land ownership, Tool ownership, Ownership of durable goods and Type of housing (Alsop &amp; Heinsohn 2005:63)</li> <li>- Extent to which women choose their type of employment (Alsop &amp; Heinsohn 2005:44)</li> <li>- Extent to which women negotiate working conditions with their employers (Alsop &amp; Heinsohn 2005:44)</li> <li>- Percentage of respondents who negotiate working conditions (salary, working hours, training, benefits) with their employers (Alsop &amp; Heinsohn 2005:58)</li> <li>- Percentage of respondents who have solved work related problems over the last year (Alsop &amp; Heinsohn 2005:58)</li> <li>- Percentage of respondents who participate in political or social organizations (such as political parties, parent teacher associations, user groups)</li> </ul>

	<p>participation and influence in recent development issues.</p> <p>Linked to the national goal of transforming to a knowledge-based economy (see Presidency 2009:16) electronic connectivity facilitates knowledge and technological communication and the diffusion that enhance regional innovation and competitiveness, particularly in knowledge-intensive sectors.</p>	<p>(Alsop &amp; Heinsohn 2005:58)</p> <ul style="list-style-type: none"> <li>- Self-perceived exclusion from community activities(Alsop &amp; Heinsohn 2005:56)</li> <li>- Level of interaction/sociability with people from different social groups (Alsop &amp; Heinsohn 2005:63)</li> <li>- Percentage of poorest members who are aware of when council meetings take place (Alsop &amp; Heinsohn 2005:56)</li> <li>- Percentage of the poorest who understand what type of decisions are made during the meetings (Alsop &amp; Heinsohn 2005:56)</li> <li>- Percentage of poorest members who have received training regarding the council's functions (Alsop &amp; Heinsohn 2005:56)</li> <li>- Percentage individuals that have complained about public service delivery</li> <li>- Percentage of households that have complained about public service delivery (Alsop &amp; Heinsohn 2005:76)</li> </ul>
<p><b>Generic outputs or deliverables of intervention 8(C):</b></p> <p>To reduce poverty to enable disadvantaged citizens to exploit economic opportunities</p> <p>To provide employment opportunities for unemployed citizens</p>		
<p><b>Promising output indicator(s):</b></p>	<p><b>Notes:</b></p>	<p><b>Related examples from practice:</b></p>
<p>Approved Indigence policy</p> <p>Increase in the percentage of households that have access to the national prescribed level of free basic services (water, sanitation, electricity,</p>	<p>These indicators measure the effect and success of municipal programmes and partnerships aimed at expanding access to economic opportunities to the most vulnerable groups. It assumes the pre-identification of the most vulnerable groups and communities in the locality.</p>	<ul style="list-style-type: none"> <li>- Percentage able to access public services (Alsop &amp; Heinsohn 2005:76)</li> <li>- Number of public services used (Alsop &amp; Heinsohn 2005:76)</li> <li>- Score of quality of public services used (Alsop &amp;</li> </ul>

<p>basic health care, basic education)</p> <p>Percentage of local citizens who are receiving municipal service grants and rebates</p> <p>Number of targeted interventions for the youth (cultural and sports programmes and facilities), children (environmental health education, ECD), the aged (community centres and religious facilities), and women (public security) help to reduce vulnerability and foster social inclusion</p> <p>Increase in the percentage of residential areas that have street lights; good transport (road, rail) infrastructure; safe and reliable public transport</p> <p>Average travel time to the nearest business or commercial node (potential source of employment)</p> <p>Increase in the percentage of poor citizens that have access to reliable, affordable child care services.</p>		<p>Heinsohn 2005:76)</p> <p>- Number of child care slots available for every 100 children under age 13 (Oregon Progress Board 2003:65)</p>
<p>Increase, maintenance or decrease in the number of jobs created through municipal projects over a year per category: formal / informal; permanent / temporary</p>	<p>Municipal employment project can provide short-term poverty relief and opportunities for skills development. These opportunities must be structured to assist and empower the most vulnerable and develop skills that can</p>	<p>- Number of jobs created through municipality's LED initiatives including capital projects (DPLG (3) 2001:34)</p>

Approved local labour programme	lead to further non-public funded employment opportunities.	
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#### 7.5.3.4.2 Indicators for skills training and education

<b>Intervention 9(C): Skills training and education</b>		
<b>Generic outcome(s) of intervention 9(C):</b>		
To improve the competitiveness of the locality to potential investors by providing an appropriately qualified and productive workforce		
To benefit socially and economically disadvantaged groups through the retraining of workers made redundant		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Increase of educational and technical skills level of local citizens	Soft infrastructure refers to the availability of competent, appropriately qualified, available individuals to provide the human resources for local businesses and industries, development services (health, education, public service) and non-government activities. Soft infrastructure also includes “the intellectual ability of people such as intellectual capital, application of knowledge systems and creativity” (SAMDI 2005:20). It is distinguished from hard infrastructure investment which raises productivity by introducing new technology that increases the amount and quality of machinery, equipment and infrastructure.	<ul style="list-style-type: none"> <li>- Indicators of skills and talent include educational attainment, literacy and numeracy, management skills, and skill shortages. (New Zealand 2005:7)</li> <li>- Soft infrastructure information typically gathered in a research study includes: <ul style="list-style-type: none"> <li>o Educational attainment levels by numbers and types, compared provincially and nationally</li> <li>o Numbers, types and age groups of technically qualified individuals</li> <li>o Assessment of local labour market, including skills and occupational shortages and oversupply (Bertlesmann Foundation &amp; World Bank’s Cities of Change Initiative 2002:20-21)</li> </ul> </li> <li>- Percentage of high school graduates who are</li> </ul>
Percentage of local residents who have undertaken study, training or skills development in the past three years		
Decrease in skills and occupational shortages and/or oversupply in the local market		
Percentage of residents who have the required educational attainment and skills to apply for new job opportunities in expanding industries	Education attainment and skills may to some extent be derived from demographic statistics but this may be outdated. New industry skills need to be established in collaboration with industry leaders and compared to local	

<p>Increase in the labour productivity (GDP per hour worked) of a sector or sub-region in the locality by comparing the amount of output produced in relation to labour and capital input in one year</p>	<p>citizen survey results.</p> <p>Labour productivity is measured as GDP per hour worked. This is made up of the capital-labour ratio (the amount of capital per unit of work) and multifactor productivity (which measures the amount of output produced in relation to inputs of labour and capital) (New Zealand 2005:5). Labour productivity is also measured as an intermediate to distal outcome (see the proposed indicators for distal LED outcome) as seasonal or economic fluctuations may skew measurements in the shorter term.</p>	<p>pursuing advanced training, apprenticeships or higher education one year after high school (Minnesota Milestones 1998: 49)</p> <ul style="list-style-type: none"> <li>- High school drop-out rate, Percent of Oregon adults (25+) who have postsecondary professional-technical credentials, Percent of adult Oregonians with intermediate literacy skills, Percent of adult Oregonians who use a computer or related electronic device to analyse data or access the internet, Percent of Oregonians in the labor force who received at least 20 hours of skills training in the past year Oregon Progress Board 2003:63)</li> <li>- Percentage of the poorest members who are literate (Alsop &amp; Heinsohn 2005:56)</li> <li>- Percentage of two-year public college graduates obtaining a job related to their training within nine months of graduation (Minnesota Milestones 1998: 49)</li> <li>- Percent of population ages 25-64 that have a high school diploma or equivalent only, Percent of population ages 25-64 that have some college and above (Baltimore Neighbourhood Indicators Alliance 2006:49)</li> <li>- Percentage increase in the population (above 25 years) with a bachelor degree or higher (San Diego 2005: 11)</li> <li>- Percentage of Minnesotans age 25 and older with some college education (Minnesota Milestones</li> </ul>
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		<p>1998: 50)</p> <ul style="list-style-type: none"> <li>- Educational attainment levels (Cities Alliance 2007:24)</li> <li>- Percent Reporting Current Education Limits Them (CTSIP 2004:59)</li> </ul>
<p><b>Generic outputs or deliverables of intervention 9(C):</b></p> <p>To assist socially and economically disadvantaged citizens through education, job search and employment outreach programmes, retraining of redundant workers to emerging industry requirements, entrepreneurship (SME) skills development for self-employment and mentorship programmes</p> <p>To combine employment training and business development in ways that offers disadvantaged communities access to available and newly created job opportunities</p>		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Increase in the percentage of local residents that have access to quality:</p> <ul style="list-style-type: none"> <li>- Primary schools</li> <li>- Secondary schools</li> <li>- Basic education and training</li> <li>- Further education and training</li> <li>- Tertiary education</li> </ul> <p>Increase in the number of private sector training institutions that offer training in the locality (categorised per NQF level of training offered)</p> <p>Increase in the number of persons trained in entrepreneurship or other marketable skills</p>	<p>While education and training is not the direct responsibility of local government, they should play a supportive role in ensuring that sufficient and accessible educational infrastructure is available in the locality through intergovernmental collaboration and incentives to private sector training institutions. In the proposed indicator, 'access' measures the financial and logistical accessibility of the respective training institutions. 'Quality' is subjectively defined, but for this purpose refers to the pass-rate of the institution at key NQF levels and the credibility of assessments to determine competence.</p> <p>Soft infrastructure information typically gathered in a research study includes:</p> <ul style="list-style-type: none"> <li>o Number and types of schools, including number of teachers (full-time equivalent) and class sizes</li> <li>o Further and higher education establishments by type and numbers attending (Bertlesmann</li> </ul>	<ul style="list-style-type: none"> <li>- Number and quality of local training providers; Enabling or providing skills training and business-focussed education; Language training, skills retraining and job placement programmes, raising educational achievement, enterprise training, woman empowerment programmes, micro enterprise lending programmes, work experience and internship schemes, mentoring programmes, community resource centres (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 20-21,31,37)</li> </ul>

	Foundation & World Bank's Cities of Change Initiative 2002:20-21)	
Increase or maintenance in the percentage of unemployed local residents linked to employment opportunities through municipal training or placement programmes	'Unemployed' refers to both unemployed and underemployed persons that may or may not be actively seeking (further) employment.	- Retraining of redundant workers, job search and employment outreach, entrepreneurship training and SME support programmes, community confidence building (e.g. community newsletter, developing local arts and crafts) (Bertlesmann Foundation & World Bank's Cities of Change Initiative 2002: 35-36)
Number of unemployed residents trained in 'employability' programmes	'Employability' refers to not only technical knowledge and skills (e.g. literacy training, basic business skills, entrepreneurship training, sector-based training in priority sectors, language and communication training, life skills training, learnerships and internships and ICT training), but also to job search and presentational skills needed to secure a job. It is also influenced by interventions that free up time to allow for job search (see intervention 8(C) and 9(C))	

#### 7.5.3.4.3 Indicators for informal SMME and entrepreneurship promotion

<b>Intervention 10 (C): Informal sector SMME and entrepreneurship promotion and support</b>		
<b>Generic outcome(s) of intervention 10 (C):</b>		
To create an environment conducive to the establishment and development of Informal sector Small and Micro Enterprises, thereby promoting self-reliance and empowerment, contributing to local employment and growth in the local economy. <i>(As Medium Enterprises mostly make the transition to formal business, they are supported by the LED interventions in the first category, which focus on formal business support.)</i>		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<i>Self reliance and empowerment</i>	Informal (non-registered) businesses provide a means of	- Size of the informal economy (employment, per

<p>Decrease in the percentage of the local economically active population that depends mainly on state social grants for survival</p> <p>Increase, maintenance or decrease in the number of informal businesses (per sector and location)</p> <p>Increase, maintenance or decrease in the number of SMEs that are older than 3 years</p>	<p>survival to vulnerable and marginalised groups. However, although a local authority may support and encourage the start-up and survival of these businesses, it ultimately wants to provide this support in a fashion that enables the informal business to enter the formal business sector where there may be more opportunities and security. The second indicator proposed here therefore allows the municipality to decide on the appropriate trend on the basis of their aims.</p>	<p>sector, firm size) (Cities Alliance 2007:22)</p> <ul style="list-style-type: none"> <li>- Numbers and information of the informal sector; Estimated number of informal businesses per type of sector, employee number and location (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:20,21)</li> <li>- Death rate of small firms or the vitality rate of small firms (birth and survival rates) (Wong 2002: 1839)</li> </ul>
<p><i>Employment</i></p> <p>Increase, maintenance or decrease in the number of local people deriving income from, or employed by SMEs</p>	<p>New SMMEs can assist the local economy by hiring persons who are hard to employ (Bartik 2003:27). Depending on local needs, the LED strategy may aim to increase SME employment, or may wish to decrease SME employment in conjunction with a strategy that helps SMEs to transform to formal businesses.</p>	<ul style="list-style-type: none"> <li>- Creation of additional jobs for local unemployed (as appose to in-migrants) (Adapted from Bartik 2003:10)</li> <li>- Employment brokering (connecting the person to the job) success rate (Adapted from DPLG 2000(A):6)</li> <li>- Success rate of sectoral interventions aimed at industries and sectors that will most likely provide job opportunities for the poor (Adapted from DPLG 2000(A):6)</li> <li>- Establishment of community controlled enterprises (DPLG 2000(A):6)</li> </ul>
<p><i>Economic growth</i></p> <p>Increase in the rand value of SME products sold locally that replace imports to the locality</p> <p>Increase in the Rand value of local manufactured goods offered by SMEs</p>	<p>The promotion of SMMEs does not necessarily lead to an increase in economic development. Bartik (2003:26-27) argues that new small businesses that sell locally reduce the sales of other local businesses in the same sector, with little net effect on the size of the local economy. However,</p>	<ul style="list-style-type: none"> <li>- Number and percentage of Seda clients which graduated from informal business to formal business (Seda 2009)</li> <li>- Comparison between the performance of assisted SMMEs vs non-assisted SMMEs. (Adapted from</li> </ul>

	<p>new small businesses do expand the local economy if their sales replace previous imports. A formative feasibility assessment and summative survey could be undertaken to take stock of the goods offered by new SMEs and determine whether those goods had previously been available in the locality or were procured from elsewhere. Similarly, if SMEs are just becoming middle men that stock merchandise purchased from outside the locality, it adds less value to the economy (as the bulk of a sale is still transferred to the external creditor) than when locally manufactured goods are stocked (where the full value of the sale is maintained in the locality, shared by the SME and producers).</p>	<p>OECD 2007:25)</p> <ul style="list-style-type: none"> <li>- Comparison with similar assisted firms to isolate other success factors (e.g. personal motivation of owner) (Adapted from OECD 2007:107)</li> </ul>
<p><b>Generic outputs or deliverables of intervention 10 (C):</b></p> <p>To provide direct or indirect support to Small and Micro Enterprises to establish and grow, including financial assistance, business start-up, marketing and business management assistance, training and advice, and physical infrastructure and technology support and subsidies</p>		
<p><b>Promising output indicator(s):</b></p>	<p><b>Notes:</b></p>	<p><b>Related examples from practice:</b></p>
<p>Increase in the number of SMEs (including partnerships between formal business and informal SMEs) supported through municipal contracts (see also the indicator on local content manufacturing clauses in local tenders proposed under 1A)</p> <p>Percentage of the Rand value of purchase orders allocated to SMMEs/HDI suppliers of the local government total</p>	<p>While local government does not directly provide capital to SMEs, they can play a supportive role in compiling loan applications or in providing collateral for loans in the absence of the formal collateral required by financial institutions.</p>	<ul style="list-style-type: none"> <li>- Access to funding (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:21)</li> <li>- Accessibility to venture capital firms (Wong 2002: 1838)</li> <li>- Provision of finance to new businesses, provision of micro and managed workspace, technical advice centres, establishment of formal and informal business networks, conducting business mentoring programmes (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 26)</li> <li>- Extent to which designated groups have access to</li> </ul>

<p>Increased success rate for applicants with little formal collateral, but backed by local authority guarantees, in accessing capital required for SME start-ups</p>		<p>credit:</p> <ul style="list-style-type: none"> <li>o Distance to nearest bank or credit institute (measured in hours/minutes)</li> <li>o Number of times applicants have asked for a (1) loans from bank, (2) loans from moneylenders, (3) loans from family and friends, (4) store credits, (5) forward sales in the last year</li> <li>o Number of times applicants received (1) – (5) over the last year (Adapted from Alsop &amp; Heinsohn 2005:45)</li> </ul>
<p>Total number of persons trained in municipal (co-)sponsored SMEs training programmes per annum</p> <p>Variety of training courses available locally to SMEs (based on differentiated course objectives)</p> <p>Accessibility of training courses to SMEs in terms of cost, location and training time schedules</p> <p>Number of SMEs supported by non-training initiatives (advise, marketing and networking support initiatives)</p>	<p>An OECD study found that 35% of small firms (fewer than 10 employees) in the UK risk closing down within five years, compared to 18% of firms of between 200 and 500 employees. The study attributes the higher failure rate to the weaker managerial capacity found in smaller firms. (OECD 2002:8) Studies in Canada attribute 50% of firm bankruptcy to management weakness. (OECD 2002:8) The OECD publication 'Management Training in SME's' summarises various government-driven SME training programmes, centres and funds that try to correct what they perceive as a market failure, as small firms are restricted in terms of funding and direct benefits from providing management with external training, and therefore often do not source this training and fail to obtain the benefits of training.</p>	<ul style="list-style-type: none"> <li>- Training offered to SMMEs should: <ul style="list-style-type: none"> <li>o Differentiate between training for start-ups and counselling for established SMEs.</li> <li>o Type of skills provided (general management skills vs technical skills)</li> <li>o Differentiate between target groups (including managers, entrepreneurs or exporters)</li> <li>o Make use diverse teaching methodologies, including Internet training and evening classes (Adapted from OECD 2002:5)</li> </ul> </li> <li>- Links between informal and formal economy (Cities Alliance 2007:24)</li> </ul>
<p>Number of SMEs supported or provided with appropriate (public sponsored) business</p>	<p>At outcome level, it is beneficial to the locality that both SMEs supported and not supported directly by the local</p>	<ul style="list-style-type: none"> <li>- Provision of appropriate business infrastructure, provision of finance, technical support through</li> </ul>

<p>infrastructure or work space</p> <p>Increase in the financial performance of SMEs directly supported in comparison to the financial performance of non-supported SMEs</p>	<p>authority perform well. At output level, however, this indicator tries to establish whether local authority support programmes have an additional beneficial short-term effect for SMEs which will justify the money spent on such programmes.</p>	<p>business advice centres, preferential procurement policies to involve SMMEs in government contracts (DPLG 2000(A):5)</p> <ul style="list-style-type: none"> <li>- Support SMMEs through land incentives, land support (water &amp; sewer infrastructure) and transportation (improved roads and parking) (DPLG 2000(A):4)</li> <li>- Provision of business advisory services, provision of access to capital and finance (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 31)</li> </ul>
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#### 7.5.3.4.4 Indicators for partnerships with NGOs and CBOs

<p><b>Intervention 11 (C): Partnerships and agreements with NGOs and CBOs</b></p>		
<p><b>Generic outcome(s) of intervention 11 (C):</b></p> <p>To extend the ability of the local authority to analyse various needs and values of various groups in the locality and to ensure the delivery of appropriate services that respond to specific needs through the additional service delivery capacity of partnering with private or voluntary sector organisations</p>		
<p><b>Promising outcome indicator(s):</b></p>	<p><b>Notes:</b></p>	<p><b>Related examples from practice:</b></p>
<p>Percentage increase in the service delivery capacity of the municipality through partnerships with NGOs and CBOs</p> <p>Increase in residents' satisfaction with municipal services in areas where partnership arrangements are in place</p>	<p>Measuring an increase in service delivery capacity would necessitate pre-assessment of the quantity and quality of services rendered in relation to the expectations or needs of residents, compared to an ongoing assessment of the quantity and quality of services rendered in relation to the expectations or needs of residents with the added service delivery assistance from NGOs and CBOs.</p>	

<p>Increase in the perceived strength of organised civil society in the locality</p> <p>Increase in the number of capacitated 'niche' social organisations (as reflected on the database of the municipality)</p>	<p>Residents' satisfaction may be influenced by multiple political, economic and social factors and is therefore an imperfect measure of performance. However, over time, measuring a decrease in community complaints and civil protest concerning service delivery may complement the previous indicator (expansion in service delivery capacity) and help determine whether services by service delivery partners are resulting in greater satisfaction with public service delivery.</p>	
<p><b>Generic outputs or deliverables of intervention 11 (C):</b></p> <p>To encourage the establishment of new 'niche' social organisations and to provide assistance to promote the sustainability of these organisations</p> <p>To enter into partnerships with relevant social organisations to expand capacity to assist disadvantaged groups</p>		
<p><b>Promising output indicator(s):</b></p>	<p><b>Notes:</b></p>	<p><b>Related examples from practice:</b></p>
<p>Increase, maintenance or decrease in the number of CBOs and NGOs that receive financial and non-financial support from the municipality</p> <p>Percentage of capable municipal staff managing partnership agreements</p>		
<p>Number of new and existing partnership agreements with CBOs and NGOs</p>		<p>- Produce and publish a Community Cohesion Framework and strategy (City of Birmingham 2006:31)</p>

### 7.5.3.5 Category D: Indicators relating to LED governance and administration

The last category of LED interventions identified in Chapter 6 comprised interventions aimed at improving LED governance and administration in the locality. For each intervention in this category, the generic outcomes, objectives and responding indicators are provided in this section.

#### 7.5.3.5.1 Indicators for encouraging stakeholder involvement in LED

<b>Intervention 12(D): Encouraging stakeholder involvement in LED</b>		
<b>Generic outcome(s) of intervention 12(D):</b>		
To create shared understanding and commitment to LED from various stakeholders in the locality		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Increase in the percentage of private, community and public sector organisations that support the LED objectives of the locality in terms of: <ul style="list-style-type: none"> <li>- Symbolic commitment (e.g. social compact)</li> <li>- Financial commitment</li> <li>- Other resource commitment (including voluntary time)</li> <li>- Outputs that relate directly to the adopted LED objectives</li> </ul>	The COGTA 2009 Local Government Turnaround Strategy emphasises Wards as units for local economic development planning and emphasises the role of Ward Committees in this process (see CoGTA 2009:38). It also places an obligation on Provincial government to ensure alignment between “provincial economic plans” and “municipal and ward-based economic plans”.	- Ongoing intergovernmental collaborations (City of Albuquerque 2004:xvii)
Ratio of public to non-public LED project funding	The second indicator refers to public (municipal) funding as	

Number of community (NGO, CBO, private sector or ward committee) initiated and managed LED projects	well as funding from other public, private and civil society role players and stakeholders.	
<b>Generic outputs or deliverables of intervention 12(D):</b>		
To establish and promote functional networks between relevant role players (including community stakeholders, the private sector, the non-government sector, other government spheres and institutions, donor organisations and even other international government bodies) to identify LED needs and problems		
To increase the financial resources available for local economic development projects		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Approved communication and interaction plan between the local authority and established networks  Increase of maintenance in the number of functional business or social networks in the locality	Networks are deemed to be functional when they have up-to-date member records, regular meetings, clearly defined goals, objectives and modus operandi and annually prepares a report of key activities undertaken.	<ul style="list-style-type: none"> <li>- Development of research and science parks, creation of research and development networks (DPLG 2000(A):7)</li> <li>- Supporting research and development and the development of business and trade associations (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 31)</li> </ul>
Increase in the Rand value of approved local economic development projects on the annual municipal budget  Increase in the number of formal partnerships agreements (Memorandum of Understanding or Service Level Agreement) signed		<ul style="list-style-type: none"> <li>- To improve Birmingham's economic competitiveness by securing devolved powers and extra resources from national government and Regional Development Agency for the city region (City of Birmingham 2006: 37)</li> </ul>

### 7.5.3.5.2 Indicators for creating a regulatory environment conducive to development

**Intervention 13(D): Creating a regulatory environment conducive to development**

<b>Generic outcome(s) of intervention 13(D):</b>		
To promote the desirability of the location as a desirable place to operate a business by removing government-induced obstacles to establishing and operating businesses in the locality and long-term commitment to policies		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Improved perception of the conduciveness (enablement) of the locality's regulatory framework for business establishment and operations (as measured by a business attitude survey)</p> <p>Decrease in the perception of the negative impact of local ordinances as well as provincial and national legislation and regulations (as measured by a regulatory impact assessment)</p>		<ul style="list-style-type: none"> <li>- Business attitude survey: Problems faces by business when dealing with the local authority (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:22)</li> <li>- Perceived confidence in key institutions (Cities Alliance 2007:24)</li> <li>- Competition in local market is (not) limited; Perceived ease of starting company; Administrative regulations are regarded as burdensome; Government subsidies keep uncompetitive industries alive artificially; Degree of state interference in private business; Openness of public sector contracts to non-local investors (Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> </ul>
Stakeholder perception of policy and regulatory stability		<ul style="list-style-type: none"> <li>- Stakeholder perception of economic and regulatory policy uncertainty (Cities Alliance 2007:24)</li> <li>- Regulatory discretionality of the local authority (adapted from Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> <li>- General uncertainty on costs of regulations as an obstacle to business (Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> <li>- Internal and external political violence and conflict; (International Country Risk Guide (ICRG) rating</li> </ul>

		<p>system, adapted from Arndt &amp; Oman,2006:21-22)</p> <ul style="list-style-type: none"> <li>- Likelihood of dramatic policy and regulatory changes from the local authority; Predictability of changes in rules and laws; Credibility of government's commitment to policies; Government economic policies are independent of pressure from special interest groups (Kaufmann, Kraay &amp; Mastruzzi 2003:77-78,90)</li> </ul>
<p><b>Generic outputs or deliverables of intervention 13(D):</b>  To developing realistic tax base and rates for the locality  To create and enforce a supportive and transparent regulatory framework</p>		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>The registration and licensing cost (expressed as percentage of the local GNI per capita) of starting a new business</p> <p>The cost (expressed in percentage of property value) of registering a property</p> <p>Local authorities' provincial ranking in the cost of doing business in terms of utility costs</p>	<p>While the local authority determines the cost of standard utilities and taxes, other supporting infrastructure (e.g. telecommunications) is provided by external suppliers that determine the cost of these services in the locality.</p>	<ul style="list-style-type: none"> <li>- The cost (% of income per capita) of obtaining business licenses; The cost (% GNI per capita) of starting a new business; The cost (% of property value) of registering a property (World Bank 2007:6)</li> <li>- Oregon's national rank in the cost of doing business: labour, energy, tax costs; National ranking for state and local taxes and charges as a percent of personal income (Oregon Progress Board 2007:61,64)</li> <li>- Tax system is distortionary (adapted from Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> <li>- Creditworthiness of local authority (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 44)</li> <li>- Stability of intergovernmental fiscal flows</li> </ul>

		<p>(Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 44)</p> <ul style="list-style-type: none"> <li>- Attraction of local and non-local private investment (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 44)</li> </ul>
<p>Percentage of local businesses that are:</p> <ul style="list-style-type: none"> <li>- aware of local ordinance or recent changes to local ordinances</li> <li>- understand the implications of local ordinances</li> </ul> <p>Annual number of reported cases of non-compliance with the local regulatory framework (e.g. operating without licence or permission)</p>	<p>To measure the performance of the local governance system, one should focus on governance issues which are not well managed in government, such as transparency, honesty, accountability, citizen engagement, levels of trust in society, levels of respect for democratic processes and the equalities agenda (in relation to gender, race, religion, age, disadvantage, etc.) (Bovaird &amp; Löffler 2002:18)</p> <p>Ensuring governance conducive to development requires that the local government evaluate its performance in terms of those aspects of the investment climate over which it has control, e.g. control of health and safety aspects, passing of by-laws and transparency (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:27)</p> <p>The World Bank Institute's (WBI) governance indicators are the most widely used governance indicators. The six composite indicators are constructed from hundreds of existing perception indicators derived from 37 different data sources produced by 31 different organisations and they cover the governance aspects that follow. (Arndt &amp; Oman 2006:28-29,50-51). The four composite indicators that track the quality of the regulatory environment are:</p>	<ul style="list-style-type: none"> <li>- Firms are usually informed clearly and transparently by the Government on changes in policies affecting their industry (adapted from Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> <li>- Transparency in awarding contracts and adopting policies (adapted from Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> <li>- Total number of cases filed against employers for non-compliance with core labour standards per year (Alsop &amp; Heinsohn 2005:69)</li> <li>- Insider trading is pervasive (Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> <li>- Illegal donation to parties are frequent (Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> <li>- Percentage of firms which are unofficial or unregistered (Tax evasion) (Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> </ul>

	<ul style="list-style-type: none"> <li>• Voice and Accountability: The extent to which citizens participate in the selection of the government.</li> <li>• Political Stability: Perceptions on the potential for destabilising or replacing the government through unconstitutional actions</li> <li>• Regulatory Quality: Perceptions of excessive regulation in areas of market development, business development and trade</li> <li>• Rule of Law: Extent to which society is ordered through predictable and fair social and economic rules. “Includes perceptions of the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts.”</li> </ul> <p>Although developed for national level measurement, selected indicators are included amongst the examples from practice as they may be applied to the quality of local governance.</p>	
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### 7.5.3.5.3 Indicators for ensuring efficient administration

<b>Intervention 14(D): Ensuring efficient administration</b>		
<b>Generic outcome(s) of intervention 14(D):</b> To develop a business-friendly disposition by improving service delivery and eliminating corruption		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>

<p>Perceived improvement in the delivery of local government services to businesses</p> <p>Increase in the percentage of local businesses satisfied with received services (including satisfaction with the service delivery process)</p>	<p>As one reviewer rightly remarked, the problem with service delivery is not so much with the clearly defined responsibilities in schedules A and B of constitution, but rather with the other areas of local sphere responsibility that are more developmental in nature and therefore not generically delimited.</p> <p>The World Bank Institute's (WBI) governance indicators are the most widely used governance indicators. The six composite indicators are constructed from hundreds of existing perception indicators derived from 37 different data sources produced by 31 different organisations and cover the following governance aspects. (Arndt &amp; Oman,2006:28-29,50-51). The two composite indicators that track the efficiency of administration are:</p> <ul style="list-style-type: none"> <li>• Government Effectiveness: Perceptions concerning the quality of government services and commitment to stated policies</li> <li>• Control of Corruption: Perceptions concerning the extent to which public power is used for private gain</li> </ul>	<ul style="list-style-type: none"> <li>- Perceptions of government efficiency (Cities Alliance 2007:24)</li> <li>- Government's perceived ability to carry out the declared programmes; Perceived bureaucratic quality (International Country Risk Guide (ICRG) rating system, adapted from Arndt &amp; Oman,2006:21-22)</li> <li>- Perceived improved delivery of local government services to business (adapted from Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 31)</li> <li>- Percentage of Minnesotans satisfied with the amount and quality of services they get from state and local government (Minnesota Milestones 1998:43)</li> <li>- Government effectiveness i.t.o. quality of infrastructure, power supply, water, public health and public education (Kaufmann, Kraay &amp; Mastruzzi 2003:90)</li> </ul>
<p>Decrease in the community's perception of the prominence of corrupt practices to ensure favourable service delivery, awarding of contracts or approval of policies</p> <p>Decrease, or no qualifications, in the audit</p>		<ul style="list-style-type: none"> <li>- Perceptions of corruption levels (Cities Alliance 2007:29)</li> <li>- Corruption levels (International Country Risk Guide (ICRG) rating system, adapted from Arndt &amp; Oman,2006:21-22)</li> <li>- Stakeholder perceptions of consistency of officials'</li> </ul>

report from the Auditor General		<p>interpretation of regulations (Cities Alliance 2007:24)</p> <ul style="list-style-type: none"> <li>- Perceived creditworthiness of local authority (adapted from Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 44)</li> </ul>
<p><b>Generic outputs or deliverables of intervention 14(D):</b></p> <p>To ensure an effective business registration and licensing system by streamlining public administration (eliminating unnecessary bureaucratic processes)</p> <p>To ensure consistent and reliable service delivery and administration of processes (free from corruption)</p> <p>To ensure efficient financial management of the locality</p> <p>To ensure a competent civil service</p>		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Established municipal inter-departmental committee focussed on deregulation opportunities</p> <p>Average number of years for reviewing a municipal policy</p> <p>Degree of public participation in reviewing municipal policies or drafting new policies</p> <p>Decrease or maintenance of the number of days to complete all procedures and obtain necessary licenses</p> <p>Increase or maintenance in the percentage of applications processed within the specified time periods</p>	<p>Ensuring efficient administration requires that the local government evaluate its performance in terms of those aspects of the investment climate that it controls, e.g. registration procedures, approval of plans, tax collection, provision and maintenance of infrastructure, reducing corruption and the implementation of electronic governance (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002:27).</p> <p>Streamlining local government processes may also include a lobbying programme to reduce bureaucracy in other government areas.</p>	<ul style="list-style-type: none"> <li>- Number of procedures necessarily to obtain necessary licenses; Number of days to complete all procedures and obtain necessary licenses; Percent of permits issued within the target time period or less (Oregon Progress Board 2007:61)</li> <li>- Number of procedures that precedes starting a Business; The number of days it takes to complete the necessary procedures and start a new business; Number of procedures to register a property; Number of days to register a property (World Bank 2007:6)</li> <li>- Percentage of major planning applications determined within 13 weeks (City of Birmingham 2006: 30)</li> </ul>

<p>Approved and implemented Batho Pele strategy</p> <p>Decrease in the frequency of bribery payments to ensure service delivery (expressed as ratio of all services received)</p> <p>Decrease in the frequency of tender procedures and awards appealed (expressed as ratio of total tenders)</p> <p>Decrease in the frequency of approved policies and regulations challenged (expressed as ratio of total policies and regulations approved)</p>	<p>As bribery practices will typically not be self-reported by officials, this information will need to be obtained from businesses and is therefore phrased from the perspective of a recipient of service.</p>	<ul style="list-style-type: none"> <li>- Effectiveness of community's financial management (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 44)</li> <li>- Public trust in financial honesty of politicians; Extent to which legal contributions to political parties are misused by politicians; Likelihood of public funds diverted to other avenues due to corruption; Frequency of bribery in the economy; Frequent for firms to make extra payments connected to: public utilities, tax payments, loan applications, awarding of public contracts, influencing laws, policies regulations, decrees, getting favourable judicial decisions; Likelihood that when a government official acts against the rules, one can go to another official or a superior and get correct treatment; Frequency of additional payments; Bribery (% of Gross revenues) (Kaufmann, Kraay &amp; Mastruzzi 2003:77-78,90)</li> </ul>
<p>Decrease in the number of qualifications in the local authorities' Auditor-General report</p>		<ul style="list-style-type: none"> <li>- Payment delays (International Country Risk Guide (ICRG) rating system, adapted from Arndt &amp; Oman,2006:21-22)</li> <li>- Wasteful government expenditure (Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> <li>- Improved fiscal revenue collection and growth (Bertlesmann Foundation &amp; World Bank's Cities of Change Initiative 2002: 44)</li> </ul>

<p>Efficiency of billing and management of accounts:</p> <ul style="list-style-type: none"> <li>- percentage accounts delivered on time</li> <li>- percentage of accounts accurate</li> </ul> <p>Decrease number of service delivery complaints received per month</p>		<ul style="list-style-type: none"> <li>- Competence of public sector personnel; Time spent by senior management dealing with government officials; Public Service vulnerability to political pressure; Strength and expertise of the civil service to avoid drastic interruptions in government services in times of political instability (Kaufmann, Kraay &amp; Mastruzzi 2003:77-78)</li> </ul>
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#### 7.5.3.5.4 Indicators for institutionalising LED coordination

<b>Intervention 15(D): Institutionalising LED coordination</b>		
<b>Generic outcome(s) of intervention 15(D):</b>		
To ensure appropriate institutional capacity to coordinate LED in the locality		
<b>Promising outcome indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
<p>Improved functioning of a legitimate, representative public, private and community sector forum, platform or steering body committed to promoting economic development of the locality.</p> <p>Increased percentage of public, private and community sector organisations represented in the established LED forum, platform or steering body (expressed as percentage of total public, private or community sector organisations in the locality)</p>	<p>We do need to be able to develop the measurement of the quality of local governance further. In doing this, the logic of this argument is that measuring the performance of the local governance system must:</p> <ul style="list-style-type: none"> <li>• apply a multiple stakeholder framework and transcend organisational borders; and</li> <li>• involve all important local stakeholders in the assessment by taking into account their perceptions of how well these governance issues are dealt with in their local area. (Bovaird &amp; Löffler 2002:18)</li> </ul>	<ul style="list-style-type: none"> <li>- Although Wong acknowledges the importance of institutional capacity as a prerequisite for LED, she found no suitable indicator for this input factor in her research. (Wong 2002: 1839)</li> <li>- Existence of key LED institutions: Economic development department, Industrial development agency; Numbers of, and membership levels, in representatives institutions (chamber of commerce, unions, organisation for informal economy, other key civil society organisations) (Cities Alliance 2007:24)</li> <li>- The variety of associated players, and the extent to</li> </ul>

		which they are representative (OECD 2005: 46)
<b>Generic outputs or deliverables of intervention 15(D):</b>		
To create appropriate internal posts and reporting lines to ensure the efficient coordination of LED aspects within the local authority's scope of control		
To increase the available resources for LED programmes		
<b>Promising output indicator(s):</b>	<b>Notes:</b>	<b>Related examples from practice:</b>
Improved alignment between the LED strategy and IDP strategy of the locality		The quality and comprehensiveness of the information gathered; The clarity of decision making on LED; The avoidance of duplication and windfall effects; Clarification of responsibilities for project execution; The capacity to detect opportunistic behaviour or rent capture; The capacity to evaluate LED initiatives; The consolidation over time of experience and skills required (OECD 2005: 46)
Existence of a dedicated administrative internal locus of control and responsibility for LED matters		
Approved organogram		
Fully functional LED unit with certified professional practitioners belonging to professional body		
Percentage of total municipal budget spent on LED programmes		Percentage of budget spent on LED (DPLG (3) 2001:34) (LED indicators final report national indicators)
Rand value of alternative (non-municipal) funding secured for LED programmes in the locality through municipal initiative		

#### **7.5.4 Concluding comments on the indicator framework**

The comments and general feedback received from the expert reviewers gave rise to a need for a few final explanations on the use and purpose of the framework.

One reviewer posed the question whether the framework would allow for the comparison of council aims (or intent) with actual outcomes (results) to “allow smaller places to have less grandiose schemes and yet still achieve a degree of success”. As the indicators in the framework in essence are performance measurement tools to measure progress towards an output or outcome, the indicators can indeed measure degrees of success and not just ultimate results. The indicators of performance can be uniformly applied in different settings and become context specific when linked to a specific target. Thus, smaller and bigger municipalities can use the same indicator of success (e.g. increase in GDP), but the target would be set higher for municipalities that have the means to achieve the higher target.

Another reviewer commented that the outcomes included in the framework are too general, or vague, with regard to providing details on how the outcome can be attained. The outcomes included here are generic indicators, and have purposively been left vague to allow local authorities to devise their own strategies, keeping this outcome in mind. Local authorities thus need to ask the question “how would we do this?” for each outcome, e.g. how do we enable marginalised groups to access economic opportunities? In this regard, the plethora of examples provided for each intervention in Chapter 6 may be useful in considering different alternative courses of action.

A number of the reviewers identified the absence of reliable, aggregated, cost-effective data required to populate the suggested indicators as an obstacle to the utilisation of the framework. Data scarcity and accuracy is not a problem of the local sphere, but rather a developmental problem with regard to scarcity of resources, skills and capacity hindering the generation of useful, credible information. The researcher was acutely aware of the data problem while developing the indicators,

but, as explained previously, opted for a theory-driven approach by developing the indicators from the underpinning logic model of each intervention as presented in the formulated generic outcomes and outputs for each intervention. The indicators included in the indicator framework present the 'ideal' indicators for measuring progress against the outcomes and outputs, and have not been developed using a data-driven approach that would include indicators for which information currently is readily available. The indicators in the framework may therefore be critiqued as divorced from reality as the data is not readily available. However, this critique is countered by the implications of the SASQAF document (see Chapter 4) which aims to decentralise data collection to ensure that credible, disaggregated information is collected at local level by local authorities, research institutions or even community-based or private sector organisations and that can be used to report on local programmes and development progress. Bovaird and Löffler (2003:317) confirm the necessity of an inter-agency approach in outcome measurement as outcomes often rely on factors outside of the implementing agency's direct control.

CoGTA also committed itself, promising that "an effective system of monitoring and reporting will be put in place to allow for systematic gathering of credible data that will support implementation" of the Local Government Turnaround Strategy, emphasising that accurate information about results is critical, despite the current limitations. Data problems may be overcome over time through the institutionalisation of systems that capture information and build the capacity to collect and collate information. In support of this, the theory-driven indicators suggested for each LED intervention in the framework provide direction concerning which aspects should ideally be measured to reflect changes and progress in terms of the LED intervention. It therefore provides a beginning towards overcoming the data problem by focusing attention on the required information, so that relevant systems may be put in place to gather and analyse the information required for accurate measurement of LED performance. In the shorter term, it may be useful to adopt data-driven indicators in addition to the theory-driven indicators proposed here to enable performance measurement while the theory-driven systems are still being put in place. As one reviewer proposed, aligning indicators with what is already in use and available may make the intermediate process of data collection more manageable.

Related to the issue of data and limited capacity at local level, a reviewer proposed the solution of a phased roll-out approach, starting with the 'ranking' of indicators from phase 1 (comprising mostly simple indicators selected for the availability of data and linked to existing indicators used in practice for municipalities with limited capacity), to phase 2 and even phase 3 (comprising composite indexes and introducing new theory-driven indicators) for those municipalities with more or expanding capacity. The suggestion was not to reduce the number of indicators, but rather to start off with a set of core indicators for each intervention in line with the capacity of the municipality and to gradually phase in other indicators as the municipality's capacity increases.

The comment is valid in principle, being based on the limited information (the final indicator framework detached from the preceding theoretical foundation and rationale behind application) that was presented to the reviewers. However, it was never the intention of this framework that all of the indicators proposed here would be measured by a single local authority. As explained in the preceding chapter, a local authority normally adopts only a few selected interventions, and therefore would only be interested in measuring performance by adopting relevant indicators for those few interventions. Furthermore, each intervention is coupled with multiple outcomes that a local authority may wish to attain through the intervention, and not all of them may be relevant.

The aim of the framework was to provide a taxonomy of outcomes, outputs and ideal indicators from which the municipality could select what is most relevant to them (although a secondary advantage of the framework may be that it alerts local authorities to other potential outcomes and output initiatives that they may wish to explore in future LED strategies). For this purpose, the framework was organised along separate horizontal lines with the proposed indicators for each of the respective outcomes and outputs for the intervention. This would enable a local authority using the framework to identify, from the listed outcomes, the one most applicable to its local circumstances, and then to locate the proposed indicators that respond to the outcome for that particular intervention within the framework. Similarly, the local authority would identify the outputs that reflect their specific approach to the intervention, and identify the proposed indicators that respond to

those outputs. In this regard the reviewer's call for a phased-in approach is still pertinent. Where several few indicators are proposed for an outcome or output, the local authority may, on the basis of internal capacity, decide to adopt a phased approach, perhaps starting with indicators for which the information is more readily available and, over time, expanding the indicator set to incorporate the more challenging indicators.

Finally, the research process assigned the indicators in the framework to the LED category and intervention where it is deemed most relevant and related to the logic model of the intervention. However, it is acknowledged that many of the LED indicators presented for one particular intervention are also able to provide direct or proxy indication of progress in some of the other LED interventions, other than the one for where it is presented. The applicability of indicators proposed for one intervention to other interventions, or the overlapping of indicators between interventions, was also noted in the comments of some of the reviewers. The researcher ascribes this overlapping to the (inter)dependence of various LED interventions on each other for synergy and maximum success. As a particular LED intervention may be synergistically influenced by another simultaneously implemented LED intervention, the indicators that reflect progress in terms of the second LED intervention may provide proxy or even direct indication of success in first LED intervention. To illustrate, locality development that improves the desirability of the area for working and living may be influenced by interventions aimed at creating a regulatory environment conducive to economic development and adopting a business friendly disposition. Therefore, indicators that reflect progress in the perceived business-friendliness of the locality may also provide indication of success regarding the desirability of the area as a place in which to work and live.

The relevance of the presented indicators to multiple interventions is not a drawback, but rather an advantage to the aim of the research. Good indicator selection practice is that an indicator with multiplier effects is more useful than one that can only be used for one purpose. Also, given the explained capacity and data problems, proxy indicators can provide proximate indication of progress in the interim while data for the theory driven indicators is put in place. Secondly, the proxy indicators can allow for triangulation to test the validity and reliability of the proposed new indicators.

Finally, the use of both primary and proxy indicators to measure the performance of a particular intervention will provide richer information in enabling the measurement of the LED intervention from multiple perspectives. The results for a particular intervention may be measured more accurately both in promoting the primary outcome and in the support it provides to other simultaneously implemented LED interventions, if both the primary and proxy indicators are related to changes in the intervention. Given the complexity and diversity evident in LED outcomes, it may be appropriate and necessary to judge a particular intervention from multiple perspectives to truly assess its value and positive and negative externalities.

## **7.6 Summary and conclusion to Chapter 7**

This chapter presents the findings from the main research objective in applying an outcomes-based focus to develop indicators for local economic development strategies and interventions in the South African local government sphere. The chapter commenced with an overview of the resource and motivational constraints, technical constraints and demotivating results of previous LED studies to explain why LED results are often not measured. Despite these limitations, LED strategies and interventions must be evaluated to provide citizens with proof of the success of government development interventions; to enable policy makers to make informed choices from amongst various policy options; to enhance accountability, impact, cost-efficiency and cost-effectiveness; and to maximise positive outcomes and outputs from the various LED policies, programmes and projects that may guide further policy development and performance. This conclusion is also in line with the World Bank LED Primer guidelines which state that a strategy review, monitoring and evaluation plan should form a key component of the implementation plan so that the value and relative success of competing LED strategies may be determined and enhanced through learning, so that resource allocation ultimately can be based on these results.

The chapter draws on the discussion in Chapter 3 to propose generic guidelines for an outcomes-based system for monitoring and evaluating LED interventions. Special attention is given to the formulation of outcomes to thoughtfully phrase the agreed

upon desired end result, as these set the basis for the rest of the system. The different levels of indicators that provide the heart of the M&E system and spells out how success or failure will be determined are applied to the LED context. Against these indicators, baseline measurements provide the standard or departure point, while the target specifies the desired level of performance against the indicator by a specific end-date in the future. The appropriate M&E tools and methods for the system are also discussed, arguing the case for a balance between sophisticated, evidence-supported methodologies and simpler user-driven methodologies that render good enough results. Developing the M&E system may be an inherent management task assigned to the managers working with LED, with specialised input from communities and M&E specialists regarding the formulation of outcomes and development and selection of indicators.

The bulk of the chapter is dedicated to the development of a framework of proposed LED outcome indicators and the more tangible output indicators for the 15 LED interventions identified and discussed in Chapter 6. The developed framework draws on the LED case studies discussed in Chapter 6 to derive generic alternative outcomes and outputs for each intervention. An extensive review of economic and development indicators of performance and related literature is used as reference point in developing promising LED outcome and output indicators for the South African context. Examples of the indicators used elsewhere are included in the final framework (column 3) as related examples from practice, whilst explanatory remarks and justifications are included in column 2, where deemed necessary. The developed framework of indicators was circulated to a diverse panel of expert reviewers for further comment and refinement.

While the framework includes only output and outcome indicators as per the focus and scope of the research objectives, it is acknowledged that outcomes are but one part of a successful M&E system for LED. The framework, however, aims to fill a gap in current practice where outcome measurement is largely neglected and it is hoped that practitioners will use the proposed outcome indicators to supplement existing management- and implementation-focused indicators for measuring progress towards desired outcomes, in addition to existing implementation progress measurement. The indicators included in the framework for the most part are in what

Niemeijer would describe as theory-driven indicators proposing ‘best’ indicators based on the formulated outputs and outcomes of each intervention, rather than data-driven indicators inspired by information readily available. The suggested outcome indicators are formulated as dynamic indicators following the trend suggested in the proposed generic outcomes. Furthermore, the indicators aim to measure proximate, rather than distal, outcomes of the respective interventions, with the exception of the first set of proposed indicators for the generic distal outcomes of the broader LED strategy of which the interventions form a part. The distal outcomes include both ‘traditional’ economic measures (growth and increased productivity) and broader (social and human) development and good governance indicators. The framework continues from the distal outcome to present promising proximate indicators of output and outcome progress for each LED intervention, organised into the four categories of LED interventions identified in Chapter 6.

In finalising the developed framework, the researcher acknowledges that the outcomes in the framework have been left deliberately vague and that these need to be contextualised to each local situation where the framework is adopted. Similarly, the indicators are value neutral and could measure either the progress towards a desired end result, or the end result itself, depending on the targets that are set for the indicator. One constraint on the immediate implementation of the proposed indicators is the possibility that credible, accurate and aggregated information at local level might not be readily available to populate the indicators, and must therefore be collected right from the start, or other proxy indicators that do have such data available must be used. This problem is unavoidable in the short term given current data constraints and the theory-driven approach adopted in the development process of the indicator, but is reconcilable in the medium to long term. In the shorter term, it may be useful to adopt data-driven indicators in addition to the theory-driven indicators introduced by the framework. As the intention of the framework is not that a local authority adopt all of the indicators proposed for a particular intervention, but rather that only those indicators that respond most closely to the formulated outcome for the specific intervention be selected by them, the problem arising from the framework may appear larger than it would be in practice, as fewer indicators would be tracked. Where a number of indicators are proposed for a specific outcome or output, a phased approach is suggested whereby the authority

may first adopt those indicators for which information is more readily available and over time expand the indicator set to incorporate the more challenging indicators.

Finally, it is acknowledged that, there being synergy between different LED interventions, there also are overlaps between the indicators used to track progress. While indicators were included in those positions in the intervention where they respond closely to the underpinning logic of the intervention, the synergy between interventions may mean that the same indicators can also provide direct or proxy indication of progress in other LED interventions. However, this multiplier effect is not seen as a weakness in the research results, because it will allow better use of resources in the shorter term. It will also facilitate the triangulation of data and results to test the validity of indicator measurements. Finally, the measurement of LED interventions from multiple perspectives will reflect the nuances of economic and social development better than by just relying on simpler linear logic models in developing indicators.

The next and final chapter of this dissertation provides a summary of the main conclusions of the research within the context of the stated research objectives.

## **Chapter 8**

### **Findings, Conclusions and Recommendations**

#### **8.1 Introduction**

This chapter summarises the main arguments and research findings of this dissertation within the framework of the identified research problem and stated research objectives identified in Chapter 1. The main problems that the research aimed to address were the lack of systematic M&E systems in South African local government, low levels of awareness of the most appropriate approaches to evaluation and a lack of accurate and reliable measurement and evaluation of LED outcomes. These problems are the result, amongst others, of severe resource and knowledge capacity constraints at local government level and contradictory guidelines from provincial and national government with regard to LED goals and implementation parameters, and the requirements for M&E systems that align with provincial and national M&E systems. Good local governance however depends on accurate, reliable information systems that can provide dependable, regular, up-to-date information to inform policy and programme strategy and adaptive decision making. It is important to determine LED results accurately as this enables improved management and policy decisions to ensure LED results considering the limited resources and capacity dedicated to it at local government level. While there are many service delivery problems at local government level, improving the management of LED is regarded as critical, as it not only cross-cuts most of the other functions performed at local government level, but also promotes the sustainability of those functions by promoting shared local economic growth and social development.

The aim of this research was to address the problems leading to the insufficient and inaccurate measurement of LED results through the development of effective systematic M&E systems; the use of more appropriate evaluation designs; and a framework of potential outcome and output indicators that may be used to evaluate and compare the results of various LED interventions implemented by local governments. The specific research objectives were to:

1. Conceptualise public sector monitoring and evaluation, the various approaches to M&E and the change in emphasis towards results-based or outcomes-based M&E;
2. Provide practical guidelines for institutionalising outcomes-based M&E practices, including the development of performance management systems, tools and indicators;
3. Describe international public sector M&E systems and the policy framework that guides M&E systems in the various spheres of the South African public sector;
4. Conceptualise LED as an objective of local government and delimit the responsibility of local government in managing LED;
5. Categorise the various LED interventions that local governments may adopt and to deduce from practical local and international examples the various aims and objectives of the respective interventions; and
6. Provide guidelines for an outcomes-based M&E system for LED in South Africa and present a framework of generic outcome and output indicators for alternative LED interventions.

This chapter will present the key arguments and conclusions for each of the stated research objectives, before concluding with final remarks on the potential use of the presented indicator framework.

## **8.2 Summary of research findings and conclusions**

The first objective of this research was to conceptualise monitoring and evaluation in the general public and local government sectors, including the various approaches to M&E and the emphasis on results or outcomes in public sector evaluation practice. Chapter 2 described results-based monitoring and evaluation as a higher order policy management tool that enables policy makers and decision makers to track progress and demonstrate the results of projects, programmes and policies. Monitoring and evaluation assist in improving the performance of organisations or interventions by enabling the accurate measurement of progress and results needed

for management decision making. Feedback on results and progress enables corrective action; informs strategic planning and resource allocation decisions; and ensures accountability. While M&E is not new to the public sector, the shift towards results- or evidence-based management is partly attributed to increased internal and external demands for improvements; greater accountability and transparency; provision of information; cost constraints; and tangible, real results on political promises. With results-based evaluation the focus is the effect of an intervention on the welfare of society, including the degree of improvement obtained through the intervention and the means through which this was obtained. The focus thus transcends not only the degree of changes in outcome, but also tests to what degree changes in the outcome are attributable to the specific intervention and not to other externalities. With results-based M&E, the aims are to find ways to enhance the effectiveness of the intervention, sustain the obtained results or to obtain the results more efficiently.

This is especially relevant for the measurement of local economic development within the context of the problems described in Chapter 1 (see section 1.2), the importance of local economic development within the context of the developmental state (see section 5.2) and enhancing the effectiveness and efficiency of government response to development problems through accurate information on results (see sections 2.2.1 and section 7.3).

The evaluation discipline as a relatively young discipline is characterised by new practices and emerging schools of thought. With its roots in policy analysis and social research, it has benefited from paradigm changes in these two fields, which include the shift towards evidence-based policy making and the use of quantitative, qualitative and mixed-method social research approaches to answer questions about evaluation. While evaluation and monitoring use the same methods to obtain information, the activities generally pursue different objectives. Monitoring generally is an ongoing activity that provides continuous feedback on the extent of progress in a particular initiative. At project or programme level, monitoring may be concerned with tracking activities and outputs, while monitoring at policy level is more concerned with establishing progress in realising the intended outcomes of the policy (outcome monitoring). Evaluation is the process by which defensible, evidence-

based judgements are presented for real-life questions through clarification of value and applied social research. Evaluation may focus on ongoing or completed projects, programmes, or policies and tries to provide answers to specific questions about the design, implementation or results of an intervention in a systematic and objective way.

The past 50 years of evaluation research has produced a plethora of theories, models and approaches concerned with how monitoring and evaluation should be conducted. Various attempts have been made to classify these theories and models, signalling a natural growth in the evaluation discipline to improve understanding of evaluation theory and practice. While the various classification systems assist evaluators to understand similarities and differences evident in various approaches to evaluation, they are normally criticised for what is included and excluded in the system. Previous classification systems include Shadish, Cook and Leviton's stages of evaluation (1991), Alkin and Christie's evaluation tree (2004), Rossi *et al.*'s programme life cycle (2004), Chen's four types of evaluation (2005), Owen's five types of evaluation (2006) and Stufflebeam's 26 approaches to evaluation (2007). While each system contributes to better understanding, none of these classification systems have succeeded in presenting an inclusive and appropriate clustering of available approaches to evaluation.

Chapter 2 proposes a new classification system for evaluation approaches arranged under three categories, namely the scope of the evaluation study; the approach or underpinning philosophy of the evaluation study; and, lastly, the evaluation design which provides the parameters for collecting data to inform the evaluation. In this regard, the scope of the study defines the parameters of the evaluand, while the particular objectives of the study informs the choice of philosophy or evaluation approach and the specific evaluation question(s) and data sources provide for the selection of appropriate data collection methods. The various evaluation types and approaches presented in evaluation research theory and practice are discussed within the three categories of the proposed classification system.

The first category, 'scope', is determined by the evaluand and delimits the parameters of the evaluation. The evaluation may be very broad, encompassing

various dimensions or attributes of performance, as is done during a comprehensive organisational performance review. Evaluation may, on the other hand, be focused only on a particular intervention, be that a policy, a programme, a project or a product. A comprehensive evaluation focuses on all aspects of the evaluation (integrated evaluation), while a narrow or more technical evaluation focuses on particular aspects, stages or phases of the intervention, such as its inputs, resource conversion or management processes, outputs, outcomes or impacts. Finally, the evaluation may be focused on the performance of individual staff members within the organisation or intervention. Evaluations that focus on an entire intervention include systemic evaluation, policy evaluation, programme monitoring and programme evaluation, community evaluation, product evaluation and evaluation of the evaluation study (meta evaluation). Evaluation of parts of an intervention includes input evaluation, process evaluation, output evaluation, outcome evaluation, impact assessment and integrated evaluation.

The objectives of the evaluation determine the underpinning philosophy of an evaluation, which may be either theory-driven or participatory. Theory-driven evaluation philosophies lean towards a more scientific approach to evaluation research with the general aim of expanding knowledge, while participatory evaluation philosophies lean towards a more social science approach to evaluation research, with the general aim of empowerment and creating shared understanding. Theory-based evaluation entails the identification of the critical success factors of the evaluation, as well as an in-depth understanding of the workings of a programme or activity (the 'programme theory' or 'programme logic'). Approaches in this category are all based on an implicit 'theory of change' which links the evaluation with intended improvements in practice. Specific approaches include clarificatory evaluation, realist or realistic evaluation, cluster evaluation, illuminative evaluation, and goal-free evaluation. Participatory evaluation may include any evaluation approach that actively involves programme staff or participants in decision making and other activities related to the planning and implementation of evaluation studies. While the degree of participation by stakeholders may differ, a study only has a participatory philosophy when the relationship between the evaluator and the participants provides participants with a substantial role in making decisions about the evaluation process. Specific participatory evaluation approaches are responsive

evaluation, naturalistic, constructivist or fourth-generation evaluation, utilisation-focused evaluation, appreciative and evaluative inquiry, critical theory evaluation, empowerment evaluation and democratic evaluation.

The third category, evaluation design, provides the parameters for collecting data to inform the evaluation. Advances in social research methods since the 1950s have presented the evaluation field with various options in designing studies to collect and analyse data that inform the evaluation process. Studies may adopt a quantitative, a qualitative or a mixed-methods approach, as the evaluator tries to find a workable balance between the emphasis placed on procedures that ensure the validity of findings and those that make findings timely, meaningful, and useful to consumers. Evaluation may adopt a quantitative or experimental approach following an experimental or quasi-experimental evaluation; or a qualitative or non-experimental approach with qualitative evaluation; a case study evaluation approach or participatory action research. The most recent approaches and paradigms in evaluation research design lean towards adopting a mixed-method approach that combines qualitative and quantitative research methods for more accurate and holistic results.

The researcher acknowledges that the proposed classification system does not present water-tight distinctions between the three categories, as many of the approaches are not mutually exclusive but are used in a supportive or complementary manner when conducting evaluation studies. As the different approaches emphasise different aspects of the evaluand, it is concluded that a combination of approaches will provide 'richer' evaluation data through a multifaceted evaluation focus. However, as each additional approach implies more resources, evaluators are mostly forced to choose an appropriate balance of approaches to ensure credible and accurate evaluation results within time and resource constraints. A balanced approach to evaluation is important for measuring local economic development for the reasons described in Section 2.2.4 and Section 7.5.4.

The second research objective was to provide practical guidelines for institutionalising outcomes-based M&E practices, including the development of performance management systems, tools and indicators. Chapter 3 presented a discussion of the practical manifestation of the various evaluation research theories in the systems and processes of public sector organisations, including local government. M&E has been presented as an advanced management function fundamental to the more basic management tasks of planning, leading, organising, coordinating and control. Monitoring and evaluation is but part of the continual public management quest for improved performance, similar to previous management theories such as organisational performance reform, operational research, management-by-objectives, New Public Management, evidence-based policy making and evidence-based management. Like other management approaches, M&E has its own tools and techniques for performance management, with M&E striving to manage performance through a system of key outcomes and objectives; responding performance indicators and targets; and monitoring and evaluation tools and techniques to obtain, verify and analyse data, and report findings to various stakeholders and role players.

An M&E system presents a coordinated strategy for answering key performance questions and objectives. The system presents key aspects to be monitored and evaluated with specified indicators against specified targets, including the techniques and processes for data collection and verification; the delegation of responsibilities and prescriptions; and deadlines for reporting of the results. As each organisation's performance questions and objectives differ, there is no single best M&E system and organisations should design M&E systems that fit their specific needs. Similar guidelines in setting up an M&E system are proposed by different authors, of which the 'Ten steps to an Outcomes-Based M&E System' proposed by Kusek and Rist from the World Bank is deemed the most comprehensive. The 'ten steps' are:

- Assess the institutional capacity and political willingness to monitor and evaluate goals with a readiness assessment prior to developing the system

- Obtain agreement between stakeholders on outcomes to be monitored and evaluated
- Select and develop indicators to monitor outcomes
- Collect baseline data for the selected indicators prior to implementation
- Plan for improvement by specifying targets and target dates for each indicator
- During implementation, continuously monitor not only outputs, but also progress towards results
- Conduct periodic evaluations to answer specific questions not readily answered through the monitoring processes
- Report findings from monitoring and evaluation to various stakeholders
- Ensure that the M&E findings are used for performance improvement, and
- Ensure sustained momentum for M&E in the organisation through policies, processes, appropriate capacity and through rewarding the use of performance information.

In practice, especially in local government, problems often encountered with M&E systems relate to the availability of accurate and timely data and information; institutional problems related to the capacity and political willingness to respond to evaluation information often influenced by the physical placement of the evaluation function in the organisation; financial, human, skills and time constraints that prevent appropriate M&E efforts; and inappropriate M&E system designs that do not fit the organisational capacity or answer the key performance questions raised. Most of these problems can be prevented during the designing of the system. The characteristics of effective M&E systems are an appropriate design to ensure the availability of useful information when required; leaders and strategic management committed to generating and using accurate performance information; attentive and responsive managers to implement and maintain the system; capacitated, motivated staff to operate the system; and widespread participation and support of the M&E system.

In institutionalising the M&E system, organisations may opt either for a centralised or for a decentralised approach.

In a centralised approach, the M&E expertise is pooled in one unit that collates data from different units. This unit will typically report, either directly to the head of the department, or to a high-level director, usually within the strategic corporate support function of the organisation. In a decentralised approach, M&E expertise is distributed throughout the functional divisions of the organisation to ensure accurate data collection at the coalface. Reporting may be through the normal bureaucratic structures of the organisation, or as a matrix system reporting to both the bureaucratic head, as well as an M&E manager in another support unit.

While the M&E system would specify what needs to be monitored and evaluated and often encompasses the procedures and monitoring tools through which this needs to be done, evaluation studies usually require additional planning. Designing and conducting evaluation studies starts with identifying the specific problem, key questions and goals to be evaluated in the study. The research problem may be expressed as a question or as a hypothesis and provides the objective of the study (what is to be evaluated). The evaluation design (how it will be evaluated) defines the nature of the study and uses the various theoretical approaches to evaluation to design a study that will ensure research credibility and validity, as well as provide useful findings to primary stakeholders. Evaluators may apply a wide array of empirical research methods, including quantitative, qualitative or mixed methods to obtain credible, relevant and timely information. Various evaluation models that are available provide step-by-step instructions to guide the evaluation process and ensure that critical aspects are covered. These models are often accompanied by evaluation tools such as guidelines, templates or checklists. The final step in the evaluation study entails the drafting of a comprehensive evaluation report that reflects the findings of the evaluation study in response to the needs identified by the commissioning body and other stakeholders.

M&E systems for local government are problematical because of the wide ranges of powers and functions of those bodies and their general lack of capacity in South

Africa. Systematic M&E is especially problematical in small municipalities, as explained in Section 1.2, Section 3.3.2, Section 4.5, Section 5.3.3 and Section 7.2.

Performance indicators comprise the heart of the M&E system as they describe how success will be ascertained and recognised when linked to specific targets. Performance indicators comprise measurement instruments, observable milestones or verifiable achievements that are used to track and assess progress in the attainment of objectives and outcomes. The process of developing indicators involves three steps. Step 1 comprises the clarification of the programme theory or underpinning logic model of the policy, programme or project that is being evaluated. The logic model presents a systematic and visual illustration of the relationship between the resources of a programme, the activities, the tangible deliverables it produces and the changes or results it wishes to achieve. Clarifying programme theory helps to test the validity of the assumptions that certain activities and outputs will deliver the envisioned outcomes and impact. The developed programme theory provides the framework for the development or adoption of indicators that will measure various stages of the implementation or results process.

The second step entails the design or identification of existing indicators that may be used to track implementation or results of the policy, programme or project. Input, process, output, outcome and impact indicators are all necessary to provide a balanced viewpoint of the performance of the intervention that is under evaluation. In developing or selecting indicators, one may adopt either a theory-driven approach which identifies the most relevant and credible indicator, regardless of data availability, or a data-driven approach that selects indicators based on the availability of data to populate the indicator. Indicators may be quantitative or qualitative, subjective or objective, dynamic or static, single or composite and direct or proximate measurement tools. The final step in the process entails an assessment of potential indicators to ensure the relevance, validity and reliability of results to be obtained from the indicator. Practice and academic studies present various checklists and guidelines that are helpful in the assessment process.

The discussed process for the development of an M&E system and the guidelines for developing and selecting indicators are used as the theoretical basis for answering

the last research objective (findings summarised later in the chapter) related to an M&E system and indicators for local economic development interventions in South Africa.

The third research objective was to describe international public sector M&E systems and the policy framework that guides M&E systems in the various spheres of the South African public sector. This research objective was addressed in Chapter 4 through an overview of international and local government-driven M&E systems. Various countries that have embarked on the process of institutionalising M&E in government vary widely in terms of their formalisation and focus. These systems range from formalised, legislated systems to decentralised, principle-based systems.

The Australian system is based on agreements between departments and ministers on desired outcomes and the outputs are tracked through performance indicators with limited focus on evaluation. Canada's Evaluation Plan is driven by the Treasury Board of the Canada Secretariat. It presents corporate and departmental evaluation priorities with detailed guidelines to ensure that evaluations provide information needed to address value-for-money and policy and programme development issues. Chile's Ministry of Finance (MoF) drives a government-wide M&E system which includes about 1,550 performance indicators, 10 to 12 rapid evaluations annually, and about four rigorous impact evaluations per year. Colombia's M&E system, SINERGIA, is managed by the Department of National Planning (DNP) and track 500 performance indicators against all 320 presidential goals. Malaysia requires all government departments to adopt vision and mission statements and set organisational goals and objectives. While many organisations undertake annual strategic reviews to examine their goals, objectives and strategies, the Economic Planning Unit and the Implementation Coordination Unit in the Prime Minister's Department is responsible for policy evaluation and programme implementation monitoring. Mexico's General Guidelines for the Evaluation of Federal Programs published jointly by CONEVAL, the Ministry of Finance and the Ministry of Public Management describes the requirements for M&E systems that link strategic national social policy objectives to programme indicators in addition to specifications for evaluations and evaluation studies. Together with the performance evaluation system (SED) it promotes a culture of results-based management and evaluation,

building on the previous successes of Coneval's evaluation of social programmes and policies. The M&E system for Poland's Rural Development Program provide detail guidelines on the tools, instruments and data to be collected to answer questions in various sections of the logic model of the intervention. Uganda's National Integrated M&E System (NIMES) in the Office of the Prime Minister aims to integrate existing M&E systems into other sectors. The United Kingdom's system is based on Public Sector Agreements, stating the department's overall goal, the priority objectives, and key performance targets (110 mostly outcome targets for government in total) between Treasury and the 18 main departments. The United States of America's ExpectMore.gov developed by the U.S. Office of Management and Budget and Federal agencies uses the Program Assessment Rating Tool (PART) to assess the design and results of all federal programmes.

The review of international systems indicates that there is no single way to introduce M&E practices in government. The South African M&E system has developed from the constitutional principles and the Batho Pele White Paper and is presented in policy documents issued by the various role players in the system. At national level, the Office of the President has issued the Government-wide Monitoring and Evaluation System (GWM&ES) that seeks to instil the systematic and coordinated monitoring and evaluation of public sector programmes and policies to improve the general management of the public sector. Within the framework, the National Treasury's Framework for Managing Programme Performance clarifies the concepts, standards, structures, systems and processes required to manage performance information while Stats SA's SASQAF strives towards improving the quality of statistics generated by different government agencies. The annual National Performance Indicators of the Presidency tries to integrate the results of various spheres and sectors in a holistic picture of government outcomes and results with 76 national performance indicators. The Green Paper on National Performance represents a move towards a more formal institutionalised system, geared towards delivering outcomes the within and across development sectors.

At the local government level, a legislative process for performance planning and performance measurement was promulgated by means of the 1998 White Paper on Local Government that sets the stage for developmental local government, and the

Municipal Structures Act (1998), Municipal Systems Act (2000), the Performance Management Regulations (2001) and the Municipal Finance Management Act (2003) that provide the specific instructions for implementing developmental local government.

The South African policy framework emphasises the sustained interest and commitment of government to reform and improve public sector performance over the past 11 years. The emerging GWM&ES, together with the supportive policy frameworks from other role players, will set the stage for a paradigm shift towards evidence-based policy and management decision-making. It sets the stage for the development of a monitoring and evaluation system focused on results in all public sector institutions.

In comparing South Africa's emerging M&E system to examples of similar systems in other countries and the best practice guidelines from the World Bank, it is concluded that the system performs well on many of these guidelines, but requires more detail and action in others to optimise the potential success of the national M&E system. Strengths of the emerging system include the championing of the system from the President's Office and the establishment of the new Ministry for Performance Monitoring and Evaluation.

The GWM&ES and Treasury Guidelines both depart from an outcome perspective, as do the Mid-Term National Development Indicators. However, the documents are vague in providing guidelines for implementation of the outcome-based approach and in enforcing the use of generated evaluation information in the planning, management and reporting procedures of various departments. No reference is made to the implications of good or poor performance results generated by the M&E systems of departments, or how this will be communicated or used to improve public sector performance. The GWM&ES is too vague in specifying how M&E should be used to inform the planning and reporting processes of departments to ensure consistency across departments.

While reference is made in the SASQAF document to using M&E information to expand national statistics, there seems to be no direct benefit (or negative

consequence) to departments that fail to produce statistics at acceptable quality levels. Within the context of M&E as an 'add-on' activity secondary to the 'core' processes of government, it is concluded that M&E will only become instilled in public sector management practices if enforced by definite rules and procedures (rather than guidelines). Whilst the softer approach proposed by the GWM&ES may be an appropriate starting point, it should be succeeded by a more formalised system that stipulates consequences of non-compliance and non-performance.

The 2009 Green Paper on National Performance seems to indicate a move towards a more strongly enforced approach and it would be interesting to see whether such an approach is adopted in the final White Paper (that is, if it does not follow the same route as its counterpart, the Green Paper on National Strategic Planning, that was adopted as a Green Paper only).

Against the guidelines presented by the World Bank, it may be said that the SASQAF represents an example of over-engineering, especially given the capacity constraints that currently prevail. A phased implementation approach is recommended to bridge the gap between the ideal situation presented in SASQAF and what is realistic, given the current constraints of statistical capacity. The 76 national indicators are reasonable when compared to other international systems, though the content may be reconsidered to ensure the inclusion of all development sectors. Whilst the Public Service Commission regularly surveys the M&E capacity and practices of government, it is disconcerting that they found a decline in the institutionalisation of M&E systems following the roll-out of the GWM&ES. This suggests a lingering lack of commitment to M&E as a strategic management function. While previous PSC reports highlighted pockets of M&E excellence in some departments, integrated M&E systems linked to planning, decision-making and performance management systems still are largely absent. Similarly, management information systems (MIS) are fragmented and uncoordinated, if not still lacking, which will result in problems with implementing the data and statistics requirements proposed by the SASQAF. Finally, in creating the necessary expertise and capacity for M&E, PALAMA designed an appropriate curriculum and adopted a 'massification' strategy for the roll-out of required training, but the implementation thereof is still ad hoc and insufficient in fulfilling the identified need in the public sector.

Whilst some aspects of the South African M&E system bode well for potential success, the true test will come in implementing and enforcing the requirements of the system. Failure to specify and enforce the use of M&E information in decision-making and budget allocation may render M&E toothless and result in no or minimal compliance, leading to another 'good on paper' policy that delivers little results in practice. An example of failed implementation is already evident at local government level where the performance management systems of local government should generally be in place with the earlier legislated IDP and PMS processes, but where practice often renders systems dysfunctional, with incorrect indicators and little credible data and information. These systems also will need to be realigned within the context of the GWM&E system to adopt an outcome and sectoral focus and to put in place the necessary measures to ensure the generation of quality information to populate the system.

The fourth research objective was to conceptualise LED as an objective of local government and delimit the responsibility of local government in managing LED. Chapter 5 aims to address this objective and commences with an overview of contemporary development theory and the changing role of the state, which provides the framework for local economic development theory. Promoting development in a modern era requires a balance between globalisation and local market development and protection. The effect of global competition for markets and resources spills over into the grass-roots level, forcing local governments to compete with both local and global players. Local responses are also demanded by delegating sophisticated development responsibilities to lower government levels in accordance with international public management trends. Local economic development is one response to greater development responsibility at local level, and a medium through which local governments can stimulate local business and market development with the aim of promoting community development, reducing poverty and fulfilling their development roles.

Local economic development is defined as the independent or collaborative efforts of government, non-government or private sector actors to promote and expand economic activity in a specific or in multiple sectors in a defined geographical area to the benefit of (all) residents of the area. It reflects international trends in public

governance by which development becomes the shared responsibility of the state and the citizens. International best practice indicates that the success rate of LED efforts are higher and the benefits more sustainable when based on the collaborative efforts of various actors in the locality. LED may be motivated by a need for enhanced business or by market development, or aimed at (social) community development and poverty reduction. Where market and business development are the main motivations, LED strives to stimulate additional economic growth in the locality by ensuring business survival; attracting investment; increasing local profits,\; lowering business operation costs; and addressing market failures. Where LED is driven by community development considerations, objectives include creating additional job opportunities; improving the employability of the community; emphasising education and skills development; and enhancing access to resources by the poor.

In practice, LED is characterised by various misconceptions and problems. The main problems in South Africa include LED as an unfunded mandate; severe financial, capacity and skills constraints; different viewpoints on the aim of LED; strategies that are inappropriate to the local reality; projects that lack financial viability; a welfarist approach to LED; limited private sector involvement; lack of participation by important stakeholders; and provincial and national initiatives that undermine local initiatives. Misconceptions include LED as a government job creation exercise, or as identical to the objectives of societal development.

Many of the problems experienced with LED implementation may be overcome by adopting a participative approach to LED which would include role players from the public sector, private sector and organised civil society. Integrating the resources available among different role players can lead to important economic gains and external benefits that otherwise would not be forthcoming. Collaborative efforts must, however, start with clarification of the purpose of LED and the subsequent goals and objectives that will be pursued under the auspices of LED.

Various policies, laws and official documents describe the economic development role of local government. This includes macro-economic and development frameworks such as the RDP, GEAR, the NSDF and the NSSD, as well as policies

and legislation that are aimed at instilling a developmental governance approach in local government, including the Constitution, the White Paper on Local Government and the Municipal Systems Act. The former DPLG and new CoGTA have also issued policies and formal documents that address LED specifically. These include the 2001 LED discussion paper 'Refocusing Development on the Poor', the 2005 'Policy Guidelines for Implementing Local Economic Development in South Africa', the 2007 National Framework for Local Economic Development (LED) in South Africa (2006 – 2011) and the 2009 CoGTA Local Government Turnaround Strategy.

The various LED policies differ dramatically in terms of what LED entails and what the focus of LED efforts should be, ranging from a facilitative governance approach where everything the municipality does has an economic impact, to a specialised LED approach where municipalities should develop specific strategies and interventions that provide specialised support to the private sector and local communities to ensure that the competitive advantage of the area is fully exploited in an inclusive, sustainable and robust manner. The LED approach of the policies jumps from community-driven development (as prevalent in developing countries) to business or market-driven development (as prevalent in developed countries). Although the dual focus is not inappropriate given South Africa's dual developmental status, conflicting and unclear policy guidelines leave municipalities with limited resources and capacity (where the need for LED action inevitably is usually greatest) with the sophisticated task of defining LED, selecting amongst numerous LED strategies and dealing with local expectations, while barely coping with the more basic development challenges in the locality. Whilst the 2005 LED Guidelines make provision for optimistic delegation of the developmental obligation to the local level sphere, the constitutional powers, development efforts of other government spheres and limited resource base render many local governments unable to respond to the challenge.

The result is that many local governments avoid the LED challenge, or adopt inappropriate LED strategies, often for the wrong purposes, which lead to waste of resources. Poorly resourced and under capacitated local governments need strong support and definite guidelines from the provincial and national government that support the local government mandate. However, the various LED policy documents

vary as to what this mandate should be, thereby providing little basis for uniform top-down support to local government-driven LED.

Within this confusing policy framework, local governments are expected to turn around current service delivery and governance problems and embark on complex and sophisticated economic planning efforts, with little financial resource dedicated to LED. This leads to the conclusion that the attempt to provide clear guidelines for LED has failed and that contradictions among and within documents will probably result in municipalities adopting LED strategies that may render little result as far as developmental goals and visions are concerned. Within the inconsistent policy frameworks that specify different foci, actions and responsibilities, the need for an outcome-driven approach becomes more critical, as an outcome-driven approach will allow municipalities to determine success through realising the vision and strategic goals of the various policy documents while identifying which LED interventions work best in their locality.

In order to identify realistic LED interventions and deliverables, it is necessary to clarify the roles of the three government spheres with regard to managing local economic development. In a supportive multi-actor approach to local economic development, national government is responsible for the macro economic planning and climate; establishing national priorities to which local government must respond; and ensuring that national investment initiatives do not impede local efforts. Provincial government should identify a provincial vision; identify and promote key economic sectors through industrial zones, cluster development and value chain development; enhance synergy between provincial and local efforts, as well as coordinate and reconcile national and local initiatives. Local government should adopt a business-friendly approach and actively try to simplify bureaucratic processes; develop an appropriate LED strategy based on the locality's strengths and weaknesses; provide and promote the supportive hard and soft infrastructure needed for economic development; and, lastly, ensure that the benefits of growth converts to poverty reduction in the locality. All three spheres are responsible for liaison as this is integral to the success of LED and integration of roles. Finally, the role of non-government players in the successful implementation of LED interventions is also acknowledged.

The fifth objective was to categorise the various LED interventions that local governments may adopt and to deduce, from practical local and international examples, the various aims and objectives of the respective interventions. The aim in Chapter 6 was to address this objective and the chapter was commenced with clarifying the relationship between a LED strategy, LED interventions, and LED programmes and projects, in which the LED strategy outlines the general vision for the economic development of the locality while the LED interventions give effect to the strategy and address identified market- or development-related deficiencies through delimited and specified programmes and/or projects. LED interventions may aim at economic development directly, or may create the necessary hard and soft infrastructure that facilitate economic development indirectly.

There are many alternative interventions that local authorities may adopt in pursuing local economic development and fulfilling the developmental mandates imposed on them in the policy guidelines summarised in the preceding chapter. Although the LED strategy of a local government should be based on the unique needs and strengths of the locality, similarities in development problems in practice lead to the adoption of LED interventions that pursue similar aims and objectives. This provides a basis for the classification of the various LED interventions on the basis of similarity between the aims and objectives that they pursue.

Previous attempts in categorising LED interventions include Meyer-Stamer's "Hexagon of LED" and Helmsing's categories of LED, while Hindson and Vicente focused on the role of governance in LED. These classification systems are all useful in expanding thinking on the variant focuses on LED interventions, but are unsuited to the aims of this research. The abstract Meyer-Stamer Hexagon is not conducive to easy categorisation of LED interventions based on different envisioned outcomes, while Helmsing demonstrates clear bias towards community development at the expense of business development strategies. Hindson and Vicente similarly focus solely on the governance role of government in promoting LED and neglect the non-government aspects in affecting LED.

None of the existing classification systems were suitable for the purposes of the research. A new classification system that puts primary focus on the intended or

envisioned outcome(s) of each intervention was therefore proposed in Chapter 5. In this, shared outcomes become the basis for classifying interventions. This focus is necessary to provide for the development of output and outcome indicators for each intervention required by the final objective of this research. The proposed classification system makes provision for four categories of LED interventions, namely:

- Category A: Interventions aimed at strengthening and expanding the local business market
- Category B: Interventions aimed at promoting the image of the locality as a whole to attract both investors and visitors to the area
- Category C: Interventions aimed at community (economic) development, including both direct community economic programmes and social development programmes
- Category D: Interventions aimed at improving the governance and administration processes of the local government to support the objectives of strategies in the other categories

The four categories provided the basis for discussing the various LED interventions that government employs, with extensive examples from both local and international LED practice. While the discussion has not provided an exhaustive illustration of the LED interventions, it has enabled the identification of potential generic outcomes and objectives for each LED intervention from the context-specific projects, activities or outputs that municipalities employ. For this purpose, the discussion of each intervention paid specific attention to the intended or envisioned outcome of the intervention, and the specific roles and tasks that the local government should perform in order to promote the specific intervention.

Within the category of business and market development, the first intervention comprises advice and support to existing businesses through technical assistance, preferential procurement policies and local support campaigns. The ultimate goal of the intervention is to retain current businesses in the area and assist them to grow and expand. This may be done by providing technical assistance to businesses or

through procurement policies that favour local business and general buy-local campaigns. This will plug leaks in the local economy to ensure that money generated in the economy, will stay within the locality to enhance the survival of other local businesses.

The second intervention under business and market development involves attracting, advising and supporting new and emerging formal businesses. The general goal of this intervention is to promote foreign direct and domestic inward investment. This is done by creating a stable macro-economic, political and regulatory environment; ensuring free market access and competition; and appropriate, available and affordable hard and soft infrastructure required by investors when considering a potential location. Provision of tax breaks and facilitating access to micro-credit also attract potential investors, but municipalities can provide tax breaks at own discretion, the financial trade-off of short term revenue cuts as a result of the tax scheme versus long-term or secondary benefits require intensive research and cost-benefit forecasts to ensure the viability of this strategy.

The third intervention under business and market development involves cluster and sector targeting. The goal with cluster development is to establish a group of businesses with similar interests whose competitive advantage is strengthened through proximate location, inter-firm collaboration and integration into existing industrial webs. Cluster development at its boldest encourages institutional development and provides specialised support to targeted industrial sectors.

The second category comprises locality development interventions that strive to improve the general desirability of the locality as a place in which to live and invest. Interventions in this category may be directed to improving either tangible hard and soft infrastructure development, or intangible perceptions of the desirability of the area. The first intervention in this category involves improving physical supportive infrastructure. A well-developed built environment is more attractive for business seeking to locate, expand or settle its employees and owners in a locality. Local authorities therefore need to prepare industrial and commercial sites with basic infrastructure in order to attract businesses to the area. While the integrated development strategy of the municipality is the main instrument for planning and

implementing infrastructure developments its time frames may be unrealistic for adapting quickly to changing market needs. Provincial and national infrastructure projects and grants or private sector partners may offer the solution of additional targeted resources to facilitate appropriate and timely infrastructure development in the locality.

The second intervention in the locality development category entails the regeneration of areas abandoned when businesses and residential areas move to more desirable areas, leaving old Central Business Districts to fall into disuse. This natural process leaves expensively developed and potentially productive sites and buildings abandoned. The goal with regeneration interventions is to reclaim derelict sites, adapt disused buildings and revamp abandoned industrial and commercial sites.

The third intervention in the locality development category is place marketing and a generic locational policy. Place marketing includes activities that promote and advertise the local area as a desirable place to visit, and in which to live and work. The goal is to create favourable overall conditions for persons and businesses in general, by ensuring that the area provides sufficient opportunities and supportive infrastructure to ensure a good standard of living. This may include quality and sustainable basic and communal services, competitive taxes, varied housing options, affordable cost of living, a healthy physical environment, enhanced labour productivity, all of which contribute towards good quality of life for inhabitants of the area. Although the local authority may not have the power to take decisions and implement many of these aspects on its own, local authorities should adopt an integrated human development strategy for the locality to ensure desirable development and growth trends in the area and should build good intergovernmental relations with other implementing actors in the public sector to ensure holistic service delivery.

The final intervention in the locality development category focuses on crime prevention measures. Crime trends and statistics have a definite impact on people's perception of an area as a desirable place to live, and the goal of this intervention is to limit crime and its negative effect on the perceived desirability of the locality. Local government needs to employ measures to curb crime in the area, which may range

from local government law enforcement, to crime deterrent infrastructure and organised community safety forums. In promoting the locality as a safe place for working and living, localities should strive to improve both actual statistics, as well as subjective perceptions held by people.

The third category comprises community or poverty alleviation interventions. Community economic development aims to alleviate poverty by improving the ability and access of disadvantaged communities to sustainable livelihoods, which includes fulfilling basic needs. The first intervention in this category aims to assist socially and economically disadvantaged citizens to exploit economic opportunities through reducing poverty. Poverty reduction programmes, often directed at specific disadvantaged groups, aims to break the poverty trap and thereby enable beneficiaries to utilise other opportunities. While the deliverable outputs of poverty reduction programmes have both direct and indirect benefits to the targeted group, the most important economic goals are to enable the previously disadvantaged to participate in economic opportunities (thereby providing secondary support to other economic development initiatives) and to attain self-reliance, thereby freeing up state resources for other purposes.

The second intervention in the community development category is skills training and education. The goal is to enhance access to economic opportunities for specific groups by retraining redundant workers, assisting in job search and application processes or starting a new business. It further aims to improve the local skills base thereby improving the attractiveness of the locality as a viable business location with a qualified and productive workforce. Training and skills development also enhances the success of many other LED initiatives. Local government can adopt a wide array of initiatives to directly or in partnership with other government agencies, private or community stakeholders promote local skills development.

The third intervention in the community development category focuses on the promotion and support of informal sector SMMEs and entrepreneurship. Support may be direct or indirect through creating an environment that is conducive to supporting the goal of increased growth and success of Small, Micro and Medium Enterprises. Supporting SMMEs should not be a holistic strategy in which any

development is assumed positive, but should comprise a targeted approach to address specific gaps in the market. SMMEs that assist in reducing imports to the locality by providing goods that were not available previously or not affordable locally will have better effects than those that deliver a zero economic sum of increased local economic activity.

The final intervention in the community development category extends local government capacity through partnerships with NGOs and CBOs. The aim is to extend the ability of local government to analyse the various needs and values of different groups in the locality and to ensure the delivery of appropriate services that respond to specific needs through the additional service delivery capacity of partnering NGOs and CBOs. Social organisations are trusted by communities as they consider various utilities and expectations; are well-placed to reach disadvantaged groups, analyse new market needs and the local population's aspirations; assist in creating employment solutions aimed at the interests and activities of the target group; and gather evidence of successful development and change.

The last category comprises LED Governance and Administration interventions. Efficient governance and administration are critical to support other listed LED interventions and enhances the outcomes of local economic development strategies. A Municipality may guide LED as a facilitator that improves the investment environment, as a stimulator that encourages business development, as an entrepreneur that directly operates a business; or as a co-ordinator that merges the developmental objectives, priorities, strategies and programmes of the municipality into a coherent whole. This addresses the core functions of local government, namely policy formulation, leadership, co-ordinating local initiatives and improving operational efficiency.

The first intervention in the LED Governance and Administration category focuses on encouraging stakeholder involvement in LED. While constitutionally the object of local government is to promote social and economic development, local government cannot do this in isolation. It requires liaison with community stakeholders, the private sector, the non-government sector, other government spheres and

institutions, donor organisations and even other international government bodies. Local governments should actively strive to involve these stakeholders, especially the organised private sector, in the economic development of the area.

The second intervention in the LED Governance and Administration category focuses on promoting a regulatory environment that is conducive to economic development. The perception of potential investors on the functionality of the regulatory environment provided by the municipality is amongst the deciding factors when choosing a particular locality for a business. The goal is to adopt a business-friendly approach where complicated processes are simplified, taxation is realistic and policies and by-laws are conducive to the functionality of the locality.

The third intervention in LED Governance and Administration focuses on the efficient administration of processes. While the regulatory environment provides the rules of the game, the administrative processes encompass all processes and procedures that give effect to the regulations. With this intervention, the goal is to streamline local government processes, reduce bureaucracy and to enhance the efficient administration of processes.

The final intervention in the LED Governance and Administration category focuses on institutionalising LED in the municipality. Institutionalisation is the process of entrenching new processes and customs in an organisation. The aim with this intervention is the establishment of appropriate and functional institutional arrangements to steer economic development initiatives in the locality. This may be done through a municipal-based LED Unit, structured community-based initiatives, section 21 companies, ad hoc partnerships with other stakeholders, or through provincial or national departments that act as catalyst for economic development in an area.

While each of the presented 15 LED interventions and the multiple examples of practical programmes and projects that a local authority may embark on to potentially benefit the locality, limited capacity and resources require municipalities to adopt those interventions that render best results for their locality. Local government need to identify those interventions that provide maximum benefit to the locality. This

necessitates the evaluation of the results or outcomes of adopted LED interventions where performance results provide concrete evidence for decisions on the continuation or abandonment of adopted LED programmes, projects or interventions.

The final objective of this research was to provide guidelines for an outcomes-based M&E system for LED in South Africa and to develop a framework of generic outcome and output indicators for alternative LED interventions. Chapter 7 addresses this objective and commences with the constraints in LED evaluation, which include resource and motivational constraints, technical constraints and the demotivating results of previous LED studies. Despite these limitations, LED strategies and interventions must be evaluated for accountability to citizens; to enable policy makers to make informed decisions about alternative LED interventions; to enhance the impact, cost-efficiency and cost-effectiveness of LED interventions; and to maximise positive outcomes and outputs.

In Chapter 7, the theoretical discussion in Chapter 3 is used to propose generic guidelines for an outcomes-based system for monitoring and evaluating LED interventions. Special attention is paid to the formulation of outcomes that provide the basis for the rest of the system, and to the different levels of indicators that provide the heart of the M&E system and specifies how success will be determined. Against these indicators, baseline measurements provide the standard or departure point and the targets provide the desired level of performance against the indicator by the specified time. The system also proposes appropriate M&E tools and methods, arguing the case for a balance between sophisticated, evidence-supported methodologies and user-driven simpler methodologies that render good enough results.

For each of the 15 LED interventions identified in Chapter 6, a set of generic outcome and output indicators are proposed. The framework of indicators presents the generic outcome(s) for each intervention, followed by a set of key outcome indicators useful for measuring the desired outcomes of the specific intervention. The indicators were developed using the LED case studies discussed in Chapter 6 as departure point as well as an extensive review of economic and development indicators found in economic, development and performance management literature.

The framework similarly presents the generic objective(s) for each intervention, followed by a set of key output indicators useful for measuring the desired outputs or administrative deliverables of the intervention. The developed framework of indicators was circulated to a diverse panel of expert reviewers for comment. Their comments were used to expand and refine the framework to include both academic and practical perspectives on each intervention.

The developed framework of indicators starts with generic indicators for the distal outcomes of LED. The generic outcomes and promising indicators for the distal outcomes of LED are proposed as follows:

**Distal LED outcomes:** To increase economic growth of the locality by increasing the number of productive entities or by enhancing the productivity of existing entities; to increase the economic capacity of the locality by maximising the productivity of the local factors of production; to enhance the level of human development in the locality; and to enhance the level of social development in the locality.

**Generic distal outcome indicators:**

- Growth:
  - Percentage sustained positive increase in Gross Geographic Product (Rand per capita)
  - Real percentage GGP (Gross Geographic Product) in relation to Provincial and/or National Gross Domestic Product through shift-share analysis
  - Sustained percentage increase per economic sector
- Productivity:
  - Land/Space productivity: Productivity per square metre compared to industry standard; Percentage of land or property that is productively usable; Percentage of productive infrastructure vacant (total usable – total in use)
  - Labour productivity: GDP per hour worked; Technical skills of labour; Per capita remuneration per sector: Average income/remuneration per sector (total wage divided by total persons in sector); Increase in the long-term job sustainability in the area (measured by number of percentage of job positions older than four years)
  - Capital productivity: Financial Return On Investment
  - Entrepreneurship: Number of start-up businesses (does not accurately measure productivity, but provides proxy indicator of level of entrepreneurship in locality); Improvement reported in the annual Global Entrepreneurship Monitor South Africa Report; Local Human Development Index (Real per capita GDP, life expectancy and literacy levels)
- Human development:
  - Sustained decrease in the percentage of citizens living below the absolute poverty line of \$1 per day (while it is possible to translate the \$1 to Rand equivalent, the dollar unit of measurement is retained to ensure alignment with the Millennium Development Goals and allow for international comparison uninfluenced by changes in the Rand currency strength)
  - Household Livelihood Security Index (economic, food, health and educational security and empowerment level)
- Social development
  - Strength of civil society can be measured in terms of civil society's accountability, its relationship to the state and corporate sector and its role in governance and development (see CIVICUS Global Survey of the State of Civil Society)
  - Freedom: Status in the Freedom House annual Freedom in the World Report
  - Governance: Country score against the World Bank Worldwide Governance Indicators
  - Adherence to the King Principles of Good Governance
  - Annual ranking in the International corruption index

The generic outcomes and outputs and promising indicators for each of the 15 identified LED interventions are proposed as follows:

**Intervention 1(A): Advise and support existing businesses through technical assistance and local-support procurement policies**

**Outcomes:** To enhance the productivity of local businesses; and to retain current businesses in the area and to eliminate economic leaks in the local economy.

**Outcome indicators:**

- Increase in the productivity per square metre compared to industry standard
- Increase in the percentage of land, property or specific natural resource in the locality that is productively usable
- Decrease in the percentage of productive infrastructure vacant (total usable – total in use)
- Increase in the relative competitiveness of businesses in the locality in comparison to comparable localities (net profit of local businesses in ratio to net profit of other businesses in the same industry)
- Increase in company income tax generated by local businesses (per size category: small, medium and large business)
- Increase in investment expenditure of local businesses (Direct inward investment: Rand value of further investment in the locality)
- Improvement in business performance six months after visit to business support and advice centre:
  - Percentage of business advice centre clients whose turnover has increased
  - Percentage of business advice centre clients whose net profit has increased
  - Increase in the percentage of VAT registered businesses in the locality older than four years
  - Decrease in number of business closures in relation to the number of business start-ups
  - Decrease in the percentage of local businesses that procure goods that are available at the same or a better price and quality from businesses in the locality
  - Increase in the Rand value of local-content manufactured goods offered by businesses
  - Decrease in the percentage of local jobs held by non-residents of the area

**Outputs:** Provision of specialised information and business support; provision of training and advice; preferential public procurement policies; and encouragement of support to local businesses.

**Output indicators:**

- Functional business information and tender advice centre.
- Number of local businesses that utilise the business support and advice centre per month
- Diversity of technical advice services offered by the business centre
- Percentage of clients satisfied with quality of business support services
- Number of local entrepreneurs trained through general or sector-specific accredited training programmes
- Diversity of the training programmes available to local entrepreneurs
- Approved preferential public procurement policies
- Increase in the percentage of tenders that prescribe local content manufacture
- Increase in the percentage of municipal contracts awarded to local businesses
- Percentage of businesses and individuals committed to a buy local campaign
- Percentage of chain stores committed to purchasing from local producers
- Increase or maintenance in the number of business partnerships or growth coalitions active in the locality

**Intervention 2(A): Attract, advise and support new and emerging formal businesses**

**Outcomes:** To increase (create additional) economic activity in the locality; to create additional or improved employment opportunities; to diversify the composition of the local economy; and to increase the number of local businesses per firm-size category.

**Outcome indicators:**

- Increase in the number of productive entities per economic sector
- Sustained increase in the number of local businesses per economic-sector category
- Increase in the rand value of foreign and domestic inward investments
- Improvement in the locality's rank in province in attracting new businesses (number of OR investment Rand value of new businesses in locality compared to the number of OR investment Rand value of new businesses in province)
- Increase or maintenance in the percentage of businesses supported through incubator facilities that graduate to self-sufficiency within the determined time frame

- Employment rate per economic sector: agriculture, chemicals, energy, financial services, information technology, manufacturing, mining, telecommunications, tourism, automotive, forestry; trade & commerce
- Sustained decrease in local unemployment statistics
- Sustained increase in the average wage and salary trend over time (excluding annual inflationary effect)
- Increased positive ratio between the fiscal benefits of new businesses and jobs (increased taxes and less state dependency) and the fiscal cost of attracting new businesses and persons (cost of economic and social infrastructure)
- Increase or maintenance of the diversity of economic sectors present in the economy

**Outputs:** To promote the attraction ('pull') factors of the locality, including market access and production input availability; to adopt an investment attraction and support policy or strategy to encourage desirable businesses to establish in the locality; and to ensure incubator facilities for vulnerable or market sensitive businesses and to facilitate access to start-up funding.

**Output indicators:**

- Mean cost of available transport for raw or final products from production sites to final markets.
- Mean cost of production factors at a location (physical resources, utilities, premises, labour, taxes) in relation to transport costs to and from that location
- Availability of a fully functional investment promotion desk
- Approved and implemented investment incentive policy
- The perceived competitiveness of the investment offerings of the locality compared to comparable local authorities
- Increase or maintenance in the number of potential applicants or delegations assisted by the investment promotion desk of the municipality.
- Number of businesses supported in physical or virtual incubators
- Number of supported businesses that successfully gain access to start-up loans and funding

**Intervention 3(A): Cluster and sector targeting**

**Outcomes:** To create a strong competitive advantage in a high-potential niche market; to increase innovation in sector through collaboration and new value chains; and to increase local and foreign market share for the identified sector.

**Outcome indicators:**

- Increased growth in selected sector measured by an increase in the rand value of goods/services produced by sector
- Improved local balance of trade: Ratio of imports to exports (Rand value)
- Increase in ratio of knowledge-based to resource-based industries in the locality
- Increased or sustained investment in research and development (Rand value over time)
- Increased number of patents registered by local businesses and individuals

**Outputs:** Identify and promote viable sectors and clusters; and economic provision of specialised infrastructure and services required by the cluster or sector.

**Output indicators:**

- Completed SIC identifying prominent sectors in the locality
- Adoption of policies and incentive schemes to encourage growth in identified sectors and clusters
- Employment location quotients for prominent industrial sections (where employment location quotient relates the percentage of persons employed in a sector to the percentage employed in the same sector in a comparable benchmark such as the province or national statistics)
- Provision of specialised support to sector or cluster
- Cost of specialised sector/cluster infrastructure and services compared to cost of similar services and infrastructure in neighbouring localities
- Reduction in the cost of specialised services required by the cluster / sector
- Rand value of improvements to the direct and indirect infrastructure that support the specific industry

**Intervention 4(B): Improving physical supportive infrastructure**

**Outcomes:** Sustainable investment in new and current infrastructure to ensure a supportive physical environment to businesses in the locality; and sustainable investment in new and current infrastructure to ensure a supportive physical environment to persons seeking to live in the locality

**Outcome indicators:**

- Increase in the availability of physical public service infrastructure per 1000 of population
- Improvement in the quality of physical infrastructure (measured against national and sectoral standards)
- Decrease in the vacancy rates of industrial and commercial space by size and location
- Improvement in the perception of value for money of industrial and commercial infrastructure
- Percentage decrease in mean travel time to markets
- Increase in the availability of integrated transport infrastructure to markets, job centres, residential areas and public amenities
- Improvement in the quality of transport infrastructure (measured against national and sectoral standards)
- Improved affordability of various transport modalities
- Decrease in the mean travel time to job centres

**Outputs:** Improve the built environment to make it more attractive for businesses and individuals to settle in the locality; prepare industrial and commercial sites with basic infrastructure in order to attract businesses to the area and to ensure the affordability and appropriateness of infrastructure investment.

**Output indicators:**

- Inventory of hard infrastructure
- Prioritised list of additional required infrastructure (with cost-benefit assessment of each item)
- Optimal percentage of total area available as parks/recreational open spaces
- Increase in the number of commercial and industrial sites fully serviced
- Approval of a revenue raising strategy for infrastructure development and maintenance
- Rand value of infrastructure development and maintenance of existing infrastructure
- Cost recovery time frame for new municipal infrastructure
- Predicted cost of infrastructure maintenance expressed as a ratio of the predicted budget allocated for infrastructure maintenance
- Cost benefit ratio for new infrastructure
- Affordability of new infrastructure maintenance: Predicted cost of infrastructure maintenance expressed as a ratio of the predicted budget allocated for infrastructure maintenance

**Intervention 5(B): Regeneration of abandoned areas**

**Outcome:** To reclaim and ensure the optimum use of derelict industrial and commercial sites in the CBD or other relevant business areas.

**Outcome indicators:**

- Decrease in the vacancy rate (%) in the CBD, inner city or relevant business area
- Increase in the percentage of sites used optimally (best use of premises versus actual use of premises)
- Improved integrated use of CBD (ratio of residential and commercial use of land)
- Improved affordability (rental rate per square metre) of available sites in CBD, inner city or relevant business area

**Outputs:** Refurbish existing buildings and promote the construction of new buildings in the inner city areas; provision of tax incentives for rehabilitation of inner city sites; improve the service infrastructure in the inner city; resolve problems relating to commuting, parking and personal and property safety in the inner city; and encourage residential resettlement in the inner city.

**Output indicators:**

- Approved Business District / inner city improvement and enhancement programme and implementation strategy
- Approved densification strategy along identified economic growth corridors of the locality
- Approved crime prevention plan
- Approved and implemented tax incentive schemes to encourage inner city rehabilitation or reoccupation
- Percentage of derelict sites redeveloped for flexible use that meet the requirements of diverse potential users
- Improvement in the access to CBD and inner city (average travel time)

- Reduction of crime rates in CBD and inner city
- Investment in multiple transport modes infrastructure
- Percentage of inner city developed for residential use
- Affordability of inner city residential accommodation

**Intervention 6(B): Place marketing / Generic locational policy**

**Outcomes:** To promote the local area as a desirable place to visit, and in which to live and work; and to attract new businesses and residents to the area

**Outcome indicators:**

- Improvement in the perceived quality of life that the locality offers
- Level of business confidence in the locality as a viable location for the future
- Improvement in the perceived affordability of the area
- Increase, decrease or maintenance of local population figures
- Increase in the perceived liveability of the locality
- Increase or maintenance of available job and business opportunities in the locality
- Increase in the perceived competitiveness of the locality
- Improvement in the levels and status of natural resources
- Decrease in pollution levels in the locality

**Outputs:** To advertise the locality through place marketing; to increase the relative competitiveness and desirability of the locality to competing localities; and to improve service delivery through an increased municipal tax base.

**Output indicators:**

- Increase in the perceived effectiveness and appropriateness of town and regional spatial development planning (ratio and layout of various land uses)
- Area (km<sup>2</sup>) allocated to various land uses and supporting infrastructure
- Completed SWOT analysis reflecting potential opportunities for growth and collaboration, threats from other localities, and strategies for promoting the locality.
- Number of major national and international events attracted annually to the area
- Rand value of rebates offered to promote a green local economy
- Relative cost of services to local population and businesses (Rand per unit compared to competing localities)
- Benchmark rating in respect of the quality of services to local population and businesses compared to competing localities
- Reliability of services to local population and businesses (hours downtime per month)

**Intervention 7(B): Crime prevention measures**

**Outcome:** To increase the perception of the area as a safe place to work and live.

**Outcome indicators:**

- Decrease in local crime rates: Decrease in the number of reported crimes per 1000 of the population per crime category (residential and business theft, destruction of property, traffic and workplace accidents, violent crimes, fraud)
- Increase, decrease in or maintenance of the percentage of residents reporting a feeling of safety
- Decrease in the crime-related insurance premiums paid in the locality (rand value per 1000 population)

**Output:** To decrease and prevent crime in the locality through partnerships with crime prevention agencies and communities

**Output indicators:**

- Approved crime prevention programme and implementation strategy
- Percentage of high risk areas equipped with crime deterrent technology and infrastructure
- Number of partnership agreements with public and private security agencies to address identified problems and prevent crime
- Number of neighbourhood watches facilitated
- Summative cost of crime to various stakeholders in the locality

**Intervention 8(C): Assisting socially and economically disadvantaged citizens to exploit economic opportunities through reducing poverty**

**Outcomes:** To enable the poor to utilise local economic opportunities by breaking the cycle of poverty through basic service delivery, thereby empowering them; and improving the living conditions, of the poor; and to empower citizens to actively influence decisions that affect their social and economic development

**Outcome indicators:**

- Increase in the number of households that have the means to pay for basic public services (water, sanitation, electricity, basic health care, basic education)
- Increase in the locality's average Household Livelihood Security Index score (measured against economic security, food security, health security, educational security and empowerment)
- Increase in the percentage of citizens that own property, assets or production tools
- Increase in the percentage of citizens that have access to communication technology (citizens with mobile phones and citizens with internet connectivity)
- Increase in the percentage of employed citizens who negotiate working conditions (salary, working hours, training and benefits) with their employers (including negotiated contracts, union negotiated agreements)
- Increase in the percentage of citizens who believe that they can influence decisions regarding local development issues
- Increase in the percentage of citizens who participate in development issues

**Outputs:** To reduce poverty; to enable disadvantaged citizens to exploit economic opportunities; and to provide employment opportunities for unemployed citizens

**Output indicators:**

- Approved Indigence policy
- Increase in the percentage of households that have access to the national prescribed level of free basic services (water, sanitation, electricity, basic health care, basic education)
- Percentage of local citizens who are receiving municipal service grants and rebates
- Number of targeted interventions for the youth (cultural and sports programmes and facilities), children (environmental health education, ECD), the aged (community centres and religious facilities), and women (public security); help to reduce vulnerability and foster social inclusion
- Increase in the percentage of residential areas that have street lights; good transport (road, rail) infrastructure; safe and reliable public transport
- Average travel time to the nearest business or commercial node (potential source of employment)
- Increase in the percentage of poor citizens that have access to reliable, affordable child care services.
- Increase, maintenance or decrease in the number of jobs created through municipal projects over a year per category: formal / informal; permanent / temporary
- Approved local labour programme

**Intervention 9(C): Skills training and education**

**Outcomes:** To improve the competitiveness of the locality to potential investors by providing an appropriately qualified and productive workforce; and to benefit socially and economically disadvantaged groups through the retraining of redundant workers.

**Outcome indicators:**

- Increase of educational and technical skills level of local citizens
- Percentage of local residents who have undertaken study, training or skills development in the past three years
- Decrease in skills and occupational shortages and/or oversupply in the local market
- Percentage of residents who have the required educational attainment and skills to apply for new job opportunities in expanding industries
- Increase in the labour productivity (GDP per hour worked) of a sector or sub-region in the locality by comparing the amount of output produced in relation to labour and capital input in one year

**Outputs:** To assist socially and economically disadvantaged citizens through education, job search and employment outreach programmes, retraining of redundant workers to emerging industry requirements, entrepreneurship (SME) skills development for self-employment and mentorship programmes; and to combine employment training and business development in ways that offer disadvantaged communities access to available and newly created job opportunities

**Output indicators:**

- Increase in the percentage of local residents who have access to quality primary schools/secondary schools/basic education and training/further education and training/tertiary education
- Increase in the number of private sector training institutions that offer training in the locality (categorised per NQF level of training offered)
- Increase in the number of persons trained in entrepreneurship or other marketable skills
- Increase or maintenance in the percentage of unemployed local residents linked to employment opportunities through municipal training or placement programmes
- Number of unemployed residents trained in 'employability' programmes

**Intervention 10(C): Informal sector SMME and entrepreneurship promotion and support**

**Outcome:** To create an environment conducive to establishing and developing Informal sector Small and Micro Enterprises, thereby promoting self-reliance and empowerment, contributing to local employment and growth in the local economy.

**Outcome indicators:**

- Decrease in the percentage of the local economically active population that depends mainly on state social grants for survival
- Increase, maintenance or decrease in the number of informal businesses (per sector and location)
- Increase, maintenance or decrease in the number of SMEs that are older than three years
- Increase, maintenance or decrease in the number of local people deriving income from, or employed by SMEs
- Increase in the rand value of SME products sold locally that replace imports to the locality
- Increase in the Rand value of local manufactured goods offered by SMEs

**Output:** Provide direct or indirect support to Small and Micro Enterprises to establish and grow, including financial assistance, business start-up, marketing and business management assistance, training and advice, and physical infrastructure and technology support and subsidies.

**Output indicators:**

- Increase in the number of SMEs (including partnerships between formal business and informal SMEs) supported through municipal contracts (see also the indicator on local content manufacturing clauses in local tenders proposed under 1A)
- Percentage of the Rand value of purchase orders allocated to SMMEs/HDI suppliers of the local government total
- Increased success rate for applicants with little formal collateral, but backed by local authority guarantees, in accessing capital required for SME start-ups
- Total number of persons trained in municipal (co-)sponsored SMEs training programmes per annum
- Variety of training courses available locally to SMEs (based on differentiated course objectives)
- Accessibility of training courses to SMEs in terms of cost, location and training time schedules
- Number of SMEs supported by non-training initiatives (advise, marketing and networking support initiatives)
- Number of SMEs supported or provided with appropriate (public sponsored) business infrastructure or work space
- Increase in the financial performance of SMEs directly supported in comparison to the financial performance of non-supported SMEs

**Intervention 11(C): Partnerships and agreements with NGOs and CBOs**

**Outcome:** To extend the ability of the local authority to analyse various needs and values of various groups in the locality and to ensure the delivery of appropriate services that respond to specific needs through the additional service delivery capacity of partnering private or voluntary sector organisations

**Outcome indicators:**

- Percentage increase in the service delivery capacity of the municipality through partnerships with NGOs and CBOs
- Increase in residents' satisfaction with municipal services in areas where partnership arrangements are in place
- Increase in the perceived strength of organised civil society in the locality
- Increase in the number of capacitated 'niche' social organisations (as reflected on the database of the municipality)

**Outputs:** To encourage the establishment of new 'niche' social organisations and to provide assistance to promote the sustainability of these organisations, and to enter into partnerships with relevant social organisations to expand capacity to assist disadvantaged groups.

**Output indicators:**

- Increase, maintenance or decrease in the number of CBOs and NGOs that receive financial and non-financial support from the municipality
- Percentage of capable municipal staff managing partnership agreements
- Number of new and existing partnership agreements with CBOs and NGOs

**Intervention 12(D): Encouraging stakeholder involvement in LED**

**Outcome:** To create shared understanding and commitment to LED from various stakeholders in the locality

**Outcome indicator(s):**

- Increase in the percentage of private, community and public sector organisations that support the LED objectives of the locality in terms of symbolic, financial, other commitments or outputs that relate directly to the adopted LED objectives.
- Ratio of public to non-public LED project funding
- Number of community (NGO, CBO, private sector or ward committee) initiated and managed LED projects

**Outputs:** To establish and promote functional networks between relevant role-players to identify LED needs and problems; and to increase the financial resources available for local economic development projects.

**Output indicators:**

- Approved communication and interaction plan between the local authority and established networks
- Increase of maintenance in the number of functional business or social networks in the locality
- Increase in the Rand value of approved local economic development projects on the annual municipal budget
- Increase in the number of formal partnerships agreements signed

**Intervention 13(D): Creating a regulatory environment conducive to economic development**

**Outcome:** To promote the desirability of the location as a desirable place for operating a business by removing government-induced obstacles to establishing and operating businesses in the locality and long-term commitment to policies.

**Outcome indicators:**

- Improved perception of the conduciveness (enablement) of the locality's regulatory framework for business establishment and operations (as measured by a business attitude survey)
- Decrease in the perception of the negative impact of local ordinances, as well as provincial and national legislation and regulations (as measured by a regulatory impact assessment)
- Stakeholder perception of policy and regulatory stability

**Outputs:** To develop realistic tax base and rates for the locality; and to create and enforce a supportive and transparent regulatory framework

**Output indicators:**

- The registration and licensing cost (expressed as percentage of the local GNI per capita) of starting a new business
- The cost (expressed in percentage of property value) of registering a property
- Local authorities' provincial ranking in the cost of doing business in terms of utility costs
- Percentage of local businesses that are aware of local ordinance or recent changes to local ordinance and understand the implications of local ordinances
- Annual number of reported cases of non-compliance with the local regulatory framework

**Intervention 14(D): Ensuring efficient administration**

**Outcome:** To develop a business-friendly disposition by improving service delivery and eliminating corruption.

**Outcome indicators:**

- Perceived improvement in the delivery of local government services to businesses
- Increase in the percentage of local businesses satisfied with received services (including satisfaction with the service delivery process)

- Decrease in the community's perception of the prominence of corrupt practices to ensure favourable service delivery, awarding of contracts or approval of policies
- Decrease in or no qualifications in the audit report from the Auditor General

**Outputs:** To ensure an effective business registration and licensing system by streamlining public administration; to ensure consistent and reliable service delivery and administration of processes free from corruption; to ensure efficient financial management of the locality; and to ensure a competent civil service

**Output indicators:**

- Established municipal inter-departmental committee focused on deregulation opportunities
- Average number of years for reviewing a municipal policy
- Degree of public participation in reviewing municipal policies or drafting new policies
- Decrease or maintenance of the number of days to complete all procedures and obtain necessary licenses
- Increase or maintenance in the percentage of applications processed within the specified time periods
- Approved and implemented Batho Pele strategy
- Decrease in the frequency of bribery payments to ensure service delivery (expressed as ratio of all services received)
- Decrease in the frequency of tender procedures and awards appealed (expressed as ratio of total tenders)
- Decrease in the frequency of approved policies and regulations challenged (expressed as ratio of total policies and regulations approved)
- Decrease in the number of qualifications in the local authorities' Auditor-General report
- Efficiency of billing and management of accounts in the percentage accounts delivered on time and the percentage of accounts accurate
- Decrease in number of service delivery complaints received per month

**Intervention 15(D): Institutionalising LED coordination**

**Outcome:** To ensure appropriate institutional capacity to coordinate LED in the locality.

**Outcome indicators:**

- Improved functioning of a legitimate, representative public, private and community sector forum, platform or steering body committed to promoting economic development of the locality.
- Increased percentage of public, private and community sector organisations represented in the established LED forum, platform or steering body (as percentage of total organisations in the locality)

**Outputs:** To create appropriate internal posts and reporting lines to ensure the efficient coordination of LED aspects within the local authority's scope of control; and to increase the available resources for LED programmes

**Output indicators:**

- Improved alignment between the LED strategy and IDP strategy of the locality
- Existence of a dedicated administrative internal locus of control and responsibility for LED matters
- Approved organogram
- Fully functional LED unit with certified professional practitioners belonging to professional body
- Percentage of total municipal budget spent on LED programmes
- Rand value of alternative (non-municipal) funding secured for LED programmes in the locality through municipal initiative

This developed framework of outcome and output indicators concludes the research objectives of this dissertation.

### **8.3 Limitations of the framework**

While the framework includes only output and outcome indicators as per the focus and scope of the research objectives, it is acknowledged that outcomes are but one part of a successful M&E system for LED. The framework however aims to fulfil a gap in current practice by which outcome measurement is largely neglected and it is hoped that practitioners would use the proposed outcome indicators to supplement existing management- and implementation-focused indicators to measure progress towards desired outcomes in addition to existing implementation progress measurement.

The indicators included in the framework for the most part are theory-driven indicators proposing 'best' indicators based on the formulated outcomes and outputs for each intervention rather than data driven indicators inspired by information readily available. The suggested outcome indicators are formulated as dynamic indicators following the trend suggested in the proposed generic outcomes. Furthermore, the indicators aim to measure proximate, rather than distal, outcomes of the respective interventions, with the exception of the first set of proposed indicators for the generic distal outcomes of the broader LED strategy of which the interventions form a part. The distal outcomes include both 'traditional' economic measures (growth and increased productivity) and broader (social and human) development and good governance indicators. The framework continues from the distal outcome to present promising proximate indicators of output and outcome progress for each LED intervention organised into the four categories of LED interventions as identified in Chapter 6.

For some of the interventions there is an over-reliance on qualitative indicators. To provide a more balanced perspective on performance it will be useful to identify or design quantifiable indicators or measures for all interventions that could augment the more qualitative indicators proposed in the framework.

Part of the developed framework was presented at the 2010 European Evaluation Society's International Conference held in Prague 6 – 8 October. While the general

response to the paper was positive, it raised further questions on the use of the framework. One question posed related to the issue of causality (to what extent the measured outputs contribute towards the perceived outcomes). The aim of the framework is not to test causality, but rather to direct attention and manage performance of LED interventions towards the desired outcomes as captured by the formulated generic outcomes statements for each intervention. While causality is important, the absence of good quality output and outcome data on LED interventions in South Africa will make it almost impossible to conduct realist-evaluation studies through which causality may be determined. The developed framework however hopes to contribute towards the systematic and committed evaluation of LED results that may in time deliver sufficient information that causality studies may be undertaken.

In concluding the developed framework, the researcher acknowledges that the outcomes in the framework have been left vague deliberately and that they need to be contextualised to each local situation where the framework is adopted. The indicators are similarly value neutral and could either measure progress towards a desired end result, or the end result itself, depending on the targets that are set for the indicator. A great constraint to the immediate implementation of the proposed indicators is the availability of credible, accurate and aggregated information needed at local level to populate the indicators. This problem is unavoidable in the short term given current data constraints and the theory-driven approach adopted in the indicator development process, but is reconcilable, however, in the medium to long term. In the shorter term, it may be useful to adopt data-driven indicators in addition to the theory-driven indicators introduced by the framework. As the intention of the framework is not that a local authority adopt all of the indicators proposed for a particular intervention, but rather that only those indicators that respond most closely to their formulated outcome for the specific intervention be selected, the problem may appear larger from the framework than it would be in practice, as fewer indicators would be tracked. Where a number of indicators are proposed for a specific outcome or output, a phased approach is suggested whereby the authority may first adopt those indicators for which information is more readily available and expand the indicator set over time to incorporate the more challenging indicators.

Finally, it is acknowledged that, as there is synergy between different LED interventions, there is also overlapping between the indicators used to track progress. While indicators were included in the intervention where particular indicators respond closely to the underpinning logic of the intervention, the synergy between interventions may mean that the same indicators could also provide direct or proxy indication of progress in other LED interventions. This, however, is not seen as a weakness of the research results, as it will allow for better use of resources in the shorter term; the triangulation of data and results to test the validity of indicator measurements; and, finally, the measurement of LED interventions from multiple perspectives that reflect the nuances of economic and social development better than just relying on simpler linear logic models in developing indicators.

#### **8.4 Potential value of the research**

There is no coordinated effort to measure LED results in South Africa at present. While municipalities do measure performance of their administrative processes and actions as part of the legislated performance management system, these seldom focus on the results of government interventions on the community. Within the context of outcomes-based governance, demonstrating results is as critical as is evidenced-based policy and decision making. It is hoped that the developed framework of M&E approaches, guidelines for developing and institutionalising an M&E framework for the measurement of LED results, and the developed framework of output and outcome indicators will contribute towards increased results-based governance and evidence-based LED policy making and strategy design in South Africa.

The primary value of the developed categorisation of evaluation approaches is perceived to be an increased awareness of the varied scope foci, aims and methods of conducting systematic evaluation. It presents LED evaluators with a range of options to consider when designing their evaluation to tailor the scope and approach of the evaluation to optimally suit their evaluation needs, and to select appropriate, defensible methodology to gather the necessary data from which findings may be deduced. While most inexperienced or 'ad hoc' evaluators with little formal training in

M&E instinctively adopt elements of these approaches as part of their management function, lack of awareness of the alternative scope, approaches and methodologies leave many critical decisions to chance and the 'gut feel' of the manager concerning what is important to evaluate.

It is envisioned that the presented classification system of alternative evaluation approaches will enhance the quality of evaluation studies by broadening the reference scope of public sector managers in designing studies that various approaches are deliberately included or excluded based on the potential value that each focus, approach or design will add to the evaluation findings. This will not only enhance the quality of M&E efforts, but also increase the efficiency with which evaluation is done, as the evaluation will be properly planned from the start. Within the capacity constraints that exist in local government specifically, enhanced efficiency is critical, as funds or capacity is seldom available to re-conduct evaluation when elements excluded from the original plan become important during decision making.

The discussion on institutionalisation similarly presents local government managers with a guideline for adopting an outcomes-based approach. Much of the evaluation that is currently conducted is implementation-process- or tangible output-driven (both services and products), but fails to measure the realisation of outcomes. The ten steps from the World Bank discussed above provide specific guidelines for the adoption of an outcomes approach in the measurement of LED results. Such an approach is critical, as local governments are not in the business of delivering tangible services, but in the business of intangible development. Effectiveness and success can therefore only be determined at outcome level, for, while a municipality may perform well in delivering its services and products, the ultimate question still remains: What difference did it make in the lives of the people who benefited from these services and products? It is envisioned that the outcomes-based approach presented here will enable LED managers to measure the attainment of LED outcomes so as to enable strategic decisions concerning which LED interventions deliver the best results for local economic development in their locality.

Similarly, the discussion on institutionalisation of LED, which included an alternative division of roles and responsibilities for M&E; the components of evaluation studies, including the evaluation problem, questions and goals; the design and methodology; various models; the structure of the report; and guidelines for developing and selecting appropriate indicators seek to improve the quality of public sector evaluations by raising awareness of the alternative options and best practices that should be considered. While the discussion was not exhaustive of all aspects and options to consider, LED managers can much improve the quality of evaluations by considering the alternatives and guidelines presented here. Just applying a few of the critical considerations presented will allow for a more systematic, rational and rigorous approach to evaluation, thereby enhancing the quality, defensibility and use of evaluation findings for management decisions and actions.

While the primary role of the developed framework is to present indicators that are useful for measuring LED outputs and outcomes, it may also provide the following secondary benefits:

- The formulated outputs, outcomes and respective indicators will enable local government with few M&E specialists to adopt an outcome-based approach and adopt and measure appropriate indicators to accurately determine their results in terms of appropriate outputs and outcomes to each specific LED intervention.
- The framework could raise awareness among local government of the vast array of LED interventions that they potentially may adopt as part of their LED strategy, thereby preventing local government from adopting inappropriate interventions that may be understood better but may not be the most viable intervention and LED strategy for the specific locality.
- The framework could assist local government in understanding their specific role in promoting various LED interventions with the formulation of specific outputs or administrative deliverables that the local government is required to deliver. In this regard, the framework provides various alternative courses of action, which, in conjunction with the presented case studies in Chapter 6,

can serve to broaden local government's creativity in adopting programmes and projects most suitable for the locality.

- Throughout the framework, emphasis is placed on the intermediate outcome or result of each LED intervention. This will enable local government to bear this end in mind and ensure that LED projects and programmes do not become side-tracked by delivering short-term outputs that do not contribute towards the desired end result or outcome.
- The M&E results obtained through measuring LED interventions against the indicators described here may be used to compare alternative LED interventions and to identify the most promising market- and community-driven LED interventions for each locality, but also on a broader scale in the South African context. This can inform strategic and policy decision making to ensure that the limited available resources for LED is utilised to render greatest positive economic and social impact in each locality and in the country as a whole.
- Regular evaluation of results can also assist local government with limited capacity to identify those outputs that render the best return on investment. This will enable local government to concentrate on strategies that call for little effort, but return a definite effect on the locality, as reflected by the outcome indicators. This may even, through consistent and regular measurement, lead to a ranking of LED interventions from the 'first steps' good return on investment strategies implementable by local government with little or no resources available for LED, to 'next steps' interventions that require more effort and resources and deliver more intricate results, and to 'advanced' interventions that require dedicated attention and considerable resources and deliver sophisticated LED results in the locality. It may also eventually enable evaluation studies aimed at determining causality between LED outputs and LED outcomes.
- Finally, evaluation of these indicators in different contexts may provide opportunities for further research to determine a core set of indicators that across different settings provide the most relevant, legitimate and efficient measurement of the results of a particular LED intervention. At the moment, this is not possible given the lack of practical data on the challenges and

strengths associated with the implementation of the proposed framework of indicators.

While the research adopted a results-based approach to LED M&E from the outset, it is acknowledged that it should be complemented by further research into the LED process and input M&E to enable a balanced perspective in measuring and justifying obtained LED results.

## **8.5 Conclusion**

This chapter concludes the dissertation with a summary of the main findings and conclusions derived from the research in terms of each of the stated research objectives of the dissertation. In addition to the summary of findings, the chapter presents a brief overview of the limitations of the developed framework, and concludes by pointing out the potential direct and indirect benefits of the developed framework of output and outcome indicators for public management and LED in South Africa.

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## Addendum A

### 2005 IMFO (Institute for Municipal Finance Officers) conference: Survey questions and collected data

25 July 2005

Rapid survey questions:					
<p>1. Which municipality or organisation do you represent?</p> <p>2. Does your organisation have an organisational PMS? Yes / No</p> <p>3. If yes, what model is the system based on?</p> <p>4. In which year did you start to fully implement the system, including performance measurements and reporting?</p> <p>5. What are the main difficulties you encountered with the organisational PMS?</p> <p>6. What positive feedback and results did you experience as a result of implementing the organisational PMS?</p>					
Data from 52 respondents					
Municipality	PMS (Yes/No)	Performance Management Model	Commencement (year)	Difficulties encountered	Positive feedback on PMS
Bojanala Platinum District Municipality	Yes	Balanced Scorecard	2003	Acceptance of new way of doing things - still restricted to section 57 employees only	Helps to focus and set goals for a specific period
Breede River / Winelands Municipality	Yes	Balanced Scorecard	2004	Acceptance of PMS	Individuals are forced to align with organisational objectives
Buffalo City Municipality	Yes	Balanced Scorecard	2004	Linking organisational scorecard and individual scorecard	Commitment of staff to performance improvement
Cape Agulhas Municipality	Yes	Triple bottom line and Balanced Scorecard mixture	2003	To roll system out to entire organisation without electronical support software	Better adherence to strategic goal of organisation

Cape Winelands District Municipality	Yes	Internal system	2004	Negative attitude of council and public towards findings	Enables evaluation of objective attainment, allows for corrective steps
Chris Hani District Municipality	No				
City of Johannesburg Municipality	Yes	Action Driven Balanced Scorecard	2003	System is skewed	
Dikgatlong Municipality	Yes	Balanced Scorecard	2005	Process evaluation, cooperation of individuals	
Dr SS Moroka	Yes	Balanced Scorecard	2003	Monitoring and reporting results timeously	Achievement of objectives and targets
Eden District Municipality	Yes	Balanced Scorecard	2003	Development of system has not yet cascaded to lower level staff	
Emalahleni	Yes	Balanced Scorecard	2004	Lack of buy-in to individual performance management contracts	Better implementation
Emfuleni Local Municipality	Yes	Strategic Alignment Management System	2005		
Engcobo Municipality	Yes	Balanced Scorecard	2005		
Ga-Segonyana Municipality	Yes	Balanced Scorecard	2004		Illuminated deficiencies and unmet targets
Gert Sibande District Municipality	Yes	South African Excellence Model	2002	Identifying appropriate KPIs	
Khara Hais Municipality	Yes	Combination	2002	Failure to look at performance of organisation as a whole to determine performance	Recognition of the municipality
King Sabatadagndyebo Umtata	No				
Knysna	Yes	Balanced Scorecard	2004	No political commitment to performance	PMS drives performance

Kungwini Local Municipality	Yes	Balanced Scorecard	2002	Understanding to ensure that it is not perceived as punitive measure	
Kwa sane	Yes	Balanced Scorecard	2004	Lack of human capacity	Focus on direction
Lephalale Municipality	No			No commitment and knowledge	
Madibeng local municipality	Yes	Balanced Scorecard	2004	Adherence to timelines, keeping profile of evidence, auditing reports and assessments	focus organisation on achieving set targets
Makhado	No				
Melemele Municipality	Yes	Balanced Scorecard	2004	Some departments not functioning well. Financial constraints	99% of our objectives are realised
Merafong City Council	Yes	Balanced Scorecard	2005	Problems with reporting evaluation findings	more coaching, performance bonus payments
Modimolle	Yes		2004	Implementation is not beneficial to everybody. Consultant driven.	Some managers are trying, but most are lost
Mogalakwena	Yes	Balanced Scorecard	2005		
Musina local municipality	Yes		2004	Admin overload	
Naledi Local Municipality	Yes	Balanced Scorecard	2003	Participants do not understand balanced scorecard perspectives, linkages to KPI, targets, outputs, strategic priorities and objectives	
Newcastle	Yes	Balanced Scorecard	2005		
Ngqushwa Municipality	Yes	Balanced Scorecard	2003	Consistant reviews	Better performance, ability to identify weaknesses
Nokeng Tsa Taemane Local Municipality	Yes	Balanced Scorecard	2005	Capacity and emotional understanding of purpose of PMS. Political interference negatively impact on performance	Improved commitment and sense of worth amongst staff

Oudtshoorn Municipality	No		2004	Problems with integration with personal performance constructs	Projects are completed on time
Saldanha Bay Municipality	Yes	Balanced Scorecard			
Sekhukhune District Municipality	Yes	Balanced Scorecard	2004	Training is required. Linking IDP with PMS	
Stellenbosch	Yes	Balanced Scorecard	2003	Non-specific targets. Lack of in-year measurement. Not linked to individual performance management	More focussed work.
Thabo Chweu Municipality	No			Clear understanding of PMS	
Thabo Mofutsanyana District Municipality	Yes	Balanced Scorecard	2004	Performance reviews and reporting is not done in accordance to approved processes	
Tsolwana Local Municipality	Yes	Balanced Scorecard	2004	Fear of victimisation of employees through PMS	
Ubuhlebezwe Municipality	No				
Umdoni	Yes	SALGA guidelines	2004	Problems with assessment	
Umhlathuze	Yes	Balanced Scorecard	2002	Insufficient capacity, little understanding from councillors, difficult to meet deadlines	Focus on improvement, improvement confirmed in customer survey
Umizi Waranth Municipality	No				
Umjindi Municipality	Yes	Balanced Scorecard	2003	Immeasurable targets, meta data not available	What gets measured gets done
Umzimbuvu Local Municipality	Yes	Management by objectives and balanced scorecard	2003	No direct response to organisational framework versus the individual achievement	Check whether agreed objectives are achieved by responsible individual
Urju / Ugu District Municipality	Yes	Balanced Scorecard	2003	Setting measurable PMS	Quarterly measurement of performance provides space for improvement

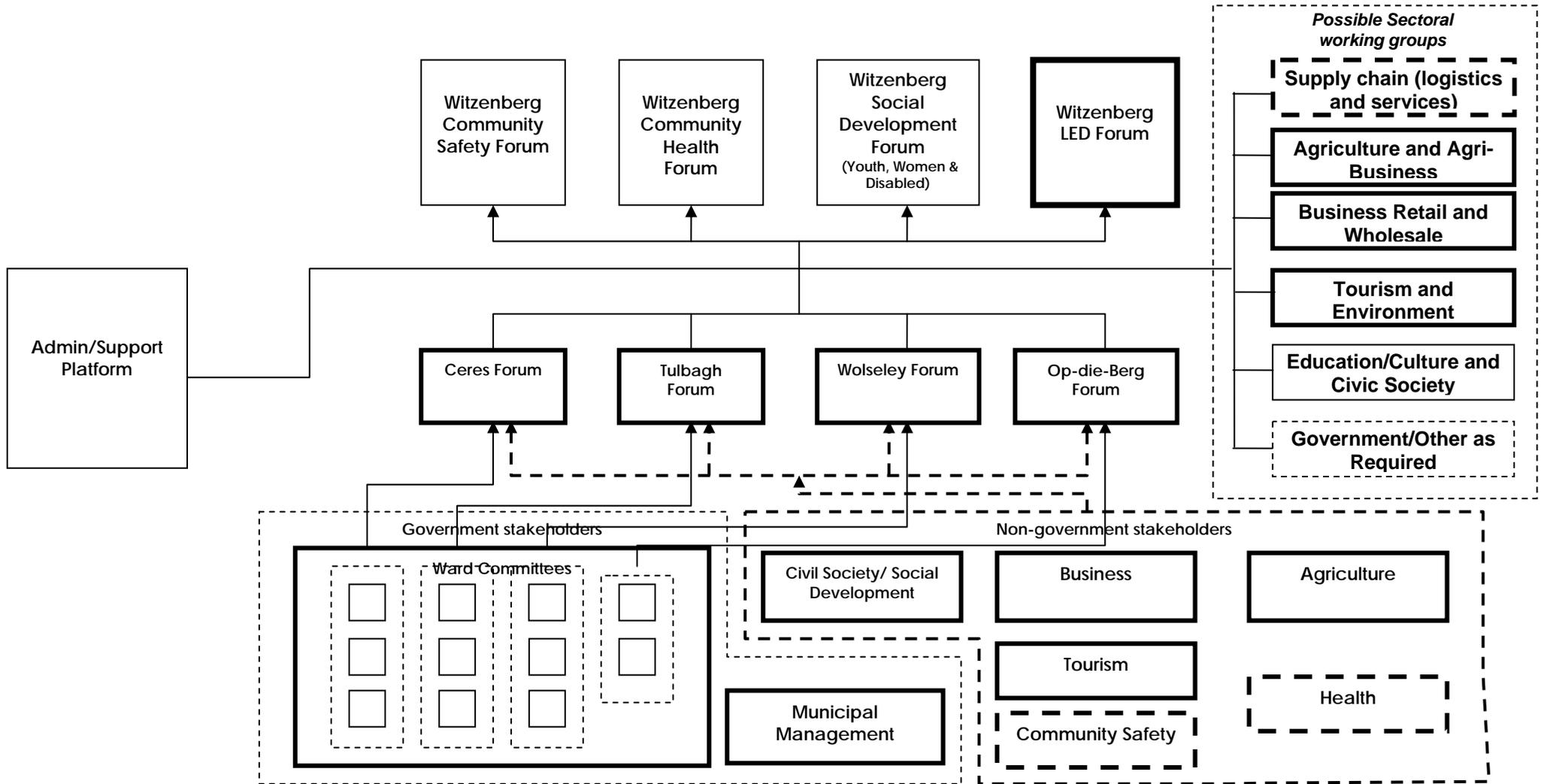
uThukela District Municipality	Yes	Balanced Scorecard	2004	Linking individual performance to organisational performance within the local government setup	Stakeholders strive for positive outcomes/outputs
Vulamehlo Municipality	Yes	Balanced Scorecard	2003	Understanding by councillors	A collective approach in implementing overall policy and shortages
Waterberg District Municipality	Yes	Balanced Scorecard		PMS not linked to organisational objectives / goals. SWOT analysis was not done	
wmkhomyakwidl District Municipality	Yes	Balanced Scorecard	2002	Stakeholder understanding of system	Improved service delivery
Zezele Dabi District Municipality	Yes		2003	Implementation problems	
Zululand District Municipality	Yes	Bonus Model	2003	To keep monitoring tools aligned with objectives	

<b>Data analysis</b>	
<b>Number of municipalities covered in survey</b>	<b>52</b>
<b>Number of respondents that indicated the municipality has adopted a Performance Management System</b>	<b>44</b>
<b>Number of respondents that indicated the municipality has not yet adopted a Performance Management System</b>	<b>8</b>
<b>Number of respondents that indicated that their Performance Management System is based on the "Balance Scorecard" model</b>	<b>32</b>
<b>Number of municipalities that adopted their Performance Management system in:</b>	
<b>2002</b>	<b>5</b>
<b>2003</b>	<b>14</b>
<b>2004</b>	<b>17</b>
<b>2005</b>	<b>7</b>

# Addendum B

## Proposed Community Governance Model for LED in the Witzenberg Municipality

(Source: Consultus 2004:24)



## Addendum C Abridged CV's of expert reviewers

The following table summarises the area of expertise that each specific reviewer brought to the development of indicators process.

Reviewer	Academic expert	Practitioner	M&E expert	LED / economic expert
<b>Mr Johan Ackron</b>	√	√	√	√
<b>Mr Errol Goetsch</b>	√	√	√	√
<b>Dr Emem Bassey Inyang</b>	√		√	
<b>Mr Jeremy Marillier</b>		√		√
<b>Ms Riana Meiring</b>		√		√
<b>Prof Etienne Nel</b>	√			√
<b>Dr Andy Rowe</b>	√	√	√	√
<b>Dr Marius Venter</b>	√			√
<b>Ms Carol Wright</b>		√	√	

Here follows the abridged CVs of expert reviewers:

### **Mr Johan Ackron**

Johan Closs Ackron holds a research Masters degree (*cum laude*) in Public and Development Management from the University of Stellenbosch in addition to postgraduate degrees in the natural sciences (Theoretical Physics) and Economics. Over a professional career spanning in excess of 30 years he has worked in the private corporate sector and in consulting, and was for 13 years in general management in the parastatal development sector where he held direct responsibility for the management of local rural and urban development programmes and projects.

He has held a variety of senior appointments in the areas of corporate planning, operations research, strategic planning, policy analysis, economic consulting, policy formulation and special projects in the private and parastatal sectors, both as a consultant and in senior management. He has held directorships in public-private partnership ventures, has over many years served on a variety of national and regional development bodies, and has varied sectoral experience, including extensive experience of traditional rural land development issues. He has for over twenty years been engaged in project- and programme management, both in a senior line capacity and as a consultant managing the activities of multi-disciplinary professional teams. He has in addition to his academic commitments variously been engaged as lead consultant on behalf of the School of Public Management and Planning of the University of Stellenbosch *inter alia* in the design and rollout of a project and programme management regime in the North West Province, the formulation of an LED (Local Economic Development) Strategy for Witzenberg leading to a social compact for local economic development – the first of its kind in the Western Cape if not in South Africa, LED profiling for Swartland on the Cape West Coast, the facilitation of LED in the Waterberg area in the Northern Province as part of a brief handed down by the European Union, and the

development variously of a business support regime and of a development support facilities management model for the City of Cape Town metropole. He has most recently amongst other things been engaged as lead economist in consortium with Ernst and Young, a major consultancy group, in a national project to redefine the local economic development role of small harbours along the Western Cape coast and to re-engineer those harbours in accordance with that role in order to have a greater economic impact on local communities. He has most recently been engaged together with a professional team of PriceWaterhouseCoopers in Project Rejuvenate to restructure the Economic, Social and Tourism development activities of the City of Cape Town.

He holds the appointment of Academic Extraordinary in the School of Public Leadership of the University of Stellenbosch where he leads the School's Local Economic Development (LED) and Integrated Development Planning (IDP) engagement and teaching programmes. He is variously engaged in presenting both academic and short courses amongst other subjects in policy analysis, monitoring and evaluation, development economics, local economic development, public management, organisational science and project management. He also presents Masters level courses by invitation in the Department of Economics of the University of Stellenbosch and at the Sustainability Institute attached to the University, and at the Universities of Johannesburg and of the Northwest: Potchefstroom in policy analysis, integrated development planning and local economic development. He is currently engaged in presenting the LED and IDP modules in the National Certificate in Municipal Government presented by the University of Johannesburg under the auspices of SALGA.

### **Mr Errol Goetsch**

Mr Errol Goetsch is the Director of XE4. He has extensive expertise in the financial sector which includes 2 years product development for Boland Bank, including all its asset-backed products (homeloans, personal loans, vehicle finance and cheque accounts and overdrafts) and involvement in developing imaging and internet banking facilities; 2 years R&D in Specialised Finance for Absa Corporate, developing securitisation, accounting and tax products, and reporting to group ExCo; 2 years Strategic Consulting for Absa Group, developing and implementing Absa's free internet banking, corporate governance, balanced scorecard, loyalty programme and others, together with policy development, speech writing and competitor analysis; 2 years as a Risk Manager and also IT Project Manager for the IQ Business Group, leading its services to the financial sector, conducting due diligence, systems integration, product development and mergers and acquisitions for Nedcor, Mercantile Bank, Old Mutual Bank, as well as share demutualisation for Nedcor, developing reporting systems for the Reserve bank and occasional projects for Management Consultancies (e.g. Monitor) providing specialist expertise (e.g. developing an innovation recognition and reward programme for Implats mine).

He holds a BA Honours (Politics), LLB and MBA and is currently registered for a PhD with the University of Witwatersrand where he also lectures in Economics, Marketing and Organisational Design. He also tutors in Economics, Managerial Finance and Strategy at University of the Free State for the e-degree online platform.

His experience in M&E include developing M&E reporting systems for various NPO's, corporates (De Beers) and Government (the dti). He develops annual sustainability and CSI reports for financial banks including Absa. He designs, develops and delivers projects and programmes for NGO's (PPASA) and develops online support systems for Government and Corporates (Sedibeng Municipality and FirstRand). He has 10 years experience of training in M&E (including training World Bank assisted projects in 11 African countries) and in auditing implemented projects and programmes (the Red Cross).

## **Mr Emem Bassey Inyang**

Emem Inyang is a lecturer at the Department of Agricultural Economics and Extension, University of Uyo, Akwa Ibom State, Nigeria specialising in Programme Planning, Measurement, Monitoring and Evaluation in Agriculture specifically. He is currently doing his PhD in Educational Evaluation with a focus on Agriculture Extension Education and Development Programme Evaluation. He holds a M. Ed in Educational Evaluation in the same specialisation supported by an M.Sc in M. Sc in Agricultural Extension and Rural Development.

The academic courses presented by Emem include the 'Introduction to Agricultural Extension & Rural Sociology' and 'Programme Planning and Evaluation in Extension'.

Emem is a Research and Evaluation Associate for the International Centre for Agriculture and Environment, Uyo and a Programme Evaluation and Research Associate at the Center for Educational Development and Career Initiative (CEDCI), Calabar, Nigeria.

## **Mr Jeremy Marillier**

Mr Jeremy Marillier is the Head: Economic Information and Research at the City of Cape Town where his key performance areas include:

- Revising the City of Cape Town Economic Development Strategy and planning Public participation strategy around this with Ward forums and Sub Councils
- Coordinating review of Strategic Focus Area (SFA1) of IDP in terms of economic stats and analysis, objectives and outcomes.
- Managing, providing economic & human development information, analysis
- Project management consultancy of service providers
- Coordinating inputs into District Spatial Development Plans
- In depth experience of intergovernmental relations having worked with Local Government Province Premier Co-ordinating forum formerly called LGTECH.
- Assisting in development of economic development strategies, policies, programmes and processes
- Representing City in Intergovernmental forums, Liaising with SALGA Western Cape.
- Liaising with Cape Town Partnership, organized business and labour
- Co-ordinating, providing and advising on economic development research
- Liaising with other spheres of Government, parastatals, Wesgro
- Managing Research section, staff, budget, work programmes and information partnerships
- Managing the development of staff in the Economic & Human Development Research and Intelligence Section
- Mentoring research intern programme.-Public Policy Partnership.

He holds a B. Comm (in Economics and Management majors) and a Hons. B. Comm (International Finance distinction) from the University of the Western Cape. His previous work experience is as Researcher at the Institute for Democracy in South Africa (IDASA), Business Economist at the National Department of Environmental Affairs and Tourism, Research Economist at the Labour Research Service (LRS), Researcher at the Parliament of the Republic of South Africa and Business Consultant to the CEO of Umoya Fishing (Pty) Ltd.

### **Ms Riana Meiring**

Ms Riana Meiring is the Director: Local Economic Development at the Makana Local Municipality, Grahamstown where she is responsible for the development, implementation and monitoring and the LED strategy of the Municipality.

Riana holds a Masters degree in Social Work as well as a Masters degree in Business Administration. She has 20 years of experience in the local government sector amongst others as a Chief Public Relations Officer, the IDP Manager, and as facilitator for strategic planning, integrated development planning, employee wellness, leadership development, organizational development and improved teamwork.

### **Prof Etienne Nel**

Etienne Nel is an associate Professor in Geography at the University of Otago, New Zealand. Etienne joined the staff in the Department in 2008. He had taught previously at the University of Transkei and Rhodes University, both in South Africa. His PhD was in the field of Economic Geography and was entitled 'Regional and Local Economic Development in South Africa: A Case Study of the Eastern Cape'.

His primary research interests lie in the broad areas of Economic Geography and Local Economic Development, including Urban Entrepreneurialism, Community Economic Development, Small Towns, Economic Policy, Marginal Regions and Regional Development.

Etienne is currently undertaking research in the economic and urban history and development of South Africa's Karoo, local studies in Zambia and Local Economic Development in South Africa. During the course of 2008 he will be initiating research into aspects of the urban and economic geography of New Zealand. Past research (since 2004) includes the World Bank / Development Bank Study of Local Economic Development in South Africa (project leader) (2004-07), the National Research Foundation ( South Africa) Study of Local Economic Development in Southern Africa (project leader) (2004-07), the European Union Study of Local Economic development in the Eastern Cape (2007) and the Department of Trade and Industry study of Regional Development in South Africa (2006).

Etienne is currently an Editorial Board member of the Journals: Applied Geography, Local Economy and the Journal of Geography in Higher Education. He is also chair of the International Geographic Union's Commission on Marginalization, Globalization and Local and Regional Response (C 04-27).

He has authored or edited six books and has written nearly 100 articles or book chapters.

### **Dr Andy Rowe**

Andy Rowe is head of ARCEconomics and has been conducting evaluations in resource and environmental settings for 30 years in Canada, the U.S., the western Pacific, Asia and Europe. His evaluation designs are currently used in most federal environmental agencies in evaluating the effects of environmental and resource decisions.

Dr. Rowe is based in the U.S. and works with GHKI business units in North America, Europe and in South East Asia. He is an internationally recognized evaluator, a former President of

the Canadian Evaluation Society, current chair of the international committee of the American Evaluation Association and has a PhD from the London School of Economics.

Dr. Rowe is an economist who has successfully worked in a wide range of settings, most recently promoting results based accountability approaches to monitoring and evaluation assignment. He has developed and implemented systematic evaluation structures in the U.S., Canada and India and has directed over a hundred evaluation studies and appraisals.

For the past ten years Dr. Rowe has adopted a performance management approach to evaluation working with organizations and program stakeholders to develop and implement credible and useful evaluation designs.

Recent contributions include developing the evaluation system for the practice of conflict resolution in environmental and complex public policy settings, a system used by four federal and several state dispute resolution agencies. More recently he led development of the SEEER evaluation system for environmental decisions - Systematic Evaluation of Environmental and Economic Results. Use of SEEER techniques leads to valid and reliable assessments of the environmental effects of a decision compared to a reasonable alternative. Dr. Rowe is currently working with EPA and the Department of the Interior to apply SEEER to selected decisions in those agencies. As well he is evaluating the National Fish and Wildlife Foundation Small Watershed Grants program, and leading two evaluations of urban governance and environmental services initiatives in India.

## **Dr Marius Venter**

Dr Marius Venter is the Chief Executive Officer of the Local Economic Development Agency (Pty) Ltd (OLEDA), a private company owned by the Overstrand Municipality. The OLEDA is responsible for economic development initiatives in the municipal area that includes the towns of Hermanus, Gansbaai, Stanford, Hangklip/Kleinmond, Pearly Beach and rural areas like Buffeljags and Baardskeerderbos. The Agency is governed by a Board of non-executive directors with a non-executive chairman and administered by the Chief Executive Officer (CEO).

Dr Venter is also the Chairperson of the Centre for Local Economic Development. The Centre is a national centre based at the University of Johannesburg. He was previously a senior lecturer in development economics specialising in local economic- and small business development at the University of Johannesburg where he established the National Centre of excellence for LED to professionalise the careers of economic development practitioners.

Before his academic career, Dr Venter was the project manager for the Eden and Karoo region RED Door initiative. RED Door offices help aspiring entrepreneurs to start up businesses, services range from developing a business plan, to getting finance, advice and assistance around marketing and growing businesses, all legal pertaining to starting and running a business, training and mentorship programmes. He was also the Executive Officer for Local Economic Development at the City of Johannesburg. As such, his responsibilities included developing capacity to enable the City of Johannesburg to plan and act strategically by gathering and analysing economic related information in a timely manner and to feed this into a strategic framework, developing an extensive, up to date, information database to disseminate information to potential investors, monitoring the actions of major role-players and co-coordinating and facilitating the actions of the various Council departments to shift from a bureaucratic approach to an entrepreneurial business approach to ensure customer service. At the same time he was also the Managing Director for the Centre for Entrepreneurship Education and Development which aimed to CEED (SA) equip people and

communities with skills that allowed them to enter the world of trade and business, and start up their own businesses, most importantly to ensure that these new businesses are successful in the long run.

## **Ms Carol Wright**

Ms Wright is the Manager: Strategic Information at the Strategic Development Information and GIS Department of the City of Cape Town. She holds a Master of Commerce degree in Monitoring and Programme Evaluation from the University of Cape Town, Department of Management Studies. Her thesis was on entitled “A Programme Evaluation of the City of Cape Town Business Support Voucher Programme”. She also has a Bachelor of Arts (Honours) (Geography) and a Higher Diploma in Education from the University of Natal.

She has extensive experience in the field of economic, development and urban research, information analysis and knowledge management, strategic decision support, indicator development and monitoring, performance management, innovation, and service improvement processes, information product development, communication support and programme and project management in Local Government for more than 20 years.

Her professional work experience has been around leading, managing implementing a range of innovative projects and processes to support the achievement of strategic and organisational developmental objectives. This has been achieved either by reviewing and developing strategies and policies to guide programme implementation and service delivery, providing appropriate information or intelligence, via research or accessing, compiling and analysing data or by developing appropriate indicators and processes to ensure that decision-making can be supported by timeous access to accurate and appropriate information. Additional experience has been focused on monitoring and evaluating programme outcomes and impacts.

She served as the Interim Manager for the Film and Events Permit Office of the City of Cape Town for 5 years. This involved the full range of strategic, policy and operational responsibilities related to the development and implementation of both the Events and Film Policies and By-Laws and Events and Film processes for the City, including management of staff and serving as the City’s representative on the Cape Film Commission Board.

She has worked at a City-wide and local area level; undertaken work with a corporate focus, Department and cross – Department focus, as well as with key stakeholders, partners and service providers, at a local, national and international level. All of my work has involved interfacing, interacting and integrating with a range of Departments, organisations, communities and individuals.

She has extensive experience in managing and developing teams and to plan, organise and monitor performance so as to produce timely, accurate, quality and innovative outputs, even under pressure and/or uncertainly. The focus has been on the achievement of positive results and professional and personal development within the context of corporate governance and service excellence principles, applicable legislation, policies, procedures and resource management. Acted as mentor and counsellor to team members and previously disadvantaged economics postgraduates as part of a 5 year – 12 month policy work exposure internship programme.

## **Addendum D**

### **Request for assistance and draft framework**

Doctoral research: **The development of output and outcome performance indicators to measure the effectiveness of local economic development interventions in South Africa.**

**- Ms Babette Rabie**

I'm a doctoral student in Public and Development Management at Stellenbosch University. For the past 5 years I have been researching **public sector monitoring and evaluation**. The result of my research is a framework of South Africa specific output and **outcome indicators** that would enable and encourage the measurement of results of 15 different **local economic development** interventions adopted by local authorities. I request assistance from fellow researchers, practitioners, consultants or experts in the field of public sector performance management and local economic development who would be willing to review and comment on some of these indicators before finalisation of the research. **If you are interested in this research, kindly contact me at [brabie@sun.ac.za](mailto:brabie@sun.ac.za).**

**PhD Research: Stellenbosch University**  
**Candidate: B Rabie**

**Proposed indicators for measuring local economic development**

**Introduction**

The indicator framework follows the generic outcomes and objectives of 15 LED interventions. The indicators try to address the multiple, diverse and often conflicting outcomes and objectives that an LED intervention may pursue.

A list of indicators was compiled for each intervention by harvesting existing indicators from various international sources. While some indicators measure local economic development, many indicators with a more general focus had to be adapted to the local economic development context. These indicators were used as departure point for the development of more context specific output and outcome indicators for each of the identified LED interventions.

For each intervention the generic outcomes associated with the intervention are listed as well as the proposed outcome indicators relating to these generic outcomes. Thereafter the generic outputs (or objectives) associated with the intervention are listed as well as the proposed output indicators relating to the generic outputs.

Comments, remarks or suggestions are welcomed on the value of the proposed indicators as well as suggestions for the potential refinement of the proposed outcomes, outputs or indicators or additions to address potential gaps in the developed material.

**Sensitivity of material**

Please note that this material is confidential as it is part of ongoing doctoral research. Please do not distribute this material in part or as a whole. Participants in this research are welcome to make use of the material, but must provide explicit reference to the author (Babette Rabie) and copyright holder (Stellenbosch University). Upon completion and publication of the research, a copy of the final indicator set will be made available to all persons who participated in the research where after it may be distributed and used within normal copyright parameters.

## **Indicators for business and market development interventions**

### **Intervention 1: Business and market development - Advice and support existing businesses through technical assistance and local-support procurement policies**

#### **Generic outcomes of intervention:**

- To increase economic growth and vitality of the locality
- To promote the expansion and economic sustainability of local businesses
- To retain current businesses in the area
- To eliminate economic leaks in the local economy

#### **Promising outcome indicators:**

- Sustainable increase or maintenance of Gross Geographic Product (Rands per capita)
- GGP (Gross Geographic Product) increase, maintenance or deduction in relation to Provincial and/or National Gross Domestic Product increase, maintenance or deduction
- Increase in company income tax generated by local businesses (per size category: small, medium and large business)
- Investment expenditure (Rand value) of local businesses
- Improvement in business performance six months after visit to business support and advice centre
- Percentage of business advise centre clients whose turnover has increased
- Percentage of business advise centre clients whose gross profits have increased
- Percentage of businesses in the locality older than 4 years
- Ratio of business closures to business start-ups
- Percentage of local businesses that procure goods that is available locally from businesses in the locality
- Percentage of local jobs held by non-residents of the area

#### **Generic outputs (objectives) of intervention:**

- Provision of training and advice
- Provision of specialised information and business support (e.g. through business advise centre)
- Preferential public procurement policies
- Encourage support of local businesses

#### **Promising output indicators:**

- Percentage of businesses and individuals committing to a buy local campaign
- Number of local entrepreneurs linked up with general or sector specific accredited training programmes
- Diversity of the training programmes available to local entrepreneurs
- Number of local businesses that utilise the business support and advice centre per month
- Diversity of technical advice services offered by the business centre
- Percentage of clients satisfied with quality of business support services
- Percentage of municipal contracts awarded to local businesses

### **Intervention 2: Business and market development - Attract, advice and support new and emerging businesses**

#### **Generic outcomes of intervention:**

- To increase (create additional) economic activity in the locality
- To create additional or improved employment opportunities
- To diversify the composition of the local economy

#### **Promising outcome indicators:**

- Sustainable increase in the number of local businesses per firm-size category
- Sustainable increase in the number of local businesses per economic-sector category
- Rand value of foreign and domestic inward investments

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- Locality's rank in province in attracting new businesses (number of / investment R value of new businesses in locality compared to the number of / investment R value of new businesses in province)
- Percentage of businesses supported through incubator facilities that graduate to self-sufficiency within the determined time frame
- Sustainable decrease in local unemployment statistics
- Average wage and salary trend over time (excluding annual inflationary effect)
- Ratio of fiscal benefits of new businesses and jobs (increased taxes and less state dependency) compared to the fiscal cost of attracting new businesses and households (cost of economic and social infrastructure)

**Generic outputs (objectives) of intervention:**

To promote the attraction ("pull") factors of the locality, including market access and production inputs availability.

Investment schemes including provision of tax breaks or other incentives

Incubator facilities for vulnerable or market sensitive businesses

Facilitate access to start-up funding

**Promising output indicators:**

- Mean cost of available transport raw or final products from production sites to final markets.
- Mean cost of production factors at a location (physical resources, utilities, premises, labour, taxes) in relation to transport cost to and from that location
- Adoption of an investment attraction and support policy that will encourage desirable businesses to establish in the locality
- Number of businesses supported in physical or virtual incubators
- Number of businesses supported that successfully gain access to start-up loans and funding

**Intervention 3: Business and market development – Cluster and sector targeting**

**Generic outcomes of intervention:**

To create a strong competitive advantage in a high-potential niche market

Increased innovation in sector through collaboration and new value chains

**Promising outcome indicators:**

- Increase in local and foreign market share for the identified sector (position of local businesses in market, percentage of local businesses' share of local/foreign market)
- Growth in selected sector: Increased rand value of goods/services produced by sector
- Improved local balance of trade: Ratio of imports to exports (Rand value)
- Sustainable investment in research and development (Rand value over time)
- Increased number of patents registered by local businesses and individuals

**Generic outputs (objectives) of intervention:**

Identify and promote viable sectors and clusters

Economic provision of specialised infrastructure and services required by the cluster or sector

**Promising output indicators:**

- Completed SIC identifying prominent sectors in the locality
- Employment location quotients for prominent industrial sections (where employment location quotients relates the percentage of persons employed in a sector to the percentage employed in the same sector in a comparable benchmark such as the province or national statistics)
- Adoption of policies and incentive schemes to encourage growth in identified sectors and clusters
- Provision of specialised support to sector or cluster
- Cost of sector/cluster specialised infrastructure and services compared to cost of similar services and infrastructure in neighbouring localities
- Reduction in the cost of specialised services required by the cluster / sector
- Improvement in the direct and indirect infrastructure that support the specific industry

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## **Indicators relating to locality development interventions**

### **Intervention 4: Locality development – Improving physical supportive infrastructure**

#### **Generic outcomes of intervention:**

- Sustainable investment in new and current infrastructure to ensure a supportive physical environment to businesses in the locality.
- Sustainable investment in new and current infrastructure to ensure a supportive physical environment to persons seeking to live in the locality

#### **Promising outcome indicators:**

- Availability of public service physical infrastructure per 1000 of population
- Quality of physical infrastructure (measured against national and sectoral standards)
- Vacancy rates of industrial and commercial space by size and location
- Perception of value for money of industrial and commercial infrastructure
- Mean travel time to markets
- Availability of integrated transport infrastructure to markets, job centres, residential areas and public amenities
- Quality of transport infrastructure (measured against national and sectoral standards)
- Affordability of various transport modalities
- Mean travel time to job centres

#### **Generic outputs (objectives) of intervention:**

Improve the built environment make it more attractive for businesses and individuals the settle in the locality

Prepare industrial and commercial sites with basic infrastructure in order to attract businesses to the area

To ensure the affordability and appropriateness of new infrastructure investment

#### **Promising output indicators:**

- Inventory of hard infrastructure
- Prioritised list of additional required infrastructure (with cost-benefit assessment of each item)
- R value of infrastructure development
- Cost recovery time frame for new municipal infrastructure
- Predicted cost of infrastructure maintenance expressed as a ratio of the predicted budget allocated for infrastructure maintenance
- Cost benefit ratio for new infrastructure
- Affordability of new infrastructure maintenance: Predicted cost of infrastructure maintenance expressed as a ratio of the predicted budget allocated for infrastructure maintenance

### **Intervention 5: Locality development – Regeneration of abandoned areas**

#### **Generic outcomes of intervention:**

To reclaim and ensure the optimum use of derelict industrial and commercial sites in the inner city or abandoned central business districts.

#### **Promising outcome indicators:**

- Decrease in the vacancy rate (%) in CBD and inner city
- Percentage of sites that is used optimally (best use of premises versus actual use of premises)
- Integrated use of CBD (ratio of residential and commercial use of land)
- Affordability (rental rate per square metre) of available sites in CBD and inner city

#### **Generic outputs (objectives) of intervention:**

Refurbish existing buildings and promote the construction of new buildings in the inner city areas

Provision of tax incentives for rehabilitation of inner city sites

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Improve the service infrastructure in the inner city  
Resolve problems relating to commuting, parking and personal and property safety in the inner city.  
Encourage residential resettlement in the inner city.

**Promising output indicators:**

- Implementation of a Business District / inner city improvement and enhancement programme
- Implementation of tax incentive schemes to encourage inner city rehabilitation or reoccupation
- Percentage of derelict sites redeveloped for flexible use that meet the requirements from diverse potential users
- Improvement in the access of CBD and inner city (average travel time)
- Reduction of crime rates in CBD and inner city
- Investment in multiple transport modes' infrastructure
- Percentage of inner city developed for residential use

**Intervention 6: Locality development – Place marketing / Generic locational policy**

**Generic outcomes of intervention:**

To promote the local area as a desirable place to visit, live and work in  
To attract new businesses and residents to the area

**Promising outcome indicators:**

- Improvement in the perceived quality of life that the locality offers
- Perceived affordability of the area
- Increase, decrease or maintenance of local population number
- Increase in the perceived liveability of the locality
- Increase or maintenance of available job and business opportunities in the locality
- Increase in the perceived competitiveness of the locality
- Improvement in the levels and status of natural resources
- Decrease in pollution levels in the locality

**Generic outputs (objectives) of intervention:**

To advertise the locality through place marketing  
To increase the relative competitiveness and desirability of the locality to competing localities  
To improve service delivery through an increased municipal tax base

**Promising output indicators:**

- Increase in the perceived effectiveness and appropriateness of town and regional spatial development planning (ratio and layout of various land uses)
- Area (km<sup>2</sup>) allocated to various land uses and supporting infrastructure
- Completed SWOT analysis reflecting potential opportunities for growth and collaboration, threats from other localities, and strategies for promoting the locality.
- Number of major national and international events attracted annually to the area
- Relative cost of services to local population and businesses (Rand per unit compared to competing localities)
- Benchmark rating in respect of the quality of services to local population and businesses compared to competing localities
- Reliability of services to local population and businesses (hours downtime per month)

**Intervention 7: Locality development – Crime prevention measures**

**Generic outcomes of intervention:**

To increase the perception of the area as a safe place to work and live

**Promising outcome indicators:**

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- Crime rates: Number of reported crimes per 1000 of the population per crime category (residential and business theft, destruction of property, traffic and workplace accidents, violent crimes, fraud)
- Increase, decrease or maintenance in the percentage of residents reporting a feeling of safety
- Insurance premiums (rand value per 1000 population)

**Generic outputs (objectives) of intervention:**

To decrease and prevent crime in the locality through partnerships with crime prevention agencies and communities

**Promising output indicators:**

- Percentage of high risk areas equipped with crime deterrent technology and infrastructure
- Partnership agreements with public and private security agencies to address identified problems and prevent crime
- Number of neighbourhood watches facilitated
- Summative cost of crime to various stakeholders in the locality

**Indicators relating to community or poverty alleviation**

**Intervention 8: Community development and poverty alleviation – Assisting socially and economically disadvantaged groups**

**Generic outcomes of intervention:**

- Enabling the poor to utilise local economic opportunities by breaking the cycle for poverty through basic service delivery thereby empowering, and improving the living conditions, of the poor.
- Empowered residents that can actively influence decisions that affect their social and economic development
- Promising outcome indicators:
- Sustainable decrease in the percentage of citizens living below the absolute poverty line of \$1 per day
- Household livelihood security index:
  - economic security (income and asset levels)
  - food security (accessibility and quality of food)
  - health security (accessibility and quality of water, sanitation and primary health care services)
  - educational security (accessibility and quality of educational infrastructure)
  - empowerment (levels of community participation and civic organisations)
- Percentage of households that own property, assets or production tools.
- Percentage of employees who negotiate working conditions (salary, working hours, training and benefits) with their employers.
- Percentage of residents who believe that they can influence decisions on local development issues.

**Generic outputs (objectives) of intervention:**

To reduce poverty to allow disadvantaged citizens to exploit other economic opportunities

**Promising output indicators:**

- Percentage of households that have access to free basic services (water, sanitation, electricity, basic health care, basic education)
- Percentage of poor households that have access to reliable, affordable child care services.
- Number of jobs created through municipal employment projects

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## **Intervention 9: Community development and poverty alleviation – Skills training and education**

### **Generic outcomes of intervention:**

To improve the viability of the locality as a business location through providing an appropriately qualified and productive workforce

To benefit social and economic disadvantaged groups through the retraining of redundant workers

### **Promising outcome indicators:**

- Sustainable increase of educational and technical skills level of local population
- Decrease in local labour market skills and occupational shortages and oversupply
- Percentage residents that feel that their current educational level limits their access to opportunities
- Increase in labour productivity of area (amount of output produced in relation to labour and capital input)

### **Generic outputs (objectives) of intervention:**

- To assist socially and economically disadvantaged citizens through education, job search and employment outreach programmes, retraining of redundant workers, entrepreneurship and SMME skills development and mentorship programmes
- To combine employment training and business development in ways that offers disadvantaged communities access to available and newly created job opportunities

### **Promising output indicators:**

- Percentage of local residents that have access to good quality schools, basic education and training, further education and training, and tertiary education
- Percentage of unemployed local residents linked to employment opportunities through training or placement programmes of the municipality

## **Intervention 10: Community development and poverty alleviation – Informal sector SMME and entrepreneurship promotion and support**

### **Generic outcomes of intervention:**

To create a conducive environment to Informal sector Small, Micro and Medium Enterprises to establish and develop, thereby promoting self-reliance and empowerment, contributing to local employment and growth in the local economy.

### **Promising outcome indicators:**

- The percentage of the local economic active (and formally unemployed) population that is solely dependent on state grants for survival.
- Sustainable growth in the number of informal businesses (per sector and location)
- Number of SMMEs that are older than 3 years
- Number of local people deriving income from, or employed by SMME's
- Economic growth
- Rand value of SMME products sold locally that replace imports to the locality
- Comparison of the performance of supported versus non-supported SMMEs

### **Generic outputs (objectives) of intervention:**

To provide direct or indirect support to Small, Micro and Medium Enterprises to establish and grow, including financial assistance, business start-up, marketing and business management assistance, training and advice, and physical infrastructure and technology support and subsidies

### **Promising output indicators:**

- Number of SMMEs supported through municipal contracts (including partnerships between formal business and informal SMMEs)
- Success rate of designated groups supported by local government in accessing capital required for SMME start-ups

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- Total number of persons trained in municipal (co-)sponsored SMMEs training programmes per annum
- Number of alternative training courses available to SMMEs
- Number of SMMEs supported by non-training initiatives (advice, marketing and networking support initiatives)
- Number of SMMEs supported with appropriate business infrastructure

### **Intervention 11: Community development and poverty alleviation – Partnerships and agreements with NGOs and CBOs**

#### **Generic outcomes of intervention:**

To extend the ability of local government to analyse various needs and values of various groups in the locality and to ensure the delivery of appropriate services that responds to specific needs through the additional service delivery capacity of partnering organisations

#### **Promising outcome indicators:**

- Percentage increase in the service delivery capacity of the municipality through partnerships with NGOs and CBOs
- Increase in residents' satisfaction with municipal services in areas where partnership arrangements are in place
- Perceived strength of organised civil society in the locality

#### **Generic outputs (objectives) of intervention:**

To encourage the establishment of new 'niche' social organisations and to provide assistance to promote the sustainability of these organisations

To enter into partnerships with relevant social organisations to expand capacity to assist disadvantaged groups

#### **Promising output indicators:**

- Number of CBOs and NGOs that receive financial and non-financial support from the municipality
- Number of new and existing partnership agreements with CBOs and NGOs

### **Indicators relating to LED governance and administration**

### **Intervention 12: LED governance and administration – Encouraging stakeholder involvement in LED**

#### **Generic outcomes of intervention:**

To create shared understanding and commitment to LED from various stakeholders in the locality

#### **Promising outcome indicators:**

- Percentage of private, community-based and public sector organisations that support the LED objectives of the locality in terms of:
  - Symbolic commitment (e.g. social compact)
  - Financial commitment
  - Other resource commitment (including voluntary time)
  - Outputs that relate directly to the adopted LED objectives

#### **Generic outputs (objectives) of intervention:**

To establish and promote functional networks between relevant role-players (including community stakeholders, the private sector, the non-government sector, other government spheres & institutions, donor organisations and even other international government bodies) to identify LED needs and problems

To increase the financial resources available for local economic development projects

#### **Promising output indicators:**

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- Number of functional networks in the locality that promote LED directly or indirectly
- Degree of diversity of goals pursued by established networks
- Increase in the financial resources available for local economic development projects

### **Intervention 13: LED governance and administration – Creating a conducive regulatory environment**

#### **Generic outcomes of intervention:**

To promote the desirability of the location as a desirable place to operate a business by removing government-induced obstacles to establishing and operating businesses in the locality and long-term commitment to policies

#### **Promising outcome indicators:**

- Perception of the conduciveness of the locality's regulatory framework for business establishment and operations (as measured by a business attitude survey)
- Decrease in the perception of the negative impact of local ordinances (as measured by a regulatory impact assessment)
- Locality's provincial rank in the cost of doing business in terms of labour, utility and tax costs
- Stakeholder perception of policy and regulatory stability

#### **Generic outputs (objectives) of intervention:**

To developing realistic tax base and rates for the locality

To create and enforce a supportive and transparent regulatory framework

#### **Promising output indicators:**

- The cost (expressed as percentage of the local GNI per capita) of starting a new business
- The cost (% of property value) of registering a property
- Locality's ranking in the province in terms of the cost for standard utilities
- Percentage of local businesses that are aware of latest changes in local ordinance
- Percentage of local businesses that understand the implications of local ordinance changes
- The percentage of reported cases of non-compliance against the local regulatory framework addressed and rectified

### **Intervention 14: LED governance and administration – Ensuring efficient administration**

#### **Generic outcomes of intervention:**

To develop a business-friendly disposition by improving service delivery and eliminating corruption

#### **Promising outcome indicators:**

- Perceived improvement in the delivery of local government services to businesses
- Percentage of local businesses satisfied with received services (including satisfaction with the service delivery process)
- Perception of the prominence of corrupt practices to ensure favourable service delivery, awarding of contracts or approval of policies

#### **Generic outputs (objectives) of intervention:**

To ensure an effective business registration and licensing system by streamlining public administration (eliminating unnecessary bureaucratic processes)

To ensure consist and reliable service delivery and administration of processes (free from corruption)

To ensure efficient financial management of the locality

To ensure a competent civil service

#### **Promising output indicators:**

Number of days to complete all procedures and obtain necessary licenses

Percentage of applications processed within the specified time periods

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Frequency of bribery payments to ensure service delivery (expressed as ratio of total services delivered)  
Frequency of tender procedures and awards questioned (expressed as ratio of total tenders)  
Frequency of approved policies and regulations questioned (expressed as ratio of total policies and regulations approved)  
Number of qualifications in the local authorities' Auditor-General report  
Perceived competence of local authority personnel  
Number of service delivery complaints received per month

### **Intervention 15: LED governance and administration – Institutionalising LED coordination**

#### **Generic outcomes of intervention:**

To ensure appropriate institutional capacity to coordinate LED in the locality

#### **Promising outcome indicators:**

- Existence of a legitimate, functioning public, private and community sector representative forum or platform committed to promoting economic development of the locality.
- Percentage of public, private and community sector organisations represented in the established LED forum or platform (expressed as percentage of total public, private or community sector organisations in the locality)

#### **Generic outputs (objectives) of intervention:**

To create appropriate internal posts and reporting lines to ensure the efficient coordination of LED aspects within the local authority's scope of control

To increase the available resources for LED programmes

#### **Promising output indicators:**

- Existence of a dedicated internal locus of control and responsibility for LED matters
- Percentage of budget spent on LED programmes
- Rand value of alternative (non-municipal) funding secured for LED programmes in the locality