

# A FRAMEWORK FOR MONITORING AND EVALUATING LOCAL ECONOMIC DEVELOPMENT



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Monitoring is used to assist with ongoing implementation of activities or interventions, while evaluation focuses on their impacts and benefits. Internationally there is an increasing focus on M&E, whether for performance management type approaches, or normative learning approaches. LED requires actions at local government and community levels and so M&E is important at both levels. Increasingly work on community-level M&E focuses on participatory approaches. However South Africa has instituted a legal requirement for performance management, rather than normative approaches. Findings from a national survey of pro-poor LED in South Africa show a diversity of outcomes, outputs and activities being used, as well as confusion about the difference between these. M&E is poorly understood and tools for evaluating LED tend to be weakly developed and poorly implemented. A framework is suggested which can assist in conceptualising LED targets at different levels. However LED requires the commitment of multiple stakeholders at different levels to be effective, and there needs to be a review of how M&E can be used more effectively for learning and for building the commitment of these stakeholders, rather than a coercive carrot and stick approach to management.



## Introduction



This briefing document serves as an introduction to key issues related to the monitoring and evaluation (M&E) of LED in South Africa, which parallels a growing international trend that seeks to assess the impacts of various developmental interventions. At the local level, Bond (2003, 2002) calls for a 'new era' of LED planning that would allow 'municipalities finally to embrace their own capacities, nurture and sustain a more genuinely developmental approach to their local economies, and reverse worsening patterns of uneven development that have followed from decades of pursuing non-developmental approaches' (Bond, 2003). One of the complementary processes required in planning for improvements in qualities of life, incomes, employ-

ment, 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.

This paper provides an overview of key definitional challenges of the terms and mechanisms of M&E and outlines why it is needed. It summarizes its relevance within the South African context, current requirements for M&E, and outlines elements from international M&E experience from which to draw possible lessons.

## What is M&E?

According to a recent World Bank-sponsored study of local economic development in South Africa<sup>1</sup>, LED is still relatively new, outcomes are not properly monitored at early stages, data collection is seldom done by municipalities, census data is not focused enough to reveal localised LED outcomes, and staff are often new and have focused primarily upon issues of policy and implementation rather than assessment. Consequently, M&E is poorly understood and tools for evaluating LED tend to be weakly developed and poorly implemented.

In 2000, a definition appeared in the American Journal of Evaluation that clearly puts M&E into perspective, and may provide valuable insight for South African development planners and practitioners. According to its author, Bamberger (2000; 96):

*“ Some distinguish between monitoring activities, which are conducted during project or programme implementation to assess the efficiency and effectiveness with which inputs are used to achieve intended outputs, and evaluation activities, which assess the extent to which projects or programmes have achieved their intended objectives and have produced their intended changes and benefits in the target populations. ”*

M&E is used primarily to measure outcomes and outputs of LED projects and /or programmes using several pre-determined indicators.

- **Outcomes** are the long-term intended or unintended macro-level impacts. They may include GDP growth, improved income earnings, poverty alleviation, reduced rates of unemployment, better local governance, or increased standards of living.
- **Outputs** are the major individual results that collectively produce the outcomes. Examples of outputs may include technical and entrepreneurial skills training, new businesses development, food security programmes, or public sector reforms.
- **Indicators** are the actual numbers of jobs created, people earning a certain income, or the percentage of a local population with access to pre-defined resources. Baseline data provides the reference points in terms of quantity, quality and time, against which indicators can be measured.

M&E can also be used as part of organisational learning. This is referred to as **formative** as opposed to the quantitative evaluative processes which are referred to as **summative**.

## Why use M&E?

Internationally, there is a growing emphasis on the use of results-based tools for M&E to determine the extent to which interventions contribute towards reducing poverty and achieving the Millenium Development Goals, and to inform future LED planning. M&E should allow development practitioners and funders to better assess the outcomes of interventions, to track

progress, design better strategies, allocate resources more efficiently, improve service delivery, inform decision-making, and draw lessons (World Bank, 2004). Table 1 provides a supplementary list of reasons why it is beneficial to integrate M&E in all LED planning processes..

**Table 1: Reasons to use M&E**

Track progress	Better allocate resources	Improve service delivery
Improve management	Increase accountability	Improve quality
Inform decision-making	Design better strategies	Facilitate benchmarking
Track flows of funds	Provide answers	Identify side-effects
Demonstrate results	Draw lessons	Compare different groups
Clarify objectives	Identify leakages	Empower poor people
Identify problems	Take corrective action	Learn from experience

Source: World Bank 2004

So M&E can be used to assess how far you have got, to analyse why, and if a learning approach is used, to link this to improving organisational performance.

<sup>1</sup> Evaluating and Disseminating Experiences in Local Economic Development (LED) with emphasis on their relevance to poverty reduction and applicability to low income countries", funded by the Dutch Government through the World Bank-Netherlands Partnership Program (BNPP). The programme included funding for a review of selected LED activities in South Africa and dissemination activities, as well as a parallel project in Brazil. Partners in SA have included Rhodes University, Khanya-African Institute for Community-Driven Development (Khanya-aicdd), University of the Witwatersrand, University of KwaZulu-Natal, the South African Cities Network (SACN), South African Local Government Association (SALGA), Local Government Sector Training Authority (LGSETA), Development Bank of Southern Africa (DBSA) and Mangaung Local Municipality.



## M&E in the South African Context



As a country with a highly evolved LED policy and numerous programmes and projects set-up to generate economic growth and to reduce poverty, the effective use of M&E is a priority to maximise positive outcomes and outputs. At present, M&E in South Africa is commonly linked to the misconception that municipal LED strategies pertain primarily to specific individual projects. Thus, there is a need to move beyond this idea of implementing and evaluating projects to supporting economic processes; in other words, M&E has to be widened to take account of a greater complexity. As a result, an evolving framework for M&E is beginning to appear in LED-related policy in South Africa.

In addition to the requirement for developing a municipal Integrated Development Plan (IDP) in which to enshrine local LED policies and strategies, the 2000 Municipal Systems Act (MSA) now requires that all municipalities monitor and evaluate their developmental performances and interventions (RSA, 2000). The MSA requires every municipality to develop and implement a performance management system that must contain:

- ▶ Key performance indicators 'as a yardstick for measuring performance, including outcomes and impacts, with regard to the Municipality's development priorities and objectives set out in the IDP.'
- ▶ Measurable performance targets for each of the development priorities and objectives.

Moreover, the Local Government Municipal Planning and Performance Management Regulations of 2001, describe the role of the performance management system in monitoring, evaluation and review as:

*A framework that describes and represents how a municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed...*

Similarly, from July 2005, the Municipal Finance Management Act requires that three monthly targets are set for services and activities, and that a Service Delivery and Budget Implementation Plan (SDBIP) is drawn up for each municipal directorate (RSA, 2003).

The World Bank Study revealed that municipalities are undertaking evaluative activities using census data, analysing business data, to specific household surveys. In spite of the evolving M&E legislation, municipalities have expressed concern over the unavailability of indicators to use as benchmarks in order to assess progress. As such, few municipalities actively engage in actual LED monitoring, and those which are under-

taking evaluative activities using census data, business figures, and specific individual household surveys to satisfy their PMS obligations often do not understand what these indicators reveal.

Some other problems reported associated with monitoring and evaluation include:

- ▶ LED is still relatively new and impacts are not properly monitored at this stage;
- ▶ Census data is not focused enough to reveal localised LED impacts (eg see Satterthwaite and Tacoli, 2002), and there is dissatisfaction with census statistics, for example in Mangaung and Senqu Municipalities, which is affecting policy-making;
- ▶ Data collection is seldom done by municipalities, except in the metros;
- ▶ Staff are often new and have focused primarily upon issues of policy and implementation rather than assessment;
- ▶ There are inconsistencies surrounding LED strategies;
- ▶ There is a lack of specific indicators hampering the identification of clear benchmarks for evaluating outcomes and output.

Municipalities are confused about LED approaches, goals strategies and instruments. These are often used interchangeably by the municipality without any real thinking or use of theoretical information that informs monitoring and evaluation. It is therefore necessary that a set of indicators be used to measure specific strategies instead of perceived LED goals such as economic growth, poverty alleviation, service delivery, job creation and redistribution, using a coherent structure of outputs and outcome.

In terms of the linkage between M&E and learning, some cities have knowledge management programmes but they are usually disconnected from the M&E process. In practice most municipalities struggle with the conceptual understanding of strategic planning, the development of associated performance management systems, and the technical challenge of collecting data to report on these and to report in an effective way. In practice there is often reluctance in performance assessments to give people low marks leading to consistently high ratings and high bonus payments, which may well not be merited. As a result a standard performance contract is now being drawn up for municipal managers. In general performance management is seen as a coercive mechanism, rather than a shared framework which encourages a debate and learning.



## Possible Tools and Methods for M&E for South Africa



In spite of the evolving M&E legislation, municipalities have expressed concern over the unavailability of indicators to use as benchmarks in order to assess progress. As such, few municipalities actively engage in actual LED monitoring, and those which are undertaking evaluative activities using census data, business figures, and specific individual household surveys to

satisfy their PMS obligations often do not understand what these indicators reveal.

The World Bank (2002) suggests that LED should promote the welfare of the community by making it sustainable and functional along four dimensions, a sort of balanced scorecard:

- Liveability = social equity and environmental quality;
- Competitiveness = productivity and economic vitality;
- Good governance and management = within and beyond City Hall;
- Bankability = sustainable city or town finances and creditworthiness.

A series of possible general indicators are provided for these.

Some GTZ-funded work developed a model for Rural Economic and Enterprise Development (REED). This identifies a set of what are referred to as cornerstones (GTZ 2003). These are included in Table 2, and how they link to the Bank’s dimensions above.

DFID amongst other organisations has been promoting the sustainable livelihoods approach (SLA) as a form of best practice in addressing poverty. This includes the SL Framework and SL principles. The SL Framework provides some useful thinking about pro-poor outcomes (improved livelihoods, with improved assets, reduced vulnerability and improved sustainability). The

principles also assist in looking at how development should happen to address poverty, and so notably touch on governance issues.

The above frameworks are used to devise an integrated framework for M&E of Pro-Poor LED which is shown in Table 2 – including outcomes and outputs. What this diagram illustrates is how LED is integrated and interweaved with a wide range of other aspects of development – economic development both needs these in order to happen, and they are dependant on economic growth. It also reflects the complex range of aspects which need to be managed for pro-poor growth to happen.

This framework can provide local LED officials with clarity on identifying appropriate indicators and with valuable insight for the development of a unique South African framework for M&E that can be adapted to measure the impacts of municipal LED. The embedding of LED throughout the activities of municipalities implies that these outputs will be very varied, in order to generate the climate for economic development.

**Table 2: Possible framework for structuring M&E in SA**

		Indicators	
Outcomes	<ul style="list-style-type: none"> <li>• Improving jobs, growth rates and reducing inequality</li> <li>• Quality of livelihoods, which can be measured by:                             <ul style="list-style-type: none"> <li>• Financial assets - level of incomes and wealth</li> <li>• Human assets - improved skills, confidence and security from crime, poor health and nutrition</li> <li>• Social assets - strong communities and social structures</li> <li>• Natural assets - availability and quality of natural resources for enjoyment and for economic use</li> <li>• Physical assets - access to suitable personal (eg housing) and public assets (eg electricity)</li> <li>• Reduction in vulnerability of households to stresses and shocks</li> </ul> </li> <li>• Sustainable use of resources</li> </ul>		
	<b>Livability (good area to live and work)</b>		<b>Effective governance and management</b>
Outputs	<ul style="list-style-type: none"> <li>• Availability of basic public services</li> <li>• Functioning and effective infrastructure</li> <li>• Sufficient environmental standards</li> <li>• Adequate housing</li> <li>• Secure and safe environment</li> <li>• Availability of amenities and culture</li> </ul>		<ul style="list-style-type: none"> <li>• People centred and participatory - local organisations, groups and associations representing the poor recognised as building blocks with communities active and involved in managing their own development</li> <li>• Active and accessible network of community-level service providers</li> <li>• Effective, responsive, coordinated and accountable management and delivery of services, notably by local government</li> <li>• Autonomy of local government</li> <li>• Strategic direction, redistribution and oversight by national government</li> <li>• Vertical and horizontal coordination and partnerships, across government, as well as with private sector and non-government organisations</li> <li>• Effectiveness of leadership at different levels</li> <li>• Ongoing learning from success and failure by all stakeholders (learning institutions)</li> </ul>
	<b>Bankability</b>		<b>Competitiveness</b>
<ul style="list-style-type: none"> <li>• Effectiveness of community’s financial management</li> <li>• Creditworthiness of local authority</li> <li>• Stability of intergovernmental fiscal flows</li> <li>• Attraction of local and non-local private investment</li> </ul>		<ul style="list-style-type: none"> <li>• Holistic and disaggregated understanding of local economy and livelihoods, local strengths, weaknesses, opportunities and threats</li> <li>• Active private sector institutions and linkages</li> <li>• Adaptive management capacity and entrepreneurial competence</li> <li>• Sound business environment that fosters investment and entrepreneurship</li> <li>• Access to integrated and open markets</li> <li>• Encouragement of creativity and innovation (closely linked to culture)</li> <li>• Access to modern technology</li> <li>• Sustainable transport system</li> <li>• Availability of business credit</li> <li>• Quality of human resources</li> </ul>	

**Activities to promote competitiveness**

Specific activities that promote pro-poor growth and primarily competitiveness are shown in Table 3. Activities to promote

bankability, livability and governance are not covered here but are important to create the climate for pro-poor LED.

**Table 3: Possible Activities to support competitiveness**

<b>Contribution to competitiveness</b>	<b>Activities</b>
Appropriate enabling environment	Development of economic strategy, building on local strengths and opportunities
	Improving the local business climate eg improving processes and procedures for business registration, taxation
	Privatisation to improve services
	Grants/rebates to attract inward investment
	Grants/rebates to attract local investment/ expansion/ retention
	Non-financial support in promoting inward investment
	Research and information re economic development
Improved infrastructure	Investment in hard strategic infrastructure ranging from electricity and roads to broadband communications
	Investment in industrial /commercial sites/ premises
	Sustainable intermodal transport systems
Strengthened SMMEs	Support for procurement by SMMEs from large organisations
	SMME support centres
	Subsidising general business advice for SMMEs
	Support for creation of new businesses (including cooperatives)
	Support for growth of existing businesses (including cooperatives)
Improved access to markets	Supporting access to finance, including microfinance, community banking, as well as venture capital
	Marketing of the area
	Physically eg construction of markets, construction of cargo airports
	Virtually eg electronic purchasing systems, support for exporting
	Developing mechanisms for bulk contracts and subcontracts to SMMEs
	Developing unique local products based on local strengths and opportunities
Improvement for specific targeted groups/areas	Developing markets for local SMMEs and communities through contracting of services and local procurement, eg community-based waste management, or community-based road maintenance
	Development of specific sectors/ business clusters
	Schemes to support the informal sector
	Schemes to support urban agriculture
	Schemes to support particular groups eg women, youth
	Special employment schemes eg labour-based maintenance
Improved skills of the workforce	Special development zones
	Skills training, notably literacy

**Conclusion**

In conclusion, the monitoring and evaluation of LED in South Africa at both the policy development level and with regards to devising appropriate indicators and tools for M&E remain ongoing and evolving processes. This Brief proposes an emerging framework for M&E of LED based around the dimensions of livability, competitiveness, good governance and management, and bankability, as possible yardsticks for measuring LED and a number of possible indicators are suggested. This should assist municipalities to conceptualise LED more clearly and to structure a cascading set of targets at different levels.

However a word of warning is needed. The emphasis being used for M&E in South Africa is a performance management approach, with targets for municipalities, directorates, cascading to senior managers. It is a highly technocratic approach based around upward accountability, with less emphasis on participation, learning and normative approaches. This is particularly problematic for a process such as LED which is inher-

ently multistakeholder and multilevel. In order to make the M&E of LED effective it must:

- be based on a clear understanding of what LED is, and how pro-poor LED can be achieved – the set of outputs and outcomes included here can assist;
- use a process which builds commitment by multiple stakeholders to a shared objective and joint action, and encourages mutual learning;
- motivate municipal staff to perform, and not just be seen as a coercive mechanism.

So it is important to link the performance management approach with one that promotes organisational learning, recognises that mistakes are part of learning processes, and promotes impacts rather than being fixed on activities and outputs.



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