

**DEPARTMENT OF ECONOMIC DEVELOPMENT
AND ENVIRONMENTAL AFFAIRS**



**LOCAL ECONOMIC DEVELOPMENT FUNDING CRITERIA:
LED POLICY FRAMEWORK AND INSTRUMENT**

NOVEMBER 2008



Province of the
EASTERN CAPE
DEPARTMENT OF ECONOMIC DEVELOPMENT
AND ENVIRONMENTAL AFFAIRS

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Abbreviations and Acronyms

ASGI-SA	Accelerated and Shared Growth Initiative for South Africa
BBBEE	Broad-Based Black Economic Empowerment Act
CMIP	Comprehensive Municipal Infrastructure Programme
DCF	District Coordinating Forum
DEDEA	Department of Economic Development and Environmental Affairs
DLGTA	Department of Local Government and Traditional Affairs
DoA	Department of Agriculture
DSG	District Selection Group
EPWP	Extended Public Works Programme
IDP	Integrated Development Plan
IMS	Integrated Manufacturing Strategy
ISRDP	Integrated Sustainable Rural Development Programme
LCF	Local Competitiveness Fund
LED	Local Economic Development
MERS	Micro-Economic Reform Strategy
MIG	Municipal Infrastructure Grant
MSA	Municipal Structures Act
MSGF	Municipal Support Grant Fund
MSA	Municipal Systems Act
NSDP	National Spatial Development Perspective
PPPFA	Preferential Procurement Policy Framework Act
PGDP	Provincial Growth and Development Plan
PGDP	Provincial LED Strategy Guidelines
TS	Thina Sinako
URP	Urban Renewal Programme

Preface

The Executive Council of the Provincial Government of the Eastern Cape (EXCO) at its meeting of 13th December 2007 mandated the Department of Economic Development and Environmental Affairs as the lead institution for the management and coordination of LED in the Province. The Municipal Support Grant Fund, (MSGF), as the key instrument for stimulating LED in partnership with municipalities, is an integral element of the Economic Development programme of the Department, under the responsibility of the LED sub-programme. The Local Economic Development Funding Criteria (Policy Framework and Instrument) has been prepared for the first time as a set of detailed policy and practice guidelines for municipalities, potential beneficiaries and target groups who will be submitted proposals for project support under the MSGF for the financial year 2009-10. They are also intended to make clear the criteria and process for selection of proposals. This is an important first step on the part of the Department and the Provincial Government as it sets out over the next years to put in place a coherent, comprehensive and integrated strategy for Local Economic Development in the Province. Work has commenced on the preparation of the LED strategy which will be piloted and put in place over the next years. During this interim period, the MSGF will continue to provide valuable financial support to potential beneficiaries and target communities, it will build capacity and generate valuable lessons and good practice for LED in the Eastern Cape.

Introduction - LED defined

Local economic development (LED) in South Africa has been a term used to define intervention to promote economic development in a specific area ranging from a small neighbourhood through to a region or district. Approaches to LED have developed and changed as local economies have had to respond to the changing impacts of the global economy. The emphasis in LED has grown beyond a preoccupation with local self-sufficiency towards understanding, developing and exploiting economic linkages from district and national, through to the global level.

Local economic development projects range from simple and small to larger and more complex actions and programmes. LED projects are aimed at changing local socio-economic landscapes fundamentally over time. At the core of LED is the need to involve local people and institutions

in the development of their local economies by focusing on opportunities for economic growth, employment creation, through empowerment as well as social and economic transformation. Local economic development is most importantly about people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the local community.

The Government of South Africa has promoted LED through the concept of the “developmental state” and offers practical and financial support to local groups organized for the purpose of developing the local economy.

A New Approach to Local Economic Development

Local Economic Development has many different faces and manifestations. At its core, it is about building endogenous capacity enabling local communities, their institutions and enterprises to act purposefully and in partnership with government at all levels to build a sustainable and inclusive economy in the area.

Local Economic Development is designed to tackle complexity and reach the places and target groups that mainstream policy and programmes, as well as the market, cannot reach. Specific LED programmes and projects can focus on enterprise development, essential infrastructure to support economic and business development in the local area, urban and village renewal, rural regeneration, pathways to employment, integrating the labour market, social inclusion, adapting to change and innovation, life long learning to mention but some. The creation and strengthening of endogenous capacity is either a pre-condition for, or a consequence of, effective action.

Socio-economic context and the need for intervention

The Eastern Cape features regularly as the Province in South Africa with a chronic accumulation of socio-economic disadvantage. Bequeathed an under-developed economy by apartheid South Africa, the Province still grapples with a structurally skewed economy. It has an under-capitalised and under-performing agricultural sector that could potentially boost the economy. The tertiary sector presently accounts for most of the Province’s labour force, but carries a relatively bloated public sector. Manufacturing is largely dominated by the automotive industry in the Nelson Mandela Bay Municipality and Buffalo City Municipality, predominant to such an

extent that it creates potential vulnerability. All of these issues point to the need for policies promoting economic diversification, especially through small enterprises and cooperatives, as identified in the Eastern Cape Provincial Growth and Development Programme (PGDP, 2004–2014).

The level of unemployment is high. It remained very high into the first decade of the new democracy in South Africa, and stood at 60% and 64% for black African males and females respectively per the 2001 Census, against 6% and 7% for white males and females in the same census. The Community Survey of 2007 shows that the situation has slightly improved, yet remains a cause for concern. The unemployment figures were then reported at 42% and 45% for black African males and females respectively, while the comparative figures for white males and females stood at 4.6% and 7.6% respectively. For those in employment, a very large proportion of the jobs are in the low pay, low-semi-skilled sectors: the 2007 statistics show the Eastern Cape to have 43% of its labour force low-skilled, and a further 17% characterized as semi-skilled, making up a total 60% of the labour force in low paying, casual, insecure and often hazardous jobs. Large numbers of young people continue to leave an under-performing school system without basic literacy, numeracy and life skills, let alone skills and qualifications that are tradeable in the labour market.

As a consequence, many households are dependent on government grants and charity handouts, with a significant number of households having no income at all. An estimated 68.7% of the population is living below the poverty threshold (with either zero income or a household income falling below R800), which is the highest in South Africa¹.

Another consequence of the above state-of-affairs is that the Province continues to experience movements of job-seekers from rural to urban areas in the Province, or leaving the Province in search of scarce opportunities elsewhere. This creates a situation that only serves to compound social and other related stresses in both the rural and urban regions, with the former depleted of an able labour force, and the latter carrying an excess population that increases its strains.

Furthermore, as a consequence of an underperforming regional economy, the Province cannot keep its educated and skilled labour force. It has been experiencing a significant “brain drain”, as

these people leave the Province in search of a better life, further reducing the attractiveness of the Province for investors.

It is commonly stated that the greatest single asset of any area or region is its people. However, in far too many local areas (urban, semi-urban and rural) across the Eastern Cape, partly as a result of systematic neglect and economic injustice in the apartheid era, and partly due to the persistent inability of both public and private initiatives to create meaningful opportunities for earning a living, a new culture of dependency, marginalisation and despondency is becoming embedded.

Policy Context and Rationale

National and provincial government develop policies and programmes that determine how the public sector will invest, how infrastructure and services will be developed, how different economic sectors will be promoted, and how government will regulate and support various aspects of economic activity. To be effective in achieving economic growth and human development objectives, these measures must be supported and reinforced by the actions of the municipalities, working in partnership with local communities and enterprises. This LED funding framework is the means by which DEDEA and the local communities can mobilize to give local effect to socio-economic macro-policies, strategies and programmes, as well as build and exploit local competitive advantages to drive economic development in the local economies.

The following are some of the key national policies, guidelines and programmes that the LED Funding Criteria should be mindful of:

- The Constitution of South Africa
- National LED Policy Guidelines
- National LED Policy Framework
- National Spatial Development Perspective (NSDP)
- Micro-Economic Reform Strategy (MERS)
- Provincial Growth and Development Plan (PGDP)
- Integrated Development Plan (IDP)
- Provincial LED Strategy Guidelines
- Municipal Systems Act (MSyA)
- Municipal Structures Act (MStA)

- Extended Public Works Programme (EPWP)
- Municipal Infrastructure Grant (MIG)
- Comprehensive Municipal Infrastructure Programme (CMIP)
- Integrated Manufacturing Strategy (IMS)
- Urban Renewal Programme (URP)
- Integrated Sustainable Rural Development Programme (ISRDP)
- The Broad-Based Black Economic Empowerment Act (BBBEE)
- The Preferential Procurement Policy Framework Act (PPPFA)
- The Accelerated and Shared Growth Initiative for South Africa (ASGI-SA)

In addition to the above, the specific development conditions of the Eastern Cape are addressed in the Provincial Growth and Development Strategy (PGDS) and Plan (PGDP) for the Province. The purpose of the PGDP is stated as follows: “The PGDP provides the strategic framework, sectoral strategies and programmes aimed at a rapid improvement in the quality of life for the poorest people of the Province.”

In this policy context, DEDEA offers substantial grant funds which are designed to stimulate and strengthen the local economic base of the Province. These include programmes to promote SMME start-up and expansion, to build sustainable and competitive tourism, agri-processing and manufacturing sectors as major providers of revenue and jobs into the Province as well as to encourage the emergence of enterprises, including cooperatives, as drivers for economic activity in mainly rural areas. These are managed centrally or through DEDEA entities, Eastern Cape Development Corporation and the Eastern Cape Tourism Board as well as through municipalities.

Funding is also allocated on the basis of LED projects to support partnership-based actions to create new economic opportunity and jobs and to promote an environment for enterprise and initiative in the local economy. *The present Funding Criteria relate to funding for LED Projects recommended by municipalities in the context of the Municipal LED Support Grant Fund. The LED project proposals put forward for support under the MSGF will contribute to the strategic and operational objectives of the provincial and DEDEA strategies and programs.*

History of DEDEA LED Funding - Rationale for a New Framework

DEDEA has been supporting LED initiatives in all six Districts and in the Metro since 2003-04. Over the last five years, a total of R87 million has been provided as a significant contribution to some 118 LED projects.

Between February and April 2008, DEDEA along with the Department of Local Government and Traditional Affairs, with support from the Thina Sinako programme, conducted a series of consultations with local government and regional offices of the Provincial sector departments across the six Districts and the Metro to review progress in relation to LED and to understand better LED needs and issues at municipality level.

When addressing the issue of resources for LED, participants were especially concerned at the lack of correlation between Provincial spending priorities, plans and programmes and those formulated at municipality level. Much of the development potential of local areas depends on investment decisions taken at other levels. There is a need for greater transparency and predictability. Representatives from municipalities called for a more openly consulted and programmed approach to development investment plans built around the Provincial Growth and Development Plan. At present, the PGDP does not provide an indication of development funding plans which can be taken into account by those preparing local plans.

In addition, the Consultative Workshops highlighted following concerns:

- i) A perception of under-representation of the local voice in district-led programming for local economic development;
- ii) Concerns that the selection process for projects is arbitrary and lacks objectivity;
- iii) Concerns that local groups proposing projects have little real experience of developing thoroughly considered applications for support, and that a good number of these applications lack clear demonstration of need and validity of purpose in the proposals;
- iv) Reported delays in project implementation due to a host of reasons, including a lack of capacity by project implementers and weak contract management mechanisms within

the department and the municipalities managing projects on the ground as well as fund transfer delays from district to local municipalities and to beneficiaries;

- v) Often weak oversight and sense of responsibility for LED projects by the host municipality and anecdotal evidence of under-spend and/or abandoned projects due to lack of local commitment or ownership.

DEDEA commissioned an evaluation of the LED projects in Amathole District Municipality since 2003/04 to 2007/08 financial years. The findings of the study confirmed the conclusions of the consultative workshops held across all of the Districts and Metro.

Most of the issues are largely a consequence of combinations of the following factors –

- Insufficient guidelines for project proposers around DEDEA's expectations.
- Project selection procedures that have not been well structured, transparent, fair, objective and rigorous;
- The lack of a technical support infrastructure to ensure a successful implementation of approved projects and to build capacity for LED among local groups.

Taking the socio-economic situation as well as the policy context into account, DEDEA intends over the next years to introduce a more comprehensive and strategic approach to the development of local economies in the Province. Over the next year, DEDEA will be working to consult, design, test and resource a fully fledged Provincial LED strategy, programme and associated funding regime. DEDEA is committed to using the next years to pursue a structured transition towards that end incorporating some of the lessons from the evaluation of its MSGF, lessons from the Thina Sinako Provincial LED Support Programme that has been co-led by DEDEA in collaboration with the Department of Local Government and Traditional Affairs, Office of the Premier (OTP), Department of Agriculture (DoA) and the Provincial Treasury, as well as drawing on other comparative experiences. DEDEA will also endeavour to build a resource base and provide support that will over time be responsive to the scale of need and a determination on the part of Government to turn around the economic fortunes of local communities in this Province. This implies that LED funding levels should be at the least commensurate with the combined levels of funding which have been available from both Thina

Sinako's Local Competitiveness Fund (LCF) and the existing Municipal Support Grant Fund of DEDEA.

These interim guidelines for the M(LED)SGF, pending the launch of the Provincial Local Economic Development Strategy led by DEDEA, seek to address the needs, issues and technical challenges identified above.

Goal and Objectives of the Municipal LED Support Grant Fund – 2009-10

The Municipal Support Grant Fund (MSGF) was established by DEDEA in the 2003/04 financial year. It has the aim of supporting local government to create the conditions and stimulus for inclusive socio-economic development through local initiative, contributing to increased prosperity, new and better jobs and the eradication of poverty.

The Objectives of the Municipal LED Support Grant Fund are

- to encourage local actors and communities working in partnership with local government to undertake local actions to stimulate economic development, to promote economic and social inclusion and to create a culture of enterprise locally;
- to support local government and communities to provide basic infrastructures needed to sustain local economic activity;
- to promote the integration of excluded individuals and groups into the mainstream economy;
- to facilitate the transfer and acquisition of LED and business management skills to local groups and communities from historically disadvantaged backgrounds;
- to increase levels of confidence, self-belief and initiative among groups and communities from marginalised communities.

Description of the types of actions to be supported

Projects addressing one (or several) of the following themes will be considered for support.

- Promoting micro-enterprises and cooperatives including start-up, access to funding, business support services, product incubation, low cost serviced premises, coaching, clustering, networking and exchange of experience. Can also include actions to develop “pathways to business” for those in the informal economy or subsistence economies;
- Promoting community enterprise and employment - social economy/community enterprise in small towns, townships, in rural villages, peri-urban areas, local community based projects for improving the environment, quality of life, alternative local provision of basic services;
- Promoting the sustainable renovation of villages and conservation of rural heritage, creating a better environment for enterprise and quality of life for local residents;
- Promoting better local links between education and enterprise (better skills match to meet needs of the market) e.g. transition from school-to-work programmes, firm-to-college life long learning programmes;
- Improving essential local infrastructures for socio-economic development – such as joint local schemes for water quality, waste management, reliable energy supply, access to ICT (and new broadband) for small firm clusters;
- Local employment and training actions for a sustainable, clean and attractive environment and community-based socio-economic development;
- Local actions valorising traditional and local produce and crafts – product development, marketing, (eg Proudly South African, etc), logistics, business development;
- Promoting new forms of economic activity, enterprises and jobs in townships, inner city and rural villages including, environment, energy, culture and heritage, tourism, social economy;
- Integrating the workforce of the Eastern Cape – local actions to tackle long-term unemployment, youth and women, pathways to economic

integration, up-skilling those in low pay-low skills jobs, sustainable livelihoods – tackling poverty and social exclusion.

Target beneficiaries

Beneficiaries will include partnerships which can combine local authorities and other public bodies, public-private partnerships, community groups, non-government organizations, private sector representative organisations, labour representative organisations.

Project proposals which combine several local authority areas, provided they are consistent with the IDPs of the municipalities concerned, will also be considered.

In their proposals, all partnerships will be expected to demonstrate their substantive character – (ie not simply contrived for the purpose of the application).

Scope of the Fund – MTEF commitments

The MTEF commitment for the Municipal Support Grant Fund for the 2009/10 financial year is R33 million. This commitment will be distributed by using the 70:30 ratio that is determined by the mandate of the Integrated Sustainable Rural Development Programme (ISRDP) and the Urban Renewal Programme (URP), respectively. The ISRDP nodes (Alfred Nzo, Ukhahlamba, O.R. Tambo and Chris Hani DMs) will receive a total of R23 100 000, allocated equally, and the URP nodes will be awarded a total of R9 900 000 (Amathole, Cacadu DMs and Nelson Mandela Bay Metro). However, DEDEA reserves the right not to allocate funds against prior commitments within a region where the quality of projects proposed is deemed not be at a satisfactory standard.

It is proposed for the transition period (pending the full launch of the Provincial Local Economic Development Strategy in 2010-11), that the MSGF may co-finance projects varying in duration from one to three years depending upon the potential impact of the proposed project to the MSGF Goal and Objectives and the overall quality of the proposal. All project proposals will be evaluated and justified on the basis of their business plans. All Proposals (Business Plans)² will include a clear statement of overall objective and a full and detailed description of the activities to be undertaken to achieve those outcomes – and how outcomes contribute to the goals and

² For full details of the contents and completion of the Business Plan, see below at

objective of the MSGF. The application will also contain a full expenditure projection showing total cost and the MSGF contribution requested – and any co-financing from the project partners. Business Plans for projects for longer duration (2-3 years maximum) will be required to justify the bid in terms of significance, potential impact – and/or managed complexity of the project. The plan will set out the overall goal and objective, the major milestones over the proposed period, cost projections for completion, in addition to the detailed activity plan, key outputs and expenditure forecast for the first year. Where appropriate, subsequent yearly commitments/awards will be related to satisfactory performance, in terms of outputs, verified expenditures, the approval of future annual activity, future outputs and spending forecasts. In the case of multi-annual proposals where Year One is intended to determine longer term feasibility of the intended project, further approvals will depend on the outcome of that study.

DEDEA reserves the right to rescind all project award approvals at anytime during the project lifecycle where performance on above counts is judged unsatisfactory – and where necessary to take appropriate measures to recover grant already advanced/paid.

Management of the Fund

The institutional arrangements for the management of the Fund will be strengthened. These will involve close coordination between DEDEA Head Office (LED Unit), DEDEA Regional offices and municipalities. DEDEA Head Office (LED Unit) is responsible for overall management of the process - (design of the measure, call for proposals, overall selection process including criteria, transferring funds, monitoring progress on basis of regular reports, commissioning evaluations). The DEDEA Regional Offices are responsible for pre-assessment and pre-selection - (report on project application to Director, convening District Selection Group for pre-selection, regular reporting (to DEDEA LED Unit) on basis of financial returns and monitoring visits etc).

The Call for Proposals for the Municipal Support Grant Fund will be issued through a memo and these guidelines to District and Local Municipalities via the DEDEA Regional Office. It will contain summary details of the scheme as in this Framework – and will invite Local and District Municipalities to identify possible projects and local project groups which meet the objectives, conditions and terms set out in this Framework. DEDEA Regional Office staff will provide technical assistance to the groups for the completion of the application/proposal/business plan.

Only project proposals which have been endorsed by the Municipal Council and forwarded through the District/Metro Municipal Manager/LED Unit to the DEDEA Regional Director will be considered for pre-selection. In addition, the DEDEA Regional Office will conduct a verification check on all project proposals to ensure that the basic elements are in order before submitting to the District Selection Group (DSG) (see below) for pre-selection. On-site checks by the LED Adviser/s will include verification of shared commitment of all partners to the project (e.g. MoU signed by all partners), project planning prerequisites such as essential property title/planning permissions where necessary, essential conditions for project success (eg access roads, energy and water supplies. Broad-based community ownership and “buy-in” to the project should also be taken into account in the on-site check, including consultation with key community stakeholders.

The membership of the DSGs will comprise the DEDEA Regional Directors, DLGTA, Department of Agriculture, the manager of the LED Department in the District municipality and the Regional Fund Adviser from Thina Sinako (until end 2009). It will be charged to pre-select projects for support from the Fund within the District/Metro. Where sectoral issues pre-dominate, the appropriate official from the DEDEA regional office/ECDC/DoA may take part as technical adviser to the District Selection Group. The DSG will also ensure that there is no duplication of public funds (national or provincial) for proposed projects other than where previously agreed.

The DSG will submit its agreed list of projects recommended for DEDEA support to the DEDEA Regional Manager who will, in turn after endorsing it, forward to the LED Unit (DEDEA Head Office). On the basis of the recommendations from the DSG, the Senior LED Manager in consultation with the General Manager for Economic Development, will determine overall award and (annual) allocation(s) from the MSGF to the successful projects, under the authority of the DEDEA Accounting Officer and Executive Authority. In the event of DEDEA Head Office being unable to approve a proposal recommended by the DSG, it will set out in detail its reasons for rejection. DEDEA may offer project proposers the opportunity to make appropriate changes to the proposal and to resubmit through the selection process.

A Project Steering Committee (PSC) will be set up for each project approved under the 2009-10 programme. Membership of PSC will include DEDEA Regional Office LED Adviser nominated

as Liaison Officer, Sectoral Policy adviser where necessary, LED Manager of DM (if DM managing project funds), LED Manager of LM, Members of Project Board (where appropriate), Project Manager. In situations where DEDEA is co-funding a project along with another funding body, (see Project Contract Details below), project steering arrangements will be agreed between funders, intermediary municipality(ies) and project leaders.

The DEDEA Regional Office a nominated LED Adviser will provide ongoing support and supervision for each project in the District. The LED Adviser/s will be responsible for maintaining ongoing contact with the project management team and will report quarterly on progress. They will oversee and report on project expenditure, provide early warning of implementation bottlenecks or problems and make recommendations, where necessary, for appropriate action. Projects judged to be “higher risk” may warrant a recommendation from the DSG at pre-selection stage for closer oversight and more frequent reporting.

Following final DEDEA approval, the initial annual award will be paid in advance. Subsequent awards/tranches will be payable following satisfactory progress reports – including approved expenditure reports. Approval of subsequent tranches of committed funding will be supported by positive reports of progress and verification of expenditure of previous tranche of award by the DEDEA Regional Office.

Selection of Projects

The selection criteria is intended to assist the DSG with the evaluation as well as to assess the viability, feasibility and most importantly sustainability of the LED projects. A standard business plan template, including explanatory guidelines, will be available in DEDEA's regional offices and municipalities. The selection criteria are set-out in the following Evaluation Grid based on the outlined categories. Individual project selection reports must be accompanied by key stakeholder cvs (project proposer, project manager(s) (where different). These will be an integral element of the Business Plan submitted.

The members of the District Selection Group, meeting together, will individually score each proposal against the criteria on the scoring scale indicated below. Sub-totals for each criterion are added to arrive at total score for the proposal. The members of the DSG will consult and compare markings (both total score and per criterion). Where there is significant variance (ie more than 5 points per criterion or 20 points in total scores) between members, they will review assessments and seek to agree an average.

Categories of Selection Criteria

- A.1 Relevance
- A.2 Technical and Operational Capacity
- A.3 Financial Capacity
- A.4 Sustainability and Partnerships
- A.5 Leadership and Management

Scoring Scale: 1-Poor 2-Below Average 3-Average 4-Above Average 5-Excellent

A.1 Relevance

SCORES	1	2	3	4	5
A.1.1 How relevant is the LED project to MSGF development objectives					
A.1.2 How does the LED project contribute to local growth and development priorities					
A.1.3 To what extent does the LED project address local needs					
A.1.4 To what extent are local resources (physical, natural, economic, human, social) used, developed and enhanced by the project.					
TOTAL					

A.2 Technical and Operational Capacity

(This will be largely based on assessment of CVs)

SCORES	1	2	3	4	5
A.2.1 Does the applicant have adequate technical (sectoral) capacity or expertise relevant to the LED project?					
A.2.2 Does the applicant have operational project planning capacity?					
A.2.3 Does the applicant have overall operational management competencies to implement and administer the LED project? <i>(what experience does the applicant have in relation to general management/administration skills – eg financial, human resource management, conducting meetings etc)?</i>					
A.2.4 Does the applicant have sufficient competencies including competent staff, tools and equipment to execute the project?					
TOTAL					

A.3 Financial Capacity (A.3.3 and A.3.4 are largely based on assessment of CVs)

SCORES	1	2	3	4	5
A.3.1 Does the applicant have a cash flow plan (expenditure and revenue) for the LED project?					
A.3.2 Is the cash flow plan realistic and in tandem with the LED project cycle completion?					
A.3.3 Does the applicant have financial competencies to fulfill the LED project?					
A.3.4 Does the applicant have technical ability to handle budgets for the LED project?					
TOTAL					

A.4 Sustainability and Partnerships

SCORES	1	2	3	4	5
A.4.1 Are the proposed activities appropriate to the local needs; LED project objectives; results and/or outcomes?					
A.4.2 Did the applicant do a feasibility study to inform the LED project proposal?					
A.4.3 Are the expected results of the action activities likely to produce desired results or outcomes as anticipated?					
A.4.4 How established are the links between the applicant and the target community? <i>(the relationship between the applicant and the target community – when these are not the same – should be tested by the Regional Office during the initial pre-assessment verification check. The results of this check should be associated with this application. Is there a history of previous cooperation between the parties?)</i>					
A.4.5 What proof is there of buy-in from the target communities?					
A.4.6 What proof is there of buy-in from local governance structures?					
TOTAL					

A.5 Leadership and Management

SCORES	1	2	3	4	5
A.5.1 Does the applicant have sufficient and relevant project leadership experience?					
A.5.3 What arrangements are in place to oversee the joint management of the project between applicant and target community, including arrangements for conflict resolution?					
TOTAL					

Summary Scores

Criterion	Total Possible	Total Actual
A.1 Relevance	20	
A.2 Technical and Operational Capacity	20	
A.3 Financial Capacity	20	
A.4 Sustainability and Partnerships	30	
A.5 Leadership and Management	10	
TOTAL	100	

Project Contract Details

The project contract will be signed having regard to the standard guidelines adopted by the LED Funding Criteria and in compliance with the Public Finance Management Act (PFMA) and the Municipal Financial Management Act (MFMA).

On the basis of the allocative mechanism described under Scope of Fund (page 13) of these Guidelines, DEDEA will, following final approval of projects, at its discretion, transfer the approved funds either to the District or to the relevant Local Municipality acting as intermediary for the projects concerned. A Service Level Agreement setting out the conditions of funding and the obligations of both DEDEA and the recipient municipality will serve as the legal framework for this relationship.

In situations where DEDEA is a co-funder for a project, a Memorandum of Understanding will be drawn up between the funders setting out the arrangements for coordination and communication to ensure that the interests of the respective institutions are protected, transparency assured and reporting and accountability burden on the project leader is rationalized.

Monitoring and Evaluation

The Programme will be the subject of regular monitoring and evaluation at regional and provincial level. Over and above project steering and reporting on the progress and results of individual projects, it is crucial for the Provincial Government to monitor and evaluate overall impact of public support for LED at regional and Provincial level. Monitoring arrangements will be set up at both regional and provincial levels which will be empowered to oversee and reflect on progress of LED in a region and more globally across the Province. This will make it possible to improve overall management of LED and to draw critical policy and practice lessons which will inform the preparation of a more comprehensive Provincial LED Strategy.

DEDEA proposes to develop monitoring structures at District level involving representatives of all of the key LED stakeholding partners at district and local level – organized business and labour organizations, civil society, centres of higher learning – and all of the institutions involved in the LED convergence effort at District level through the District Support Team (DEDEA, DLGTA, DoA, and Thina Sinako³). The “District LED Monitoring Committee” will oversee the implementation of all DEDEA (and other Departments) funded LED projects in the District. The DMC will be chaired by the District Municipal Manager. The committee will meet six-monthly. It will review progress as reflected through quarterly reports to DEDEA from District Offices as

³ Thina Sinako regional teams will be in operation until the end of 2009.

well as reports from municipalities. Reports to the DMC will collate reports from LED Advisers on all the projects in the District. Exception reports on specific projects experiencing difficulties may also be tabled where appropriate. However, the “District Monitoring Committee” must retain a more strategic perspective on the overall course and impact of LED projects in the District/Metro.

The powers of the Monitoring Committee will include the following:

- review aggregate and project reports on the implementation of MSGF in Districts/Metro;
- request DEDEA to produce supplementary reports where appropriate;
- recommend virement/change of allocation in situations of prolonged delays and unspent funds;
- review and agree terms of reference for future evaluations;
- review evaluations – and make recommendations to DEDEA.

In the preparation of a wider Provincial LED Strategy, DEDEA will work with its partner Departments at Provincial level to establish an inclusive, objective and partnership based monitoring framework at ~~that~~ Provincial level.

Evaluation

All funded projects will be subject to an in-depth ex-post evaluation to assess outputs, results and impact against the goals and objectives of the MSGF. Projects supported over a period longer than a year may be subject to an interim evaluation. All project records including financial records must be readily available to the evaluation team.

Financial Control

In addition, the Department of Economic Development and Environmental Affairs will undertake to carry out spot check audits on the financial systems and performance of the project at any time over its life cycle under PFMA and the MFMA. These will involve all aspects of financial management, including control of funding transfers, record keeping, procurement practices, value for money, staffing practices and remuneration, revenues (where applicable) and

expenditures etc. Failure to comply fully with audit requirements may result in action being taken by the Department to rescind the project contact and recover public funds.