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State Secretariat for Economic Affairs SECO
Economic Cooperation and Development

Management Response

External Evaluation of the Local Economic Development Support Programme in iLembe District, KwaZulu-Natal, South Africa

By Geert Engelsman, JaLogisch Consulting GmbH, finalised in June 2024

March, 2025

1) Background

The State Secretariat for Economic Affairs SECO has contracted JaLogisch Consulting GmbH to carry out an external evaluation of the Local Economic Development Support Programme in iLembe District, KwaZulu-Natal, South Africa.

The evaluation was contracted from 2.1.2024 to 31.7.2024.

The purpose of the evaluation was to account for Vuthela's development results, to draw lessons on what worked, what did not, and why, in promoting local economic development, and to review the first-time collaboration of all four operational units of SECO within a single programme.

2) Appreciation of the Report: Structure, Methodology & Process

Formally, the report meets the requirements of the contract and the terms of reference. The budget and deadlines were respected. The cooperation and communication with the evaluator were good and open.

The report is concise, easy to read and has a reflective approach: one can really understand the evaluator's reflections. It shows a good understanding of this complex programme. The report is written in a very direct and dry language.

The findings and recommendations of the evaluation are based on a combination of inductive, deductive and contribution analyses. Data collection is based on an extensive document review, key informant interviews (60 people) and quantitative data. The evaluator undertook a two-week field mission to South Africa with the assistance and support of Mthokozisi Ndlela (RebelGroup South Africa). A debriefing session was held at the end of the mission during which the evaluators reflected on the key observations with the programme management team of the Vuthela programme.

The evaluation is critical of both the programme itself and SECO's internal cooperation. Not all SECO units involved share the evaluator's views. SECO believes that the positive dimensions of the programme, which are recognised by many partners, are given little weight in the evaluation report and that the context of the programme has not been sufficiently taken into account, see below.

3) Key Findings and Lessons learnt

The key findings are organised into two parts: the Vuthela programme and SECO's internal collaboration.

Vuthela programme: Almost all the activities and outputs of the programme were successfully implemented. While acknowledging that the objectives of the programmes were very ambitious, the evaluation found that there was no evidence of a virtuous cycle of public and private sector investment and local economic development, due to the interlinked and mutually reinforcing improvements in municipal finances, administrative and infrastructure service delivery, private sector development and public-private collaboration.

SECO internal collaboration: Vuthela did not fully exploit the complementarities and synergies in SECO's institutional offer. SECO also did not establish special oversight mechanisms to monitor, evaluate and steer this pilot programme specifically on these synergies.

<u>SECO Response</u>: Partial agreement: It is agreed that the programme was ambitious, but it was seen as a comprehensive local economic development programme that could simultaneously address key development issues in the beneficiary group of municipalities. Given the long duration of the programme and its comprehensive nature, there were several developmental and other risks that affected the implementation and sequencing of project activities. These included political and institutional changes at the municipal level and several external events that affected implementation (i.e. COVID lockdown, two floods and the 2021 civil unrest).

It is agreed that more attention could have been paid to how the different SECO divisions could work together on this programme (including their mandates, modalities and expectations) and how the inception phase could have been used to clarify this relationship. However, oversight mechanisms cannot be exclusively internal to SECO, but must also involve the implementing partners to ensure that the programme is not seen as a top-down intervention by the donor. For this reason, the Steering Committee and the Programme Management Team were relied upon to provide the necessary oversight, under the guidance of the PCU, SECO and the National Treasury.

Main findings according to DAC criteria

All of the following 6 criteria were rated unsatisfactory by the evaluator.

Relevance: Vuthela was in line with the strategies, policies, and priorities of SECO, the South African National Treasury, and the KwaZulu-Natal provincial government, as well as with the core functions and challenges of the iLembe municipalities. The municipalities, however, did not prioritize Vuthela. Moreover, Vuthela's private sector interventions were too small and incongruous in their design to affect district-level change.

<u>SECO response:</u> *Given the scale of the programme, there was a discrepancy in the expectation on what the programme intended to achieve (based on its design and stated objectives) and what could in the end be delivered within the realised municipal context (e.g. change of political and administrative leadership), available partners and available resources. (originally additional budget was planned to be committed).*

Coherence: Vuthela complemented the National Treasury's policies, regulations, and requirements. iLembe district also offered a valuable testing ground for some of SECO's national or regional private sector development and energy efficiency programs. These programs, however, were not well-connected to Vuthela's underlying theory of change to also leave a mark in the district.

<u>SECO response:</u> *This is partly correct for some of the activities. But there are also good examples of projects that are leaving a mark in the District, such as the title deed reform programme, support to non-revenue water and electricity and policy support in the public financial management space.*

Effectiveness and Impact: Vuthela helped (i) develop new strategies, policies, plans, procedures, and systems, (ii) improve the municipalities' public finance and asset management systems and financial statements, and (iii) create improved processes for obtaining construction permits and title deeds. These have not culminated into a broad-based municipal service improvement, increased business confidence, better local economic development governance, a virtuous cycle of public/private investments, and economic, income, and employment growth.

<u>SECO response:</u> *There is a risk here that the Vuthela programme, as a donor-funded programme, is seen as the flagship programme that will change the development trajectory of the municipality (in this sense, the theory of change was indeed over-ambitious). However, to achieve this impact, the Vuthela programme needs more resources, more partnerships and more committed political leadership. This is not possible in the reality of the municipal sphere in the country at this time where there are many more developmental challenges that municipalities are faced with and where the political environment is unstable –(COVID, floods, political turmoil). We believe that there were indeed positive results from the programme that will take time to have the intended impacts. Others not mentioned by the evaluator include the support to the water and electricity sectors, with its link to asset management and strengthened procurement, development charges policies and updated indigent registers. New policies, strategies and systems will take time to fully come to maturity and deliver the intended results.*

Efficiency: Efficiency requires both that outcomes are achieved and are realized within a reasonable timeframe. Vuthela achieved neither.

<u>SECO response:</u> The evaluation should also consider the building blocks (mentioned strategies, plans, processes) that were out in place to eventually register positive results and the longer lead times that are needed to realise these impacts. Projects such as the support to the water and electricity sectors were based on sector master plans and strengthened public financial management processes that first had to be compiled/established and wide support obtained before the conceptualisation and implementation of these projects could start. It is not correct to state that Vuthela has not achieved this, in particular considering the challenging development challenges and changing assumptions over the project time.

Sustainability: While some staff continuity can be expected within the three municipalities, the lack of a political commitment to growth and development, expressed in a local reform drive and agenda, raises doubts about the sustainability of build-up capacities and the sustainable implementation of the produced strategies, policies, plans, procedures, and systems.

<u>SECO response:</u> It is correct that a programme of this nature should be based on strong political leadership and drive. The problem was not the lack of political commitment to growth and development, but rather continued commitment to the objectives that were set at the onset of the programme. It became clear during programme implementation that political and administrative leaders' view on what development and growth looks like sometimes differ substantially from those that led at programme inception.

Lessons learnt proposed by the evaluator:

1. Development is inherently political and locally carried—development interventions must be embedded in real, meaningful, local, political, reform agendas to gain traction and be successful. This means that technical and financial assistance needs to be combined with development diplomacy to foster and ensure continued political buy-in and anchor the development corporation into political development processes/local reform agendas.

2. Development interventions need to be in sync with local capacities and readiness for change—better to start small, unambitious, and expand the scope, and allow the programme to evolve upon success.

3. Conceptualizing new (programmatic) approaches is different from implementing them when design features start interacting with local development realities. This means that active monitoring, evaluation, and steering, based on the underlying theory of change and outcome objectives, are required to keep an initiative on track or to adapt it to emerging development realities, unanticipated responses from actors, or new insights.

4. If multiple operational units within SECO collaborate, all units must be on board, committed to the intent and aspirations of the collaboration, and tailor their support and contributions to the development capacities and realities on-the-ground.

5. A programme governance structure—in this case, the Programme Steering Committee and the Programme Management Team—may have a clear division of responsibilities and be inclusive and collegial, but still requires individual leadership to function effectively and keep an eye on the theory of change and the progress towards the outcome objectives.

6. Country systems can be used effectively in development cooperation—it does require, especially on the first few occasions, that time is reserved to negotiate the alignment of key Swiss development cooperation requirements with the national regulations and provisions.

4) Other Important Considerations

The limitations of the programme were well known to all concerned. But the severity of the evaluation's findings, reinforced by the very direct way in which it was written, surprised most of those involved, particularly within SECO.

The consultation on the evaluation led to several exchanges between the evaluator and the stakeholders, who were able to express their opinions and disagreements in writing and orally.

The evaluation was based on the programme's stated theory of change, which is correct (the evaluators also verified their understanding of the theory of change with the SECO team). However, in a programme of such complexity and with such a long implementation period, those activities/projects that were well managed, well implemented and produced good results should also be considered in order to learn lessons and to adequately influence the interim/short term positive impacts of the programme. While this was sometimes recognised by the evaluators, it could have been further unpacked to provide a balanced assessment of the programme's results. When an ambitious theory of change is used as the benchmark against which all activities are evaluated, some valuable reflections are lost.

From an institutional point of view, this has been the only four unit program. While many other joint programs have happened in the meantime, none includes all four units. It was the first time that SECO did such a local development program for which the SECO structure and instruments were adding additional challenges to the already complex program and structure. In that sense, some lessons were already during implementation taken into account for new program development (e.g. more country-led, capacity focused, national and subnational interventions focusing on SECO’s strengths).

5) Recommendations

<table>
<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th><th>RESPONSIBILITY</th><th>TIMING[1]</th></tr>
<tr><td colspan="6">A – For SECO</td></tr>
<tr><td rowspan="3">Recommendation 1

To inform the Swiss Cooperation Offices in SECO's partner countries about (i) Vuthela's lessons, (ii) that a three- or four-unit collaboration to promote local economic development continuous to have merit and worth, and (iii) such a collaboration can be offered if the local development context demands or requires it.</td><td><u>Fully agree</u></td><td>Partially agree</td><td>Not agree</td><td colspan="2" rowspan="2"></td></tr>
<tr><td colspan="3"><u>Response</u>

Despite the critical findings, the underlying concept, theory of change and objectives have not been disproved. A combined and coherent effort within WE to promote public and private sector development in a country or locality continues to have merit and value. Careful consideration is needed of different units' preferred modalities and partners for implementation (e.g. when other international partners are involved).</td></tr>
<tr><td colspan="3"><u>Measures</u>

Organise a dedicated session on Vuthela's lessons learned for SECO at the next regional or global gathering of Swiss Cooperation Office staff.</td><td>WELG, with WEMU/WEIN/WEIF/WEHU</td><td>Medium term</td></tr>
</table>

[1] Short term= 1 to 6 months / Medium term = 6 to 18 months / Long term = More than 18 months

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<tr><th>RECOMMENDATIONS</th><th colspan="3">MANAGEMENT RESPONSE</th><th>RESPONSIBILITY</th><th>TIMING[1]</th></tr>
<tr><td></td><td colspan="3">Organise a discussion within SECO-WE management on how to improve cooperation and programme management between WE units.</td><td></td><td>WEOP retreat (Q3-4 2025)</td></tr>
<tr><td rowspan="3">For any future three- or four-unit collaboration to adhere to the following provisions:

Recommendation 2a
Embed the collaboration in an explicit local, politically carried, reform agenda, on which the local reform actors take the lead.</td><td>Fully agree</td><td><u>Partially agree</u></td><td>Not agree</td><td colspan="2" rowspan="2"></td></tr>
<tr><td colspan="3"><u>Response</u>
SECO-WE programmes must support a country's or region's commitment to change. This does not only require a careful consideration of local policies and strategies (which are already considered during project design and project monitoring), but also consideration to local political and economic dynamics. This takes time to establish. Development initiatives should not be too externally driven, even when a programme management unit is established to enhance capacities.</td></tr>
<tr><td colspan="3"><u>Measures</u>
Before starting a project, ensure that the reform effort is in line with local capacity and readiness: local actors need to gain confidence and secure political support. This may require smaller project steps to build confidence and test support before embarking on larger, more comprehensive programmes.
Throughout the project, local capacity and political support need to be monitored and, if necessary, discussed with local partners. Project objectives, TOC, logframe and activities need to be adapted as local priorities and realities change.
Assign and retain responsibility for development with local reform actors, and ensure that the external service provider acts only as a mentor, coach or secretariat.</td><td>WEMU/WEIN/WEIF/WEHU</td><td>Short – Medium – Long Term (depends on future multi-unit programmes)</td></tr>
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RECOMMENDATIONS	MANAGEMENT RESPONSE			RESPONSIBILITY	TIMING[1]
	Carefully considered risk mitigation measures are needed where reform actors may change (especially during election cycles).				
Recommendation 2b-c Keep it super simple (KISS) and allow it to evolve and grow in complexity upon success and over time. Make it 'problem-oriented'.	Fully agree	**<u>Partially agree</u>**	Not agree		
	<u>Response</u> The design of the project, where appropriate, should be as simple as possible, as should its materialisation in the form of the logframe. The latter is based on a realistic identification of the problems and the formulation of a few strategic indicators that are in line with the problem statement(s) and the development pathways.				
	<u>Measures</u> Undertake rigorous contextual analysis (including political economy analysis where appropriate). Define the project realistically (not overly ambitious). Build-up the intervention/logframe from the problem statement and the development objective. Keep the initial logframe simple—limit the intervention at the outset to a few coherent interventions. The impact of the project can be formulated in an ambitious way, but the outcomes need to be realistic (indicators accordingly). Build in adaptive project management (e.g. PDIA) that allows for corrective action and growth in complexity.			WEMU/WEIN/WEIF/WEHU	Short – Medium – Long Term
Recommendation 2d Combine technical and financial assistance with development diplomacy.	Fully agree	**<u>Partially agree</u>**	Not agree		
	<u>Response</u> Development is inherently political - continuous efforts are needed to secure and embed active political support for				

RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING[1]
	development. However, it is not always possible to involve an ambassador in projects, and the ambassador's influence on local politics (e.g. municipal politics) should not be overestimated. Development efforts also need continuous and frequent dialogue and monitoring, which may not be possible at the ambassador level.		
	Measures When relevant, actively involve the Swiss Ambassador to anchor the Swiss support politically and to ensure that any local reform efforts are politically supported and sustained over time. Otherwise, the NPO, with the support of the Head of the SCO, maintains its role of Swiss political support and keeps in touch with the local authorities as much as possible. In the event of a political change or loss of support from local politicians, the NPO will inform HQ to discuss the next steps for the project.	WEMU/WEIN/WEIF/WEHU	Short – Medium – Long Term
Recommendation 2e (Allocate internal resources for monitoring, evaluation, and steering based on the underlying theory of change and outcome objectives, […]) >>> this part of the recommendation comes under recommendation 3.	**Fully agree** / Partially agree / Not agree		
	Response In multi-unit programmes, it is essential that roles are clear, particularly for the management of the overall programme at outcome level.		
[…] and with a clear allocation of responsibilities.	Measures SECO headquarters and the SCO must make it clear, for example in a short paragraph in the credit proposal, who is responsible for monitoring, evaluation and steering at the results level for the whole programme (and not only for	WEMU/WEIN/WEIF/WEHU	Short – Medium – Long Term (depends on future multi-

RECOMMENDATIONS	MANAGEMENT RESPONSE			RESPONSIBILITY	TIMING[1]
	its subcomponents). This person is responsible for the strategic management of the programme. Frequent internal dialogue is also necessary to ensure that overall progress is communicated and that synergies between activities can be explored and monitored.				unit programmes)
Recommendation 2f All participating units are on board, committed and prepared to adapt their offer to the realities on the ground.	Fully agree	**<u>Partially agree</u>**	Not agree		
	<u>Response</u> As stated in Recommendation 2e, it is essential in multi-unit programmes that roles are clear, particularly for the management of the overall programme at outcome level. To be effective, development cooperation must be tailored to the development challenge at hand. In some circumstances (e.g. changes in the local political context, new information/new data, stakeholder feedback on improvements, performance monitoring indicating problems, changes in resource availability, or unexpected challenges such as a global disease or disaster) a logframe could/should be adapted during implementation. This might also require adaptation of modalities, approaches or preferred partners.				
	<u>Measures</u> As indicated in recommendation 2e, the governance between the SECO units involved will be made more explicit (role and leadership within the units). Monitor the situation on the ground with the help of the NPO and adapt the logframe if necessary. The results and recommendations of the mid-term evaluation can help in this task. If necessary, logframe adjustments could even be considered on a more frequent basis, e.g. annually.			WEMU/WEIN/WEIF/WEHU	Short – Medium – Long Term (depends on future multi-unit programmes)

RECOMMENDATIONS	MANAGEMENT RESPONSE			RESPONSIBILITY	TIMING[1]
	Changes to the logframe need to be the result of consultation and agreement between project partners to allow full discussion of the implications of the changes. It should also be considered to review on a regular basis the theory of change.				
Recommendation 3 For any future innovative interventions, to allocate internal resources for monitoring, evaluation, and steering based on the underlying theory of change and outcome objectives.	**Fully agree**	Partially agree	Not agree		
	Response There is nothing automatic about a development intervention - it is complex, influenced by a myriad of factors. This means that it needs to be monitored and regularly reviewed to see whether the underlying assumptions are holding up in practice, or whether a course correction is needed to keep moving towards the desired outcome. See response to recommendation 2f.				
	Measures In addition to a mid-term and final evaluation, the programme coordinator should 'evaluate' the programme (developmental evaluation: rapid, real-time feedback; to promote learning and steering) at least once a year. The focus can be on whether the underlying theory of change is holding up in practice and whether the intervention remains on track to achieve its objectives. Particular attention should be paid to outcomes. No formal report is expected: internal use. See also response to recommendations 2e and 2f.			WEMU/WEIN/WEIF/WEHU	Medium term
B – For South Africa					
Recommendation 4	Fully agree	Partially agree	Not agree		

RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING[1]
To reflect on how it can build and foster a dominant coalition of political and economic leaders dedicated to the growth and development of iLembe district, translate this into an explicit medium-term development agenda, and implement this agenda in an iterative, learning-oriented, manner. **>>> not addressed to SECO**	Response -	-	
	Measures -	-	-
Recommendation 5 To reflect on whether it can take a more active role as powerbroker in local economic development processes at the district level **>>> not addressed to SECO**	Fully agree / Partially agree / Not agree Response -	-	
	Measures -	-	-

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