



A Guide to the ComMark Trust's Grant Disbursement Policy

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1. Introduction to ComMark

The ComMark Trust aims to support and promote policy, institutional and operational initiatives that facilitate the development and improved operation of commodity and service markets for the benefit of the poor in Southern Africa¹. ComMark will focus on a limited number of key sub-sectors that offer clear potential to make a major impact on pro-poor growth and poverty reduction. Within selected sub-sectors, ComMark's operation will be based on the identification of clear areas of distortion or 'market failure', which inhibit the growth of sub-sector markets and economic activity, and which restrict the ability of the poor to benefit from them.

ComMark will not itself aim to be a player in the sub-sector markets it seeks to support and build. Rather, it will work with those statutory and non-statutory institutions which have the capacity, ownership and commitment to influence the operation of prioritized sub-sectors, with a view to improving their efficiency and pro-poor impact. ComMark funds will be used to facilitate, improve and catalyse (as opposed to set up, manage or run) the operation of institutions, processes and practice which have a direct bearing on pro-poor market growth.

Much of the work that will be funded under ComMark will be targeted at improving policy, legal and regulatory frameworks in specific commodity and service markets, investigating and overcoming barriers to entry for emerging businesses, facilitating business linkages between large and small enterprises (many of the latter being from historically excluded communities), and enabling the establishment of commercial public-private partnerships.

ComMark will remain receptive to funding policy, research and operational initiatives which lie outside of its priority sub-sectors, and which demonstrate a strong potential for pro-poor impact through sustainable market development. To be financed, such initiatives would need to demonstrate clear conformity to ComMark's market development principles and criteria which are outlined in section 2 of this Guide.

To achieve its development goals ComMark will invest its funds primarily, although not exclusively, through grant disbursements to project partners. Such grants will be mediated by a legal contract which will detail the terms of the grant, the disbursement schedule and all associated narrative and financial reporting obligations. Such grants will support a variety of activities, but will normally not be available to finance the running costs of an organisation.

2. The Aims & Operational Scope of ComMark

ComMark aims to facilitate the more effective and efficient operation of high-growth commodity and service sub-sectors in Southern Africa, which offer clear pro-poor benefits in terms of employment, SME business linkage and growth potential. Its overall development purpose is to contribute to enhanced sub-sector growth, employment, income and ownership opportunities, especially for people excluded from such opportunities in the past.

This Guide aims to translate the project's development goals into operational principles and criteria that will govern its interaction with prospective partners and interested applicants. In

¹ Initially, ComMark will focus exclusively on countries belonging to the Southern African Customs Union (SACU): South Africa, Namibia, Botswana, Lesotho, and Swaziland.

most cases, ComMark funding partnerships will emerge from focussed discussions that ComMark itself pursues with stakeholders in its prioritised sub-sectors (see section 3 for details). However, ComMark will remain receptive to good ideas and initiatives which aim to improve the operation of markets for the benefit of poor people in the region.

The funding criteria and operating procedures outlined in this Guide will apply to all cases where ComMark receives an application for financial support from a party external to ComMark. Grant disbursement decisions by ComMark will always be subject to the availability of funds.

In general terms, initiatives which seek a funding partnership with ComMark should fulfil the following governance, operating and development criteria:

2.1 ComMark Legal, Financial and Governance Criteria²:

- The applicant should have a valid legal persona and should be registered in terms of all applicable laws;
- The applicant should be able to furnish appropriate governance and accounting records relevant to its operations for three years prior to the submission of a funding application, or since the organisation's establishment;
- The applicant must designate a responsible officer who will be accountable for the proper usage of ComMark funds in accordance with the signed contract, for all narrative and financial reporting associated with the contract, and for the fulfilment of all statutory and contract-related auditing requirements.

2.2 ComMark Development Principles and Funding Criteria:

- **High growth:** The applicant should be able to demonstrate that the ComMark-funded initiative will contribute to high sub-sector growth or to a policy or regulatory environment which is conducive to such growth;
- **Pro-poor:** The applicant should define how the ComMark-funded initiative will contribute to the realization of sustainable benefits for large numbers of poor households, producers and/or consumers, and over what time-scale. ComMark defines four broad categories of 'pro-poor benefit':
 - Employment generation;
 - Integration of poor producers and SMEs into viable markets (e.g. through commercial linkages);
 - Empowerment of asset-poor individuals through productive ownership and income opportunities;
 - Improved access to, and use of, business services and related information by poor producers and emerging SMEs.

Within each category ComMark is concerned to ensure that market participants include women:

- **Market development:** ComMark-supported initiatives should be conducive to the improved operation of existing markets and value chains; they should complement or 'crowd-in', rather than displace or 'crowd-out' private investment; they should enable

² These criteria relate specifically to large grant recipients from ComMark, as opposed to individual consultants or technical assistants.

private sector partnership potential; and should offer a clear view of how the operation of existing markets in the area of the proposed intervention will improve over the long term as a result of the intervention.

- **Catalytic role:** ComMark will not intervene directly as a player in any market or sub-sector, but will support the operation of existing stakeholders (government, private sector, regulatory agency etc.) to realize shared market development objectives. Using a variety of funding instruments and interventions (policy research, institutional reform, technical assistance, R&D etc.), ComMark will seek to catalyse, facilitate and leverage pro-poor market development in high potential sub-sectors.
- **Sustainability:** The outcomes of ComMark-financed initiatives should be sustainable beyond the funding period; interventions should thus have an explicit vision of their long term sustainability and be able to define a clear exit strategy that will be deployed as part of their operation.
- **Risk & cost-sharing:** ComMark-financed initiatives should build on, or contribute towards the establishment of inclusive, risk- and resource-sharing partnerships between all the players in a particular sub-sector or market. The extent to which an initiative will result in resource commitment by key stakeholders will be an important determinant of ComMark's support.
- **Co-Funding for-profit initiatives:** Where the ComMark funding applicant is a profit-distributing entity which will derive material benefit from ComMark funding or will retain the intellectual property created by the initiative, the amount of the ComMark grant may not exceed 50 per cent of the total cost of the proposed initiative. ComMark will reserve the right to retain part or full ownership of the intellectual property that derives from initiatives co-financed with private companies, depending on individual circumstances (see section 8 below).

2.3 Generic Criteria:

- **Maximum time period:** ComMark funding may not be requested beyond the five-year life of the ComMark Trust's financing agreement with DFID-SA; i.e. beyond 31st May 2008.
- **Maximum grant size:** ComMark may from time to time establish minimum and maximum sizes of funding to any one individual entity, in accordance with the project's priorities. As a guideline, it is unlikely that ComMark will approve funding exceeding R10 million for any one applicant. This limit will not apply to ComMark's own sub-sector investment plans, which may comprise a number of initiatives involving a variety of partners, supported by a number of individual funding agreements.
- **Information disclosure and publicity:** Applicants to ComMark are expected to disclose all information relevant to the criteria that will be used to appraise funding applications. Failure to fully disclose such information may jeopardize the success of an application. Financial support by ComMark for any initiative is likely to be linked to certain public information and communication obligations, details of which will be agreed on a case-by-case basis.

3. ComMark Priority Sub-Sectors

ComMark's main operational and investment focus will be on a limited number of sub-sectors that offer clear potential for contributing to sustainable pro-poor growth and poverty reduction

in the SACU region.³ Priority sub-sectors identified thus far comprise the textile and garments sector in SACU, the wool & mohair sector in South Africa, and tourism across SACU. Additional research is planned to investigate the growth and pro-poor potential of the red meat and cotton sub-sectors in the region. ComMark will remain receptive to submissions and proposals in respect of any sub-sector which reflects the market development principles and criteria outlined in this Guide.

A summary of the priority sub-sectors selected by ComMark for detailed research and investment will be published in future versions of this Guide and updated on the ComMark web-site, www.commark.org.

4. Unsolicited Applications

Within and beyond its prioritized sub-sectors, ComMark will welcome proposals from applicants which share its development vision and which reflect its market development approach. Potential applicants will be encouraged to first discuss their areas of interest with ComMark staff and, on the basis of these discussions, to submit a summarized outline (of up to two pages) of their proposal for pre-appraisal. Once formal agreement has been reached on the proposed initiative's conformity to ComMark's development priorities and approach, a formal application may be submitted.

Formal funding applications should contain at least the information listed in Annex A and should be signed by a duly authorised representative of the applicant. In most cases, the application form will constitute a summary of the initiative for which funding is sought, and will be accompanied by attachments detailing its design, operation and intended impact. Prospective applicants are urged to discuss their proposals with ComMark staff in advance of their submission.

5. Appraisal

Applications which are eligible in terms of the criteria outlined in section 2 above will be subject to an appraisal. The scope and intensity of this appraisal will depend on the size and complexity of the application received. Where an application clearly does not fit the focus or priorities of ComMark, no formal appraisal will be required in order to reject an application.

The appraisal may be performed by ComMark staff or by an appointed qualified agent under clear terms of reference. The appraisal will typically include a written assessment as to:

- The applicant's conformity to the development principles and criteria of ComMark (i.e. it must be conducive to high growth and be pro-poor in nature, must facilitate sustainable market development and should reflect appropriate risk- and/or cost-sharing).
- The capacity of the applicant to undertake the initiative successfully.
- The initiative's likely contribution to the fulfilment of one or more result areas of ComMark's (or one of ComMark's sub-sector's) logframe, within a specified timeframe.
- The scale of investment proposed for ComMark, the scale and nature of investment from other stakeholders (including the applicant), and the nature and scale of

³ In the design of ComMark textiles & garments (Lesotho, South Africa, Swaziland, Namibia), wool (South Africa, Lesotho) and tourism were identified as priority sub-sectors for careful investigation and possible investment (textiles in Lesotho).

anticipated benefit that will result.

- The envisaged exit strategy for ComMark and other temporary facilitators, and factors ensuring sustainability.
- Key assumptions on which the fulfilment of the initiative's outcomes will depend.

Following a positive appraisal, a ComMark recommendation shall be prepared for submission to the Trustees or for signature by the ComMark Executive Director. If the recommendation is not to support a particular application, then the application will not be tabled with Trustees. A letter shall be addressed to unsuccessful applicants, explaining the reasons for rejection. If the applicant believes that not all relevant information was considered in reaching the decision to reject, then they may appeal to the ComMark Executive Director to re-consider the decision.

6. Contractual Issues

Approved proposals shall result in a letter of grant, signed by the ComMark Executive Director. This letter of grant must be signed by the designated accounting officer of the applicant and an original returned to ComMark, before any disbursement can take place.

The applicant's approved application, business plan or terms of reference for the work to be undertaken will form an integral part of the grant agreement with ComMark, and will constitute an annex to the letter of grant.

Standard terms and conditions (STCs) of grant shall normally apply and shall constitute an annex to the letter of grant.

The STC shall include provisions which shall give ComMark the ability to require applicants to repay funding where the grant has not been used for the purpose for which it was granted; and/or to suspend and/or cancel all further disbursements on a project if it is clear that the project will not achieve its objectives and if further expenditure would likely prove to be wasted.

7. Monitoring, Reporting and Impact Appraisal

Each applicant will be required to report on the impact achieved against pre-defined indicators, as a result of the funding received. Depending on the nature, complexity and term of the funded initiative, this reporting may be periodic or at the end of the project only.

Such reporting will comprise both narrative and financial reports, and may include public presentations. Narrative reports will detail the progress of the initiative towards fulfilling the key results and logframe outcomes in the time-scale defined in the project application. Financial reporting will account for the disbursement and use of ComMark funds in relation to the disbursement schedule defined in the application.

All recipients of ComMark funding will be required to submit a copy of their annual audit and accompanying financial statements to ComMark, within one month of their finalization.

ComMark shall have the ability through the conditions of grant to require information on the progress of the project and the usage of ComMark funding, at any point in the grant period. All such requests which fall outside of the reporting framework stipulated in the application will be communicated in writing to the recipient.

The ComMark Trust

ComMark grant disbursements will be linked to the reporting framework stipulated in the approved application or contractual documentation. Unless explicitly excluded, the final tranche of a grant commitment will always be retained until the acceptance by ComMark of a completion report by the responsible officer of the funded entity. In certain cases, this may be accompanied by an external report or impact evaluation which, unless provided for in the agreed budget, will be financed by ComMark.

8. Intellectual Property & Confidentiality Policy

ComMark undertakes to keep confidential all information supplied in applications and reports, notwithstanding any specific agreements relating to the publication of information that may be contained in the contractual documentation.

Where ComMark funds 100% of a project, the Trust may require that intellectual property generated by the project, including all documentation, manuals and findings, vest in ComMark on completion, which shall then decide on how best to use this to achieve its purposes.

Where ComMark funds a proportion of the costs of a project in which intellectual capital is generated, which shall be the norm in projects involving a private sector partner, then the ownership of intellectual capital shall vest in the partner with the provisos that:

- If the partner does not make use of the intellectual capital within an agreed specified period of time, then ownership shall be deemed to be assigned to ComMark;
- During the defined period of use of the intellectual capital, ComMark undertakes to keep confidential to itself, its Trustees, auditors and funders, all information relating to the project which is not in the public domain;
- During the period of use, ComMark reserves the right to make public the fact that it is providing funding to the partner in respect of a generically defined project;
- At a pre-defined future point, ComMark will retain the right to make public a summary of the findings of an evaluation of the project in a mutually acceptable form.
- The partner may be obliged to present aspects of the project or results at a public forum or in a public manner, notwithstanding the partner's right to maintain the confidentiality of its intellectual capital.

9. ComMark Trust Personnel and Contact Details

The ComMark Trust is administered by ECI*Africa*, a South African economic development consultancy selected in 2002 by the UK Department for International Development (DFID) to design and manage the project. The ComMark Trust staff comprise:

Paul Zille, Executive Director & Trustee
Andrew Makenete, Sub-Sector Specialist – Agribusiness
Andy Salm, Sub-Sector Specialist – Textiles & Garments
Gordon Freer, Communication and Learning Adviser
Juanita Pardesi, Finance & Contract Manager
Nomsa Maseko, Administrator
Celestar Sekgala, Administrative Assistant

ECI*Africa*'s Director-in-Charge of ComMark is Gerhard Coetzee.

ComMark's contact details are as follows:

Telephone	+ 27 11 802 0785
Fax:	+ 27 11 802 0798
Physical Address	Maple Place South, Momentum Park, 145 Western Service Road, Woodmead
Postal Address	PostNet Suite 598, Private Bag X29, Gallo Manor, 2052
Email Address:	commark@commark.org
Website:	www.commark.org

ANNEX A: APPLICATION FORM

Prospective applicants to ComMark for funding should discuss their proposals with relevant ComMark staff before their submission. Applications should contain at least the following information:

1. Particulars of applicant

Name of applicant institution:

Registration no (if company):

Project/ Programme Name (if different from institution above):

2. Particulars of Accounting Officer

Name of Designated Accounting Officer:
(who will be contractually accountable to ComMark for usage of the funding)

Contact details of Accounting Officer:

Phone

Fax

E-Mail

Postal address:

Domicile:

3. Project Outline

- 3.1 Project summary (1 – 2 pages)
- 3.2 Conformity to ComMark's development principles and criteria
- 3.3 Contribution to the result area(s) of ComMark's (or the sub-sector's) logframe
- 3.4 The applicant's role and capacity to undertake the initiative
- 3.5 The scale of the investment proposed from ComMark, and relative to other sources of funding
- 3.6 The factors ensuring sustainability and the applicant's exit strategy
- 3.7 Key assumptions determining the fulfilment of the initiative's outcomes

Measurable outcomes of initiative and time frames

Result area	Indicators of achievement	By when

4. Funding Requirement

Breakdown of usage of funding required	Amount: self/ others	Amount: ComMark
Consultants		
Salaries		
Travel		
Other (stipulate)		
TOTAL REQUESTED		

Note: if the project involves the use of consultants, then the selected consultants (or criteria by which they will be chosen) and the terms of reference must be specified.

4.1 Other sources of funding being used in respect of the applicant:

Name Amount (R) Status Term

4.2 Other sources of funding which have or will be used in respect of the project:

Name	Amount (R)	Status	Term

Attach:

- Detailed proposal or business plan for the initiative
- Latest annual financial statements if applicable

Note: ComMark may request more information in order to reach a decision.

Signed: _____
 (Accounting Officer)

Date: _____