LED and partnerships: critical reflections from South Africa

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Abstract
The rise of partnerships ensues from the 1970s during which period efforts towards public-sector development dominated local economic efforts, and the 1980s when the emphasis was on the private sector as an agent of development. This has led to a significant reduction in the role of the public sector. Ostensibly, these partnerships bridged ideological divides in political economic thinking (although they are still commonly associated with neo-liberal thinking) and entailed benefits arising from economies of scale and the sharing of resources, commitment and information. The notion of partnerships has become conventional wisdom in development activities across the globe, as has been the case in LED and community development in South Africa. The emphasis on partnerships, however, sometimes had the effect of precluding critical reserve, as evidenced by some of the partnerships that were entered into so as to comply with the requirements of the Gijima project in South Africa. In the South, LED is much more associated with the notion of community development and people-driven development. This has been the case especially in attempts to ensure that LED and other development initiatives at a local level become more pro-poor. The paper challenges this conventional wisdom that partnerships are the automatic response to local development initiatives and showcases some of the problems associated with partnerships from the Gijima project in the KwaZulu-Natal province of South Africa. At the same time, it is argued that far more attention could be given to the clustering of firms as a form of partnership. Evidence from the Gijima project suggests that the public sector dominates partnerships: NGOs prefer partnerships with NGOs; private-sector involvement remains limited; a lack of trust remains; partnerships are seldom formed around the need to access markets; and government structures find it difficult to work within a partnership. The paper evaluates these aspects and poses the question of what the lessons are for partnerships in local development initiatives and community development.
Introduction

The concept of local economic development (LED) varies between economic boosterism and community-based approaches (Nel, 2007). Nel (1999) has argued that in the South, LED would, more often than in the North, refer to community-based economic development. This is probably partly due to the significantly larger percentages of poorer people who do not always have the skills to participate in the economy, as well as the historical exclusion of black South Africans from economic participation through the racially based policies of Apartheid. At the same time, the notion of pro-poor LED has arisen, mainly because of the influence of donor organisations starting to focus on pro-poor policies (Department of International Development (DFID), 2000). In the midst of these two concepts of pro-poor and community-based LED, one finds the concept of partnerships. Nel (2007) has already noted that South African partnerships (many community based initiatives) have lacked real partnership formation and that where partnerships have been developed, they were dominated by the public sector (see also Rogerson, 2009). The majority of available literature (mainly international), reflects either public-private partnerships or North-South partnerships, while clusters and partnerships between big and small enterprises are also significant (see Shanon & Walker, 2006; Hill, Nel & Illger, 2007; Lawson, Claiborne, Hardiman, Austin, and Surko 2007 for exceptions). At the same time, there is a global need to provide an alternative form of economic development which is based on the principles of community development and which can provide tangible benefits to individuals who are on the fringes of economic engagement.

Against the above background, this paper evaluates the concept of partnerships in the Gijima funding programme in the KwaZulu-Natal province of South Africa. The main argument forwarded in this paper is that if community-based local economic development is to prosper, community-based organisations should look more towards the benefits of clustering between enterprises than towards the public-private partnership or north-south partnership frameworks. Three sub-arguments are forwarded in this paper. Firstly, it is argued that the ambivalence concerning the word “partnership” (or community-based initiatives) is problematic and that a much clearer conceptualisation of the word is required. Secondly, there are structural problems both in relation to the way in which the programme was funded as in the South African society, which hamper the possibility of effective partnerships. Thirdly, partnerships can best be described as ad hoc.

The paper commences with a reflection on the concept of partnerships followed by a discussion of the reality of funding approaches (including that of the Gijima programme) in South Africa. The paper then proceeds to an evaluation of the partnerships in the Gijima programme. Finally, a number of conclusions are drawn.

Understanding partnerships: A literature review

An extensive literature base exists with regard to partnerships. It is possible to divide the existing literature into four distinct bodies. The first body refers to public-private partnerships and originates from public policy discourse in the United States and Europe during the 1980s (Mitchell-Weaver & Manning, 1991; Linder, 1999). These public-private partnerships were closely linked to neo-liberal political thinking. It was not long before these concepts emerged

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1 The Zulu word for running
in the developing world, despite the fact that some observers have related this to pressure from the World Bank and the International Monetary Fund (Mitchell-Weaver & Manning, 1991). The second body of literature is based on North-South relationships which are mainly dependent on donor arrangements, i.e. either state to state, state to NGO, or NGO to NGO partnerships. The third and fourth groups of possible partnerships originate from different bodies of literature. The one centres on clusters of economic development and includes clusters of micro enterprises, while the other refers to literature dominated by Prahalad (2005) who argues for partnerships between big and micro enterprises at the base of the pyramid. The aim of this section is to assess the lesson learned from these two distinct sets of the literature for the case study on funding in South Africa. By the 1990s, the concept of partnerships had become common across the world (Crawford, 2003).

Mitchell-Weaver and Manning (1991) describe public-private partnerships as a third-party government which provides selective interest groups such as organised labour, the private sector, and organisations from civic society as a way to influence decision-making processes. Against this background, Peters (1998) identified a list of crucial elements constituting a public-private partnership. These elements include: the involvement of at least two partners, one being from a public-sector background; the ability of partners to bargain on their own behalf; a long-term arrangement between partners; the ability to bring symbolic and/or material assets to the table; and a combined responsibility for the outcomes of the partnership. It is important to note that such partnerships are seldom general partnerships between a city council and its local chamber of commerce. Rather, these partnerships are built around specific sectoral or cluster interests, private-sector know-how and public-sector functions. Adams and Hastings (2001:1473) state: “The public sector moves beyond general promotion of development and enters into specific contractual arrangements with one or more private-sector partners, agreeing to share the risks and rewards of development.”

In the 1980s, North-South relationships were dominated by the developed world or institutions of the North such as the IMF and the World Bank. In particular, it was the concept of conditionality clauses that was central to these relationships. The rise of the concept of partnerships attempted to reduce this dominant approach by the North, but was obviously viewed with suspicion. Some scholars argue that despite changing terminology, there was little change in practice (Crawford, 2003). It is within this context that Kayizzi-Mugerwa (1998:220) states that “in the past decade, the concept of partnership has emerged as the new big idea in development aid discourses”. The concept of partnerships was an attempt to address the shortcomings in aid performance as donors were not always convinced of the efficient application of their funds; beneficiary participation was limited; and the overall sustainability of many projects was questionable (Lister, 2000; Crawford, 2003). Essentially, donors did not understand the local situations, and partnerships entailed a local partner who could help to provide local knowledge to projects.

A third type of partnership refers to partnerships between enterprises, usually in the same value chain. These enterprises are also at more or less the same level of development and are commonly known as clusters. The focus on the agglomeration of enterprises as opposed to individual firms is based on the assumption that “clusterering offers certain efficiency gains which very often elude the individual firm” (Da Silva, 2006). A range of clusters exists worldwide, and clusters are usually formed to enable enterprises to compete more competitively. The three most significant advantages are: market access; a reduction in transaction and procurement costs; and greater efficiency in respect of market information.
Such clusters provide traders with a single place to purchase stock and the ability to distribute it in more remote areas. They render cheaper access to markets through the sharing of transport costs. Furthermore, they are more efficient in gathering and distributing market information. Internationally renowned examples in the developing world are the footwear cluster in Brazil and the surgical instrument cluster in Pakistan. African examples are, however, limited. Clusters can also exist between informal enterprises.

Prahalad (2005) was the first author to explore in depth the nature of partnerships between big and small enterprises by showcasing how partnerships could assist in highlighting and fostering pro-poor economic growth. Partnerships with established enterprises have three main advantages. Firstly, established enterprises can be a source of market information. Secondly, they can provide an opportunity to ensure the technical feasibility of products and services (also mentioned earlier), and, thirdly, they can help potentially to minimise financial risks.

But what are the core elements of a partnership? Although no fixed set of characteristics is available, a number of key elements are mentioned in the literature. Lister (2000) mentions aspects such as a working relationship, mutual trust, mutual support, willingness to negotiate, reciprocal accountability, financial transparency, joint decision making, two-way exchange of information, and long-term commitment. Others have mentioned clearly articulated goals, equitable distribution of benefits and liabilities, a clear outline of responsibilities, shared perceptions of the outcomes, and a process of adjudicating disputes (United States Agency for International Development (USAID), 1997).

Thus, although public-private partnerships were more geared towards LED, the institution of partnerships as a guiding framework for North-South relationships was intended to address the power relationships in such arrangements. Nevertheless, both sets of partnerships were criticised. Firstly, despite the common use of the concept in the literature and practice, there was still a great deal of conceptual ambiguity and some scholars argued that the abuse of the term was common (Mitchell-Weaver & Manning, 1991; Crawford, 2003). Lister (2000) argues that a more intense debate is required concerning the definition of the concept. Secondly, the evolution of the concept into conventional wisdom also led to an uncritical application of the concept. Essentially, partnerships had to solve all kinds of development problems, and partnership fundamentalism became the norm. In this regard, Smith (2007:1) comments that “we need to get beyond the conventional wisdom of fuzzy, feel-good partnerships or of public-private-partnerships” and that “partnerships – multi-sector or multi-stakeholder – are not in themselves an answer to the ills of a globalised, vastly unequal world”. The third major criticism of partnerships pertains to power relationships (Fowler, 1998; Lister, 2000; Crawford, 2003; Smith, 2007). For many countries or NGOs in the North, the partnership concept helped to hide their dominant role. Fowler (1998) has noted in his assessment of a case study in Latin America that the NGO from the North referred to its funding agreement with an NGO in the South as a partnership, but that the NGO in the South did not use the same terminology. Other voices have queried the fact that partnerships are a way to reduce critical voices and therefore manage power relationships. All of these aspects lead Crawford (2003:139) to conclude that partnerships are “merely the latest guise behind which power-based relations continue to operate.” In respect of public-private partnerships, the problem of private-public dominance has also been mentioned in the literature. Criticism that is frequently raised against this approach relates to private-sector dominance, exclusion of community-based organisations, increased local tensions, an over-emphasis of
infrastructure development and property boosterism, and arguments that not everybody benefits from these types of arrangements (Nel, Marais & Gibb, 2004). The literature on growth coalitions in Africa moreover suggests that the weak nature of business in Africa is a major stumbling block (Brautigam, Rakner & Taylor, 2002). It should be noted that much of this criticism is based on the public-private partnership and North-South partnership models. Although some understanding of this is pivotal, two problems exist in this regard when community development aspects are considered. Firstly, it is assessed against a political economic framework and as valid as this might be, it assesses partnerships per se as a neo-liberal product. Subsequently, and in the second place, community development scholars tend to forget that there are other forms of partnerships which could benefit community-based economic development.

**Funding in South Africa: the role of partnerships**

The most common definition used for LED internationally is that of the World Bank which defines LED as offering “local government, the private sector, the not-for-profit sectors and the local community the opportunity to work together to improve the local economy. It aims to enhance competitiveness and thus encourage sustainable growth that is inclusive.” Thus, the emphasis on partnerships (that became prominent in the 1990s and are closely related to public-private partnerships) that were visible in the literature review is also visible in one of the definitions of one of the main role-players in the field.

LED became prominent only after the transition to democracy in 1994 and it is possible to distinguish between three phases. The first phase had two opposing approaches, namely a community-based approach and a city-based approach (Nel, 2007). The city-based approach focused on initiatives in the main cities and was related to programmes of urban upgrading and renewal. The community-based phase entails a range of local initiatives which started before 1994 but continued into the post-1994 phase. However, by 1998, many of these community-based approaches were losing momentum, so government then introduced a fund which financed a range of community-based projects. This initiated the second phase. Nevertheless, the outcomes of these community-based projects were dismal (Marais & Botes, 2007; Nel, 2007; Rogerson, 2009). Although the focus of these projects was on poverty relief, the projects seldom survived the period beyond the initial funding by government. Other problems experienced were the lack of basic business sense and bureaucratic problems. The third phase moved beyond the fund and became far more multi-focused (Nel, 2007). In fact, the fund was discontinued and a new National Framework was developed. Amongst others, this framework emphasised pro-poor and pro-growth foci and stressed the importance of partnerships (Nel, 2007). Once again, larger urban areas were more successful in ensuring LED initiatives on the ground. However, the role of partnerships and the ability to work together remained a significant obstacle. Nel (2007:12) argues that LED seldom went beyond the planning and strategy phase and that “action in other areas is limited or lacking, including: working in functional economic spaces, the widespread use of partnerships”. Nel (2007) further notes a range of problems in respect of partnerships, which include public sector dominance; the fact that true partnerships are limited; limited guidelines on how to manage such partnerships, and too little room for role players from the non-public sector.

The South African history on the development of LED and the subsequent role of LED considers partnerships in general, in terms of relationships between the private and public
sector. In the rest of the paper, I shall argue that it is precisely this notion of partnership conceptualisation which inhibits community-based LED.

It is against this broad background that the KwaZulu-Natal provincial government and the European Commission embarked on a programme, called Gijima (literally meaning running), to promote LED in the province (specifically outside of the main metropolitan area of Durban/eThekwini). The Gijima Programme is a six-year programme designed to support the provincial Department of Economic Development and a broad range of interested parties. The focus of the support is on a more effective implementation of LED in order to achieve equitable economic growth in KZN. The Gijima programme has three main objectives, namely, promoting pro-poor interests; building the capacity of local government in managing; and ensuring local competitiveness through partnership. There was limited evidence that the concepts of ‘pro-poor’ and ‘partnerships’ had been conceptualised in detail.

There were three funding programmes. Two of these, the Business Enabling Fund (mainly focused on the municipal level) and the Local Competitive Fund – Competitive Action Plans (mainly focused on the private sector or civil society) focused largely on the development of plans/strategies to be implemented. The third fund, the Local Competitive Fund – Implementation, provided implementation funds. This report comments mainly on the first two, but some reference will be made to the last-mentioned. The objectives of funds all include some reference to partnerships. In fact, it was impossible to receive funding if the applicant was unable to indicate a comprehensive partnership agreement. The guidelines regarding partnerships suggest that partnerships should be formed by two or more of the following entities who agree to work together: business enterprises, trade unions, non-governmental organisations, institutions providing services to the economy, legally established community entities, financial institutions, and government (national, provincial, or local government). This guideline provides a technocratic overview (rightfully required) of who should form partnerships. What are missing, though, are a statement and a conceptualisation of the envisaged nature of partnerships. In fact, in reality partnerships were in the main not conceptualised as partnerships between small firms or community-based economic initiatives. A large amount of money was available to partnership groups, which ranged from about R800 000 for the non-implementation programmes to nearly R4 million for implementation programmes. The programmes also had a self-funding requirement of between 20% and 30%.

A critical evaluation of partnerships in South Africa

The seventeen projects which were investigated and on which I reflect below, comprised four agricultural projects, four tourism projects, four business-support projects, and three manufacturing projects. As already mentioned, the money was made available to develop a plan/strategy which would ensure longer-term economic development. This section critically assesses the application of partnerships in the Gijima programme.

The process of partnership formation

Partnership formation was directly dependent on the extensive application forms required by EU procedures. These application forms were based mainly on the methodology for a logical planning framework commonly used in the donor environment. Unfortunately, these forms
were very complicated, and if one did not know the donor environment, they were a major obstacle to submitting an application.

One way of accessing funding was to appoint a consultant to write the proposal. In general, consultants were keen to do this as it meant that they took the risk upfront and were assured that, if the application were successful, they would play a key role in the development of a strategic plan. The following remark recorded during the interviews confirms this reality: “The local municipality initiated the project through the use of consultants called … who compiled the application documents with assistance from Gijima.” From a consultant’s point of view, such an opportunity reduced the risk of later having to tender against competition for the available work.

The upshot of this was that in many cases, service providers or consultants took the lead in putting together a partnership, which they automatically led. Obviously, this approach also reduced their risk. Ultimately, this had two sets of consequences. Many partnerships were put together because a service provider who wanted to access money to do some work led the process. Consequently, very few projects were initialised and conceptualised by partners mutually agreeing to work together because they had found common ground.

To a large degree, the approach reflects mainly a supply-driven funding approach toward LED. The funder requires a partnership (without conceptualising it), knowledge of logical planning framework terminology and provides large amounts of money for the work at hand. A consultant who knows the terminology takes the leading role, ensures that more than one organisation is part of the application (including a memorandum of understanding between the organisations), and complies with the requirement of the funder for a partnership. The dominant role of consultants and the high levels of dependency on these consultants were reflected in the fact that the roles of service providers (compared to other partners) were rated the highest on a Likert-scale exercise during the evaluation. The problem with this supply-driven approach is that it complies with the requirements and the funding, but does not search for ways in which community-based organisations and community-based LEDs could access markets.

**The nature of partnerships**

How were these partnerships constituted? In practice, one of the partners had to sign a contract and became the legally bound partner. In the process, NGOs and public-sector agencies were allocated five projects and private-sector agencies received seven allocations. Public entities were keen to form partnerships with chambers of commerce as four of the five partnerships were with chambers. Yet, in practice, these seldom went beyond some kind of working group. NGOs, in turn, were more inclined to form partnerships with fellow NGOs or with public entities. Only one of the five NGO projects included a private-sector partner. Private-sector projects included partnerships with community organisations/community producer organisations or established producer organisations, larger private firms, and NGOs.

Although it is extremely difficult to draw conclusions from the above exposition, the following preliminary points should be noted. Firstly, public-sector beneficiaries mainly created partnerships with organised business. These partnerships involved the participation of organised business representatives in steering committees related to the specific project. Secondly, NGOs were more likely to create partnerships with other NGOs, whilst one also
needs to acknowledge that, per definition, NGOs are more accustomed to working in a partnership arrangement. Thirdly, private-sector partners probably had the most extensive partnership arrangements but were generally dominated by consultants. In general, partnerships between smaller community-based LED initiatives and other similar initiatives or partnerships amongst small producers or between small producers and larger firms were absent.

Issues of power

Although the concept of partnerships is commonly used to illustrate equal representation for partners, the reality from Gijima projects (similar to the international literature) suggests that this assumption is often ill-founded. Partners join with different intentions, different resources, and different skills, which could potentially lead to conflict. South Africa’s recent history of racial domination under apartheid did not help to lessen such power monopolisation. It seems as if three sets of power play were present. Firstly, one finds the dominant role of service providers, as already explained; secondly, there were cases of organisations dominated by white people who were too powerful in these arrangements. One of Gijima’s officials summarised this scenario in the following words: “The project was driven more by established farmers. In other words, there was no real partnership. There was trust versus mistrust issues”. The third form of dominance came from municipalities (mostly dominated by black officials) who did not always want to work with the private sector or even work across municipal boundaries.

Public-private partnerships: were they partnerships?

It has already been mentioned that at least four of the five projects with public-sector organisations were partnerships with the private sector and that these seldom extended beyond some form of working arrangement with chambers of commerce. The international literature on public-private partnerships suggests a far more prominent role for industrial leaders than for working groups or arrangements with chambers of commerce. In fact, there is very little evidence that chambers of commerce were suitable partners. In at least two cases, the change in leadership in respective chambers of commerce hampered the project. One project manager expressed his concern regarding chamber representation in the following words: “I think that a group of tourism businesses and stakeholders in the area, collectively seeking to develop and implement a tourism development plan with the input of their municipality, would be a better start to the project”. To some extent, there is significant power play behind utilising chambers of commerce rather than industrial leaders. For public entities, it reduces the risks of being confronted, and for strong private-sector role players, it reduces the risk of being exposed as individuals. Despite this, many international private-public partnerships are in fact partnerships between individual business persons (providing the business know-how) and public entities.

Municipal capacity and willingness to work within partnerships

The existence of an extensive partnership agreement did not reduce the risk of non-performance by some partners. Project contributions from especially the public sector were hampered by a lack of commitment from senior management and by political turmoil at municipal level. A manager concerned with one of the projects aptly summarised the
situation: “There is a need for municipalities to co-operate and another challenge was that other senior role players did not commit.” Someone else mentioned: “the stress was part of the process of involving other stakeholders, especially the buy-in of the municipality senior officials.” One can thus question as to what degree municipalities are able to work within partnerships and whether obstacles are preventing municipal officials from working in partnerships. No doubt, there is political pressure which discourages municipalities from working with white-owned business, but there are also career considerations – no official will be promoted for ensuring a partnership in which the majority of the development benefits go to an area outside of the jurisdiction of the municipality.

Are these partnerships private-sector friendly?

Some concern was also expressed about precisely when to introduce private-sector investors in the project cycle. Two tourism projects had such partners involved up front (the only two projects that required a private-sector investor as a catalyst for pro-poor), but these partners lost interest as a result of the bureaucratic process and political infighting. A project manager of one of these projects articulated his frustration in this regard: “In our opinion, the involvement of a private-sector partner in a project which is still at the conceptual stage creates a number of difficulties. In our opinion, the most suitable private-sector partner should be selected after a competitive process, once the opportunity has been crystallised, the viability assessed and confirmed, and the opportunity suitably packaged.” This begs the question as to whether the partnership approach is conducive to private-sector investment and not overly focused on a project-by-project approach. As long as private-sector interests are furthered institutionally, everybody accepts them. Once private sector interests are taken up by an individual, conflict arises.

Limited capacity

Partnerships do not solve problems of human ineptitude. An assessment of the plans produced through these strategic sessions indicates capacity constraints leading to unviable plans and the inability to ensure that consultants produce quality products. Of the seventeen plans, none made a case for the initial idea not being viable – although only two of the programmes bridged the gap towards implementation. The inability of partnership groups to question the basic viability of work done by service providers is probably the underlying problem. Further evidence of this was revealed from a case in which one of the plans assessed the economic profile of one of South Africa’s other provinces, instead of that of KwaZulu-Natal. None of the representatives of the chamber of commerce, municipal officials, or councillors who approved the plan noticed this fact.

Longer-term continuation

Most of the partnerships could at best, be described as ad hoc or related only to the ‘big idea’. As soon as the project did not progress to implementation, there was limited evidence to suggest that the existing partnerships would be extended to other aspects. It is also interesting to note that the two projects that did progress to implementation were projects in which NGOs were the main beneficiaries and the main partners were other NGOs. There are
probably two main conclusions to be drawn in this respect. Firstly, it suggests that partnerships with public and private-sector entities did not work well (as already mentioned). Secondly, funding for the implementation of these two NGO projects was facilitated by donors, suggesting that these partnerships were unable to obtain any private-sector funding.

**Conclusion**

What do we learn about partnerships from the South African experience? Confirming many findings of the international literature, there are probably three main conclusions. Firstly, considering many of the requirements listed in the literature, the number of partnerships in the Gijima programme complying with these requirements is still insufficient. As has been noted internationally, the concept of partnerships has not been contextualised or defined.

Secondly, power relationships remain a major problem and depending on the situation, any of the three broad partnership groups, namely the public sector, the private sector, and NGOs, have been prominent in this respect. Aspects of trust, mutual support, common goals, and joint decision-making were seldom present. Nevertheless, these problems seem less prominent where NGOs lead the project. Human capacity problems at various levels of society do not help to minimise these conflicts as most partners are unable to bargain and contribute from their constituency. It is also evident that partnerships do not solve problems related to human capacity.

Thirdly, very few partnerships managed to take the project from the planning phase to the operational phase in order for it to become a long-term arrangement, thus confirming the existing reality of LED in South Africa. The question is therefore whether, in some instances, partnerships are not an obstacle to LED. At the same time, this inability to bridge the gap towards implementation can be related to the fact that the quality of plans was poor (and partnerships were unable to address this) and that the process seldom generated enough confidence to attract private-sector finance or to get private-sector know-how on board.

Fourthly, and perhaps the most important argument, is that partnership requirements in general did not consider the importance and the possible value of partnership arrangements amongst different community-based initiatives, or amongst small producers, or between small producers and larger firms. Such partnerships have the potential to focus more on the market sector and to improve the viability of community-based economic development.
References


